

TO : The Chairman
Commission of Inquiry into the Affairs of the
South African Football Association and the
National Soccer League.

REPORT OF THE INVESTIGATING OFFICER

I have examined the financial records of the South African Football Association (SAFA) as well as documents relating to other matters referred to the Commission for investigation and have pleasure in submitting my report.

1. The Main Sources of Income of SAFA are -

- i) Sponsorships
- ii) Gate takings - International competitions
- iii) Share - National Soccer League (NSL) - gate takings
- iv) Television broadcast rights
- v) Grants received from the Department of Sport & Recreation.

1.1. SPONSORSHIPS

- i) Sponsorship amounts recorded were checked against contracts and other forms of documentary evidence. Amounts payable to SAFA in terms of the contracts were all duly accounted for.
- ii) The primary aim of a large proportion of sponsorship agreements is football development. Substantial amounts are earmarked for that purpose, which amounts are applied in defrayal of expenditure pertaining to specific development programmes under the joint supervision of representatives of SAFA and the relative sponsor. Payment of such expenditure is effected directly by the sponsor to suppliers of goods and services. In addition thereto, cash grants are paid by those sponsors to SAFA as contributions towards SAFA's costs of administration.
- iii) To illustrate, the following examples of contract terms are provided

- a) the *Under-12 Chappies Little League* is sponsored by Cadbury (Pty) Ltd and managed jointly with SAFA
- b) another Under-12 Development programme, known as the *Simba Young Lions Development Programme*, is funded by Foodcorp Ltd and managed by Awesome Sport International
- c) the Under-19 competition, known as the *Caltex Colts League*, is financed by Caltex Oil (SA) (Pty) Ltd and supervised by a committee comprised of three representatives each from Caltex and SAFA together with the competition manager.
- d) Sasol Oil (Pty) Ltd is the sole sponsor of the SA National Under-23 Soccer Team. All direct expenditure in connection with the development programme, maintenance and support of the National Under-23 team and staging of events is paid directly to suppliers by SASOL and in addition an annual grant of R350 000.00 to SAFA in defrayal of SAFA's costs of administration and securing of TV broadcasting rights.
A sponsorship Management Committee consisting of representatives from Sasol and SAFA manages the programme.
- e) The United Bank agreed to sponsor a programme consisting primarily of National Under-20 coaching clinics and selection, training and entering into local and international competitions, involving a National Under-20 Team. The programme is known as *SAFA/United Bank Youth Soccer Development Programme*.
The day-to-day management of the programme is conducted by a project committee comprising an equal number of representatives from SAFA and United Bank.

In view of the close involvement of the sponsors with the various programmes sponsored by them, it is unlikely that any money made available by them, would have been unjustly appropriated and they would have ensured that the programmes be properly implemented. It would therefore not be incorrect to conclude that a comprehensive development

programme was carried out by SAFA in conjunction with the several sponsors involved.

In addition to the programme expenditure paid by the sponsors directly to suppliers of goods and services, the cash grants payable to SAFA in terms of the relative sponsorship agreements, were received and accounted for by SAFA.

1.2 GATE TAKINGS - INTERNATIONAL MATCHES

Admission receipts to all international matches played in South Africa accrue to SAFA. Book entries were compared with relative returns and found to be in agreement therewith.

Shares of gate takings at events staged by Awesome Sports International (Southern Africa) (Pty) Ltd (ASI) were not received. The Commission was informed during the hearing on 15 October 1996 that is now in the process of being determined and it will thereafter be collected.

1.3 SHARE - NSL - GATE TAKINGS

SAFA is entitled to a certain percentage of the admission receipts to club matches staged by the member clubs of the NSL. Amounts recorded in the books of SAFA under this heading were reconciled with the relative entries in the books of the National Soccer League (NSL). No discrepancies were observed.

1.4 TELEVISION BROADCAST RIGHTS

Amounts accounted for in financial reports of SAFA are in agreement with the contracts with broadcasters.

1.5 GRANTS BY THE STATE

Grants made to SAFA in terms of the contracts with the State were all duly accounted for.

2. EXPENDITURE INCURRED IN RESPECT OF WOMEN'S FOOTBALL, DURING THE YEAR ENDED 31 DECEMBER 1995 - R338 926.00

In the financial statements of SAFA for the year ended 31 December 1995 it was reported that the above amount was spent in respect of Women's Football which was disputed by certain members of the management of Women's Football.

Documentary evidence in support of expenditure incurred during that year was examined and found to be in order with the exception of certain amounts totalling R22 703.00, which were incorrectly debited to S A Women's Soccer.

3. ABSA BANK LTD (ABSA)/AWESOME SPORT INTERNATIONAL LIMITED (ASIL) / UNITED INTERNATIONAL SOCCER FESTIVAL.

3.1 The agreement between the above two companies provides as follows :

i) ABSA or its nominee, would be the sole sponsor over a three-year period (1993, 1994 and 1995) of a four-match *Round Robin* series to take place each year between certain teams competing in the Premier Division of English and/or European Football and South African Teams of equivalent stature.

ii) The sponsor purchased the advertising and naming rights of the series from ASIL for the following amounts :

1993	£1 475 000.00	sterling
1994	£1 578 250.00	sterling
1995	£1 688 727.50	sterling

iii) ASIL shall, upon signature of the agreement, deposit into an Escrow account, a non-taxable amount of £688 000 sterling which amount will be released to ABSA on 30 July 1993.

- 3.2 The events envisaged by the agreement took place in each of the years 1993 to 1995 and the following amounts changed hands in terms of the contract :

	<u>PAID BY ABSA TO ASIL</u>	<u>PAID BY ASIL TO ABSA</u>
1993	GBP. 1 475 000.00	GBP. 688 000.00
1994	GBP. 1 578 249.50	GBP. 736 160.00
1995	GBP. 1 687 727.00	GBP. 787 692.20

Proof of payment and receipt of the amounts was submitted by ABSA.

- 3.3 The competition was arranged by ASIL negotiating and reaching agreement with the various independent professional clubs to take part at agreed terms and conditions including the amounts of appearance fees payable by ASIL to each of the clubs, no portion thereof was payable to SAFA - SAFA was no party to any of the agreements.

CONCLUSION

This appears to have been a business venture undertaken by the parties concerned, for which they had no responsibility to account to SAFA, the NSL or any of its officials.

In my opinion it is therefore improbable that any official of those organisations would have unduly benefited financially from the events that were staged in terms of the contract. However, it is possible that portions of monies which accrued to owners of participating clubs could have been deposited on behalf of such clubowners in foreign banks. This was not investigated.

4. SOCCER ASSOCIATION OF SOUTH AFRICA EDUCATIONAL TRUST (FUND NO. 373/88)

(This is the name under which the Trust was registered in 1988)

4. 1. The investigation into the administration of the Trust was hampered by the fact that -

- i) no annual financial statements and reports were available - the Chairman of SAFA stated that since 1992 no such statements were prepared ;
- ii) no minutes of meetings of the trustees or the bursary committee which was established, were available - the Executive President of SAFA stated that during the first two, three years the Board of Trustees operated fairly smoothly but since 1992/1993 the Board never met regularly and the affairs of the Trust were handled rather administratively and said "*I am sorry, this committee has fallen into disuse*". He further indicated that the task of allocating financial assistance to students fell on the Vice Chairman and a Public Relations Officer of SAFA.
- iii) computer printouts, purported to be the official accounting records of the Trust, were presented. These were, however, unaudited, and not substantiated by documentary evidence in support of entries therein.
- iv) A separate list of payments marked "SAFA Education Trust Payments" indicating cheque numbers, names of payees, names of students and amounts was presented. Not all cheques reflected therein, were available.
- v) Files containing loosely filed applications of students for financial assistance during the period 1993 to February 1996 as well as certain items of correspondence were presented. Applications for assistance were not available in all instances and in some, essential information was not disclosed.

4.2. On 17 February 1988 an agreement of trust was entered into by nine persons in terms of which it was agreed to establish a Trust and further stipulated that the number of trustees shall always be not less than six and not more than twenty and that the members of the Executive Committee of the Soccer Association of South Africa (SASA) (succeeded by the South African Football Association {SAFA}) shall, ex officio, be Trustees (Clause 8.1.1). The trustees shall not be required to furnish security for their administration of the Trust (Clause 8.3)

4.3. The objects of the trust shall be -

"4.1. to establish a special fund in the Republic of South Africa for the sole purpose of receiving donations to be used -

- 4.1.1 *exclusively for the defrayal of any expenditure directly incurred in providing educational or training facilities (including expenditure on board and lodging facilities but excluding any expenditure in respect of tuition or boarding fees for, or the granting of any bursary to, any person nominated by a donor to the Trust) for the benefit of the pupils, students or trainees of a school or educational institution referred to in paragraph (b) of the definition of "educational fund" in section 18A of the Income Tax Act.*
- 4.1.2 *for the benefit of any college (as defined in section 18A of the Income Tax Act) for the purposes other than the defraying of students' fees or the granting of any bursary to any person nominated by a donor to such fund.*
- 4.2 *to collect funds for education at post primary level of pupils of academic ability and leadership potential who are dedicated to the game of soccer and possess sportmanship and willingness to participate in administration.*
- 4.2.2 *to grant bursaries, scholarships or loans for the benefit of the pupils or students referred to in 4.1 but not to make grants to any person nominated by a donor to the trust, provided that such bursaries, scholarships or loans may not be made by the trust directly to any person."*

From the above, it is clear that, to qualify for financial assistance, an applicant should :-

- be of academic ability
- have leadership potential
- must be dedicated to the game of soccer
- possess sportmanship and
- a willingness to participate in administration.

It is further provided that scholarships or loans may not be made by the Trust directly to any person or to a student nominated by a donor to the Trust.

- 4.4. From an examination of applications for assistance and payments to beneficiaries, deviations from the above described criteria in many instances became evident, for instance,

bursaries were granted to :

- i) The Executive President of SAFA and member of the Bursary Committee of the Trust, for his studies for a diploma at a Technicon;
- ii) applicants who had no contact with soccer other than being the child of an employee or an official of SAFA or the NSL;
- iii) children of members of the Executives of SAFA, NSL and certain clubs;
- iv) employees of SAFA ;
- v) a sports journalist with no connection to any club, SAFA or the NSL;
- vi) students in respect of whom no applications were found in files;
- vii) applicants whose applications do not reflect any contact with soccer, either direct as associated to a club or indirect as being related to any person involved in soccer as player or administrator;
- viii) payments were made directly to students and/or their parents.

- 4.5 Amounts, totalling R48 832.86 at 29.02.96, were from time to time during the preceding years paid out on behalf of SAFA and reflected in the said printout as an amount recoverable from SAFA.

Included is an amount of R10 000 paid to Iwisa Kaizer-Chiefs as the club's appearance fee for participating in the Sparletta Challenge staged by SAFA, the income of which was intended to accrue to the Educational Fund. On 17 September 1996 when this evidence was presented to the

Commission no such income had however been received. The payment to Iwisa Kaizer Chiefs had in the meantime been transferred to the above account, and reflected in the books of the Trust as recoverable from SAFA.

- 4.6 In a letter dated 11 January 1996 the NSL/Iwisa Trust advised that after "..... numerous attempts in the past to obtain audited financial statements of the SAFA Educational Trust" it was decided that the Trust no longer be considered a beneficiary.

5. SOUTH AFRICAN FOOTBALL ASSOCIATION DEVELOPMENT TRUST
(NUMBER 93 0499/08)
(An association incorporated under Section 21 of the Companies Act, 1973)

- 5.1. This company was registered on 10 August 1993.
It's objects being :

"2. MAIN OBJECT :

*The main object which the Company is to carry on is :
the provision of sporting, recreational and educational facilities
and the general promotion, improvement and encouragement of
sporting and educational activities within the Republic of South
Africa.*

3. PURPOSE DESCRIBING MAIN BUSINESS :

The main business of the company is :

3.1 *to foster, promote, control, encourage and provide
facilities for sporting, recreational and educational
activities particularly football within the Republic of South
Africa and*

3.2 *to collect and receive funds and to utilise these funds for
the benefit of the public within the Republic of South
Africa, for the development and provision of football and
educational premises and facilities (including formal and
informal education, vocational training and coaching) for
members of the public who are involved in sports of all*

kinds including sports teachers, coaches, administrators, players and spectators, which it is considered will contribute significantly to the physical, emotional and educational development of the individual members of the Community; and

3.3 *to provide sports fields, stadia, premises, furniture, fittings, conveyances and recreational, educational, training and remedial facilities for the benefit and advancement of persons involved in sports of all kinds; and*

3.4 *to cooperate with and assist other charitable, educational or sporting institutions, societies, trusts, organisations and associations not for gain, and otherwise, and to conduct research programmes and projects provided that benefits may be awarded only to natural persons; and*

3.5 *to award and utilise its funds for no purpose other than charitable or educational purposes for the benefit of the general public, with awards only being made to natural persons."*

5.2. Audited, but unsigned, financial statements for the period from the date of inception of the company to 28 February 1994 were available and only draft statements (unaudited) for the two years ended on the last day of February 1995 and 1996 were presented.

5.3. Other than the financial statements mentioned above, no records, such as the financial books, minutes of meetings of the directors/trustees of the company were submitted.

5.4. According to information supplied, the Board of Directors is comprised of sixteen members, some of whom are prominent in business circles with no other connection with soccer and the chairman of the board is the chairman and managing director of a major company. The said chairman has, according to information, taken responsibility for the administration of the Trust and the maintenance of financial and other records.

5.5. The Klipspruit Development comprising :

- i) four grassed soccer pitches
- ii) ablution/dressing rooms
- iii) administration offices and small community centre, all walled-in with a boundary wall

was erected for the company by Foodcorp Ltd at a cost of approximately R4,4 million. The land is owned by the Soweto City Council and leased to the Trust on long-term basis.

CONCLUSION :

Subject to the above remarks concerning the non-availability of audited financial statements for the years ended February 1995 and 1996, (more than six months after the end of the financial year-end) it would appear that the company is well managed by a Board of Directors of which the majority are not connected to SAFA or the NSL and that suggestions that any official of SAFA had derived any undue benefit from the company appears to be unfounded and devoid of the truth.

6. SOUTH AFRICAN SOCCER ACADEMY TRUST

- 6.1. On 21 April 1986 the National Soccer League, as founder, and the first trustees established a trust for the benefit of the public to receive funds for vocational training of persons involved in physical education and development and, in particular, to improve soccer coaching and training techniques. The founder, the National Soccer League made an initial donation of R2 000.00 to the trustees to be administered by them in accordance with the terms of the trust.

The agreement of trust was signed on 8 July 1987 by the founding trustees.

- 6.2. The Trust, according to the financial statements for the period since the date of inception to 31 March 1996, had great success in presenting training courses for coaches. For instance in his report for the year ended 31 March 1994 the chairman reported that *"..... the quality of the coaches graduating from the Academy are of a high standard. Several of these coaches are already operating at senior level in South African football."*

International contact was also made in order to ensure that the basic training methods in South Africa keep abreast of international trends. Opportunity to attend a twenty four day training course in the Netherlands under the auspices of the Royal Netherlands Soccer Association, was afforded to four graduate coaches of the Academy. The arrangements in this regard were made by the Netherlands Embassy in Pretoria. During 1993 the Director of the Brazilian Football Academy, visited South Africa as the guest of the S A Academy. During his stay he conducted two courses in Johannesburg and in Durban.

- 6.3. NSL was the founder of the Academy. Over the years however, representation of the NSL on the Board of Trustees gradually diminished so that at 31 March 1996 the only representative from the known football fraternity involved at national level was Mr S Morewa. Other members of the Board are not otherwise involved with soccer, are all in business and are unable to devote the time to keep up the good work done by the Academy over the past years.

The chairman reported in 1996 that discussions were held with the trustees of SAFA's Development Trust with a view to determining a future role for the Academy in South African Soccer but no response was forthcoming and it was suggested by him that the affairs of the Academy be wound up during the coming year.

It seems tragic that this organisation which successfully rendered a service of standard in the field of the development of the manpower function so urgently needed by the game in South Africa, should be wound up.

7. MATTERS CONCERNING M S MOREWA AND HIS RELATIONSHIP WITH ASI.

7.1 MARKETING AGREEMENT : AWESOME SPORT INTERNATIONAL LIMITED (ASIL)

- 7.1.1 ASIL submitted a proposal, dated 15 September 1994, which was circulated and subsequently tabled at a meeting of the Finance Committee of the South African Football Association (SAFA) on 16 October 1994.

The proposal was accepted in principle, subject to certain provisos which were to be catered for in the final agreement and subject to it being scrutinised by the Legal Subcommittee of SAFA.

- 7.1.2 Although the final approval of the contract by either the Financial Committee or the National Executive could not be found in the respective minutes of meetings of the relative committees, the contract (which was apparently typed 10 November 1994) was signed by the Chairman on behalf of SAFA. It was, however, not dated by either of the two signatories of the contracting parties.
- 7.1.3 The effective date of the contract was stated as 1 October 1994. (*Paragraph 2.1.5*)
- 7.1.4 In terms of Clause 3.3 of the contract, ASIL was appointed the sole marketing and promotions manager of SAFA. In Clause 4.1 which initially read as follows :

"SAFA hereby appoints ASIL as its exclusive marketing and promotions manager to the extent that such exclusivity is not in conflict with the regulations and directives of CAF, COSAFA or FIFA" The words "exclusive" and "exclusivity" were deleted and the latter ("exclusivity") was replaced by the word "appointment" in the final document.

At the hearing of the Commission on 15 October 1996 it was pointed out that the appointment of ASIL as the sole marketing and promotions manager appears to be an appointment excluding all competitors in the field.

This was opposed by counsel for Mr Morewa, who argued that the appointment is not an exclusive one and that SAFA is entitled to appoint any other person or organisation in addition to ASIL.

In my opinion there can be no doubt that ASIL was appointed the sole marketing and promotions manager of SAFA and that no other manager may be appointed. However, this does not preclude SAFA from appointing another person or organisation as marketing agent to canvas probable sources of income such as sponsors,

advertisers and broadcasting institutions subject to the control of the marketing manager.

This may, however, prove to be an expensive and uneconomical course, in view thereof that no agent who operates in that field shall canvas new business without being remunerated for its services in addition to which ASIL is in terms of Clause 9.1.2 of the marketing agreement entitled to 15% of the additional revenue generated by the newly introduced business

So, practically, it boils down to ASIL having been appointed the sole marketer of SAFA to the exclusion of all competitors.

7.1.5 The period of the contract was three years and three months terminating on 31 December 1997. (*PARAGRAPH 5.2*)

7.1.6 In terms of Clause 6.1, ASIL guaranteed that the annual income of SAFA shall in each of the financial years following be not less than the base income escalated by 15% per annum reckoned from 1 January 1995 and compounded annually on 31 December of each financial year. Should this not be achieved in any one year, ASIL's appointment shall lapse forthwith. (*PARAGRAPH 6.2*)

7.1.7 ASIL's remuneration shall be calculated as follows:

7.1.7.1 10% of amounts received by SAFA on or after the effective date in terms of existing contracts and (*PARAGRAPH 9.1.1*)

7.1.7.2 15% on all amounts payable to or raised on behalf of SAFA after the effective date in terms of agreements or arrangements concluded by or on behalf of SAFA after the effective date in respect of sponsorships, television rights, general fundraising, endorsements or development programmes. (*PARAGRAPH 9.1.2*)

(The amount which accrued to ASI as commission on sponsorships raised in 1995 was R900 000.00)

7.1.8 ASIL shall, subject to the prior approval of SAFA, have the right to arrange and promote events not forming part of SAFA's annual calendar. (PARAGRAPH 8.1)

In respect of such events, ASIL shall pay to SAFA the amount agreed to in respect of each event in question but shall otherwise be entitled to all income generated by the event without limitation, income generated from the sale of tickets, advertising, television rights and the like. (PARAGRAPH 9.2)

7.1.9 ASIL shall not have the right to incur any expenditure on behalf of or in the name of SAFA. (PARAGRAPH 10.1)

In arranging travel and accommodation expenditure on behalf of SAFA for soccer teams touring to or from South Africa, ASIL shall act in accordance with such budgets as may from time to time be approved by SAFA in respect of any particular event. (PARAGRAPH 10.2)

7.1.10 Notwithstanding the provision in Clause 10.1 of the marketing agreement that "*ASIL shall not be entitled to incur any expenditure on behalf of or in the name of SAFA in performing its obligations hereunder,*" Mr Brian Mahon of ASIL, purporting to act on behalf of SAFA, entered into an agreement with Brazilian Football Confederation (CBF) in terms of which SAFA and not ASIL, was the contracting party, binding itself to pay to CBF an appearance fee of US \$560 000.00 as well as "*... all the Brazilian Team's expenses concerning ground transportation, accommodation in five star hotel, including five meals a day, breakfast, lunch, snack, dinner, and supper.*"

This is contrary to the provisions of Clause 10.1 of the marketing agreement. This event was staged by ASIL as a non-scheduled match for its own account in terms of Clause 8 of the marketing agreement.

According to information supplied by the Secretary-general of SAFA, the practice with regard to such events is that, after approval by SAFA of the proposed event, ASIL negotiates and contracts the terms of participation with National soccer controlling bodies and/or clubs abroad. The contents of such contracts is not disclosed to SAFA who is therefore not aware of the expenses and/or implied contractual liabilities of SAFA which may emanate from such contracts and consequently SAFA is in no position to

control or confirm strict adherence by ASIL to the terms of Clause 10.1 of the marketing agreement.

7.1.11 In terms of Clause 4.1 of the marketing agreement ASIL is appointed marketing and promotions manager of SAFA. and in terms of Clause 8.1 the said marketing and promotions manager is granted the right to arrange and promote events not forming part of SAFA's annual calendar, the income from which shall be for the sole benefit of ASIL after payment to SAFA of the previously agreed sum in respect of each event.

ASIL is therefore, on the one hand, marketing manager, responsible to canvas sponsorships, advertising and television broadcasts for events staged by SAFA and on the other hand as promotor of events staged for own account and competing in the same market for sponsorships, advertisers and the sale of television broadcast rights.

The following are examples :

ASIL entered into sponsorship agreements in respect of non-scheduled events with sponsors who normally sponsor events staged by SAFA. In terms of the agreement between ASIL and Foodcorp Ltd, the latter is the sponsor of the Four Nations Tournament over a three-year period and S A Breweries sponsors, over the four years 1995, 1996, 1997 and 1998, the Nelson Mandela Inauguration Challenge.

The terms of neither of these contracts were disclosed to SAFA.

8. LOAN BY B R MAHON TO M S MOREWA

8.1 The following amounts were paid by (or on behalf of) Awesome Sport International (Southern Africa) (Pty) Ltd (ASI) to Mr Morewa. These amounts were alleged by Mahon during his testimony on 8 October 1996

before the Commission, to have been paid on his behalf and were to be charged against his loan account in the books ASI :

30.06.94	by Peter Wentzel attorney - Trust Account	R 50 000.00
12.12.94	ASI	R 50 000.00
23.12.94	ASI	R200 000.00
31.07.95	ASI	R100 000.00
28.09.95	ASI	R100 000.00

8.2 Mahon stated that the terms of the loan were :

8.2.1 repayable at the end of 1997

8.2.2 interest payable at 2% below prime bank overdraft rate

8.2.3 security exists for 60% of capital advanced in the form of an endowment policy on the life of the borrower which matures round about the end of 1997. The policy has not been ceded to him and is in the possession of Morewa.

8.2.4 R50 000. of the capital advanced had been repaid

8.2.5 The contract was not reduced to writing

8.3 When the Chairman of the Commission pointed out that in view of the fact that the policy was not ceded to him and that the policy document not being in his possession but in the hands of the borrower, it cannot be relied upon as security, and furthermore he holds no documentary evidence of the loan agreement, Mr Mahon commented that he knows the man he is dealing with and the moral security afforded by the borrower was acceptable to him as ample security. This is a rather indifferent attitude where it concerns a loan of R500 000. Surely not the attitude of a prudent businessman.

8.4 It must further be pointed out that the insurance policy which was alleged by Mr Mahon as representing 60% of the capital amount turned out to be

an amount of R77 912.62, representing only 15.58% of the amount of the loan

- 8.5. During a discussion with Mr Morewa in Chambers, he informed the Commission that the amount advanced to him was R450 000, that it was interest-free and he was not sure of the date of repayment. He indicated that an investment of his became repayable some time in September this year. This amount, he stated, was agreed to be utilised in part repayment of the loan.
- 8.6 The reason for the loan, as submitted by both the lender and the borrower, was the financial pressure which was purported to have been exerted on the borrower at the time. However, according to the bank statement at 30 June 1994, prior to the first advance of R50 000. was credited, the credit balance to Mr Morewa's current account was R19 829. and during the months thereafter, until 30 November 1994 the account continuously reflected a credit balance and on 20 December 1994 when the second instalment of R50 000. was deposited the credit balance stood at R72 5423. before crediting that amount.

The third instalment of R200 000. was deposited to a savings account and during September 1995 amounts of R110 000. and R71 000. respectively, absorbing the major part of the fourth and fifth instalments, were placed on fixed deposit. The total amount held by Mr Morewa in banking accounts (including the fixed deposits), on 2nd October 1996, was R355 864.

From the above it is evident that he did not experience any cash shortage before or after the loan instalments, and his plea of cash flow problems appears to be unfounded.

8.7 Repayment/Security for the Loan

Mr Morewa has furnished the Commission with the following documents :

- 8.7.1 Deposit slip dated 25.06.96 - Credit Account B R Mahon - Drawer of the cheque deposited is reflected as M S Morewa. The paid cheque could not be made available, but the bank statement of M S Morewa reflects a debit of R50 000. on that date; Why this payment was made prematurely (approximately 25 days after the first session of the Commission) is not clear.
- 8.7.2 A cheque for R84 850.44 dated 22.10.96 drawn in favour of Brian Mahon by M S Morewa. This is the proceeds of Morewa's fixed deposit No. 9981 at Nedbank, Lister Branch.

Also this payment was made more than a year before the purported due date.

8.7.3 A letter from Southern Life Association Ltd, dated 16 July 1996 advising Mr Morewa that his policy No. 1834753 is due to mature on 1 September 1996 - the maturity value is R77 919.62. The policy document was, according to Mr Morewa, previously mislaid. He could therefore not claim the proceeds of the policy. He has in the meantime (19 October 1996) applied for a new policy document to be issued. Only when this is done will he be able to obtain payment of the amount payable in terms thereof;

8.7.4 A copy of an extract from the bank's records pertaining to fixed deposit No. 9980 in the amount of R123 326.27

The total of the above amounts, is R336 095.00 representing 67,2% of the capital value of the loan.

8.8 Throughout the hearings of the Commission, Mr Peter Wentzel, attorney for ASI, persistently maintained that the affairs and business dealings of ASI were confidential and not available for disclosure to the Commission.

Notwithstanding his views in this regard he did undertake to cooperate by providing the Commission, on confidential basis, with such information to enable the Commission to arrive at reasonable conclusions and produce a balanced report.

Despite that undertaking the impression is created that he is not too eager to provide an extract of Mr Mahon's loan account in the books of ASI, duly certified by the company's auditors as a true and correct extract : firstly, a list of amounts purporting to be debit and credit entries on Mr Mahon's loan account and certified as a true copy by a member of the South African Police force. When this was not acceptable to the Commission, the second attempt was a certificate by Equity Management Services (Pty) Ltd, a company of Mr A H Muhammed, and not the company's auditor. This, I have intimated to Mr Wentzel, is not acceptable either, and on 21 November 1996, he undertook to obtain an acceptable auditor's certificate. This is still being awaited.

This certified extract was requested by the Commission to verify the veracity of Mr Mahon's contention that payments to Mr Morewa by ASI were made on his behalf from his personal funds held by ASI on loan account.

9. BANKING ACCOUNT OF M S MOREWA

At 2 October 1996 Mr Morewa had the undermentioned banking accounts and the balance of each at the date was :

Standard Bank Diepkloof	No. 20276 7582	13.08.96	R 62 416.33
Nedbank Lister branch	No. 1978 295324	02.10.96	R 22 614.74
Nedbank Fixed Deposit	No. 9980	02.10.96	R 123 326.27
Nedbank Fixed Deposit	No. 9981	02.10.96	R 83 919.28
Trust Bank, Eloff Street	Savings account No. 38 15915-030-6	01.10.96	<u>R 63 587.77</u>
		TOTAL	<u>R 355 864.39</u>

10. SAFA - EMOLUMENTS TO M S MOREWA

10.1 Remuneration and allowances paid monthly were as follows:

	<u>SALARY</u>	<u>CAR ALLOWANCE</u>	<u>TOTAL</u>
January to May 1993	R 15 480.		R 15 480.
June 1993 to May 1994	R 17 500.		R 17 500.
June 1994 to May 1996	R 22 200	R 6 000	R 28 200.
June 1996 to date	R 27 000	R 6 000	R 33 000.

According to information supplied by the treasurer (Mr V Baartjes) payment of a car allowance was introduced effective from June 1994. Mr Morewa, however, in view of the precarious financial position of the association, did not draw that allowance until 8 December 1995 when a

cheque in the amount of R102 000. (17 x R6 000) was paid to him.

10.2 Performance Bonuses

At the Annual General meeting of SAFA held on 21 April 1995, it was approved that R45 000, representing approximately 10% of the increase in sponsorships during 1993/1994 be paid to the Executive President and at the meeting of the Executive Committee held on 26 April 1996 it was resolved that a performance bonus equivalent to approximately 10% of the increase in sponsorships during 1995 be paid to Mr Morewa. This amount was calculated at R95 000 and paid on 19 June '96.

- 10.3 Due to an error on the part of administrative staff, payment of the performance bonus (R45 000) payable in respect of 1994 was duplicated on 10 December 1995. This amount, is being recovered by way of an initial deduction of R15 000. in August 1996 off his salary and further deductions of R5 000.00 each per month until February 1997 when it is envisaged that the full amount would have been recovered. Both cheques were signed by Messrs. M S Morewa and M N Oliphant. According to Mr V Baartjes, treasurer of SAFA, official approval of the extended method of repayment by the Executive Committee was not obtained. No interest is charged on the outstanding amount.

(Surely, he should have known that he had already received that amount previously. Why should the amount be paid back over a period - why had it not been repaid in full when the mistake was discovered?)

- 10.4 With regard to the performance bonus paid to Mr Morewa in respect of the 1995 year, it must be borne in mind that ASIL was employed as marketing manager with the specific object of increasing revenue. The input of the Executive President should therefore, be minimal, if any.

At the hearing on 15 October 1996 it was pointed out that the performance bonus for 1995 was calculated as 10% on only the increase in sponsorships which existed before the marketing agreement came into effect as follows :

Sponsorship revenue -	1995	R 3 322 310.00
	1994	<u>R 2 367 000.00</u>
Increase		<u>R 955 310.00</u>

Bonus being approximately 10% thereof - R95 000.00

The remuneration paid to ASI for 1995 was R900 000.00 being 15% of receipts from sponsorships raised other than those which were the basis for calculation of Morewa's bonus.

The above amount was calculated on only a portion of sponsorship revenue. Whereas the contract provides that ASI's remuneration shall be calculated as 10% of receipts on existing contracts plus 15% of receipts from new business, it is probable that ASI may later claim the balance of its contractual remuneration. Should that be done, 20% of the increased income from existing contracts would be paid away as 10% commission to ASI and 10% performance bonus to Mr Morewa. This appears to be rather exorbitant.

Further, in the light of the Executive President's rather generous remuneration package, the so-called "performance bonus" is questionable.

11. EVENTS STAGED BY ASI FOR ITS OWN ACCOUNT

- 11.1 In terms of Clause 8 of the marketing agreement ASIL may, subject to prior approval of SAFA, arrange and promote events not forming part of SAFA's annual calendar. In respect of such non-scheduled events, ASIL shall pay to SAFA the amount agreed to in respect of each such event and shall otherwise be entitled to all income generated by such event.
- 11.2 On 21 October 1994 the National Executive Committee approved the terms of the Four Nations Tournament which was scheduled to take place between 27 November and 4 December 1994 as follows :
- a) Match fee of R400 000. plus travelling and accommodation expenses for the National Squad;
 - b) 20% of the net gate receipts at each of the three venues. No mention is made of any expenditure pertaining to the event, that would be payable by SAFA.

This was reaffirmed by the Executive President at the meeting of the Finance Committee held a year later on 26 October 1995 and at the meeting of the Executive Committee on 12 November 1995.

It appears that this arrangement was subsequently renegotiated and the undermentioned amounts were received by SAFA :

Match Fee	R250 000
Players' Fees	R214 830
Prizes	<u>R122 500</u>
	<u>R587 330</u>

The amounts received as players' fees and prizes were paid over to the players.

No part of the gate takings were received by SAFA. Approval of the revised contract by the Executive Committee could not be found in the relative minutes.

- 11.3 In a circular dated 9 November 1995, the Secretary-General advised members of the Executive Committee of the terms of the Four Nations Tournament scheduled for the period 18 to 26 November 1995 as follows :

"A fee of R400 000. upfront plus the accommodation, travel, players' allowances/bonusses and other related expenses for our national team and also an amount equal to 20% of the gate takings (less stadium expenses) at the three venues. The Association will thus receive net income of R400 000 plus our share of the gate takings."

The Association did in fact receive a match fee of R400 000, but no gate takings were accounted for. Whether this was reported to the Executive Committee could not be confirmed.

- 11.4 An amount of R100 000 was paid to ASI as a "management fee" in respect of the match against the team from Germany, which was staged on 15 December 1995. Whether this engagement and remuneration was approved by the Executive Committee could not be confirmed.

From the above it would appear that the approved terms of agreements with ASI in regard to events staged by it in terms of Clause 8 of the marketing agreement are subsequently deviated from and it is not clear whether the Executive Committee bears knowledge of relaxations of the terms in favour of ASI.

At the hearing it was contended that the members of the Executive Committee are constantly kept informed of progress of all negotiations with ASI. If that is so, it is not reflected in the records of the Association.

12. It was also explained by the Secretary-General of SAFA during the hearing on 15 October 1996 that the R400 000.00 payable by ASI for the year 1994 event which was originally reported included the fees payable to players of the National Squad which were to be paid by SAFA. In the light thereof the consideration payable by ASI was renegotiated with the result that ASI in fact paid more than the originally agreed amount.

However, I find the explanation not acceptable in view thereof that a year later, when all the facts about the revised figures were known, the Executive President on two occasions, approximately a month apart, repeated to the Executive Committee the terms as was originally reported on 21 October 1994.

With regard to the shares of the gate takings that were not received it was stated by Mr Morewa that the treasurer is at present calculating the amounts thereof and will then endeavour to collect it.

The fact that this is only now, many months later, attended to, also points to a rather nonchalant approach to matters concerning monies collectable from ASI.

13. AGREEMENTS : ASI AND SAFA WITH REGARD TO THE SPONSORSHIP OF FOODCORP LIMITED.

The introductory paragraph of a letter by Awesome Sport International Limited (ASI) to SAFA, dated 28 March 1994 reads as follows :

"The purpose of this letter is to record the agreement reached between Awesome Sport International Limited ("ASI") and the South African Football Association ("SAFA") regarding an annual event (to be known as the Foodcorp Four Nations Cup), a special one-off event scheduled for April 1994, and an Under-12 Soccer Development Programme."

In the succeeding paragraph is set out the obligations and rights of ASI in regard to the Foodcorp Four Nations Cup, which summarised, are as follows :

ASI undertakes to pay the following expenses associated with the event :

- all **appearance fees** and travel and accommodation costs incurred **by each of the four nations.**
- all stadium related costs
- all television costs
- a fee of 20% of all gate takings to SAFA

All income of the event will accrue to ASI.

ASI's rights and obligations will continue for as long as the sponsorship agreement with Foodcorp is in existence. Foodcorp has committed itself for an initial period of three years.

It is significant that the purpose of the letter as quoted above is stated as *".... to record the agreement reached"* between ASI and SAFA. With whom was agreement reached?

In this regard it is also worthy of note that the letter was marked for delivery by hand and for the attention of Mr Solomon Morewa.

The penultimate paragraph of the said letter the addressee is requested to sign the duplicate original thereof in the space provided and in that space the signature of Solomon Morewa is called for. Although the copy available to the Commission does not bear the signature of either the writer (Brian R Mahon) or Mr Morewa, another unsigned copy thereof was appended to the written record of the submission to the Commission by legal counsel of ASI. In the light thereof, it would not be incorrect to assume that the authenticity of the letter would not be disputed by either ASI or Mr Morewa.

It must be noted that the sponsorship agreement is between ASI and Foodcorp. - SAFA is not a party to the agreement, does not have a copy thereof, and is not au fait with the contents thereof other than the information furnished by ASI.

With regard to the Under-12 Soccer Development Programme it is recorded that the agreement provides,

"... for Foodcorp to invest (annually, for a minimum of three years) the sum of R1 million in SAFA's Under-12 Soccer Development programme."

(In later correspondence from ASI and in the submission by Mr Morewa to the Executive Committee on 21 October 1994, the amount is stated at R2 million per annum). It is also stated that details of the programme had not yet been agreed between the parties concerned, which will be finalised between SAFA, Foodcorp and ASI as soon as is practically possible.

It is not clear whether the SAFA Executive Committee was consulted by ASI prior to entering into its agreement with Foodcorp. Nothing could be found in the minutes of meetings of the Executive Committee suggesting that it had taken any specific decision in regard to the Under-12 programme.

In his testimony before the Commission on 3rd September 1996, Mr Ian Edward Riley, a freelance agent/administrator of soccer stated that he, on behalf of ASI, manages the Foodcorp Under-12 Soccer Development Programme and it appears that SAFA's role in this regard is subordinate to that of ASI.

The special event referred to in the introductory paragraph of the said letter, has reference to two games between the National teams of South Africa and Ghana, which ASI was obliged to offer to Foodcorp, at no cost to Foodcorp, as an inducement to that company to sponsor the Four Nations Tournament. The terms thereof were to be the same as that pertaining to the Four Nations competition with the exception that SAFA would be entitled to only 10% of the gate takings. Receipt of neither the share of gate takings, nor the appearance fee, could be traced in the books of SAFA and the Treasurer of SAFA confirmed that it was not received.

It is also significant that Foodcorp had made available, for the use of the Executive President of SAFA, a Mercedes Benz motor car. No record could be found in the minutes of meetings of the Executive Committee or any of the sub-committees of SAFA that this benefit extended to the Executive President by a sponsor was declared.

At Clause 9.2 of the Marketing Agreement between SAFA and ASIL, it is provided that :

"In respect of non-scheduled events arranged and promoted by ASIL in terms of Clause 8, ASIL shall pay to SAFA the amount agreed to in respect of the event in question but ASIL shall otherwise be entitled to all income generated by the event"

The Four Nations Tournament is such an excluded event.

In a letter dated 27 July 1994, addressed to SAFA and marked for delivery by hand and for the attention of Mr Solomon Morewa, Mr Brian Mahon, on behalf of ASI writes as follows :

"The purpose of this letter is to place on record the agreement reached between ourselves and SAFA regarding the staging of the Foodcorp Four Nations Cup (the "event") :

1. *the event will be held in South Africa during the period 27 November 1994 to 4 December 1994;*
2. *SAFA will receive the sum of R400 000 (four hundred thousand Rand) plus travelling and accommodation expenses for the National Squad of South Africa;*
3. *in addition to paragraph (2), SAFA will receive 20% of the net gate receipt received at each of the 3 venues.*

During the meeting of the Executive Committee held on 21 October 1994

"Mr Morewa reported that Awesome Sport International had submitted a proposal whereby SAFA would earn an amount of R400 000 plus 20% of the gate takings during the staging of the Four Nations Tournament to be held between November 27, 1994 and December 4, 1994. This tournament will be sponsored by Foodcorp. Foodcorp has, in addition, agreed to sponsor the Under-12 Development programme over a period of three years at a rate of R2 million per annum."

It is significant that Mr Mahon in his letter of 27 July 1994, placed on record the terms of the agreement reached between SAFA and ASIL and three months later, Mr Morewa reports it to SAFA Executive Committee as a proposal of ASI. In the minutes of the said meeting it is not recorded that ASIL's letter of 27 July 1994 was tabled - it is minuted as a verbal report by Mr Morewa.

No mention is made in Mr Morewa's report of the earlier agreement that was reached in terms of which ASI had undertaken to pay "... all appearance fees and travel and accommodation cost incurred by each of the competing four nations" and the fact that no-one of the committee members present enquired about it, leads one to believe that no-one of those members bore any knowledge of the previous agreement and Mr Morewa, who evidently signed that agreement, chose not to enlighten the Committee in that regard.

It would appear that the Executive Committee was under the impression that SAFA would receive R400 000. clear of any obligation or liability. However, when the players' fees had to be paid, ASI informed SAFA that the R400 000 was an appearance fee out of which the players' fees had to be paid. After negotiation it was agreed that the R400 000. be reduced to R250 000. and ASI would pay the players' fees which amounted to R214 000.

From the above it would appear that between Mr Morewa and Mr Mahon, the Executive Committee was misled and that SAFA did not receive its full due for the 1994 Four Nations Tournament.

In this regard it may also be mentioned that the 20% shares of gate takings were to this day (22 November 1996), not received by SAFA.

With regard to the Four Nations Tournament staged during November 1995, the amounts payable to SAFA were re-negotiated as follows :

Consideration for the right to stage the Tournament, R400 000;
all players' allowances/bonuses, travel and accommodation costs;
20% of the gate receipts less stadium expenses at the three venues.

It should be noted that, in terms of the agreement of 28 March 1994, the share of gate takings to which SAFA would be entitled, was set at 20% of **gross takings**.

14. RELATIONSHIP : ASI AND K MOTAUNG / KAIZER CHIEFS

During the period June 1994 to May 1996, ASI made payments to Mr Motaung of substantial amount which, according to evidence provided, represent remuneration for services rendered by Mr Motaung to ASI in respect of certain so-called non-scheduled events staged by ASI for its own account as well as Motaung's share of profits which resulted from staging certain other such events.

During the hearing on 8 October 1996, the Chairman put to Mr Mahon the question : *"What did you pay him for, ... what help do you expect of him?"* Mr Mahon responded as follows : *"Sir, I expect a number of things from him and one of them is to lead us through this, as you can see here today, and for the last three months, South African football is an emotional issue,, and I took a view on him as a financial partner so to speak, he's not an equity shareholder and there's the distribution to Mr Motaung by myself based on if profits are made or are not made"*

From the above it is evident that Mr Motaung is remunerated for services rendered by him to ASI and is also paid as "financial partner" a certain share of the profits realised by ASI

15. RELATIONSHIP : SAFA/NSL.

Certain matters and developments during recent times were such that it did not only cause loss of bonding between the two organisations but led to a rift developing between them.

In an effort to clear the air a joint meeting comprised of representatives of both SAFA and the NSL and attended by the Minister of Sport and the Acting Chief Executive Officer of the National Sports Council was held on 6 July 1995.

At this meeting it was stated by Mr Morewa that the relationship between SAFA and the NSL had recently deteriorated towards boiling point.

The following issues were raised :

1. The SAFA Education Trust had been removed from the list of beneficiaries of the NSL/Iwisa Trust.
2. SAFA's share of NSL gate takings had not been received for a long time despite repeated requests.
3. SAFA had not been notified of any of the NSL general meetings.
4. There is an escalating attack on the integrity of SAFA.
5. There are persistent efforts by the NSL to create the perception that SAFA is the custodian of Mr K Motaung and Iwisa Kaizer Chiefs Football Club. Rumours are spread that SAFA officials and in particular, Mr Morewa, must go, as they are allied to Iwisa Kaizer Chiefs Football Club.
6. The grant from the Bob-Save Superbowl normally received by SAFA had not been forthcoming.

The NSL chairman, Mr L Taunyane, as well as other members, stated the views of the NSL as follows:

1. The fact that no information was forthcoming in regard to the application of the funds of the SAFA Educational Trust was rather disappointing and led to questions being asked by NSL-members. (Mr Morewa stated that the books of the Trust were at that time being audited and that the financial report would soon be available. During the hearing it was found by the Commission and acknowledged by Mr Morewa, that the books of the Educational Trust had not been properly written up since 1992. The above statement of Mr Morewa was therefore devoid of the truth).

2. The perception existed that SAFA was interfering in NSL affairs and endeavours to take over the NSL.
3. NSL requested information relating to the contracts pertaining to the ABSA-festival, but these were not forthcoming.
4. Negative utterances are not in furtherance of the interests of the NSL.
5. Recently games were marred by spectators, the blame for which is attributed to rulings of officiating referees which provoked the crowds. The opinion was expressed that SAFA takes sides in matters involving Mr K Motaung and Iwisa Kaizer Chiefs Football Club.
6. It is a known fact that Mr Morewa is a personal friend of Mr K Motaung, and consequently the neutrality of Mr Morewa is questioned in matters concerning Mr Motaung and Kaizer Chiefs Football Club.
7. An outside promotions company is running the ABSA Bank festival and Kaizer Chiefs had not applied for permission to participate in this event before the dates were announced.

Apart from the above issues that were raised at the relative meeting, there are several other matters that were mentioned to the Commission which cause friction between the two organisations such as :

1. The SAFA Development Fund - no financial or other reports were forthcoming.
2. Privatisation and Commercialisation of National Soccer
 - 2.1 Four Nations Competition,
 - 2.2 United Bank Festival,
 - 2.3 International matches,
 - 2.4 Selling rights to private promoter,
 - 2.5 Loss of revenue for development programmes

2.6 Prices at which rights sold not comparable to benefits accruing to the promoter from :

- sponsorships
- advertising rights
- television rights
- gate takings

2.7 Perception exists that certain members of SAFA Executive and the NSL have monetary interest in ASI.

19 December 1996


J J A ADLAM