

SUMMARY

In October 1991 small and mostly elderly South African investors were shattered when the Cape-based property empire Masterbond collapsed. It was a massive financial scam and 16 old-age investors committed suicide as a result of the total financial ruin they faced.

By the time South Africa's new democracy arrived in 1994 matters had not settled yet and Pres. Mandela appointed a commission of inquiry chaired by Mr. Justice Hennie Nel to get to the bottom of the mess.

After prolonged investigations the commission published its first report in November 1997 and exposed fraud by the promoters, dishonesty on the part of the auditors and the incompetence of the regulators on an unprecedented scale.

In an unrelated event during the same year a rather obscure closed corporation named DW Promotion was registered in Pretoria. DW Promotion became the promoter of seven unlisted public companies that were involved in the failed Oude Molen property scam.

Here entered two upstart brothers namely Durandt and Willie Botha. They had one ambition – to get wealthy in no time and entered the murky scene of property syndications where property investments were sold to old-age investors at huge secret profits by blowing up the value of properties.

But in the meantime regulators and the auditing profession showed much ambivalence and acrimony towards the Nel Commission and treated its harsh criticism with a degree of cynicism. Their only answer to his report was the introduction of the Financial Intermediary and Advisory Services Act (FAIS).

Unlike the perpetrators of the Masterbond scam who spent time in prison, the Botha brothers escaped the net of South Africa's infamously incompetent criminal justice system.

After the Oude Molen scheme nosedived and went bankrupt. Willie Botha seamlessly went on and started a new property syndication venture called Sharemax Investments. Here

some more massive secret profits followed and it is here where he encountered journalist Deon Basson five years ago. Secrecy at all costs is the hallmark of Botha's business plan and he'd been using the South African courts for two years and seven months now to try and achieve a de facto interdict against Basson.

Last month Botha asked the Pretoria High Court to gag further publication of Basson's book *Public Interest Warriors*. Basson argues in the book at length that Sharemax's license in terms of the FAIS Act should be reconsidered because Botha doesn't fit the bill as a 'fit an proper' person. Extensive number crunching and analysis left Basson with the conclusion that the Sharemax scheme is badly exposed in the current property bear market cycle.

Botha doesn't want the public to read about this in a country where risks are high because, according to Basson, the regulatory system is comprehensively flawed. The FAIS Act, he says, is cumbersome and bureaucratic and will do nothing to stop the real scamsters in their tracks.

The problem goes much deeper than only the regulators and gets to the heart of the modern capitalist system – the auditors. If the regulators fail then surely the old trusted profession will step in. Well, with Masterbond they didn't. With Oude Molen auditors Venter De Jager were conspicuously absent again and failed to report a 'material irregularity' with the then Public Accountants' and Auditors' Board.

These failures are underpinned by a long history of a lack of independence by using the audit as a market stall to sell other lucrative management services to their clients. All this was highlighted since the early 1990's by University of Pretoria professors Dieter Gloeck and Herman de Jager. The profession acted angrily in self-interest to protect its vast commercial empire and pulled out all stops to censor the two professors. Now for the first time this story is being told by Basson.