

Johan Engelbrecht

Forensic investigation – Zulu
Planet Publishers CC:
“Kaffertjie”

Final Report on factual findings

10 April 2011
This report contains 66 pages
Final Factual Findings Report

Contents

1	Scope and nature of our investigation	6
2	Period under review	7
3	Procedures performed and objectives satisfied	8
4	Sources and descriptions of documents and records obtained	10
5	Executive Summary	11
6	Factual findings	13
6.1	Background	13
6.2	Analysis of the Zulu Planet’s stock report for Kaffertjie	16
6.2.1	Note 1	17
6.2.2	Note 2	18
6.2.3	Note 3	19
6.2.4	Note 4	20
6.2.5	Note 5	20
6.2.6	Note 6	20
6.3	Analysis of Zulu Planet’s detailed accounts ledger for Kaffertjie	22
6.3.1	Book sales to author	23
6.3.2	External book sales	24
6.3.3	Advertising	28
6.3.4	Printing and reproduction	29
6.3.5	Freight and Customs on goods purchased	31
6.3.6	Development costs	32
6.3.7	Salaries – Temp staff	43
6.3.8	Legal fees	43
6.3.9	Marketing and PR	44
6.3.10	Bank service charges	51
6.3.11	Postage and delivery	51
6.3.12	Royalties	52
6.4	Profit and Loss statement	53
6.5	Termination of agreement	54
6.6	Expenses incurred by Engelbrecht	56
6.6.1	Editors fees	56
6.6.2	Time for promotional work	57
6.6.3	Legal fees	57
6.7	Virtual publication and E-Book sales	57

7	Conclusion	59
7.1	Stock	59
7.2	Sales to Author	59
7.3	Sales to external parties	60
7.4	Expenses	60
7.4.1	Advertising, Salaries, Petrol & Oil, Entertainment	60
7.4.2	Printing and reproduction	60
7.4.3	Freight & Customs on goods purchased	61
7.4.4	Editing	61
7.4.5	Translation and travelling costs	61
7.4.6	Design and illustration	61
7.5	General	62
8	Recommendation	63

Abbreviations

Detailed descriptions and explanations of terms and abbreviations relevant to this report are listed below. These descriptions and explanations however serve to clarify our report and are not intended to be authoritative.

Engelbrecht	Mr Johan Engelbrecht, the author of the book, Kaffertjie
Zulu Planet	Zulu Planet Publishers CC, with registration number 1996/022911/23, represented by Tellingier. Zulu Planet is the appointed publisher for the book Kaffertjie
Kaffertjie	The book written by Engelbrecht
Tellingier	Mr Michael Tellingier, the representative of Zulu Planet
Pretorius	Ms Roelie Pretorius, the accountant of Zulu Planet
Agreement	Publishing and Distribution agreement entered into between Engelbrecht and Zulu Planet on 27 May 2006
WORK	The book, Kaffertjie, which the author presented to the publisher for publishing and distribution
PUBLISHER	Zulu Planet, represented by Tellingier, which printed and distributed the WORK
AUTHOR	The writer/creator of the WORK or book Kaffertjie
Company	appointed by Zulu Planet to warehouse and distribute the book Kaffertjie

Exhibits

Copies of all documentation referred to in the footnotes to this report have been collated into a Lever Arch file and should be read in conjunction with the contents of this report.

Publishing and Distribution agreement between Zulu Planet and Engelbrecht	Exhibit 1
E-mail dated 21 December 2009 reflecting list of required documentation	Exhibit 2
E-mails dated 22 December 2009 and 11 January 2010 reflecting correspondence with Pretorius	Exhibit 3
E-mail dated 14 January 2010 reflecting the complete sales report and correspondence between Telling and & PSD Promotions	Exhibit 4
E-mail dated 15 January 2010 reflecting the PSD Promotions sales report	Exhibit 5
E-mail dated 18 January 2010 reflecting list of required documentation	Exhibit 6
E-mail dated 4 February 2010 reflecting an inventory list of documentation received from Pretorius together with a list of outstanding documentation	Exhibit 7
E-mail dated 8 February 2010 sent to Telling, placing him on terms	Exhibit 8
E-mail dated 17 February 2010 sent by Pretorius, reflecting Zulu Planet’s detailed accounts ledger with comments of documentation forwarded to us	Exhibit 9
An e-mail dated 22 February 2010 sent by Pretorius, reflecting the adjusted stock figures	Exhibit 10
E-mail dated 28 April 2010 requesting a visit to Telling and Pretorius’ office	Exhibit 11
E-mail dated 28 April 2010 sent by Telling, responding to our e-mail requesting a visit	Exhibit 12
E-mail dated 29 April 2010 sent by Telling, confirming that we received all the documentation	Exhibit 13
E-mail dated 30 April 2010 sent by us to Telling, confirming that we will complete the audit based on documentation forwarded to us by Pretorius	Exhibit 14
E-mail dated 30 April 2010 sent by Telling, stating that he (Telling) will only be available during October 2010	Exhibit 15

E-mail dated 5 May 2010 sent by Pretorius, reflecting the updated Zulu Planet Profit and Loss statement	Exhibit 16
E-mail dated 1 February 2011 sent by Engelbrecht re stock take performed at PSD Promotions	Exhibit 17
CTP Printer invoice dated 30 October 2006	Exhibit 18
Brijbasi Art Press Limited invoices dated 12 December 2006	Exhibit 19
List of promoters furnished with copies of Kaffertjie by Engelbrecht	Exhibit 20
Retail price reflected as R105.26 (excluding VAT) or R120 (including VAT)	Exhibit 21
Documentation reflecting Engelbrecht’s receipt of 250 copies of the book	Exhibit 22
Zulu Planet invoices reflecting sales to PSD Promotions and Sales reports prepared by PSD Promotions	Exhibit 23
Banner Advertising invoice dated 29 June 2007	Exhibit 24
Xpress Print invoice date 7 June 2007	Exhibit 25
DB Freight International invoice dated 29 March 2007	Exhibit 26
Receipts for meal expenses included in the Edit and proof reading account	Exhibit 27
Letter prepared by Werksmans Attorneys dated 4 November 2006	Exhibit 28
Letter prepared by Blake Attorneys dated 6 November 2006	Exhibit 29
Letter prepared by Werksmans Attorneys dated 17 November 2006	Exhibit 30
Elmarie Otto invoice dated 28 August 2006	Exhibit 31
Tiara Walters invoice dated 25 April 2007	Exhibit 32
Ryan Aldridge invoice dated 30 March 2007	Exhibit 33
Original cover design, as designed by Engelbrecht	Exhibit 34
Suggested cover design by Aldridge	Exhibit 35
E-mail dated 7 July 2006 sent by Tellingier to Engelbrecht	Exhibit 36
E-mail dated 10 July 2006 sent by Engelbrecht to Tellingier	Exhibit 37

Approved cover design by Engelbrecht	Exhibit 38
Unapproved cover design printed and published	Exhibit 39
Cover of second batch of books printed in India	Exhibit 40
Receipts for meal expenses included in design and illustration account	Exhibit 41
Find a Student invoice dated 19 October 2007	Exhibit 42
Blake Attorney Statements dated November 2006 and December 2006	Exhibit 43
Gerhard Botha Attorney invoice dated 4 September 2007	Exhibit 44
E-mail dated 10 November 2006 reflecting transfer of R5 000 to Werksmans Attorneys	Exhibit 45
Receipts for meal expenses included in the clients and entertainment account	Exhibit 46
Receipts for petrol and oil expenses as well as entertainment expenses	Exhibit 47
Imperial Car invoice	Exhibit 48
E-mail dated 30 October 2006 sent by Tellingier	Exhibit 49
E-mail dated 3 April 2007 sent by Tellingier relating to the London Book Fair	Exhibit 50
E-mail dated 10 April 2007 sent by Engelbrecht	Exhibit 51
Flight Centre invoice dated 3 April 2007	Exhibit 52
Blueline invoice dated 28 March 2007	Exhibit 53
Receipts for foreign exchange and restaurant charges in London and Dubai	Exhibit 54
General journal	Exhibit 55
Receipts for meal expenses incurred in the Marketing and PR account	Exhibit 56
Invoices for banners, flyers and research	Exhibit 57
E-mail dated 16 November 2009 sent by Engelbrecht re termination of agreement	Exhibit 58
E-mail dated 23 November 2009 sent by Tellingier re termination of agreement	Exhibit 59
Receipts for postage and delivery charges	Exhibit 60

Annexures

The following annexures are attached to this report and should be read in conjunction with the contents of this report.

Stock reconciliation	Annexure A
Detailed accounts ledger	Annexure B
Profit and Loss statement	Annexure C
Sales to PSD Promotions	Annexure D

1 Scope and nature of our investigation

We were requested by Mr Johan Engelbrecht to assist in providing forensic services in respect of examining the accounting records of Zulu Planet Publishers CC, insofar it relates to the book “Kaffertjie”.

We were not required to, and did not undertake, an audit in terms of Generally Accepted Auditing Standards. The scope of our work was limited to a review and analysis of the documentation and information provided to us during the course of our investigation. We have not verified the validity or authenticity of the relevant records and documentation, other than the instances specifically indicated in the report.

The purpose of our review was to consider and analyse all the available documents, financial records and other relevant information obtained during our investigation and ultimately to prepare a report on the factual findings in relation thereto.

We have attempted to include all information relevant to the specific transactions. However, it is possible that documents and information exist which were not made available to us, or which we were unable to locate. Any documents or information brought to our attention subsequent to the date of this report which would affect the findings listed below, will require our findings to be adjusted and qualified accordingly. This report was prepared solely for the purposes of reporting on our findings to yourself. This report should therefore not be utilised for any other purpose. No part may be quoted, referred to or disclosed in whole or in part, by any party, without our prior consent.

2 Period under review

Our investigation was conducted for the period May 2006 to 30 November 2009.

3 Procedures performed and objectives satisfied

The purpose of this report is to report on our factual findings resulting from the procedures performed as described below.

The general procedures performed include *inter alia*:

- Obtained and considered the agreement between Zulu Planet Publishers and Engelbrecht for the book “Kaffertjie”;
- Obtained and analysed the Profit and Loss statement together with the detailed accounts ledger in the accounting records of Zulu Planet for Kaffertjie for the period under investigation;
- Obtained and analysed Zulu Planet’s FNB bank statements, account number 62090202145;
- Obtained and analysed all the supporting documentation relating to the transactions as reflected in Zulu Planet’s Profit and Loss statement of “Kaffertjie”;
- Obtained and analysed the stock report of Zulu Planet together with supporting documentation for all the accounting entries for the period under investigation;
- Requested Zulu Planet’s signed financial statements, which to date of this report are still outstanding;
- Telephonically consulted with *inter alia* the following individuals:
 - Engelbrecht;
 - Tellingier;
 - Pretorius; and
 - Campher.
- Reconstructed the detailed accounts ledger and Profit and Loss statement for Kaffertjie, based on supporting documentation obtained during our investigation;

- Consulted with the legal representatives of Engelbrecht; *inter alia* to provide them on progress of our investigation;
- Provided verbal feedback on our factual findings; and
- Prepared a report on our factual findings.

4 Sources and descriptions of documents and records obtained

As previously stated, the documentation and/or records used in performing our review and investigation were neither tested nor verified in order to ascertain the authenticity thereof, unless specifically so reported.

It should be noted that we were presented with, and base our findings on the documentation and accounting records obtained and utilised by Engelbrecht, Tellinger and Pretorius.

5 Executive Summary

On 15 November 2006 an award winning book, with the title Kaffertjie, was published. The author is Engelbrecht and the book won the prestige Jan Rabie/Rapport prize during June 2007. The Jan Rabie/Rapport prize is the most prestigious award in Afrikaans literature for first or early fiction, and open to all books.

On 27 May 2006, a Publishing and Distribution agreement was entered into between Engelbrecht and Zulu Planet. Zulu Planet was granted the exclusive rights to publish the book Kaffertjie in the Afrikaans language. Zulu Planet was further granted the exclusive right to sell, distribute and trade in the book Kaffertjie. Zulu Planet also had the exclusive rights to assign any foreign publisher in countries other than South Africa to translate, print and release the book in any other language, provided that copies of such contracts will be presented to Engelbrecht.

A total of 7 166 books of Kaffertjie were printed by Zulu Planet, even though Engelbrecht only authorised the first batch of 3 166 books. At the date of termination, 23 November 2009, the total books sold to external parties such as book shops were 2 312 copies. A total of 250 books were sold to Engelbrecht at a discounted rate of 60 percent of the retail price, ie R42.10. The retail price is indicated as R105.26 (excluding VAT). Therefore a total of 2 562 books were sold (2 312 plus 250). The stock on hand after taking into account the first batch printed and the books sold is 604 books (3 166 minus 2 562).

Based on information obtained from Zulu Planet the stock on hand figure should be 4 388 books, but Zulu Planet reflected that 4 475 books were on hand after a stock count, ie reflecting a difference of 87 books between their own reconciliation and stock count. Zulu Planet did not provide any explanation for the difference. This questions the state and/or accuracy of the accounting records of Zulu Planet.

Based on our stock reconciliation there should be 4 604 books in stock at PSD Promotions. Engelbrecht performed a stock count at PSD Promotions during February 2011 and according to the stock count there are 4 466 books in stock. The difference of 138 books should be explained by Zulu Planet and PSD Promotions.

According to Zulu Planet the sales of the award winning book Kaffertjie only generated a net income of R10 924.19 after a three year period. According to the agreement, Engelbrecht is entitled to 50% thereof, ie R5 462.09.

Based on the aforesaid facts, it is concerning to note that after a three year period, only 2 312 copies of an award winning book were sold to external parties, generating a net income of only R10 924.19. This raises the question whether Zulu Planet performed its publishing and distribution duties to the best of its ability and whether Zulu Planet sold the books to the maximum capacity in South Africa.

Zulu Planet's accounting records reflect that the sales to external parties were calculated at a price of R42.10, ie the same discounted price at which the books were sold to Engelbrecht. The agreement specifically reflects that Zulu Planet will publish the book at a retail price of not less than R80 per copy. As stated above, the retail price was R105.26 (excluding VAT). Therefore the sales to external parties should be calculated at R105.26 per copy. Zulu Planet entered into a contract with PSD Promotions. This was done without Engelbrecht's consent and without Zulu Planet supplying Engelbrecht with a copy of the contract. The fact that the books were sold to a third party (PSD Promotions) at the same discounted price at which the author can purchase the book, raises the question whether Zulu Planet acted in the best interest of Engelbrecht and whether Zulu Planet fulfilled its performance duty, as stipulated in the agreement.

During the investigation we analysed all the expenses accounted for by Zulu Planet in its accounting records for Kaffertjie. We identified numerous expenses that were not supported by documentation and/or information substantiating the basis of the costs incurred by Zulu Planet. We furthermore identified contentious expenses such as translation costs, editing costs and/or legal fees that were either not authorised by Engelbrecht or additional expenses incurred by Engelbrecht that were not taken into account.

We therefore reconstructed the Profit and Loss statement, taking into account the adjusted sales figures (calculated at the retail price) as well as the agreed or adjusted expenses. According to our calculations, as reflected in the Profit and Loss statement, the net income should be R221 778.80. Engelbrecht is therefore entitled to R110 889.40.

6 Factual findings

6.1 Background

Pursuant to a telephone conversation on 26 November 2009 and a subsequent meeting with Engelbrecht we were requested to provide forensic services in respect of examining the accounting records of Zulu Planet, insofar it relates to the book Kaffertjie.

On 27 May 2006 Engelbrecht entered into an agreement with Zulu Planet, represented by Tellingier, whereby it was agreed that Zulu Planet will print and distribute the book Kaffertjie¹. It was further agreed that Zulu Planet had the exclusive rights to publish the book, Kaffertjie, in the Afrikaans language in book form in all countries of the world for the duration of the agreement.

Engelbrecht informed us during consultation that he is disputing the royalties due and payable to him, as reflected in the accounting records of Zulu Planet. Engelbrecht raised concerns insofar certain expenditure raised by Zulu Planet as well as the stock on hand for Kaffertjie.

The agreement specifically stipulates the following in clause 13 in respect of the Accounts of Kaffertjie²:

- “13.1 *The AUTHOR or his duly authorised representatives shall have the right upon written request to examine the books of account of the PUBLISHER insofar as they relate to the WORK and any other of the AUTHOR’s WORKs under contract to the PUBLISHER. Such examination shall be at the cost of the AUTHOR unless errors of accounting amounting to five percent (5%) or more of the total sum paid to the AUTHOR shall be found to his disadvantage, in which case the cost shall be borne by the PUBLISHER.*
- 13.2 *Every account shall show all such particulars as may be deemed necessary for the ascertainment of any sums due to the AUTHOR in accordance with the provisions of this agreement in respect of the period covered by each such account.*
- 13.3 *The PUBLISHER agrees to render semi-annual statements on July 31 and January 31 in each year following the publication hereof, showing an account of sales and*

¹ Refer to Exhibit 1

² Refer to Exhibit 1

all other payments due hereunder to June 30 and December 31 preceding said respective accounting dates. Payment then due shall accompany such statements.”

Based on the aforesaid terms and conditions, as stipulated in the agreement, we continued requesting the accounting records of Zulu Planet together with the supporting documentation. We have attached various correspondences between ourselves and Zulu Planet regarding the request for supporting documentation. The correspondences date between December 2009 and May 2010. For ease of reference we will highlight a few important interactions between ourselves, Tellingier and/or Pretorius (in date order):

- On 21 December 2009 Engelbrecht supplied Tellingier with a list of required documentation, which was prepared by us in an e-mail dated 8 December 2009³;
- Tellingier referred us to his accountant, Pretorius and we commenced communicating and requesting the required documentation from her on 11 January 2010⁴;
- On 14 January 2010, Tellingier forwarded an e-mail with a complete sales report and warehouse stock holdings report attached to the e-mail. This e-mail also reflects correspondence between Tellingier and PSD Promotions, reflecting PSD Promotions’ costing for Kaffertjie as well as other books⁵;
- An e-mail dated 15 January 2010 sent by Tellingier, reflects another copy of the sales report and warehouse stock holdings as per the e-mail dated 14 January 2010⁶;
- In an e-mail dated 18 January 2010, we again forwarded a list of required documentation to Tellingier. At this point in time we only received the general ledger and trial balance from Pretorius⁷;
- On 4 February 2010 we prepared an inventory list of the documentation received to date and again prepared a list of outstanding information and/or documentation, which we forwarded to Tellingier and Pretorius⁸;

³ Refer to Exhibit 2

⁴ Refer to Exhibit 3

⁵ Refer to Exhibit 4

⁶ Refer to Exhibit 5

⁷ Refer to Exhibit 6

⁸ Refer to Exhibit 7

- After numerous failed attempts to obtain the requested documentation, as reflected in the correspondence, we officially placed Tellingier on terms in an e-mail dated 8 February 2010⁹;
- On 17 February 2010 we obtained various documentation from Pretorius. Attached to the e-mail of 17 February 2010 was a spreadsheet reflecting Zulu Planet’s detailed accounts ledger for Kaffertjie with comments of documentation that Pretorius forwarded to us as well as documentation that is not available¹⁰;
- We received another e-mail dated 22 February 2010 reflecting the adjusted stock figures, as Pretorius explained that PSD Promotions had a problem with their system and that they sent us the incorrect figures previously. A spreadsheet was attached with the adjusted stock figures¹¹;
- On 28 April 2010 we requested to visit Tellingier and Pretorius’ offices to obtain the outstanding documentation¹². Tellingier responded to the e-mail and said that as far as he is concerned the investigation is over and that he is unavailable and he does not have any documentation in his office¹³. Tellingier emphasised the fact that all the documentation is with Pretorius and PSD Promotions. (It should be noted that we requested the supporting documentation pertaining to the stock from PSD Promotions, which they refused to do , as they indicated that they have a contract with Zulu Planet and not Engelbrecht);
- In an e-mail dated 29 April 2010, Tellingier confirmed that we received all the documentation in their position and that we should complete our audit based on the available documentation¹⁴;
- We confirmed in an e-mail that we will complete the audit based on the documentation obtained from Pretorius¹⁵. Tellingier replied that we are welcome to visit his office, but that he will be unavailable until October 2010, as he will be travelling abroad¹⁶; and

⁹ Refer to Exhibit 8

¹⁰ Refer to Exhibit 9

¹¹ Refer to Exhibit 10

¹² Refer to Exhibit 11

¹³ Refer to Exhibit 12

¹⁴ Refer to Exhibit 13

¹⁵ Refer to Exhibit 14

¹⁶ Refer to Exhibit 15

- In an e-mail dated 5 May 2010, Pretorius attached a new set of accounts, reflecting the Zulu Planet Profit and Loss statement for Kaffertjie¹⁷.

In order to assess Zulu Planet’s accounting records insofar it relates to Kaffertjie, we specifically considered the terms and conditions as set out in the abovementioned agreement, the stock report obtained from Zulu Planet on 22 February 2010, the Profit and Loss statement received on 5 May 2010 as well as the supporting documentation faxed and/or scanned and e-mailed to us by Pretorius. It should be noted that we did not receive all the supporting documentation and the outstanding information and/or documentation is described in detail in the various sections below.

Set out below is a summary of our findings to date of this report. The summary is divided into the following categories:

- Analysis of the Zulu Planet’s stock report for Kaffertjie;
- Analysis of the Zulu Planet’s detailed accounts ledger for Kaffertjie;
- Comparison of Zulu Planet’s Profit and Loss statement to our calculation;
- Termination of the agreement; and
- Expenses incurred by Engelbrecht.

6.2 Analysis of the Zulu Planet’s stock report for Kaffertjie

During our investigation, we obtained an e-mail dated 14 January 2010 sent by Joanne van Zyl (of PSD Promotions) and addressed to Tellingier¹⁸. Attached to the e-mail is an Excel spreadsheet reflecting the stock report¹⁹. This stock report was ostensibly prepared by PSD Promotions and it was sent to Tellingier. This stock report reflects the following:

- The stock received;
- The sales of the book;
- The returns;

¹⁷ Refer to Exhibit 16

¹⁸ Refer to Exhibit 4

¹⁹ Refer to Exhibit 4

- Sample invoices; and
- Damaged books.

We obtained a second e-mail dated 22 February 2010 sent by Pretorius and addressed to us stating that the stock report sent by PSD Promotions, which were attached to the e-mail dated 14 January 2010 was incorrect²⁰. The reason given by Pretorius was that PSD Promotions had a problem with their system and therefore send the incorrect stock report figures.

We prepared a stock report based on supporting documentation, which we then compared to Zulu Planet’s stock report, which was attached to the e-mail dated 22 February 2010²¹. For ease of reference we have summarised the reconciliation in the table below.

Description	Per Zulu Planet	Per ICA	Difference between Zulu Planet and ICA	Paragraph reference
Stock received	7 339	7 166	(173)	Note 2
Grt	(244)	-	244	Note 3
Sales	(2 550)	(2 372)	178	Note 4
Returns	245	60	(185)	Note 5
Samples	(402)	(250)	152	Note 6
Stock on hand	4 388	4 604	216	Note 1
Stock on hand per Zulu Planet (per stock count)	4 475			Note 1

The table set out above will be discussed in detail in the paragraphs below. Please refer to the paragraph references, as reflected in the last column of the table.

6.2.1 Note 1

The stock reconciliation, prepared by Zulu Planet, reflects that 4 388 books should be the stock on hand, but Zulu Planet reflected that 4 475 books were on hand after a stock count, ie reflecting a difference of 87 books between their own reconciliation and stock count²². Zulu

²⁰ Refer to Exhibit 10

²¹ Refer to Annexure A and Exhibit 10

²² Refer to Exhibit 10

Planet did not provide any explanation for the difference. This shows that the accounting records of Zulu Planet appear to be questionable, as the accounting figures do not reconcile.

The stock reconciliation prepared by us, reflects that there should be 4 604 books in stock and by comparing it to the 4 475 books, as indicated by Zulu Planet’s stock on hand figure, this amounts to a difference of 129 books²³. Therefore the difference between our reconciliation and that of Zulu Planet is 216 books (87 plus 129).

Engelbrecht performed a stock count on 1 February 2011 of the books on hand at PSD Promotions. We obtained an e-mailed dated 1 February 2011 sent by Engelbrecht and addressed to us²⁴. The e-mail reflects that the total stock on hand for the book Kaffertjie as at 1 February 2011 was 4 466 books. Based on available documentation and information, the stock on hand should be 4 604 books. We cannot explain the shortage of 138 books (4 604 minus 4 466). It is possible that further books were sold, but to date of this report we have not received any semi-annual statements reflecting an account of sales for the 2010 financial year. This is in contravention of the agreement between Zulu Planet and Engelbrecht. The agreement states the following²⁵:

“13.3. The PUBLISHER agrees to render semi-annual statements on July 31 and January 31 in each year following the publication hereof, showing an account of sales and all other payments due hereunder to June 30 and December 31 preceding said respective accounting dates. Payment then due shall accompany such statements.”

Both Zulu Planet and PSD Promotions need to explain and provide supporting documentation for the shortage of 138 books.

6.2.2 Note 2

Based on Zulu Planet’s stock report, the total stock received amounts to 7 339 books²⁶. The supporting documentation obtained during the investigation reflects that a total of 7 166 books were received, thus reflecting a difference of 173 books (7 339 minus 7 166)²⁷. The difference is made up of 29 books not accounted for by Zulu Planet (of which we were able to obtain the supporting documentation reflecting that Zulu Planet did receive these books) and 202 books

²³ Refer to Annexure A and Exhibit 10

²⁴ Refer to Exhibit 17

²⁵ Refer to Exhibit 1

²⁶ Refer to Exhibit 10

²⁷ Refer to Annexure A

accounted for by Zulu Planet, but no supporting documentation were made available to us in order to validate the receipt of these books, thus resulting in the difference of 173 books (202 minus 29 books equals 173)²⁸. The major difference relates to Zulu Planet reflecting a third batch of 202 books received as stock²⁹. We were unable to obtain documentation reflecting the printing and/or purchase of the 202 books. These books were furthermore not accounted for in Zulu Planet’s Profit and Loss statement. Therefore, based on the fact that we were unable to obtain any supporting documentation as well as the fact that Zulu Planet did not account for the third batch of books in the Profit and Loss statement, we excluded this from the stock received figure.

Clause 16.1 of the agreement further reflects that *“If at any time during this agreement, no copies of the WORK remain in stock, the AUTHOR may propose to the PUBLISHER in writing that a new edition or a new impression shall be printed.”*³⁰

During the investigation we obtained supporting documentation reflecting that two batches of books were printed. Paragraph 6.3.4 of this report reflects a detailed explanation on the printing expenses of these books. The first batch of books of 3166 copies was printed during October 2006 by CTP Printers³¹. Two invoices reflecting the shipment date as 12 December 2006 reflects that a second batch of books of 4000 copies were printed³². It should be noted that Engelbrecht informed us during consultation that he did not request or authorise the second batch of books to be printed. Prior to 12 December 2006, the total book sales to PSD Promotions was 193 books³³. This indicates that at the time of the printing of the second batch of books (12 December 2006), there were still 2973 books in stock.

Based on these facts, it appears that there was sufficient stock on hand before the second batch was printed. Zulu Planet needs to justify the printing of the second batch of books, especially taking into account that Engelbrecht did not request or authorise this batch.

6.2.3 Note 3

Zulu Planet’s reconciliation reflects a figure of 244 books as being damaged by rain³⁴. To date of this report, we have not received any documentation and/or proof of the books being

²⁸ Refer to Annexure A

²⁹ Refer to Exhibit 10

³⁰ Refer to Exhibit 1

³¹ Refer to Exhibit 18

³² Refer to Exhibit 19

³³ Refer to Annexure A and B

³⁴ Refer to Exhibit 10

damaged. Surely the publisher and/or PSD Promotions should have insurance cover in order to cover losses. As stated elsewhere in this report, we require a copy of the contract between PSD Promotions and Zulu Planet. We furthermore require detailed supporting documentation substantiating these losses/damages.

Engelbrecht confirmed that during his visit to PSD Promotions on 1 February 2011, PSD Promotions indicated that only 5 books were rain damaged and not 244. This is reflected in the e-mail sent by Engelbrecht detailing the stock on hand figures at PSD Promotions³⁵.

Based on the aforesaid information, Engelbrecht cannot be held responsible for 244 books being rain damaged, without any documentary proof. Furthermore, we are of the opinion that Engelbrecht cannot be held liable for the 5 books being rain damaged at PSD Promotions, as Engelbrecht did not approve the contract between PSD Promotions and Zulu Planet (refer to paragraph 6.3.2 of this report for a detailed explanation).

We have therefore excluded the 244 books from our reconciliation.

6.2.4 Note 4

The Zulu Planet stock report reflects that 2 550 books were sold. Based on the supporting documentation and specifically the PSD invoices obtained from Zulu Planet, the total sales amounts to 2 732 books, ie reflecting a difference of 178 books between our reconciliation and that of Zulu Planet³⁶. Please refer to paragraph 6.3.1 and 6.3.2 of this report for detailed explanations on the accounting of the sales figures.

6.2.5 Note 5

Zulu Planet reflects the returns of the books to be 245 books, but according to available PSD documentation the returns amounts to 60 books, ie reflecting a difference of 185 books between our reconciliation and that of Zulu Planet³⁷. The actual returns are accounted for in the External Sales account and paragraph 6.3.2 of this report reflects a detailed explanation on this account.

6.2.6 Note 6

The sample books, which were used for promotional purposes, as reflected by Zulu Planet amounts to 402 books.

³⁵ Refer to Exhibit 17

³⁶ Refer to Annexure A and Exhibit 10

³⁷ Refer to Annexure A and Exhibit 10

According to our reconciliation, the sample invoices amounts to 250 books, which are the books received by Engelbrecht³⁸. The difference between our reconciliation and that of Zulu Planet is therefore 152 books³⁹. The difference is made up of 60 books, indicated by Zulu Planet as being used for promotional purposes, 80 books indicated by Zulu Planet as being used during the Cape Town book fair and 12 books indicated by Zulu Planet as being damaged. We reiterate the fact that we have not received any supporting documentation for the books used for promotional purposes and/or books ostensibly damaged. As stated in paragraph 6.2.3 above, PSD Promotions indicated that only 5 books were damaged by rain.

During our investigation we specifically requested a list of the recipients of the samples for promotional purposes, including their contact numbers⁴⁰. To date of this report we have not received the requested list. Engelbrecht provided us with a list of names where he furnished copies of his book for promotional purposes (in total 34 books)⁴¹. Please refer to paragraphs 6.3.1 and 6.6.2 of this report for detailed explanation. It is reasonable to presume that the publisher will have a list of recipients of sample books readily available. This will allow him (the publisher) to inform the author of the promotional work/marketing that is followed and furthermore to follow up with promoters to maximise sales.

Based on the aforesaid, we have only accounted for 250 books for sample purposes and will consider including the sample books indicated by Zulu Planet upon receipt of supporting documentation.

³⁸ Refer to Annexure A

³⁹ Refer to Annexure A

⁴⁰ Refer to Exhibit 6

⁴¹ Refer to Exhibit 20

6.3 Analysis of Zulu Planet’s detailed accounts ledger for Kaffertjie

During our investigation we obtained the detailed accounts of Zulu Planet for Kaffertjie as well as the Zulu Planet’s Profit and Loss statement for Kaffertjie⁴². The detailed accounts ledger of Zulu Planet for Kaffertjie reflects the detailed transactions, which includes all the sales of the book and the expenses incurred by Zulu Planet for the publishing and distribution of the book⁴³. The Profit and Loss statement is a summary of the information, as reflected in the detailed accounts⁴⁴.

During our investigation we obtained various supporting documentation from Zulu Planet and Engelbrecht and reconstructed the detailed accounts of Zulu Planet for Kaffertjie as well as the Zulu Planet Profit and Loss statement based on these documentation⁴⁵. It should be noted that in instances where we did not receive any supporting documentation, we did not account for the transaction(s).

The Zulu Planet detailed accounts reflects the following accounts:

- Book sales to author (refer to paragraph 6.3.1);
- External book sales (refer to paragraph 6.3.2);
- Advertising (refer to paragraph 6.3.3);
- Printing and reproduction (refer to paragraph 6.3.4);
- Freight & Customs on goods purchased (refer to paragraph 6.3.5);
- Development Costs, which reflects the following detailed accounts:
 - Editing/proof reading (refer to paragraph 6.3.6.1);
 - Translations (refer to paragraph 6.3.6.2); and
 - Design & illustration (refer to paragraph 6.3.6.3).
- Salaries – temp staff (refer to paragraph 6.3.7);
- Professional fees - Legal fees (refer to paragraph 6.3.8);

⁴² Refer to Exhibit 9 and 16

⁴³ Refer to Exhibit 9

⁴⁴ Refer to Exhibit 16

⁴⁵ Refer to Annexure B and C

- Marketing & PR, which reflects the following detailed accounts (refer to paragraph 6.3.9):
 - Clients (refer to paragraph 6.3.9.1);
 - Travel & Entertainment:
 - i) Petrol & Oil (refer to paragraph 6.3.9.2);
 - ii) Entertainment (refer to paragraph 6.3.9.3);
 - iii) Travel – Local (refer to paragraph 6.3.9.4); and
 - iv) Travel – Overseas (refer to paragraph 6.3.9.5).
 - Marketing and PR (refer to paragraph 6.3.9.6).
- Bank service charges (refer to paragraph 6.3.10);
- Postage and delivery (refer to paragraph 6.3.11); and
- Royalties – books taken by author (refer to paragraph 6.3.12).

As stated elsewhere in this report we continued analysing each of Zulu Planet’s detailed accounts. The paragraphs below reflect detailed information on our analysis of each of the abovementioned accounts.

6.3.1 Book sales to author

The agreement reflects in clause 14.1 that “*The AUTHOR shall receive 10 free copies of the published WORK promptly after publication thereof.*”⁴⁶ Engelbrecht confirmed that he did receive the 10 free copies from Tellingier.

The agreement further reflects in clause 14.2 that “*The AUTHOR shall be permitted to purchase copies for his personal use at a discount of sixty percent (60%) of the retail price.*”⁴⁷

Based on documentation and correspondence obtained during our investigation, the retail price of the book Kaffertjie was R105.26 (excluding VAT) or R120 (including VAT)⁴⁸. Therefore, according to the agreement, Engelbrecht is entitled to purchase the book at an amount of R42.10, which is calculated by multiplying R105.26 with 40%.

⁴⁶ Refer to Exhibit 1

⁴⁷ Refer to Exhibit 1

⁴⁸ Refer to Exhibit 21

Based on information obtained and various correspondences, it appears that Engelbrecht received 250 books for his personal use⁴⁹. This is over and above the 10 free copies received by Engelbrecht. Engelbrecht confirmed this during consultation.

Zulu Planet’s Profit and Loss statement reflects that the book sales to author totals to R10 630⁵⁰. It should be noted that the Zulu Planet’s detailed accounts ledger only reflects an amount of R6 378⁵¹. It therefore appears that the detailed accounts ledger for “*Book sales to author*” was not updated by Zulu Planet in order to agree to the Profit and Loss statement. The detailed accounts ledger only reflects the 150 books sold to the author and does not include the additional 100 books sold to Engelbrecht⁵². The amount as reflected in Zulu Planet’s Profit and Loss statement is further based on an amount of R42.52 and not R42.10.

Therefore, according to our calculation the total sales to author should be R10 525 (R42.10 x 250)⁵³.

6.3.2 External book sales

Zulu Planet’s detailed accounts ledger reflects an amount of R96 856.24 for the external sales of the book⁵⁴. This amount includes the transactions incorrectly allocated to the “*Book sales to Author*” account, which amounts to R1 641.90⁵⁵. It should be noted that Zulu Planet’s detailed accounts ledger and the Profit and Loss statement do not agree⁵⁶. The amount reflected in the Profit and Loss statement is R97 020.64. We could find no explanation from Zulu Planet as to what the difference of R164.40 (R97 020.64 minus R96 856.24) relates to.

During our investigation we continued analysing the detailed accounts ledger for the external book sales. Based on our analysis of the account, the total external book sales should be R244 897.78⁵⁷. The paragraphs below reflect a detailed explanation of our analysis.

⁴⁹ Refer to Exhibit 22

⁵⁰ Refer to Exhibit 16

⁵¹ Refer to Exhibit 9

⁵² Refer to Exhibit 9

⁵³ Refer to Annexure B and C

⁵⁴ Refer to Exhibit 9

⁵⁵ Refer to Exhibit 9

⁵⁶ Refer to Exhibit 9 and 16

⁵⁷ Refer to Annexure B and C

The agreement reflects in clause 4.1 that “*The PUBLISHER agrees to publish the WORK in book form at its own expense at a catalogue retail price of not less than R80.00 per copy not later than 6 (six) months after the delivery of the completed WORK.*”⁵⁸”

It should be noted that the agreement contradicts itself in clause 4.1 and clause 11. Clause 4.1 reflects that “The PUBLISHER agree to publish the WORK in book form at **its own expense...**” whereas clause 11(a) reflects that “*A royalty of fifty percent (50%) of the NETT income generated from the sales of the WORK, after the publishing/printing costs have been recovered by the PUBLISHER, including marketing and promotional costs...*”⁵⁹”

Based on documentation obtained during our investigation as well as information obtained during consultations with Engelbrecht, the retail price for the book was R105.26 (excluding VAT) or R120.00 (including VAT)⁶⁰.

We obtained information and/or documentation reflecting that PSD Promotions was appointed by Zulu Planet to assist with the warehousing and distribution of the books⁶¹. It should be noted that clause 10.4 of the agreement reflects that “*Notwithstanding anything to the contrary herein contained, the PUBLISHER shall obtain the AUTHOR’s written advance approval of any jacket or cover design, after due consideration of illustrations proposed by the AUTHOR, including the text thereof, to be used in connection with the WORK and of any contracts with third parties for the publication of the WORK, which approval shall not be unreasonably withheld.*”⁶²”

To date of this report we have not received a copy of the contract between PSD Promotions and Zulu Planet. Engelbrecht confirmed that he did not receive a copy of such contract and he reiterated the fact that he did not approve the contract with PSD Promotions. According to the agreement and Engelbrecht, Zulu Planet was responsible for the publishing and distribution of the book, Kaffertjie. The agreement between Zulu Planet and Engelbrecht specifically states that Zulu Planet will publish and distribute the book. We obtained an e-mail dated 14 January 2010 from Tellingier reflecting the stock report and the warehouse stock on hand, which Tellingier

⁵⁸ Refer to Exhibit 1

⁵⁹ Refer to Exhibit 1

⁶⁰ Refer to Exhibit 21

⁶¹ Refer to Exhibit 4

⁶² Refer to Exhibit 1

received from PSD Promotions⁶³. Another e-mail dated 12 January 2010 sent by Joanne van Zyl and addressed to Tellingier, reflects the following⁶⁴:

“Hi Michael

Please find costings below for all your books. We worked on a straight 60% discount to PSD. 40% to the stores 10% for warehousing and distribution and 10% to the Reps

See break downs below. We have had to get our IT guy to pull out the Kaffertjie history files and will forward the history as soon as available (stet)

KAFFERTJIE

Less Straight 60%

120.00	
105.26	Ex VAT
63.16	B/shop Cost
42.11	Payable to Publisher
21.05	PSD”

Based on the aforesaid e-mails, Zulu Planet calculated the external book sales at a sales price of R42.10 per book sold. It should be noted that this price is the same price that Engelbrecht, the author of the book Kaffertjie purchased the book, ie R42.10.

We could find no documentation and/or contracts where Engelbrecht authorised the sales of the book at the same price at which he purchased the books. We furthermore could not find any evidence reflecting Engelbrecht’s consent to the discount received by PSD Promotions from Zulu Planet. A further interesting factor is that Engelbrecht purchased one of his own books at Estoril bookshop at a price of R124 (including VAT), ie R4 more than the retail price of R120 (including VAT).

Therefore, according to us, the external book sales should be calculated at a sales price of R105.26 per book, ie the retail price. Although we appreciate the fact that there might be some distribution costs incurred by Zulu Planet (as they are responsible for the distribution of the book), we have not received any documentation to support these costs. In order to understand the terms and conditions of the contract between PSD Promotions and Zulu Planet, we require a copy of the contract. Until such time that Tellingier provide us with proof of Engelbrecht’s approval for Zulu Planet to enter into a contract with PSD Promotions, our external sales figure

⁶³ Refer to Exhibit 4

⁶⁴ Refer to Exhibit 4

amounts to R244 897.78⁶⁵. If we calculate the sales price at the minimum retail price of R80 (excluding VAT) per book, as reflected in the agreement, then the external sales figure amounts to R186 496.66. We are however of the opinion that the actual retail price of R105.25 (excluding VAT) should be used to calculate the sales figure. As stated elsewhere in the report, the onus is on Zulu Planet to proof the costs, relating to the sales of the book, by way of supporting documentation.

Based on our stock report, which were prepared from supporting documentation, the total sales to PSD Promotions are 2 372 books and another 60 books were returned by PSD Promotions⁶⁶. It should be noted that one of the sales reports received from PSD Promotions reflects that 13 units were sold, but that the value indicated by PSD Promotions for the 13 units sold is a credit of R84.20, which by inference indicates that two books were returned and not 13 units sold. Due to the fact that Zulu Planet reflected that 13 units were sold in its detailed ledgers account, we also based our sales figure on 13 units sold. We however require clarification from PSD Promotions on whether 13 books were sold or 2 books returned. Should PSD Promotions indicate that the sales report should have reflected 2 books returned, we will adjust our total sales figure accordingly. Therefore, based on our assumption we calculated the total sales to PSD Promotions as 2 312 books (2 372 minus 60). The total sales therefore amounts to R243 361.12 (2 312 multiply by R105.26) to PSD Promotions. Another R105.26, which relates to cash sales by Zulu Planet, should be added to the PSD Promotions sales figure, which then reflects a total sales figure of R243 466.38⁶⁷. In our calculation we have also added 34 books amounting to R1 431.40 at a price of R42.10 per book, which was initially sold to Engelbrecht⁶⁸. Engelbrecht confirmed that these books were handed to promoters and these books were therefore not for Engelbrecht's personal use. We can provide evidence for all 34 books used for promotional purposes, ie news paper articles, magazine articles and recordings of television programs. After taking into account the abovementioned figures, the total external sales figure therefore amounts to R244 897.78⁶⁹.

⁶⁵ Refer to Annexure B and C

⁶⁶ Refer to Annexure A and Exhibit 23

⁶⁷ Refer to Exhibit 21

⁶⁸ Refer to Exhibit 20

⁶⁹ Refer to Annexure B and C

Clause 5 of the agreement, which relates to performance, reflects that *“The PUBLISHER agrees to do everything in its power to sell the WORK to the best of its ability and to the maximum capacity in every country of release.”*⁷⁰

We were informed that Engelbrecht won the prestige Jan Rabie/Rapport prize during June 2007 for his book, Kaffertjie. The Jan Rabie/Rapport prize is the most prestigious award in Afrikaans literature for first or early fiction, and open to all books. What is of concern is the fact that only 2 312 copies of the award winning book were sold during a three year period. This raises the question whether Zulu Planet executed a proper marketing strategy and whether Zulu Planet did everything in its power to sell the book to maximum capacity.

6.3.3 Advertising

The detailed accounts ledger and Profit and Loss statement of Zulu Planet reflects advertising cost of R582 for a banner⁷¹. We obtained an invoice of Banner Advertising (marked “A”) addressed to Zulu Planet, dated 29 June 2007, with invoice number 70625⁷². The description on the invoice reflects *“6 Digital print posters on vinyl (A2 – 420 mm x594 mm) @ R82 each”* and a set-up charge. The invoice amounts to R582 (excluding VAT). There is no indication on the invoice that this expense is for *“Kaffertjie”*.

The agreement specifically reflects in clause 13.2. that *“Every account shall show all such particulars as may be deemed necessary for the ascertainment of any sums due to the AUTHOR in accordance with the provisions of this agreement in respect of the period covered by each such account”*⁷³.

In order to consider this expense, we require additional information and/or documentation as proof that this banner was for Kaffertjie’s expense, for example copies of the two banners will be sufficient. Until such time that we have verified the existence of the banners, we have excluded this expense from our calculation.

⁷⁰ Refer to Exhibit 1

⁷¹ Refer to Exhibit 9 and 16

⁷² Refer to Exhibit 24

⁷³ Refer to Exhibit 1

6.3.4 Printing and reproduction

Clause 16.1 of the agreement further reflects that *“If at any time during this agreement, no copies of the WORK remain in stock, the AUTHOR may propose to the PUBLISHER in writing that a new edition or a new impression shall be printed.”*⁷⁴

Zulu Planet’s detailed accounts ledger as well as the Profit and Loss statement reflects that the expenditure for printing and reproduction amounts to R59 544.75 for Kaffertjie⁷⁵. The detailed accounts ledger reflects that a first batch of 3 166 books were printed and the cost for the printing of these books amounts to R34 152.76 (excluding VAT)⁷⁶. We obtained a copy of CTP Book Printers’ tax invoice, addressed to Zulu Planet. The invoice, with reference number B028031, dated 30 October 2006 reflects a total of R34 152.76 (excluding VAT) for 3 166 books that were printed⁷⁷. The amount of R38 934.15 (including VAT) was paid in four installments on the following dates:

- 29/09/2006 – R15 000;
- 14/05/2007 – R10 000;
- 17/09/2007 – R7 000; and
- 03/10/2007 – R6 934.15.

It should be noted that the average cost for the printing of these books amounts to R10.79 (excluding VAT) per book, ie R34 152.76 divided by 3 166 books.

Based on our calculation, the total books sold to date of this report amounts to 2 562 books (2 312 plus 250). Therefore an amount of R27 643.98 (R10.79 multiply by 2 562 books) should be accounted for as cost of sales and not the full amount of R34 152.76. According to General Accepted Accounting Principles (“GAAP”) all expenses incurred to generate income must be recognised in the same period in which the income is recognised. In addition, GAAP requires that all expenses incurred in obtaining / manufacturing inventory, up to the point where the inventory is ready for sale, must be allocated to the cost of the inventory.

The front cover of the books printed by CTP was off centre by a wide margin. Engelbrecht informed us that he contacted a one Pat Clarke (“Clarke”) of CTP printers. Clarke informed

⁷⁴ Refer to Exhibit 1

⁷⁵ Refer to Exhibit 9 and 16

⁷⁶ Refer to Exhibit 18

⁷⁷ Refer to Exhibit 18

Engelbrecht that Zulu Planet received a discount on the printing of the book Kaffertjie, due to the fact that the print quality was not on standard, specifically referring to the fact that the cover was printed off centre. Clarke was not prepared to supply Engelbrecht with information and/or documentation as to the extent of the discount received by Zulu Planet. It should be noted that the CTP invoice obtained during the investigation and described in detail in the paragraph above, does not reflect a discount⁷⁸. We therefore request that Engelbrecht’s legal representatives consider obtaining all the documentation pertaining to Kaffertjie from Clarke.

Zulu Planet’s detailed accounts ledger further reflects that a second batch of 4 000 books were printed by a company called Brijbasi Art Press Limited⁷⁹. This company is situated in India. The detailed accounts ledger of Zulu Planet reflects the total cost for the additional set of books printed as R25 158.66 (excluding VAT)⁸⁰.

Clause 16.1 of the agreement further reflects that *“If at any time during this agreement, no copies of the WORK remain in stock, the AUTHOR may propose to the PUBLISHER in writing that a new edition or a new impression shall be printed.”*⁸¹

Engelbrecht confirmed during consultations that he did not request the Publisher to print a new edition of the book Kaffertjie. According to our calculation there were 604 books in stock (3 166 minus 2 562) and therefore the second batch of books printed was not necessary. As stated elsewhere in this report, there were 2 973 books in stock (based on the first edition) on the shipment date (12 December 2006) of the second batch of books. To date of this report Zulu Planet did not supply us with the written request by Engelbrecht to print a new edition of the book.

Based on the aforesaid information, we do not agree with the cost for the second batch of books, as this was not authorised by Engelbrecht and we did not obtain any documentation or proof that Engelbrecht agreed to the printing of a new edition. Therefore we have not included the amount of R25 158.66 (excluding VAT) in our calculation⁸².

Zulu Planet’s detailed accounts ledger further reflects an amount of R233.33 for brochures printed by a company Xpress Print⁸³. During our investigation, we obtained an Xpress Print

⁷⁸ Refer to Exhibit 18

⁷⁹ Refer to Exhibit 9

⁸⁰ Refer to Exhibit 19

⁸¹ Refer to Exhibit 1

⁸² Refer to Annexure B and C

⁸³ Refer to Exhibit 9

invoice (marked “B”) addressed to Zulu Planet, dated 7 June 2007 with invoice number 187⁸⁴. The invoice reflects an amount of R2 394 (including VAT) for “1000 A4 F/C S/S”. A handwritten note on the invoice reflects “Brochures – All Titles”. We could find no documentation or explanations to substantiate the basis for the allocation of R233.33 for the expense of “Kaffertjie”.

The agreement specifically reflects in clause 13.2. that “*Every account shall show all such particulars as may be deemed necessary for the ascertainment of any sums due to the AUTHOR in accordance with the provisions of this agreement in respect of the period covered by each such account.*”⁸⁵

In order to ascertain whether this expense is for Kaffertjie’s account, we will require detailed information and/or documentation and examples of the brochures. For purposes of this report we have not accounted for the R233.33 in our calculation, until such time that Zulu Planet presents the necessary supporting documentation⁸⁶.

6.3.5 Freight and Customs on goods purchased

The Zulu Planet detailed accounts ledger as well as the Profit and Loss statement reflects a total of R4 394.07 for freight charges. According to documentation obtained from Zulu Planet, these charges relate to the second batch of books printed in India and imported to South Africa⁸⁷. As stated in paragraph 6.3.4 of this report, Engelbrecht informed us that he did not request a new edition of books to be printed and we did not receive any supporting documentation reflecting Engelbrecht’s written consent for the new edition.

We have therefore not included the amount of R4 394.07 (excluding VAT) in our calculation, as we are of the opinion that this is not for Engelbrecht’s account until such time that Zulu Planet provides proof of Engelbrecht’s written consent for the printing of the new edition.

⁸⁴ Refer to Exhibit 25

⁸⁵ Refer to Exhibit 1

⁸⁶ Refer to Annexure B and C

⁸⁷ Refer to Exhibit 26

6.3.6 Development costs

6.3.6.1 Editing/proof reading

Zulu Planet reflects that the total costs for editing and proof reading is R42.05⁸⁸. This includes meals of R17.05 and R25 for a LBF brochure on the translated book. The meals consist of two transactions, ie R5.55 and R11.50.

We obtained a McDonalds receipt (marked “I”) of R33.30, of which R5.55 was allocated to Kaffertjie’s account⁸⁹. A handwritten note at the top of the receipt is illegible. Zulu Planet should supply us with details on the expense incurred.

We furthermore obtained a Nuno’s receipt (marked “2”) totaling R69⁹⁰. A handwritten note reflects “R11.50 Kaffertjie”. We require further information as to the reason for this expense before considering including it in our calculation.

Furthermore, paragraph 6.3.6.2 of this report reflects a detailed explanation as to the expenses incurred by Zulu Planet on translations costs. The translation costs should not be included in editing and proof reading account, therefore the balance on this account is zero.

Based on our analysis of the editing and proof reading account, which are based on the supporting documentation obtained from Zulu Planet as well as information and/or documentation obtained from Engelbrecht, the total costs should be zero⁹¹.

We obtained a letter dated 4 November 2006, addressed to Tellingier and prepared by Kathleen Rice of Werksmans Attorneys⁹². This letter reflects inter alia the following with regards to the editing of the book Kaffertjie:

“3. *It was agreed that:*

3.3 *Zulu Planet would edit the manuscript”*

And further

“4. *Zulu Planet has breached its agreement with Mr Engelbrecht. In particular;*

4.1 *an editor was not appointed to edit the manuscript, making it necessary for Mr Engelbrecht to appoint his own editor;”*

⁸⁸ Refer to Exhibit 16

⁸⁹ Refer to Exhibit 27

⁹⁰ Refer to Exhibit 27

⁹¹ Refer to Annexure B and C

⁹² Refer to Exhibit 28

And further

“7. *Zulu Planet's failure to appoint an editor would have undermined the work – only Mr Engelbrecht's intervention prevented this from happening.*”

Engelbrecht informed us during consultation that he appointed Ms Elmarie Otto in order to edit the book Kaffertjie. Paragraph 6.6.1 of this report reflects detail on the appointment of Ms Otto.

Tellingier appointed Blake Attorneys as his legal representatives. In a letter dated 6 November 2006, addressed to Engelbrecht and prepared by Blake Attorneys, reflects the following in response to Werksmans Attorneys letter dated 4 November 2006⁹³. The letter *inter alia* reflects the following:

- “3. *Our instructions are that the averments set out in your paragraph 4 are completely without foundation in that:*
- a. *Your client appointed editors of his choice at his own insistence, to which our client agreed based on verification of their credentials;*
 - b. *A professional layout artist was appointed and copies of the extensive correspondence between your client and the layout artist are on record;*
 - c. *Neither your client nor any editor was entitled to sign off the final printed proof of the book (referred to by you as the “prototype”).*”

Werksmans Attorneys responded to Blakes Attorneys letter on 17 November 2006⁹⁴. The letter reflects *inter alia* the following:

“4. **Ad Paragraph 3.a.**

- 4.1 *Our client appointed editors after it was apparent to him that the people appointed by your client, Lochner de Kock and Susan Pienaar, were not qualified to edit the work. This was obvious to our client when the original manuscript was returned to him with only six changes. The editor appointed by our client identified substantially more. Furthermore, the persons appointed by your client wanted to*

⁹³ Refer to Exhibit 29

⁹⁴ Refer to Exhibit 30

change the title of the work which was contrary to the spirit of the agreement entered into with your client. Their suggested title, 'Kaffertjie se lappieskombers', showed that Messrs De Kock and Pienaar, did not appreciate the content of the book.

- 4.2 *Our client disputes your client's contention that he agreed to the appointment of the editor upon verifying their credentials. Our instructions are that your client did not do so and is not aware of the identity of the editor.”*

And further

“6. Ad paragraph 3.c.

It is customary in publishing for the author (who retains moral rights) and the editor to sign off the final printed proof of the book. Had your client approached our client with the final printed proof of the work, the dispute between our clients would not have arisen.

It should be noted that clause 10.1 of the agreement reflects that “*The PUBLISHER shall make no changes in, additions to, or eliminations from the manuscript without the consent of the AUTHOR, and in order to obtain such consent allow for reasonable consultations of the AUTHOR with the editor and shall submit the copy-edited manuscript to the AUTHOR for his approval.*”⁹⁵”

Based on Zulu Planet’s accounting records, it is apparent that no expenses are recognised for editing costs incurred by Zulu Planet. The reason for not including the costs of the appointed editors by Zulu Planet, ie Lochner de Kock and Susan Pienaar cannot be explained. We have not received any supporting documentation reflecting editing costs incurred by Zulu Planet.

As per Blake Attorneys letter dated 4 November 2006, it is reflected that Engelbrecht appointed an editor of his choice, to which Tellingier agreed to. Therefore, as per paragraph 6.6.1 of this report, we are of the opinion that the R6 000 editing costs incurred by Engelbrecht, for the editing done by Ms Otto, should be included in the Profit and Loss statement⁹⁶.

⁹⁵ Refer to Exhibit 1

⁹⁶ Refer to Exhibit 31

6.3.6.2 Translations

Zulu Planet’s detailed accounts ledger and Profit and Loss statement reflects a balance of R2 125⁹⁷. Included in the balance are two amounts totaling R170.85 for expenses ostensibly incurred by Zulu Planet on meals.

We obtained two receipts for the meal expenses from Zulu Planet. The first receipt is a credit card receipt (marked “3”) of Mugg and Bean amounting to R100⁹⁸. A handwritten note on the receipt reflects “R20 Kaffertjie”. Based on the handwritten note an amount of R20 was allocated to the detailed ledger account of Zulu Planet. The detailed accounts ledger reflects in the “Memo” column that the expense is for translation purposes. We are of the opinion that any costs for translation purposes should not be for Engelbrecht’s account and the reader can find a detailed explanation in the paragraphs below.

The second receipt is also a credit card receipt (marked “4”) of Sahib Northcliff for an amount of R150.85⁹⁹. A handwritten note on the receipt reflects “Translation Kaffertjie”. As stated above, we are of the opinion that translations costs are not for Engelbrecht’s expense and should therefore be excluded in the Profit and Loss calculations.

The balance of R1 954.15 in the detailed accounts ledger of Zulu Planet ostensibly relates to translation costs. We obtained an invoice submitted by Tiara Walters and addressed to Zulu Planet¹⁰⁰. The invoice is dated 25 April 2007 and the invoice number is 20070425. The description on the invoice reflects “Kaffertjie Translation” and the amount is R1 954.15.

Clause 1.1 of the agreement reflects that “*The AUTHOR hereby grants and assigns to the PUBLISHER the exclusive rights to publish in the AFRIKAANS language in book form in all countries of the world for the duration of this agreement, a WORK now entitled kaffertjie*”¹⁰¹

The agreement reflects in clause 1.2 that “*The PUBLISHER is also granted exclusive rights to assign any foreign publisher in countries other than South Africa, to translate, print and release the WORK in any other language as it may require from time to time. Copies of such contracts*

⁹⁷ Refer to Exhibit 9 and 16

⁹⁸ Refer to Exhibit 27

⁹⁹ Refer to Exhibit 27

¹⁰⁰ Refer to Exhibit 32

¹⁰¹ Refer to Exhibit 1

*will be presented to the AUTHOR while the PUBLISHER warrants that it will do everything in its power to secure the best possible deal in favour of the AUTHOR.*¹⁰²,

Based on the aforesaid terms and conditions as stipulated in the agreement, the translation costs are not for Kaffertjie's account, as the contract stipulates that the book may only be translated by a foreign publisher and that the author will receive a copy of the translation. It should be noted that the postal address on the invoice of Tiara Walters is Greenside, ie in Johannesburg¹⁰³. The bank account details on the invoice are Nedbank with the branch in the Rosebank Mall. By inference the translation was done by Tiara Walters, a South African, and not by a foreign publisher. Engelbrecht furthermore informed us that he did not receive a copy of the translation and therefore he cannot be held accountable for these expenses. To date of this report we were not presented with copies of the translation and therefore we have not taken any translation expenses into account in our calculation.

We are of the opinion that until such time that Zulu Planet presents us with a copy of the foreign publisher's contract as well as a copy of the translation, the translation expenses should not be for Engelbrecht's expense¹⁰⁴.

6.3.6.3 Design & illustration

The design and illustration cost, as reflected in Zulu Planet's detailed accounts ledger and Profit and Loss statement amounts to R7 537.78¹⁰⁵. This amount consists mainly of the following expenses:

- Design work and cover (four transactions) totaling R7 356.73; and
- Meals (11 transactions) totaling R181.05.

The paragraphs below reflect detail information as to the design work and cover as well as the expenses for meals and are dealt with separately.

¹⁰² Refer to Exhibit 1

¹⁰³ Refer to Exhibit 32

¹⁰⁴ Refer to Annexure B and C

¹⁰⁵ Refer to Exhibit 9 and 16

Design work and cover

Zulu Planet’s detailed accounts ledger reflects that the four transactions for design work and the cover are as follows¹⁰⁶:

- 4 September 2006 – design work and layout – R1 754.39;
- 30 December 2006 – design work – R2 500;
- 1 February 2007 – design work – R102.34; and
- 3 April 2007 – design cover – R3 000.

We did not obtain any supporting documentation, such as invoices for the first three of the four transactions and therefore we cannot comment or consider these charges until such time that Zulu Planet provide us with the necessary documentation.

We did however obtain an invoice of Ryan Aldridge (“Aldridge”) and addressed to Zulu Planet, which is dated 30 March 2007 for the R3 000 expense¹⁰⁷. The description on the invoice reflects “For design of Kaffertjie Cover”. It should be noted that the launch dated of Kaffertjie was 15 November 2006. We cannot confirm or refute whether this invoice relates to the cover design expenses incurred for the first batch of books printed during October 2006 or whether it relates to the changing of the cover design for the second batch of books printed during March 2007. We require additional information from Zulu Planet and/or Aldridge, ie a detailed breakdown of the work performed by him together with the costing. Should the invoice of R3 000 relates to the first batch of books printed then we require additional information and/or documentation on the other two design and cover charges, as reflected above. Should the invoice relates to the second batch of books printed, then we are of the opinion that Engelbrecht cannot be held liable for these costs, as he did not approve the second batch to be printed. As stated elsewhere in this report, the cover design expenses of R7 254.39 appears to be excessive, especially taking into account that Engelbrecht’s original suggested design was used with only a few changed made by Aldridge. Therefore, we reiterate the fact that we require a detailed breakdown of the work and costing done by Aldridge.

¹⁰⁶ Refer to Exhibit 9 and 16

¹⁰⁷ Refer to Exhibit 33

Based on the supporting documentation obtained, we are of the opinion that the design and illustration costs are zero until such time that Zulu Planet provide detailed documentation substantiating these expenses¹⁰⁸.

We were informed by Engelbrecht that the cover design of the book was a contentious issue from the commencement of the agreement. We obtained the original cover page, which was designed by Engelbrecht¹⁰⁹. We were informed by Engelbrecht that Tellingier appointed a designer, Aldridge, to design the cover of the book. Engelbrecht stated that after discussions and/or corresponding with Aldridge, he (Aldridge) forwarded the suggested cover design to Engelbrecht¹¹⁰. Engelbrecht was satisfied with the design, except for the pink shading around the eyes. Engelbrecht said that the brown was a little lighter than his original idea and that he would have preferred a darker brown. Engelbrecht further stated that the design forwarded by Aldridge was exactly his original suggested cover design, with the exception that Aldridge did a “clean-up” of the design and color changes, as he (Engelbrecht) did not have the right program to do so.

Engelbrecht informed us that he received an e-mail from Tellingier dated 7 July 2006¹¹¹. Attached to this e-mail was a “jpg” file containing another design prepared by Aldridge¹¹². The black on the previous design was replaced with grey. Engelbrecht then responded in an e-mail dated 10 July 2006 and informed Tellingier that he was not satisfied with the grey on the brown and that he wants the cover to be printed black on brown, as per the original design¹¹³. Engelbrecht further requested the following from Tellingier¹¹⁴:

“’n Kopie van ‘n boek van die maatskapy (stet) wat verantwoordelik is vir die druk van ‘kaffertjie.’

Die kwaliteit van die voorblad papier en die voorgenome druk proses.

‘n Voorbeeld van die presiese papier wat gebruik gaan word vir die boek self.”

It should be noted that Engelbrecht did not receive any of the requested documentation from Tellingier or Aldridge.

¹⁰⁸ Refer to Annexure B and C

¹⁰⁹ Refer to Exhibit 34

¹¹⁰ Refer to Exhibit 35

¹¹¹ Refer to Exhibit 36

¹¹² Refer to Exhibit 36

¹¹³ Refer to Exhibit 37

¹¹⁴ Refer to Exhibit 37

After Engelbrecht’s e-mail to Telling, he (Engelbrecht) received another design, which he approved¹¹⁵. This design was black on brown (the darker brown), the shades around the eyes were corrected and the spine of the book, which reflects the title and authors name (letter work), was printed in white. Zulu Planet’s logo is also reflected on the spine of the book in white. The first batch of books (3166) was printed, without supplying Engelbrecht with the requested documentation and exemplar of the book, as requested in the e-mail above.

Engelbrecht informed us that the book was not printed according to the approved design. The alignment of the eyes was not in the middle and the spine of the book, ie the title and authors name, was printed in black¹¹⁶. Zulu Planet’s logo remained white. Therefore the title and authors name is illegible and the publishers name is much more visible. Engelbrecht stated that his book was filed under Zulu Planet at Exclusive books, ie emphasising the fact that the title and author on the book is illegible.

We obtained the cover design for the second batch of books that were printed in India¹¹⁷. The brown shade is much lighter than the original approved color and even appears to have a slight orange shade. As stated elsewhere in this report, Engelbrecht did not approve the second batch.

Clause 10.4 of the agreement reflects that “*Notwithstanding anything to the contrary herein contained, the PUBLISHER shall obtain the AUTHOR’s written advance approval of any jacket or cover design, after due consideration of illustrations proposed by the AUTHOR, including the text thereof, to be used in connection with the WORK and of any contracts with third parties for the publication of the WORK, which approval shall not be unreasonably withheld.*”¹¹⁸

Based on the agreement, it is evident that Engelbrecht’s written approval for the cover design was essential. During the investigation we obtained various correspondences between the Engelbrecht, Telling as well as their legal representatives.

We obtained a letter dated 4 November 2006, addressed to Telling and prepared by Kathleen Rice of Werksmans Attorneys¹¹⁹. This letter reflects *inter alia* the following with regards to the cover design of the book Kaffertjie:

“3. It was agreed that:

¹¹⁵ Refer to Exhibit 38

¹¹⁶ Refer to Exhibit 39

¹¹⁷ Refer to Exhibit 40

¹¹⁸ Refer to Exhibit 1

¹¹⁹ Refer to Exhibit 28

3.4 *Mr Engelbrecht’s prior written approval would be obtained for the cover design.”*

And further

“4. *Zulu Planet has breached its agreement with Mr Engelbrecht. In particular;*

4.4 *the cover design was changed without Mr Engelbrecht’s approval.”*

And further

“5. *In addition to the above, the final product is filled with layout errors and is of an inferior quality. Of particular concern is the cover – Mr Engelbrecht did not approve the present cover as is required in terms of the agreement. The cover is, in fact, offensive to him. This was conveyed to you in a letter addressed to you by Mr Engelbrecht in July 2006.*

Notwithstanding Mr Engelbrecht’s objections, you proceeded with the cover design.”

6. *The book, in its present state, is embarrassment to Mr Engelbrecht. The book does not convey Mr Engelbrecht’s artistic intentions as changes were made without his consent. Mr Engelbrecht’s moral rights that he retains in the work have been flouted. If the book is distributed, it will cause irreparable harm to his reputation.*

7. *.....The act of effecting unauthorized changed has undermined our client’s trust in Zulu Planet.”*

Tellingier appointed Blake Attorneys as his legal representatives. In a letter dated 6 November 2006, addressed to Engelbrecht and prepared by Blake Attorneys, reflects the following in response to Werksmans Attorneys letter dated 4 November 2006¹²⁰. The letter *inter alia* reflects the following with regards to the cover design:

“4. *Our instructions are that in terms of paragraph 10.4 of the agreement our client was obliged to obtain the written advance approval of the jacket design of the work, your client’s obligation being not to unreasonably withhold such approval.*

5. *Our instructions are that in and during September 2006 your client furnished our client with verbal approval of the cover design. Our instructions are that notwithstanding this verbal approval and subsequent endeavours (stet)by our client to obtain written approval, your client has unreasonably withheld written approval of the jacket or cover design.*

¹²⁰ Refer to Exhibit 29

6. *Our instructions are that the exact and detailed particulars of the print technique, print finish and exact colour (stet) grading of the jacket or cover design fall within our client’s area of discretion as publisher.”*

Werksmans Attorneys responded to Blakes Attorneys letter on 17 November 2006¹²¹. The letter reflects *inter alia* the following:

“7. Ad Paragraph 4, 5 and 6

- 7.1 *Our client has not unreasonably withheld approval of the jacket design of the work. The jacket design does not meet with our client’s approval at all as it differs substantially from his original design.*
- 7.2 *The front cover is off centre by a wide margin. The pupils of the eyes were to have been varnished and the colour in the lower panel is incorrect. The spine of the book cannot be read from a distance of more than arms length as the black blends into the brown and cannot be seen. On the back of the book, there are no less than three grammatical and spelling errors.*
- 7.3 *It is denied that the print technique, print finish and exact colour grading falls within your client’s area of discretion as publisher. Your client was at all times aware that the cover was of particular importance to our client. Our client voiced his strenuous disapproval of the cover in July 2006.*
- 7.4 *Our client gave no agreement in September as alleged by your client. The present design was never presented to our client and the changes were made behind his back. If your client persists with his allegation that attempts were made to present the current design to our client, it is requested to provide us details of such attempts and details of when the present cover design was presented to our client for approval.”*

Contrary to the agreement and after all the correspondence between the legal advisers, Zulu Planet failed to supply Engelbrecht or us with Engelbrecht’s written approval for the cover design.

¹²¹ Refer to Exhibit 30

Meals

The design and illustration account on Zulu Planet’s detailed accounts ledger and Profit and Loss statement reflects 11 transactions pertaining to meals¹²². These transactions amount to R181.05.

The 11 transactions are reflected as follows in Zulu Planet’s detailed accounts ledger¹²³:

- 3 October 2006 – Shahi India (layout and design) – R15.97;
- 5 October 2006 – On Set Coffe – R7.00;
- 7 October 2006 – Full Stop Café – R10.75;
- 9 November 2006 – Picola Pizza (design) – R17.83;
- 11 November 2006 – Fratelli (design and layout) – R33.80;
- 16 November 2006 – Picola Pizza – R19.80;
- 22 November 2006 – Mugg and Bean (layout) – R12.74;
- 26 November 2006 – Ocean Basket (design) – R25.00;
- 19 December 2006 – Fratelli (design and layout) – R29.83; and
- 13 January 2009 – Design work – R8.33.

The launch date of Kaffertjie was on 15 November 2006. Based on documentation obtained pertaining to the printing of the book, we assume that the first edition of Kaffertjie was printed during September/October 2006. Our assumption is based on the fact that the first payment made by Zulu Planet to CTP Printers was on 29 September 2006 and the CTP Printers invoice was dated 30 October 2006¹²⁴. Based on our assumption and taking into consideration that Kaffertjie’s launch date was 15 November 2006, any expenses relating to design and illustration after October 2006 are questionable. We obtained various receipts (marked “8 to 13”) relating to the design and layout expenses dated after 15 November 2006¹²⁵. In our opinion no expenses relating to the design and layout of Kaffertjie could have been incurred after the books were printed, as the design and layout would have already been finalised. We obtained receipts

¹²² Refer to Exhibit 9 and 16

¹²³ Refer to Exhibit 9

¹²⁴ Refer to Exhibit 18

¹²⁵ Refer to Exhibit 41

(marked “5 to 7”) for the expenses incurred during October 2006¹²⁶. It should be noted that two of the three receipts are illegible and we require further information as to the reason for the expense incurred of R7.00 before considering including it in our calculation¹²⁷.

Based on the aforesaid, we are of the opinion that the design and illustration charges are zero until such time that Zulu Planet provide us with the required documentation and/or information.

6.3.7 Salaries – Temp staff

Zulu Planet’s detailed accounts ledger and Profit and Loss statement reflects an amount of R29.06¹²⁸. We obtained a tax invoice (marked “C”) of Find a Student and addressed to Zulu Planet¹²⁹. The invoice is dated 19 October 2007 with invoice number 100030. The amount is R232.50 (excluding VAT) for Temp fees. Based on the invoice obtained during our investigation, we require detailed information and proof that the student fee was indeed for Kaffertjie’s expense. Until such point that we are satisfied with the documentary evidence, this expense was disregarded in our calculation.

6.3.8 Legal fees

Zulu Planet’s detailed ledger account and Profit and Loss statement reflects a total of R2 328.08 for legal fees¹³⁰. This amount consists of 4 transactions and the description column in the detailed ledger account reflects “Blake”. The 4 transactions are as follows:

- 30 October 2006 – Blakes Attorneys – R600;
- 1 December 2006 – Blakes Attorneys – R785.09;
- 7 December 2006 – Blakes Attorneys – R438.60; and
- 3 October 2007 – Blakes Attorneys – R504.39.

We obtained two statements (marked “D”) of Blake Attorneys from Zulu Planet dated November 2006 and December 2006¹³¹. The total costs reflected on the two statements are

¹²⁶ Refer to Exhibit 27

¹²⁷ Refer to Exhibit 27

¹²⁸ Refer to Exhibit 9 and 16

¹²⁹ Refer to Exhibit 42

¹³⁰ Refer to Exhibit 9 and 16

R2 407 (excluding VAT) and the statements further reflect payments ostensibly made by Zulu Planet amounting to R2 079. The statements obtained from Zulu Planet do therefore not correspond to the amounts reflected in the detailed accounts ledger. It appears that these costs relate to legal fees incurred by Zulu Planet in the dispute with Engelbrecht.

During our investigation, Engelbrecht supplied us with a breakdown of his legal fees to date of this report. The first invoice obtained from Gerhard Botha Attorney’s amounts to R4 121.00 (excluding VAT)¹³². We furthermore obtained an e-mail sent on 10 November 2006 by Engelbrecht to Werksman confirming a R5 000 transfers for legal fees¹³³. A copy of Engelbrecht’s bank statement, reflecting the R5 000 payment for legal fees is available, should the reader of this report require a copy.

Should Zulu Planet wish to include their legal fees, then we are of the opinion that Engelbrecht should be afforded the same opportunity to include his legal fees, ie R9 121.

For purposes of reconstructing the Profit and Loss statement, we have excluded all legal fees from our calculations¹³⁴.

6.3.9 Marketing and PR

6.3.9.1 Clients

Zulu Planet’s detailed Zulu Planet’s detailed accounts ledger and Profit and Loss statement reflects a balance of R226.80 for the account “*Clients*”¹³⁵. We obtained a receipt (marked “31”) from Pretorius, which is dated 20 January 2008¹³⁶. The receipt is for a meal at Sahib Northcliff amounting to R226.80. We require detailed information as to what this charge relates to and whom Tellingier entertained and for what reason. We have excluded this charge from our calculation until such time that we receive a reasonable explanation from Tellingier.

6.3.9.2 Petrol & Oil

Zulu Planet’s detailed accounts ledger and Profit and Loss statement reflects a balance of R500 for Petrol. Included in the balance are two amounts totaling R250 for expenses ostensibly

¹³¹ Refer to Exhibit 43

¹³² Refer to Exhibit 44

¹³³ Refer to Exhibit 45

¹³⁴ Refer to Annexure B and C

¹³⁵ Refer to Exhibit 9 and 16

¹³⁶ Refer to Exhibit 46

incurred by Zulu Planet on fuel. The receipts (marked “14 and 15”) obtained from Zulu Planet are not clear and we need further information, such as the purpose for the petrol expenses¹³⁷.

We have therefore excluded the travel expenses from our calculation until such time that we receive detailed explanations for the costs incurred by Zulu Planet.

6.3.9.3 Entertainment

Zulu Planet’s detailed accounts ledger as well as the Profit and Loss statement reflects that a balance of R439.03 in the “*Entertainment account*”. This balance consists of 4 transactions all relating to meals. The 4 transactions are listed in the detailed accounts ledger as follows:

- 1 March 2007 – Col’Cacchio Pizzeria – R196.00;
- 22 June 2007 – Europa – Legal advisor – R97.00;
- 1 October 2007 – Mi-Vami Fast Foods – R13.03; and
- 16 June 2008 – Col’Cacchio Pizzeria – R133.00.

We only obtained a credit card slip (marked “16”), which is illegible on the first transactions of R196¹³⁸. A handwritten note on the slip reflects “*Kaffertjie – Translate*”. As stated elsewhere in this report, the translation costs reflected by Zulu Planet should not be for Engelbrecht’s expense, as he did not authorise the translation. Therefore we do not accept this charge and excluded this in our calculation.

We obtained a Europa receipt (marked “17”) for R97 from Zulu Planet for meals¹³⁹. A handwritten note on the receipt reflects “*Legal Advice Kaffertjie*”. We have excluded this amount in our calculation, as we are of the opinion that Zulu Planet’s legal fees are for their own cost, except if Zulu Planet also take into account Engelbrecht’s legal fees. A detailed explanation on the legal fees is reflected in paragraph 6.6.3 of this report.

We obtained a receipt (marked “18”) of Mi-Vami for R104.20 from Zulu Planet¹⁴⁰. A handwritten note on the receipt reflects “*Promotions – All authors*” and further “*Kaffertjie 13.03*”. We have excluded this amount in our calculation until such time that Zulu Planet

¹³⁷ Refer to Exhibit 47

¹³⁸ Refer to Exhibit 47

¹³⁹ Refer to Exhibit 47

¹⁴⁰ Refer to Exhibit 47

provides us with detail information for the expense, such as the name of the individual entertained for promotional purposes, etc.

We obtained a credit card slip (marked “32”) for the fourth transaction of R133¹⁴¹. We have excluded this amount in our calculation until such time that Zulu Planet provides us with detail information for the expense, such as the detailed receipt and the reason for the entertainment charge.

In conclusion, we are of the opinion that the entertainment account should be zero until such time that Zulu Planet provide us with detailed explanations/supporting documentation for the expenses listed in their detailed ledger accounts¹⁴².

6.3.9.4 Travel – local

The detailed accounts ledger and Profit and Loss statement of Zulu Planet reflects a charge of R212.19 for local travel¹⁴³. This charge consists of 5 transactions, which are listed as follows in the detailed accounts ledger of Zulu Planet:

- General journal – 28 February 2007 – R18.79;
- 15 May 2007 – Picola Pizza – Cape Town Book fair – R18.63;
- 13 June 2007 – Imperial Car Rental – R257.50;
- 18 June 2007 – Parking – R5.48; and
- 22 June 2007 – Imperial Car Rental – (R88.21).

It should be noted that we did not receive any supporting documentation on the general journal as well as the transaction for parking. Therefore we have excluded these costs from our Profit and Loss statement, until such time that Zulu Planet provide us with explanations/supporting documentation¹⁴⁴. The documentation obtained from Pretorius (marked “20”) for the Imperial Car Rental transactions are illegible¹⁴⁵. In order to assess these costs, we require access to the original documentation. We have excluded these costs from our Profit and Loss statement, until

¹⁴¹ Refer to Exhibit 46

¹⁴² Refer to Annexure B and C

¹⁴³ Refer to Exhibit 9 and 16

¹⁴⁴ Refer to Annexure B and C

¹⁴⁵ Refer to Exhibit 48

Zulu Planet provide us with such documentation¹⁴⁶. We also require an explanation for incurring these costs. On the transaction pertaining to the Picola Pizza costs, we received a credit card slip (marked “19”) from Pretorius, reflecting a handwritten note “R18.63 – for Kaffertjie” and a further note “CT Book Fair”¹⁴⁷. We were however informed that the Cape Town Book Fair occurred from 16 to 19 June 2007. The credit card slip is dated May 2007. In order to account for this expense, we require a copy of the detailed slip together with an explanation for the expense.

6.3.9.5 *Travel – overseas*

We obtained an e-mail dated 30 October 2006, prepared by Tellingier and addressed to Engelbrecht¹⁴⁸. The e-mail reflects the following:

“I would like to hereby notify you that in terms of our contract, we are hereby exercising our right to release your book ‘Kaffertjie’ internationally.

We are in the process of appointing appropriate publisher for the release of your book ‘Kaffertjie’ in the English language in three territories during the first half of 2007.

These will be: USA, UK and Australia.

We will appoint suitable translator and forward you a copy of your reference and keeping once completed.”

An e-mail dated 3 April 2007, prepared by Tellingier and sent to Engelbrecht *inter alia* reflects¹⁴⁹:

“I would also like to let you know that I am taking your book to the London Book Fair on the 13th April to sell international publishers. It is currently being translated in English. I will let you have a copy of the translation once it is completed – I would value your comments. This should be by the end of April 2007.

Please also let me know if you will permit me to release the English Version in SA or if you want to do your own.”

¹⁴⁶ Refer to Annexure B and C

¹⁴⁷ Refer to Exhibit 47

¹⁴⁸ Refer to Exhibit 49

¹⁴⁹ Refer to Exhibit 50

In an e-mail dated 10 April 2007 prepared by Engelbrecht and sent to Tellingier, Engelbrecht informed Tellingier as follows¹⁵⁰:

“Can you please clarify, where in our contract does it permit Zulu Planet Publishers to translate my book into English?”

1.1 As far as the sales and distribution, or for that matter, the translation, of the English version in South Africa is concerned; I think it was stated very clearly in the correspondence from my lawyer to remind you of paragraph 1.1 of the contract.

It is a draft translation to present to a foreign publisher, I will gladly comment on it once they present me with the translation, as per contract.

1.2 The PUBLISHER is also granted exclusive rights to assign any foreign publisher in countries other than South Africa, to translate, print and release the WORK in any other language as it may require from time to time. Copies of such contracts will be presented to the AUTHOR while the PUBLISHER warrants that it will do everything in its power to secure the best possible deal in favour of the AUTHOR.

Good luck at the London book fair. If you should find an interested foreign publisher, in another country outside South Africa, you should make it clear to them that I have not approved the translation and that our contract terminates on 27 May 2009.

I have made a commitment to a local publisher, who has the first option, to publish the book in English.

However, if the foreign publisher would like to publish and distribute my book in South Africa, I will be open for negotiation.”

It should be noted that to date of this report, Engelbrecht did not receive a copy of the translation, as referred to by Tellingier.

Zulu Planet’s detailed accounts ledger and Profit and Loss statement reflects a balance of R3 471.83 for overseas travel¹⁵¹. The balance consists of 4 transactions, which are reflected as follows in the detailed accounts ledger of Zulu Planet:

- 6 March 2007 – Flight Centre (London Book fair) – R860;

¹⁵⁰ Refer to Exhibit 51

¹⁵¹ Refer to Exhibit 9 and 16

- 28 March 2007 – Blueline (London Book fair) – R212.50;
- 12 April 2007 – Cash for London Book fair – R960.49;
- 20 April 2007 – Picolla Pizza – R27.61; and
- 30 April 2007 – General journal – R1 411.23.

An Invoice of Flight Centre (marked “21”) reflects an amount of R5 160 for accommodation TIC¹⁵². A handwritten note was made which reflects “*Kaffertjie R860*”. To date of this report Engelbrecht has not received a copy of the translation. As indicated by Tellingier in an e-mail dated 3 April 2007, he would have taken the translated book with him to the London Book fair in order to find a foreign publisher. We will only consider these costs as soon as we have a copy of the translated book in hand as well as proof of the appointed foreign publisher.

During our investigation we received a Blueline invoice (marked “22”) dated 28 March 2007 from Pretorius¹⁵³. The invoice, with number “*blp10*” of Blueline printing reflects an amount of R1 275 (excluding VAT) for colour A3 prints. A handwritten note was made which reflects “*Kaffertjie R212.50*”. To date of this report Engelbrecht has not received a copy of the translation. As stated previously, Tellingier said in an e-mail dated 3 April 2007 that he would have taken the translated book with him to the London Book fair in order to find a foreign publisher. Once again, we will only consider these charges as soon as we have a copy of the translated book in hand. We also require an explanation of what information the A3 flyers contained and we require a copy of the flyer.

We obtained various receipts from Pretorius, which was marked as reference “*E*” on her schedule reflecting the details of documentation forwarded by her for investigation purposes¹⁵⁴. These receipts relate to the purchase of foreign exchange, restaurant charges and/or food and drink charges, which Tellingier ostensibly incurred during his trip to the London Book Fair. One of the receipts was for expenses incurred in Dubai. We require an explanation for the expense incurred in Dubai. We have not received a breakdown on how Zulu Planet accounted for the amount of R960.49 for Kaffertjie. As stated above, we have not accepted these charges in our re-stated Profit and Loss statement due to the fact that we have not received a copy of the

¹⁵² Refer to Exhibit 52

¹⁵³ Refer to Exhibit 53

¹⁵⁴ Refer to Exhibit 54

translated book as well as detailed information of whether a foreign publisher was appointed or not¹⁵⁵.

We obtained a credit card receipt (marked “33”) from Pretorius reflecting a handwritten note “R27.61 Kaffertjie”¹⁵⁶. This receipt was dated 20 April 2007, but the receipt was for costs incurred in Dubai. We require a detailed explanation for this expense. As stated above, we will not consider any charges relating to the overseas trip taken by Tellingier until such time that we receive a copy of the translated book.

The fifth transaction relates to a general journal¹⁵⁷. The journal reflects various expenses such as the air tickets (marked “G”) for the trip to London and a credit card slip (marked “34”) for “grooming for the London Book Fair” at Gregg Hairstylist for an amount of R22.50¹⁵⁸. The charges for the air tickets for the trip to London will only be considered upon receipt of the translated book. We are however of the opinion that the expense at Gregg Hairstylist is not for Kaffertjie’s expense.

6.3.9.6 Marketing and PR

Zulu Planet’s detailed accounts ledger and Profit and Loss statement reflects a balance of R2 392.36 for marketing and PR purposes¹⁵⁹. The balance consists of 10 transactions of which 5 transactions relate to restaurant/food and drink charges amounting to R121.65, which were incurred during the period January 2007 to March 2007. We obtained receipts (marked “23 to 26 and 35”) for the 5 transactions, some which is illegible and in one case we only obtained a credit card slip and not a detailed cash receipt¹⁶⁰. Handwritten notes on the receipts reflect “Media PR”. Engelbrecht will consider these charges upon receipt of clear receipts and detailed explanations for the reason of these entertainment charges.

The remainder of the other 5 transactions relate to expenses (marked “H, I, J, K and L”) incurred for banners, posters, flyers and research performed by one Christopher van den Berg¹⁶¹. In order to consider the charges for the 4 banners, we request that it be made available for Engelbrecht to view. This applies for the posters and flyers as well. In order to consider the

¹⁵⁵ Refer to Annexure B and C

¹⁵⁶ Refer to Exhibit 46

¹⁵⁷ Refer to Exhibit 55

¹⁵⁸ Refer to Exhibit 55

¹⁵⁹ Refer to Exhibit 9 and 16

¹⁶⁰ Refer to Exhibit 46 and 56

¹⁶¹ Refer to Exhibit 57

expense for the research incurred by Zulu Planet, we will appreciate it if Telling can furnish us with an explanation with regards to the research performed by Christopher van den Berg.

We have excluded these expenses in our calculation until such time that we receive more information and/or documentation¹⁶².

6.3.10 Bank service charges

Zulu Planet reflected bank charges of R157.90 in the profit and loss statement¹⁶³. Zulu Planet’s detailed accounts ledger furthermore reflects that the bank charges relates to forex commission¹⁶⁴. As stated in paragraph 6.3.2, 6.3.4 and 6.3.5 of this report, any costs relating to the 2nd batch of books ordered, printed and imported from India is not for Engelbrecht’s expense. We reiterate the fact that Engelbrecht stated that he did not request Zulu Planet to print a new edition or impression of Kaffertjie.

6.3.11 Postage and delivery

Zulu Planet reflects an amount of R625.35 for costs incurred for postage and delivery on behalf of Engelbrecht¹⁶⁵. This balance consists of 9 transactions, which is reflected in the detailed accounts. It should be noted that we did not receive any supporting documentation on some of these transactions and in two instances the invoice was illegible (marked “27, 28, 29 and 30”). In one instance an internet payment was made to Music Master (marked “M”)¹⁶⁶.

Based on the documentation and/or information obtained during our investigation, we were unable to assess the validity and accuracy of these transactions and require more information/documentation in order to establish whether these costs were indeed for Engelbrecht’s account. Therefore our calculation reflects a zero balance.

¹⁶² Refer to Annexure C

¹⁶³ Refer to Exhibit 16

¹⁶⁴ Refer to Exhibit 9

¹⁶⁵ Refer to Exhibit 9 and 16

¹⁶⁶ Refer to Exhibit 60

6.3.12 Royalties

The Zulu Planet detailed accounts ledger reflects the royalties amount for books taken by the author as R7 270.92¹⁶⁷. However, Zulu Planet’s Profit and Loss statement reflects the royalties for books taken by the author as R12 118.20¹⁶⁸. As stated elsewhere in this report, Zulu Planet supplied us with an updated Profit and Loss statement, but not an updated detailed accounts ledger. Thus Zulu Planet’s detailed accounts ledger does not agree to the Profit and Loss statement.

Clause 11 (c) of the agreement reflects that “*No royalties shall be payable of copies furnished to the AUTHOR or on copies for review, sample, promotional or other similar purposes, or on copies destroyed.*”¹⁶⁹”

Based on the aforesaid clause, as reflected in the agreement between Zulu Planet and Engelbrecht, royalties should not be taken into account on the copies furnished to Engelbrecht. Therefore we are of the opinion that the royalties expense should be zero¹⁷⁰.

¹⁶⁷ Refer to Exhibit 9

¹⁶⁸ Refer to Exhibit 16

¹⁶⁹ Refer to Exhibit 1

¹⁷⁰ Refer to Annexure B and C

6.4 Profit and Loss statement

We compared our reconstructed Profit and Loss statement to that of Zulu Planet’s¹⁷¹. The table below reflects a summary of the Profit and Loss statement prepared by Zulu Planet, our summary of the reconstructed Profit and Loss statement (based on supporting documentation) and the difference.

Description	Zulu Planet	ICA Incorporated	Difference	Report reference
Income	R107 650.64	R255 422.78	R147 772.14	Paragraphs 6.3.1 and 6.3.2
Cost of Goods Sold	R74 225.65	R27 643.98	(R46 582.67)	Paragraphs 6.3.3 to 6.3.6
Gross Profit	R33 424.99	R227 778.80	R194 353.81	
Expenses	R22 500.80	R0.00	(R22 500.80)	Paragraphs 6.3.7 to 6.3.12
Expenses incurred by Engelbrecht		6 000.00	(6 000)	Paragraphs 6.3.6.1 and 6.6.1
Nett Income	R10 924.19	R221 778.80	R210 854.61	

Based on the table above, the net income should be R221 778.80.

Clause 11 (a) of the agreement reflects that “A royalty of fifty percent (50%) of the NETT income generated from the sales of the WORK, after the publishing/printing costs have been recovered by the PUBLISHER, including marketing and promotional costs, and after calculating any returns of the WORK from the date which will be deducted from the sales figures. Marketing and promotional activities and costs shall be discussed with the AUTHOR, who shall not withhold consent unreasonably.”¹⁷²”

¹⁷¹ Refer to Annexure C

¹⁷² Refer to Exhibit 1

Based on the terms and conditions of the agreement and our calculations, we are of the opinion that Engelbrecht is entitled to an amount of R110 889.40, being 50% of the net income of the sales of the book (R221 778.80 multiply by 50%).

The agreement, and specifically clause 13 reflects the following:

“13.1 The AUTHOR or his duly authorised representatives shall have the right upon written request to examine the books of account of the PUBLISHER insofar as they relate to the WORK and any other of the AUTHOR’s WORKs under contract to the PUBLISHER. Such examination shall be at the cost of the AUTHOR unless errors of accounting amounting to five percent (5%) or more of the total sum paid to the AUTHOR shall be found to his disadvantage, in which case the cost shall be borne by the PUBLISHER.”¹⁷³

The net income payable to Engelbrecht according to the accounting records of Zulu Planet is R5 462.09 (R10 924.19 x 50%). The agreement reflects that if Engelbrecht requests an examination of the accounting records and an error of 5% or more in the amount payable is identified, Zulu Planet will be responsible for the cost of the examination. Based on the records of Zulu Planet and error of R273.10 (R5 462.09 x 5%) or more in the accounting records would result in the publisher being responsible for the cost of the examination. The short fall identified by the examination exceeds the 5% threshold as the short payment amounts to R105 427.31 (R110 889.40 minus R5 462.09), thus exceeding the 5% threshold by R105 427.31 or 1930% (R105 427.31/R5 462.09 multiply by 100).

Therefore, according to the agreement, the costs for the examining of Zulu Planet’s books by Engelbrecht’s accountants should be paid by Zulu Planet, as the accounting difference is more than five percent of the total sum paid to Engelbrecht.

6.5 Termination of agreement

The agreement reflects in clause 17 that¹⁷⁴:

“17.2 At any time after 3 (three) years from the date of first publication, but not before without good cause, the AUTHOR may on three month’s written notice to the PUBLISHER terminate this agreement.”

¹⁷³ Refer to Exhibit 1

¹⁷⁴ Refer to Exhibit 1

We obtained an e-mail dated 16 November 2009 sent by Engelbrecht and addressed to Tellingier reflecting *inter alia* the following¹⁷⁵:

“According to the contract I have to inform you that I do not wish for you to continue publishing my book any further, since the three year agreement has expired. The date of publication was 15 November 2006. You are now informed.”

In an e-mail dated 23 November 2009, Tellingier responded to Engelbrecht as follows¹⁷⁶:

“Hi Johan

Thank you

I received your notice.

The contract is hereby terminated.

I only received the notice today – 23 November – since I was in England and could not retrieve my emails.

I will remove the e-book from the website promptly – it may take a few days – don’t panic we will not allow any sales to go through.

Please note that there are still quite a large number of books in the warehouse.

This remains the property of the publisher until sold – and royalties will be paid accordingly.

I have however no interest in selling the book any longer so I will make the book available at a discounted rate to clear the stock.

You are welcome to make me an offer for the books – the contract says that I will sell them to you at 40% the retail price. But I am happy to let you have them for R30 per book.

There are 3764 books left.

Or you can take books for the value of royalties due to you – in which case those will be sold to you at the normal 40%. The current retail price is R100 – so the cost of the books against royalty is R40 per book. This means that at present – you are entitled to take 141 books instead of the royalties due.

I will send you a final sales analysis to 15 November.”

¹⁷⁵ Refer to Exhibit 58

¹⁷⁶ Refer to Exhibit 59

The aforesaid e-mail sent by Tellingier raises two concerns. The first is that even though the agreement reflects that a three months notice period is required for termination, Tellingier stated in his e-mail that the agreement is terminated as at the date of Tellingier’s e-mail, ie 23 November 2009. This is contra to the agreement as well as Tellingier’s duty as the publisher, ie to sell the book Kaffertjie. It should further be noted that to date of this report, Engelbrecht did not receive any payment from Tellingier.

6.6 Expenses incurred by Engelbrecht

During consultations with Engelbrecht, he confirmed that he also incurred expenses on the book, which were not taken into account in Zulu Planet’s detailed accounts ledger and Profit and Loss statement. We requested Engelbrecht to supply us with supporting documentation substantiating the expenses incurred on the book. These expenses can be classified in the following categories:

- Editors fees;
- Time for promotional work; and
- Legal fees.

The paragraphs below reflect a detailed explanation on the expenses incurred by Engelbrecht and whether the Profit and Loss statement should be adjusted to account for these expenses.

6.6.1 Editors fees

We obtained an e-mail from Engelbrecht dated 22 February 2011, sent by Ms Elmarie Otto to Engelbrecht¹⁷⁷. This e-mail reflects an invoice of Elmarie Otto dated 28 August 2006 and addressed to Engelbrecht. The invoice reflects that service was rendered for the publication “Kaffertjie, by Johan Engelbrecht” and that the service rendered was for “*subediting of the abovementioned publication*” and the amount of the invoice is R6 000.

We are of the opinion that this expense incurred by Engelbrecht should be taken into account in the Profit and Loss statement and therefore the net income should be R211 253.80¹⁷⁸.

¹⁷⁷ Refer to Exhibit 31

¹⁷⁸ Refer to Annexure C

6.6.2 Time for promotional work

We obtained an e-mail from Engelbrecht dated 5 February 2011¹⁷⁹. This e-mail reflects a list of promoters whom received a copy of the book, Kaffertjie, from Engelbrecht. Engelbrecht confirmed that he handed out 34 books to the parties listed in the e-mail. As reflected in paragraph 6.3.2 of this report, the 34 books were added to the external sales account, as these books were handed to promoters and not for Engelbrecht’s personal use.

Engelbrecht confirmed that he can provide evidence for all 34 books used for promotional purposes, ie news paper articles, magazine articles and recordings of television programs. Our reconstructed Profit and Loss statement already takes into account the 34 books used for promotional purposes¹⁸⁰. We have not taken into account Engelbrecht’s time spent for performing promotional work on his own book. Engelbrecht will be able to supply us with a breakdown of the time spent, should it be required.

6.6.3 Legal fees

Refer to paragraph 6.3.8 of this report for detail on the legal expenses incurred by Engelbrecht.

6.7 Virtual publication and E-Book sales

The agreement reflects the following in terms of the virtual publication and E-Book sales¹⁸¹:

“6.1 The PUBLISHER is hereby granted the exclusive rights to sell, distribute, publish and/or make available as downloads the WORK on the Internet in an electronic form of any nature or format (as per Clause 8).

6.2 The PUBLISHER is hereby granted the exclusive right to determine the download selling price, which is not less than 50% (fifty percent) of the listed selling price of the printed WORK. The royalties from such Internet electronic sales shall be determined separately from royalties on WORK printed in paper or book form and are outlined in Clause 7.”

And further:

“7 ROYALTIES PAYABLE TO AUTHOR

¹⁷⁹ Refer to Exhibit 20

¹⁸⁰ Refer to Annexure C

¹⁸¹ Refer to Exhibit 1

- 7.1 50% (fifty percent) of the selling price on any websites owned by the PUBLISHER. 50% (fifty percent) on the selling price of the NETT revenue received by the PUBLISHER from other websites which sell the WORK.*
- 7.2 The PARTIES agree that the online e-book selling price for the WORK in foreign currencies shall be the equivalent in the respective currency converted from ZAR (South African Rand) and/or within close proximity thereof.*
- 7.3 The PUBLISHER reserves the right to change the Internet download price of the WORK from time to time as dictated by market needs or for promotional reasons. In such events the AUTHOR will be notified by the PUBLISHER in writing of the change in selling price at least 2 weeks before such price changes are implemented within the parameters of Clause 6 of this agreement.”*

We were informed by Engelbrecht that Zulu Planet did establish a website for e-book selling. However, we have not received any information and/or supporting documentation reflecting that e-book sales did in fact occur.

7 Conclusion

In conclusion Zulu Planet failed to comply with or fulfill the terms of the agreement. We base our conclusion on the following information:

7.1 Stock

- Insufficient record keeping of the financial records of Kaffertjie by Zulu Planet;
- Lack of authorisation by Engelbrecht for the printing of an additional 4 000 books by Zulu Planet;
- Inadequate receipts and supporting documentation submitted by Zulu Planet, specifically referring to the damaged books and sample transactions indicated by Zulu Planet;
- Inappropriate and/or questionable claims made for rain damaged books, especially taking into consideration that PSD Promotions informed Engelbrecht that there is only 5 rain damaged books;
- Lack of explanation by Zulu Planet on the difference between the stock on hand as indicated in their reconciliation and the stock on hand according to Zulu Planet’s stock take;
- Stock shortage of 216 books between our reconciliation, which is based on supporting documentation and Zulu Planet’s reconciliation (4 604 minus 4 388); and
- Stock shortage of 138 books between our reconciliation and the physical stock on hand at PSD Promotions, as counted by Engelbrecht (4 604 minus 4 466).

7.2 Sales to Author

- Insufficient record keeping of the financial records of Kaffertjie by Zulu Planet;
- Inadequate receipts and supporting documentation submitted by Zulu Planet; and
- Incorrect calculation by Zulu Planet on the book sales to the author, which was calculated at an amount of R42.52 instead of R42.10.

7.3 Sales to external parties

- Insufficient record keeping of the financial records of Kaffertjie by Zulu Planet;
- Inadequate receipts and supporting documentation submitted by Zulu Planet, specifically relating to sample items for promotional purposes and damaged books,
- Lack of approval by Engelbrecht for Zulu Planet to enter into an agreement with PSD Promotions and Zulu Planet;
- Lack of supplying Engelbrecht with a copy of the agreement between PSD Promotions and Zulu Planet;
- Unauthorised discount of 60% negotiated by Zulu Planet with PSD Promotions for warehousing and distribution purposes, especially taking into account that Engelbrecht, the author, is entitled to a 60% discount on his own book;
- Incorrect calculation and/or accounting of the sales to external parties, by using a sales amount of R42.10, which is a contravention of the agreement. The agreement stipulates that the book will be published at a retail price of not less than R80 per copy. The actual retail price was R105.26 (excluding VAT); and
- Inappropriate and/or questionable marketing plan, taking into consideration that only 2 312 books were sold (excluding the 250 books sold to the author) during a three year period.

7.4 Expenses

7.4.1 Advertising, Salaries, Petrol & Oil, Entertainment

- Insufficient record keeping of the financial records of Kaffertjie by Zulu Planet; and
- Inadequate receipts and supporting documentation submitted by Zulu Planet.

7.4.2 Printing and reproduction

- Unauthorised printing by Zulu Planet for an additional 4 000 books;
- Inappropriate and/or questionable invoices obtained from CTP Printers, specifically relating to an ostensible discount received by Zulu Planet on the services performed by

CTP, which is not reflected on the supporting documentation or accounting records of Zulu Planet for Kaffertjie;

- Incorrect accounting, as expenses must be recognized in the same period in which the income is generated. Therefore the costs for the printing of the books should be based on the sales, being R27 643.98;
- Inadequate receipts and supporting documentation submitted by Zulu Planet.

7.4.3 Freight & Customs on goods purchased

- Unauthorised printing by Zulu Planet for an additional 4 000 books.

7.4.4 Editing

- Inadequate receipts and supporting documentation submitted by Zulu Planet.
- Zulu Planet’s failure to appoint an editor;
- Unauthorised signing off of the book Kaffertjie by Zulu Planet; and
- Unaccounted editing costs of Engelbrecht, specifically relating to the costs incurred by Engelbrecht for the appointment of an editor.

7.4.5 Translation and travelling costs

- Inadequate receipts and supporting documentation submitted by Zulu Planet;
- Lack of receipt of a copy of the foreign publisher contract; and
- Lack of a copy of the translation.

7.4.6 Design and illustration

- Inadequate receipts and supporting documentation submitted by Zulu Planet.
- Possible inappropriate and/or questionable expenses incurred after the launch date; and
- Unauthorised changes by Zulu Planet to the cover design for both the first batch and second batch editions;

7.5 General

Based on our factual findings, we conclude that the Nett income is R221 778.80 and therefore royalties of R110 889.40 is payable to Engelbrecht by Zulu Planet.

The short fall identified by the examination exceeds the 5% threshold, as the short payment amounts to R105 427.31 (R110 889.40 minus R5 462.09).

Therefore, according to the agreement, the costs for the examining of Zulu Planet’s books by Engelbrecht’s accountants should be borne by Zulu Planet.

8 Recommendation

Based on our factual findings, we recommend the following:

- This report be considered by all of the parties involved, including the legal advisors;
- Consideration should be given to a civil recovery process, depending on the advice received from the legal advisors;
- A copy of the contract between PSD Promotions and Zulu Planet be obtained by the legal advisors for further consideration;
- Invoices and correspondence be obtained from CTP Printer for Kaffertjie;
- All copies of the book in possession of PSD Promotions be delivered to Engelbrecht in order for him to destroy them; and
- Obtain all the required outstanding documentation and/or information in order to consider inclusion of the expenses in our Profit and Loss statement.

Lynnette van der Merwe

Director