



Craig McKune &lt;craigm@amabhungane.org&gt;

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**media query: the Guptas.**

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**Craig McKune** <craigm@amabhungane.org>

Tue, Jun 27, 2017 at 4:33 PM

To: Jacques.Wessels@kpmg.co.za

Cc: Nqubeko.sibiya@kpmg.co.za, Stefaans Brümmer &lt;stefaansb@amabhungane.org&gt;, Sam Sole &lt;sams@amabhungane.org&gt;

Dear Mr. Wessels and Mr. Sibiya

I am a journalist with the amaBhungane Centre for Investigative Journalism. We intend to publish a series of reports on how the Free State provincial government's money, which was supposed to be used on the Vrede dairy project, was instead routed to Dubai and, in part, used to reimburse USD3,333,400 (or R30m) of expenses related to the Sun City wedding of the Guptas' niece.

After the Free State's money was diverted to Dubai, it was repatriated to South Africa via payment of an itemized invoice of wedding expenses submitted by Linkway Trading (Pty) Limited – a company that was audited by you – to a UAE company beneficially owned by the Guptas, Accurate Investments Limited. This invoice, inter alia, was attached to email correspondence sent to KPMG.

KPMG's correspondence with the Guptas' employees, along with Linkway's audited financial statements for the year ending 28 February 2014 (which were certified by you), indicate that, despite Accurate being beneficially owned by the Guptas, this was not reported as a related-party transaction. We intend to report that auditors' additional scrutiny of related-party transaction is designed to prevent self-dealing on non-market terms – one effect of which could be to artificially manipulate one's income to evade taxes.

Furthermore, and along those lines, KPMG permitted this income from Accurate to be offset against Linkway's purported "cost of sales", meaning that the wedding was effectively accounted for as Linkway's business expense despite the fact (to quote an email to you from your associate, Rone Alex) "these costs are most probably not in the production of Linkway's income".

In sum, we intend to report that the wedding was not only largely paid for with the Free State government's money, the Guptas paid no income tax on the funds used to pay for the wedding as it was a purported business expense. Linkway's ordinary tax rate, as noted in Linkway's 2014 audited financial statements, is 28%.

We also intend to report that four KPMG partners, including you and then-CEO Moses Kgosana, attended the wedding, and that this raises questions about your independence as auditors. Mr. Kgosana's correspondence with Atul Gupta in which Mr. Kgosana refers to the wedding as "the event of the millennium" also raises questions in respect of KPMG's independence.

Also, in general terms, we intend to report that 1) auditors have a duty to report suspicious transactions to the FIC and 2) the mere use of US correspondent banks (the payments in respect of this invoice were made in dollars) may be sufficient for the United States to claim criminal jurisdiction in respect of its Foreign Corrupt Practices Act and anti-money laundering laws.

We welcome any comments you may have on the foregoing.

In addition, we have the following requests/questions:

- In light of the Guptas' beneficial ownership of both entities, why wasn't Accurate Investments Limited considered to be a related party in Linkway's audited financial statements?

- What legitimate basis did KPMG have for believing that a purportedly unrelated third party in Dubai would pick up a R30m wedding bill for the Guptas?

- Did Linkway produce any income that was not from related parties?
- Why did KPMG allow Linkway to offset its income from Accurate against wedding expenses, if, as described by Ms. Alex, “these costs are most probably not in the production of Linkway’s income”?
- Our records also indicate that Linkway received another R6m in “consulting fees” from Accurate on 25 February 2014. We, however, find no evidence of this income in Linkway’s audited financial statements dated as of 28 February 2014. Please explain.
- Did you ultimately allow Linkway to write off approximately R6.9m of unreimbursed wedding expenses as unrecovered cost of sales?
- Did KPMG report this transaction to the FIC?
- Has KPMG self-reported any transactions in respect of the Guptas to US authorities?
- Was it appropriate for you, a guest of the Guptas at the wedding, to certify Linkway’s audited financial statements as an independent auditor, especially in light of the clear materiality of the wedding expenses to Linkway’s claimed income and expenses?

Please send us any comments and/or answers to our questions by no later than noon, Thursday, June 29.

Best,

**Craig McKune**

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