

**JCI Limited (“the Company” or “JCI”)**

**COMMUNICATION TO SHAREHOLDERS ON A REPORTABLE IRREGULARITY AND 2017 AUDIT**

**17 April 2018**

Shareholders are advised that the Company received a letter from KPMG on 1 March 2018 advising that a further Reportable Irregularity had been lodged with the Independent Regulatory Board for Auditors (IRBA) and that JCI were requested to respond within 30 days.

JCI complied with the request and the following letter was sent to KPMG on 26 March 2018 in response to the RI:

***“JCI LIMITED RESPONSE TO KPMG NOTIFICATION OF REPORTABLE IRREGULARITY  
DATED 1 MARCH 2018***

*We were ready for you to commence with the audit of the Group and JCI annual financial statements in September 2017. Lack of activity post the 2016 audit has made the preparations for the 2017 audit relatively easy. However, your inability to confirm when you would be in a position to proceed with the audit has delayed the process and is the only reason why the deadline of 31 December 2017 has been missed. This is in spite of our repeated communications with yourselves for clarity and confirmation on KPMG’s readiness to embark on the audit.*

*As far back as July 2017 we informed you that it would not be wise to change auditors at this crucial stage in the winding down process of the Company. The appointment of new auditors would place the Company in an invidious position where the new auditors would probably have to do a full review of the historical data. This process would entail considerable work and create unnecessary delays in the audit process, which is exactly what we were trying to avoid in finalising the 2017 audit. We place reliance on your knowledge of the situation the Company finds itself in and it would be a time consuming and costly exercise to brief a new firm.*

*You have indicated your preparedness to continue with the audit on numerous occasions. We do not know of any valid reason why this audit cannot commence.*

*Referring to the particulars of the reportable irregularity as set out in your letter to the Independent Regulatory Board for Auditors (IRBA) which was attached to your letter of 1 March 2018, the following refers:*

- 1.1 *“The group financial statements have not been prepared for the 30 June 2017 year-end”  
This statement is not correct. The group financial statements have been prepared by JCI and were ready and available to be audited in September 2017. Since this time you have requested that JCI hold back on providing them with any documentation, pending the outcome of the KPMG internal risk assessment.*

- 1.2 *“The Company has not prepared audited financial statements since the 2005 financial year-end”*

*This is not correct. The JCI Group financial statements from 2005 to 2007 were disclaimed by KPMG and the 2008 and 2009 JCI Company financial statements as well as the Group financial statements were qualified (modified opinion). The JCI Company annual financial statements as well as the Group financial statements for the 2010 period were audited.*

*The JCI Company annual financial statements for the periods 2011 to 2016 were compiled by an external auditor (Henry van der Merwe – auditor as compiler). JCI agreed with KPMG that it would serve no purpose to audit the individual financial statements for the 2011 to 2016 periods and this is corroborated by way of a note in the group financial statements from the 2011 to the 2016 periods.*

- 1.3 *“The subsidiaries per Annexure A have not prepared audited financial statements.”*

*As per 1.2 above, in discussions between JCI and KPMG, it was agreed that the majority of the standalone annual financial statements would not be audited as these were either dormant, deregistered or liquidated.*

*For completeness, JCI Ltd, JCIIF, JCI Gold and CMMS, the material JCI subsidiary, were compiled up to 2016 and the 2017 accounts have been prepared, subject to any audit adjustments.*

- 1.4 *The consolidated trial balance was audited. This ensured that all entries were audited, but as agreed with KPMG there would be no purpose in preparing the audited financial statements for all subsidiaries.*

*In fact, at both of the most recent Annual General Meetings, held on 24 January 2013 and 9 June 2016 respectively, there were no objections from the shareholders present at the meetings on the accounts presented and no one requested audited accounts for the subsidiaries at those meetings.*

*At the Company’s Annual General Meeting held on 9 June 2017, KPMG was elected as JCI’s auditors for the 2017 year end. Both Carel Smit and Bavhana Sooku of KPMG were present at that meeting.*

*In addition, the following are the announcements that JCI has put on its website which KPMG were well aware of:*

*10 July 2017 – “JCI Limited AGM Minutes”*

*Minutes of the Annual General meeting held on 9 June 2017;*

*06 October – “2017 Audit and KPMG”*

*“Shareholders are advised that, given the uncertainty at KPMG, a meeting with the audit partners will take place within the next two weeks. The JCI website will be updated as soon as there is any new information.”*

*28 November 2017 – “JCI 2017 AFS and Audit – 28 November 2017”*

*“Following the communication to shareholders dated 6 October 2017, a number of meetings have been held with the KPMG audit partners. In view of the recent developments, KPMG would at best only be able to commence with the 2017 JCI audit in the early part of 2018.*

*Shareholders will be updated via the website as further information becomes available.”*

30 January 2018 – “Update on Legal matters and the 2017 Audit – 30 January 2018”

**“..... 2017 ANNUAL FINANCIAL STATEMENTS AND AUDIT**

*Following the communication to shareholders dated 28 November 2017, the Directors are still awaiting confirmation from KPMG as to when they will be in a position to commence with the 2017 JCI audit as KPMG’s internal review process has still not been completed.*

*Shareholders will be updated via the website as further information becomes available.”*

*KPMG, by submitting this reportable irregularity, have confirmed that they are JCI’s auditors. The only reason for the delay is that KPMG have not commenced with the audit.*

*Please refer to the attached “Annexure A (JCI response)” for a complete response on this point.*

*We await your further communication.”*

The Directors have received no further feedback from either KPMG or IRBA to-date.

**2017 ANNUAL FINANCIAL STATEMENTS AND AUDIT**

Subsequent to the above Reportable Irregularity, KPMG have not communicated their intentions regarding the JCI 2017 Audit.

The Directors have investigated various alternatives to identify the most feasible solution to the current impasse.

Shareholders will be kept advised as further information becomes available.