

AUDIT COMMITTEE REPORT

REPORT TO THE SHAREHOLDERS ON THE ACTIVITIES OF THE AUDIT COMMITTEE FOR THE YEAR-ENDED 28 FEBRUARY 2019

The Audit Committee has specific statutory responsibilities to shareholders in terms of the Companies Act. In addition to those responsibilities, the Audit Committee assists the Board by advising and making submissions on the financial reporting, oversight of governance, financial risk management processes and internal financial and non-financial controls, independent audit functions and statutory and regulatory compliance.

Statutory duties

In executing its duties during the reporting period, the Audit Committee:

- determined the fees and terms of engagement of, and recommended the appointment of Moore Stephens for appointed as its independent auditor;
- nominated A Schalekamp from the Moore Stephens for appointment as the designated audit partner;
- believes that both Moore Stephens and Mrs Schalekamp are independent of the Company and meet the requirements of the Companies Act, the Listings Requirements and King IV; and
- is satisfied that the independent auditor does not perform any non-audit services for the Company, but any proposed agreements of this nature would be pre-approved by the Committee.

In compliance with paragraph 3.84(g)(iii) of the Listings Requirements the Audit Committee has, through discussion with Moore Stephens considered, *inter alia*, (i) the findings of any and all recent inspections undertaken on Moore Stephens by the Independent Regulatory Board of Auditors; (ii) Moore Stephens quality control procedures; and (iii) the outcome and summary of any legal or disciplinary proceedings conducted against Moore Stephens, within the past seven years (if any) and instituted in terms of any legislation or professional body to which Moore Stephens is accountable.

Delegated duties

Financial statements

The Audit Committee reviewed the Consolidated and Separate Annual Financial Statements, Summarised Consolidated and Separate Annual Financial Statements, preliminary announcements, and short-form announcements and accompanying reports to shareholders and other announcements made in respect of the Company's results during the reporting period.

Integrated reporting

The Audit Committee reviewed the disclosure contained in this Integrated Report and the disclosures relating to sustainability. The Audit Committee is satisfied that the information contained in the Integrated Report is reliable and does not

conflict with the financial information. The Audit Committee recommended the Integrated Report to the Board for approval.

Internal audit

Due to the historical nature of the Company's legal structure, assets, size and its stage of development, the Audit Committee is of the view that an internal audit function is presently not required. However, this requirement is monitored by the Audit Committee on a regular basis.

Risk management

Whilst the Board has delegated responsibility for risk management to the Risk Committee, the Audit Committee remains responsible for the following areas of risk management:

- Financial risks
- Financial reporting risks
- Internal financial controls
- Fraud risks as they relate to financial reporting
- IT governance

External audit

The Audit Committee considered the appointment of Moore Stephens as the independent auditor of record for the Group and recommended their appointment to the Board for approval. The appointment of Moore Stephens took effect from 18 March 2019.

The audit services of BDO, the Group's prior independent auditor of record, were terminated with effect from 15 March 2019. BDO were first appointed in 2012 and had conducted seven audits for the Group. Given considerations of mandatory audit rotation, the Audit Committee was of the view that the change of independent auditors was appropriate.

The Audit Committee evaluated and reported on the independence of the independent auditor and reviewed the quality and efficacy of the independent audit process conducted by Moore Stephens. Accordingly, the Audit Committee recommends to shareholders that Moore Stephens be appointed as the Company's independent auditor and that Mrs Schalekamp be appointed as the designated audit partner.

The Audit Committee has also determined the fees and terms of engagement of the independent auditor and is satisfied that it has complied with the Companies Act and other relevant legislation.

Chief Financial Officer

The Audit Committee is satisfied with the appropriateness of the experience and expertise of Mrs Sequeira as the Chief Financial Officer and confirms same to shareholders.

04 Annual Financial Statements continued

AUDIT COMMITTEE REPORT (continued)

- **Financial function**

The Audit Committee has reviewed and is satisfied with the expertise, resources and experience of the Company's finance function.

- **Oversight of risk management**

The Chairman of the Audit Committee also chairs the Risk Committee. Members of the Board attend both meetings, by invitation. This provides the Audit Committee with the ability to interact closely with the functions performed by the Risk Committee to ensure that there is an adequate understanding of the risk management processes.

- **Internal financial controls**

The Audit Committee has reviewed the efficacy of the Company's system of internal financial controls, including assurance received from management and the independent auditors. The Audit Committee reviewed material issues raised during the independent audit process.

Based on the processes and assurances obtained, the Audit Committee is of the view that the internal controls are effective.

- **Key areas from the year-end audit report**

The key audit matters from the year-end audit report on pages 72 to 75 of the independent auditor's report.

- **Combined assurance**

The Company continues to work on improving its combined assurance mechanisms, taking cognisance of the recommendations of King IV in respect of the five lines of assurance.

In this regard, the Company regards the following:

First line:	line management is responsible for monitoring and managing risk and opportunity
Second line:	risk management functions in each subsidiary company, including those at Group level, review and consider risk and opportunity matters
Third line:	the Company utilises the services of various external consultants to assist with managing risk in respect of revenue recognition and regulatory compliance

Fourth line: The independent auditors consider and review risk management at the Company and the Group and raise any areas which may require further attention

Fifth line: the Risk Committee and the Audit Committee provide the Board with advice and recommendations in respect of risk management and opportunities

- **IT Governance**

The Audit Committee is responsible for ensuring that an IT framework is in place and that an IT Charter and policies are established and implemented. The Audit Committee is also responsible for ensuring that an IT internal control framework is adopted and implemented and that the Board receives independent assurance on the effectiveness thereof. These are tasks that the Audit Committee will focus on during 2019 and report on developments going forward.

- **Regulatory compliance**

The Audit Committee has complied with all its applicable legal and regulatory responsibilities.

The Audit Committee has reviewed the AFS, prior to approval, both with management and in a separate forum with the independent auditors. The Audit Committee is satisfied with the appropriateness of the accounting policies and considers the AFS to be a fair presentation of the financial performance, financial position and cash flows of the Company and the Group for the year ended 28 February 2019.



Dennis Gammie
Chairman of the Audit Committee
28 June 2019