

# Audit Committee Report

## Membership

The audit committee comprises three independent non-executive directors, one of whom is the chairman of the board whose inclusion is necessitated by the board comprising only the minimum of three independent non-executive directors. The committee was appointed by shareholders at the previous annual general meeting. The board of directors appointed Eddy Oblowitz as chairman of the committee for the 2020 financial year.

Shareholders will be requested to vote on and approve the appointment of the members of the audit committee for the 2021 financial year at the forthcoming annual general meeting.

The committee's operation is guided by its detailed terms of reference that are principally informed by the Companies Act of South Africa, the JSE Listings Requirements and the King IV Report and approved by the board.

The committee met with the external auditors on two occasions. In addition, the chairman of the committee met from time to time with the external auditors, with and without management being present.

## Purpose

The primary purpose of the committee is to:

- assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, controls and reporting processes, and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards;
- meet with the external auditors at least on an annual basis;
- review the company and group annual financial statements and reports as well as reports from subsidiary companies; and
- conduct reviews of the committee's work and terms of reference and make recommendations to the board to ensure that the committee operates at maximum effectiveness.

## Execution of functions

The audit committee has executed its duties and responsibilities during the financial year in accordance with its terms of reference as they relate to the group's accounting, internal control and financial reporting practices.

During the year under review:

- In respect of the external auditor and the external audit, the committee amongst other matters:
  - nominated KPMG Inc. to the shareholders for re-appointment as external auditor for the financial year ended 31 December 2020, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor.

The committee undertook the relevant procedures to enable it to confirm that the auditor is accredited by the JSE and that the designated auditor is not on the JSE list of disqualified auditors;

- approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditor;
  - reviewed the relevant auditor communications detailing their audit process and the implementation thereof, evaluated the effectiveness of the auditor and its independence and evaluated the external auditor's internal quality control procedures;
  - obtained an annual written statement from the auditor confirming that its independence was not impaired throughout the conduct of the audit; and
  - determined the nature and extent of all non-audit services provided by the external auditor and pre-approved all non-audit services undertaken.
- In respect of the financial statements, the committee amongst other matters:
    - considered and satisfied itself that adequate financial reporting procedures were in place to ensure accurate preparation of the financial statements, free from material error and that these procedures were operating as intended;
    - confirmed the going concern status as the basis of preparation of the interim and annual financial statements;
    - examined and reviewed the interim and annual financial statements, as well as all financial information disclosed to the public, prior to submission and approval by the board;
    - ensured that the interim and annual financial statements fairly present the financial position of the company and of the group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the group were determined to be going concerns;
    - considered accounting treatments, significant unusual transactions and accounting judgements and estimates;
    - considered the appropriateness of the accounting policies adopted and changes thereto;
    - reviewed the external auditor's audit report;
    - considered any issues identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements;
    - considered the JSE report for 2019 on pro-active monitoring of financial statements;
    - considered the JSE Listings Requirements relating to auditor accreditation and IRBA inspection report of May 2020; and
    - met separately with management and the external auditor.

- In respect of other matters:
  - satisfied itself as to the competence, expertise and experience of the financial director and the finance function as a whole;
  - received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof; and
  - based on the above, formed the opinion that there were no material breakdowns in internal control, including financial controls, business risk management and maintaining effective material control systems.

#### **Suitability of audit firm and designated auditor**

As required by section 3.84(g)(iii) of the JSE Listings Requirements, the committee obtained information listed in paragraph 22.15(h) of the JSE Listings Requirements in respect of the appointment of the external auditors, KPMG Inc., and satisfied itself that the external auditor and the audit partner, GS Kolbé, have the necessary accreditation and are suitable for appointment.

#### **Independence of external auditor**

The audit committee is satisfied that KPMG Inc. is independent of the group.

#### **Annual financial statements**

Having achieved its objectives, the committee recommended the audited financial statements for the year ended 31 December 2020 for approval by the board. The board subsequently approved the integrated annual report including the financial statements, which will be open for discussion at the forthcoming annual general meeting.