

REPORT OF THE AUDIT AND RISK COMMITTEE (“THE REPORT”)

The audit and risk committee (“the committee”) is pleased to present its report in terms of section 94(7)(f) of the Companies Act, Act 71 of 2008, as amended (“the Companies Act”). This report describes how the committee discharged its statutory duties and other responsibilities assigned to it by the Board of directors (“the Board”) in respect of the year ended 30 September 2014.

The committee has adopted clearly defined terms of reference, delegated to it by the Board, as its charter. This charter is in line with the Companies Act, the King Code of Governance Principles for South Africa 2008, the King Report on Governance (“King III”) and the JSE Listings Requirements. The committee regulates its affairs in accordance with these terms of reference. The charter and consequent work plan are reviewed on an annual basis.

The committee is accountable to the Board and to shareholders.

Members of the audit and risk committee

The committee comprises independent, non-executive directors, who were elected at the 2014 annual general meeting. All members are required to act objectively and independently, as described in the Companies Act and in King III. All members are suitably skilled and experienced. The abridged curriculum vitae of all directors are included in the integrated report.

Meeting attendance

At the date of publication, the committee consisted of three independent non-executive directors.

During the year under review, a minimum of four meetings were held, as prescribed by the charter. The chairman updates the Board in respect of the activities of the committee. The year’s meetings and attendance are as follows:

Name of member	Number of meetings attended	20 November 2013	13 March 2014	14 May 2014	30 July 2014
AH Sangqu (Chairman)	4	Present	Present	Present	Present
N Mjoli-Mncube	4	Present	Present	Present	Present
LP Retief	4	Present	Present	Present	Present
AE Jacobs*	1	Present	N/A	N/A	N/A

Notes:

* Resigned as a director and as a member of the committee at the annual general meeting that was held on 14 February 2014 (effective from 13 February 2014).

Roles and responsibilities of the audit and risk committee

The committee fulfilled the responsibilities delegated to it in terms of its charter. The latter includes, among others, the following:

- Reviewed the interim, preliminary and summary results, as well as the year-end financial statements, culminating in a recommendation to the Board for approval. The committee considered that the Company complies, in all material respects, with the requirements of the Companies Act, the International Financial Reporting Standards (“IFRS”), the SAICA Financial Reporting Guides as issued by the Accounting Practice Committee, and applicable legislation;
- Reviewed the external audit reports on the Group’s annual financial statements;
- Verified the independence of the external auditors, PricewaterhouseCoopers Inc. (“PwC”), and recommended PwC as the auditors for the year under review, noting that Mr Richard Jacobs (accredited as such on the JSE List of Auditors and registered in accordance with the Auditing Professions Act, Act 26 of 2005) was appointed as lead auditor;
- Determined and approved the audit fees and the terms of engagement of the external auditors;

- Determined, subject to the provisions of the Companies Act, the nature and extent of allowable non-audit services as well as approving the contractual terms for the provision of non-audit services rendered by the external auditors;
- Confirmed and approved the internal audit charter and internal audit year plan;
- Oversaw the reporting process including the integrated report and annual financial statements. The committee has, as a result, at its meeting held on 19 November 2014, recommended the integrated report and the annual financial statements for approval by the Board; and
- The committee considered the Group’s information pertaining to its non-financial performance as disclosed in the integrated report to ensure consistency with other known information. The committee was therefore satisfied that the sustainability related information presented, is reliable and consistent with the financial results.

Internal audit

The committee fulfilled an oversight role in respect of the Group’s system of internal financial control and continues to be responsible for ensuring that the Group’s internal audit function remains independent and has the necessary resources, standing and authority, to enable it to discharge its duties.

The committee reviews and approves the internal audit work plan on an annual basis to ensure adequate review coverage. The planned reviews were aimed at providing the necessary assurance in respect of key internal controls throughout the Group. Based on the results of these reviews, the committee is of the opinion that the internal financial controls formed a sound basis for the preparation of reliable financial statements.

During the year, the committee undertook an independent quality review of the in-house internal audit function under the Internal Auditors’ International Professional Internal Auditing Standards. A “Generally conforms” rating was awarded, which confirmed the independence and effectiveness of the function.

In line with the growing demands of a transformed business model and an increasingly complex economic environment, the Board endorsed the outsourcing of the internal audit function to Deloitte, effective 1 July 2014.

Combined assurance

Pioneer Foods has adopted a combined assurance approach to ensure adequate assurance coverage and synergies and at the same time minimised assurance duplication. The committee continues to ensure the effective liaison between the internal and external auditors. For the year under review, the committee was satisfied that adequate assurance was obtained.

Risk management

The committee has fulfilled its responsibilities in respect of risk management, by ensuring that the Group’s risk management procedures are adequate and appropriate. The committee, furthermore, reviewed the internal audit and risk management reports and, where relevant, made recommendations to the Board concerning the Group’s accounting policies, financial controls, records and reporting. It also evaluated the effectiveness of risk management, controls and key governance processes implemented by the Group.

Group compliance

The Group remains committed to ensuring compliance to applicable regulatory requirements. The committee, as the custodian of regulatory compliance given the responsibility delegated to it by the Board, fulfils a fundamental role in ensuring that compliance is managed throughout the Group. The committee focuses on all material laws and regulations affecting and/or influencing the Group. During the year, a comprehensive risk analysis was conducted and compliance remains a standing agenda item at every committee meeting.

Independence of external auditors

During the reporting period, the committee reviewed the representation made by external audit and, after conducting its own review, confirmed the independence of the external auditors.

REPORT OF THE AUDIT AND RISK COMMITTEE (“THE REPORT”) CONTINUED

Expertise and experience of the chief financial officer and adequacy of the financial function

The committee has satisfied itself that the chief financial officer, Mr Leon Cronjé, has the necessary expertise and experience. Mr Cronjé’s abbreviated curriculum vitae appears in the integrated report. Furthermore, the committee considered and satisfied itself of the appropriateness of the expertise and the adequacy of the resources of the Group’s finance function.

Going concern

The committee considered and reviewed management’s medium-term plan and satisfied itself of the going concern status of the Group. Based on the committee’s recommendation, the Board’s statement regarding the going concern status of the Group is included in the directors’ responsibility report on page 1.

Internal financial controls

The committee had oversight over a process by which internal audit performed a written assessment of the effectiveness of the Group’s system of internal control and risk management, including internal financial controls. This written assessment, conducted by internal audit, formed the basis of the committee’s recommendation in this regard to the Board, in order for the Board to report thereon.

The Board’s report on the effectiveness of the system of internal controls is included under the directors’ responsibility report on page 1. The committee’s recommendation underpins this opinion.



AH Sangqu

Chairman: Audit and Risk Committee

Bellville

20 November 2014