

Audit Committee's report

for the year ended 31 December 2016

The committee is pleased to present our report for the financial year ended 31 December 2016.

The Audit Committee is an independent statutory committee appointed by the shareholders to fulfil the obligations contained in both the Companies Act 2008 and the requirements contained in King III. It also executes further duties as delegated to the Audit Committee by the Board of directors. In addition to having specific statutory duties to the shareholders, in terms of the Companies Act, 2008, it assists the Board by advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, information system controls, external and internal audit functions and statutory and regulatory compliance of the Company. The role of the Audit Committee, and how it achieved its responsibilities, is described in its charter.

AUDIT COMMITTEE TERMS OF REFERENCE

As members of the Committee, we have conducted the Committee's affairs in compliance with its applicable terms of reference and have discharged the responsibilities contained therein. As a standing agenda item, we review the terms of reference annually to ensure it remains current and to identify any additional matters that need to be reviewed.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee consists of three independent members who are non-executive directors of the Company: The current members are Nomfundo Qangule, Gulleann Straus and Chris Wells, who chairs. The Board is satisfied that the members fulfil the independence test as stipulated by the Companies Act.

The Audit Committee members are available for re-appointment by shareholders at the AGM, scheduled for 25 May 2017.

MEETING ATTENDANCE

The Audit Committee is required to meet at least three times a year as per its terms of reference. For the 2016 financial year, it met on three occasions at meetings held on 25 February 2016, 6 September 2016 and 22 November 2016. Attendance statistics of the members can be found on page 73 of the Integrated Report.

The Chairman of the Board, Managing Director, Financial Director, Head of Internal Audit, our Lead External Audit partner and other assurance providers attend meetings by invitation only. Other members of Executive Management were invited to present at some of the meetings. The Audit Committee has closed sessions with both the Internal and External Auditors at the end of each meeting, without management being present.

Further to the formal meetings, as Chairman of the Audit Committee, I have met with the External Auditor and the Head of Internal Audit on a regular basis, independently of each other and management. In addition, I have had meetings with the Financial Director regarding matters concerning the Company.

ROLE AND DUTIES

The Audit Committee's role and duties include statutory duties per the Companies Act and further responsibilities assigned to it by the Board.

In execution of its duties the Committee performed the following functions during the year under review:

- reviewed the interim and year-end financial statements, culminating in a recommendation to the Board that they be adopted;
- reviewed the External Auditor's reports, after the interim and year-end financial audits;
- reviewed the Internal Audit and Risk management reports and made recommendations to the Board; and
- reviewed the updated Levels of Authority for the Company and its subsidiaries.

Reviews included the following:

- taking appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS);
- considering and, when appropriate, making recommendations on the effectiveness of internal controls;
- authorising the external audit fees in respect of both the interim review and year-end audit;
- evaluating the effectiveness of risk management, controls and the governance processes; and
- acting as the Audit Committee of the Company.

Dealt with concerns or suggestions relating to:

- interpretation of International Financial Reporting Standards;
- resultant accounting policies;
- internal and external audit;
- the audit and content of annual financial statements;
- internal controls; and
- related matters.

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

We are satisfied that the External Auditor appointed has remained independent of the Company. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence. The Audit Committee further believes that the appointment of KPMG Inc. complied with the relevant provisions of the Companies Act, 2008. The Committee, in consultation with executive management, agreed to the terms of engagement, audit plan and budgeted audit fees relating to the 2016 financial year-end audit. Details of the External Auditor's fees are set out per note 20 on page 48.

As per the terms of reference, the Audit Committee governs the process whereby the auditor performs for non-audit services. For all non-audit services above R500 000 these need to be pre-approved by the Audit Committee. For the year under review, the External Auditors continued to provide non-audit services in the form of an Import Dispensation audit and providing Covenant Compliance Certificates in respect of our Syndicated facilities. These appointments were assessed and approved by the Committee.

The Committee has nominated, for election at the annual general meeting, KPMG Inc. as the external audit firm, for the 2017 year.

FINANCIAL STATEMENTS, ACCOUNTING PRACTICE AND INTERNAL FINANCIAL CONTROLS

The Audit Committee reviewed the accounting policies and the financial statements of the Company and is satisfied that they are appropriate and comply with International Financial Reporting Standards. With regards to any concerns or suggestions received from the Johannesburg Stock Exchange Proactive Monitoring of Financial Statements, the Committee is satisfied that the concerns raised, were appropriately addressed.

No significant matters were raised by Internal Audit and External Audit relating to the accounting reporting practices and internal audit of the Company, the content or auditing of its financial statements and internal financial controls of the Company. Based on the processes and assurances obtained, the Audit Committee believes that the significant internal controls are effective.

GOING CONCERN

The Audit Committee reviewed a documented assessment, including key assumptions, prepared by management of the going-concern status of the Company and made recommendations to the Board in accordance therewith. The Committee concurs that the adoption of the going-concern premise in the preparation of the financial statements is appropriate.

INTERNAL AUDIT

The members of the Audit Committee are satisfied that the Company's Internal Audit function is independent and has the necessary resources, standing and authority within the Company to enable it to discharge its duties. Furthermore, the Committee oversees co-operation between the Internal and External Auditors and serves as a link between the Board of directors and these functions.

The Internal Audit Charter is well supported by a comprehensive Internal Audit Manual that has been in place for the past six years. The Internal Audit function's annual audit plan was approved by the Audit Committee.

GOVERNANCE OF RISK

The Board has assigned oversight of the Company's risk management function to the Audit Committee. The Committee fulfils this role as an integral component of the Company's enterprise-wide risk management process as described in our terms of reference. The Committee has reviewed the Company's top risks and evaluated the status of implementing the associated mitigation actions.

PREVENTING AND DETECTING FRAUD

The Audit Committee received an overview regarding forensic investigations conducted by the Group Compliance and Forensics Manager and by Internal Audit. The Committee recognises management's effort in adopting zero-tolerance in the fight against fraud.

FINANCE FUNCTION

As required by the JSE listings Requirements 3.84(i), the Committee is satisfied that the Financial Director has the appropriate expertise and experience to discharge his responsibilities effectively. The Committee also considered the effectiveness of the Financial Director acting as the Financial Director of both the holding company and African Oxygen Limited and concluded that the arrangement remains effective and appropriate. The evaluation also considered the appropriateness of the expertise and adequacy of resources of the Finance function.



Chris Wells
Chairman of the Audit Committee
23 February 2017