

REPORT OF THE AUDIT AND RISK COMMITTEE

Members: MH Ahmed (chairman), NB Jappie and BS Raynor.

The Montauk audit and risk committee is a formal committee of the board, appointed by the shareholders, and functions within its documented terms of reference. All members of the audit and risk committee act independently. The chief executive officer and the chief financial officer attend the meetings as permanent invitees, along with the external auditor. Other directors and members of management attend as required.

The audit committee has pleasure in submitting this report in respect of the past financial year of the Group, as required by section 94 of the Companies Act.

The committee met three (3) times during the year under review, on 3 June 2015, 18 September 2015 and 26 October 2015. The meetings were attended by all committee members.

FUNCTIONS OF THE AUDIT COMMITTEE

In terms of the Companies Act, the audit and risk committee has adopted the formal terms of reference, delegated to it by the board of directors, as its audit and risk committee charter. The audit and risk committee fulfils an independent oversight role regarding the Group's financial statements and the reporting process, including the system of internal financial control, with accountability to both the board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, recommendations by King III and additional responsibilities assigned by the board. The committee is satisfied that, in respect of the financial period under review, it has performed all the functions required by law to be performed by an audit and risk committee, including as set out by section 94 of the Companies Act and in terms of the committee's terms of reference and as more fully set out in the corporate governance report. In this connection the committee has:

- reviewed the interim, provisional and year-end financial statements, culminating in a recommendation to the board to adopt them;
- reviewed legal matters that could have a significant impact on the Group's financial statements;
- reviewed the external audit report on the annual financial statements;

- verified the independence of the external auditor as per section 92 of the Companies Act and accordingly nominated Grant Thornton Johannesburg Partnership to continue in office as the independent auditor and noted the appointment of Mr Theunis Schoeman as the designated auditor for the financial year ended 31 March 2017;
- approved the audit fees and engagement terms of the external auditor; and
- determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditor.

CONFIDENTIAL MEETINGS

Audit committee agendas provide for confidential meetings between the committee members and the external auditor, which are regularly held.

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER

As required by JSE Listing Requirement 3.84(h), the committee has reviewed the performance of the chief financial officer, Mr SF McClain, and was satisfied that he has the necessary expertise and experience to fulfil this role and has performed appropriately during the year under review.

INTERNAL AUDIT

The Group does not currently have an internal audit function. Though currently not in place, the board and committee continuously assess the need for an internal audit function.

RISK MANAGEMENT AND INTERNAL CONTROL

The board acknowledges that it is accountable for the process of risk management and the system of internal control of the Group. The Group operates in a highly regulated environment. Where necessary, compliance officers have been appointed at each of the Group's key operating subsidiaries and associated company levels for ensuring adherence to the various Acts and Codes that govern the day-to-day operations.

The committee is accountable to the board for monitoring the implementation of processes of risk management and integration of these processes into day-to-day activities. However, the committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

REPORT OF THE AUDIT AND RISK COMMITTEE continued

Internal control structures have been implemented to ensure that significant business and financial risk is identified and appropriately managed. The audit and risk committee assists the board in discharging its responsibilities. It also considers reports and information generated by the subsidiary companies' management.

RECOMMENDATION OF THE INTEGRATED ANNUAL REPORT

The committee has evaluated the integrated annual report of Montauk Holdings Limited and the Group for the period ended 31 March 2016 and, based on the information provided to the committee, the committee recommends the approval of the integrated annual report by the board.

MH Ahmed

Chairman: Audit and Risk Committee

15 September 2016