

Tuesday, 16 January 2018

Deptha Furniture (Pty) Ltd
2255 West Street
North Cabtown
United Territories
123-50214

Dear Directors,

You have requested that I audit the Financial statements of Deptha Furniture (Pty) Ltd, which comprise the Statement of Financial Position as at 31 December 2018, and the Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows for the period then ended, and the notes to the financial statements (including a summary of significant accounting policies).

I am pleased to confirm my acceptance and my understanding of this audit engagement by means of this letter.

The objectives of my audit are to obtain reasonable assurance about whether the Financial statements as a whole are free from material misstatement (whether due to fraud or error), and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial statements.

The responsibilities of the auditor

I will conduct my audit of Deptha Furniture (Pty) Ltd in accordance with the ISAs. Those standards require that I comply with ethical requirements. As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement in the Financial statements (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, I will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the Financial statements that I have identified.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial statements (including the disclosures), and whether the Financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs.

I may also communicate other matters identified during the audit that, in my opinion, are of sufficient importance to merit management's attention.

Reporting

Unless unanticipated difficulties are encountered, my report will be substantially in the form contained in Appendix A to this letter.

The form and content of my report may need to be amended in light of my audit findings. If I conclude that a modification to my opinion on the Financial statements is necessary, I will discuss the reasons with you in advance.

My report may also include certain key audit matters that required significant attention in performing the audit. I will identify key audit matters from matters communicated to directors/trustees, having taken into account:

- Areas of higher assessed risk of material misstatement or significant risks identified.
- Significant judgements relating to areas in the Financial statements, including accounting estimates that have high estimation uncertainty.
- The effect of significant events or transactions that occurred during the period.

Management's Responsibilities

My audit will be conducted on the basis that management and, where appropriate, those charged with governance acknowledge and understand that they are responsible for:

- (a) The preparation and fair presentation of the Financial statements in accordance with the International Financial Reporting Standards
- (b) Such internal control as management determines are necessary to enable the preparation of Financial statements that are free from material misstatement, whether due to fraud or error; and
- (c) Providing me with:
 - (i) Unrestricted access to persons within the company from whom I determine it necessary to obtain audit evidence;

- (ii) Access to all information of which management are aware that is relevant to the preparation of the Financial statements, such as records, documentation and other matters; and
- (iii) Additional information that I may request from management for the purpose of the audit.

As part of my audit process:

- (a) I will make inquiries of management about the representations contained in the Financial statements. At the conclusion of the audit, I will request from management and, where appropriate, those charged with governance written confirmation concerning those representations. If such representations are not provided in writing, management acknowledge and understand that I would be required to disclaim an audit opinion.
- (b) I will communicate any misstatements identified during the audit other than those that are clearly trivial. I request that management correct all the misstatements communicated.

Confidentiality

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Each professional accountant must preserve the secrecy of all confidential information that becomes known during the practice of the profession. Accordingly, I will not provide any third party with confidential information concerning the affairs of Deptha Furniture (Pty) Ltd unless:

- I have been specifically authorized with prior consent;
- I have been ordered or expressly authorized by law or by the *Code of Ethics for Professional Accountants*; or
- The information requested is (or enters into) public domain.

In performing my services, I will send messages and documents electronically. You acknowledge that electronic communication carries the possibility of inadvertent misdirection, interception or non-delivery of confidential material, or infection by a virus. If you do not consent to my use of electronic communications, please notify me in writing.

I do not accept responsibility and will not be liable for any damage or loss caused in connection with the interception or corruption of an electronic communication.

Use of Information

It is acknowledged that I will have access to all personal information in your custody that I require to complete my engagement. My services are provided on the basis that:

- (a) You represent to me that management has obtained any required consents for collection, use and disclosure to me of personal information required under applicable privacy legislation; and
- (b) I will hold all personal information in compliance with my Privacy Statement.

Use and Distribution of My Report

The examination of the Financial statements and the issuance of my audit opinion are solely for the use of Deptha Furniture (Pty) Ltd and those to whom my report is specifically addressed. I make no representations of any kind to any third party in respect of these Financial statements, and I accept no responsibility for their use by any third party.

I ask that my name is used only with my consent and that any information to which I have attached a communication be issued with that communication, unless otherwise agreed to by me.

Reproduction of Auditor's Report

If reproduction or publication of my audit report (or reference to my report) is planned in an annual report or other documents, including electronic filings or posting of the report on a website, a copy of the entire document should be submitted to me in sufficient time for my review before the publication or posting process begins.

Management are responsible for the accurate reproduction of the Financial statements, the auditor's report and other related information contained in an annual report or other public document (electronic or paper-based). This includes any incorporation by reference to either the full or summarized Financial statements that I have audited.

I am not required to read the information contained on your website, or to consider the consistency of other information in the electronic site with the original document.

Preparation of Schedules

I understand that you or your employees will prepare certain schedules and locate specified documents for my use before my engagement commencing on Monday, 18 February 2019. The requested schedules and documents are as follows:

- (a) Schedules and analyses; and
- (b) Other specified documents.

This assistance will facilitate my work and will help to minimize my costs. Any failure to provide these working papers or documents on a timely basis may impede my services and require me to suspend my services or withdraw from the engagement.

Ownership

The working papers, files, other materials, reports and work created, developed or performed by me during the course of the engagement are the property of my firm, constitute confidential information and will be retained by me in accordance with my firm's policies and procedures.

During the course of my work, I may provide, for your own use, certain software, spreadsheets and other intellectual property to assist with the provision of my services. Such software, spreadsheets and other intellectual property must not be copied, distributed or used for any other purpose. I also do not provide any warranties in relation to these items and will not be liable for any damage or loss incurred by you in connection with your use of them.

I retain the copyright and all intellectual property rights in any original materials provided to you.

File Inspections

In accordance with professional regulations (and by my firm's policy), my client files may periodically be reviewed by practice inspectors and by other engagement file reviewers to ensure that I am adhering to my professional and firm's standards. File reviewers are required to maintain confidentiality of client information.

Accounting Advice

Except as outlined in this letter, the audit engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and to the facts and circumstances of the entity. Such services, if requested, would be provided under a separate engagement.

Other Services

In addition to the audit services referred to above, I will, as allowed by the Code of Professional Conduct, prepare your income tax returns and other special reports as required. Management will provide the information necessary to complete these returns/reports and will file them with the appropriate authorities on a timely basis.

Governing Legislation

This engagement letter is subject to, and governed by, the laws of South Africa and South Africa will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts to claim that the action has been brought in an inappropriate forum or to claim that those courts do not have jurisdiction.

Dispute Resolution

You agree that:

- (a) Any dispute that may arise regarding the meaning, performance or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation; and
- (b) You will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement.

Any mediation initiated as a result of this engagement shall be administered within the laws of South Africa by name of mediation organisation, according to its mediation rules, and any ensuing litigation shall be conducted within such jurisdiction, according to the applicable law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.

Indemnity

Deptha Furniture (Pty) Ltd hereby agrees to indemnify, defend (by counsel retained and instructed by me) and hold harmless my firm (and its partners, agents or employees) from and against any and all losses, costs (including solicitors' fees), damages, expenses, claims, demands or liabilities arising out of (or in consequence of):

- (a) The breach by Deptha Furniture (Pty) Ltd, or its directors, officers, agents, or employees, of any of the covenants made by Deptha Furniture (Pty) Ltd herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, my engagement report or the Financial statements in reference to which the engagement report is issued, or any other work product made available to you by my firm.
- (b) The services performed by me pursuant to this engagement, unless, and to the extent that, such losses, costs, damages and expenses are found by a court of competent jurisdiction to have been due to the negligence of my firm. In the event that the matter is settled out of court, we will mutually agree on the extent of the indemnification to be provided by your company.

Time Frames

I will use all reasonable efforts to complete the engagement as described in this letter within the agreed upon time frames.

Insert agreed upon time frames, such as provision of schedules, start and finish of fieldwork, meeting to review audit findings, finalization of financial statements, expected date of audit report, dates of governance meetings, or reference to document where the time frames were agreed upon.

However, I shall not be liable for failures or delays in performance that arise from causes beyond my control, including the untimely performance by Deptha Furniture (Pty) Ltd of its obligations.

Fees

Fees at Regular Billing Rates

My professional fees will be based on my regular billing rates, plus direct out-of-pocket expenses and applicable taxes, and are due when rendered. Fees for any additional services will be established separately.

If significant additional time is likely to be incurred, I will discuss the reasons with you and agree on a revised fee estimate before I incur the additional costs.

Fees will be rendered as work progresses and are payable on presentation.

Communications

In connection with this engagement, I may communicate with you or others via telephone, facsimile, post, courier and email transmission. As all communications can be intercepted or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, I cannot guarantee or warrant that communications from me will be properly delivered only to the addressee. Therefore, I specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by me in connection with the performance of this engagement. In that regard, you agree that I shall have no liability for any loss or damage to any person or company resulting from: communications, including any consequential, incidental, direct or indirect; special damages, such as loss of revenues or anticipated profits; or disclosure or communication of confidential or proprietary information.

Termination

Management acknowledge and understand that failure to fulfil its obligations as set out in this engagement letter will result, upon written notice, in the termination of the engagement.

Either party may terminate this agreement for any reason upon providing written notice to the other party [not less than 30 calendar days before the effective date of termination]. If early termination takes place, Deptha Furniture (Pty) Ltd shall be responsible for all time and expenses incurred up to the termination date.

If I am unable to complete the audit or am unable to form, or have not formed, an opinion on the Financial statements, I may withdraw from the audit before issuing an auditor's report, or I may disclaim an opinion on the Financial statements. If this occurs, I will communicate the reasons and provide details.

Conclusion

This engagement letter includes the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

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Deptha Furniture (Pty) Ltd

Tuesday, 16 January 2018

If you have any questions about the contents of this letter, please raise them with me. If the services outlined are in accordance with your requirements, and if the above terms are acceptable to you, please sign the copy of this letter in the space provided and return it to me.

I appreciate the opportunity of continuing to be of service to your company.

Yours truly,

The Audit firm name you work for

Date: Tuesday, 16 January 2018

Acknowledged and agreed on behalf of Deptha Furniture (Pty) Ltd by:

S. DEPTHA

Directors

Deptha Furniture (Pty) Ltd

Date Tuesday, 16 January 2018