

ESORFRANKI LIMITED
(Reg No 1994/000732/06)
("the Company")

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. Constitution

- 1.1 In line with the requirements of section 94 of the Companies Act of 2008 ("the Act") and the King Report on Governance for South Africa 2009 ("King III"), the board of directors of the Company ("the board") resolved to establish a statutory committee of the board to be known as the Audit committee ("the committee").
- 1.2 Neither the appointment nor the duties of the committee reduce the functions and duties of the board or the directors of the Company, except with respect to the appointment, fees and terms of engagement of the auditor of the Company.

2. Membership

- 2.1 At each annual general meeting of the Company, the members of the Company must appoint at least 3 (three) members of the Audit Committee from a list of suitable candidates provided by the Human Resources and Nominations Committee, all of whom must be independent non-executive directors.
- 2.2 During the time period between annual general meetings of the Company, the board has the authority to appoint members of the Audit Committee to fill a casual vacancy.
- 2.3 In terms of s94(5) of the Act, read with Regulation 42, at least one-third of the members of the committee must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs and human resource management. In addition, the members of the committee must have sufficient expertise and experience required to perform their functions as set out in these terms of reference.
- 2.4 A quorum shall be a majority of members present in person or via telecommunication facilities.
- 2.5 The chairman of the committee shall be appointed by the board and shall be one of the members of the committee as appointed by the members of the Company at the annual general meeting.

- 2.6 The chairman of the board shall not be a member of the committee, unless otherwise agreed by the board depending on the composition of the board and requirements of the committee.
- 2.7 The chairman of the committee shall be required to attend the company's annual general meeting to answer relevant questions posed by shareholders.
- 2.8 All committee members will be required to keep up to date with developments affecting the areas of responsibility of the committee.

3. Attendance at meetings

- 3.1 The financial director, the head of internal audit and a representative of the external auditors will be required to attend meetings of the committee.
- 3.2 The chief executive officer will have a standing invitation to attend the meetings of the committee as and when deemed necessary.
- 3.3 Other board members shall have the right of attendance with the prior consent of the chairman of the committee.
- 3.4 The committee shall annually meet with the external auditors without management and with or without other board members, as the committee may elect. Likewise the committee should meet at least once a year with the head of internal audit and members of his team without the external auditor, management or the financial director being present.
- 3.5 The company secretary shall be the secretary of the committee and will be responsible for the preparation of the meeting agenda in consultation with the chairman and financial director.

4. Frequency of meetings

- 4.1 Meetings shall be held not less than three times a year. These meetings should be prior to the commencement of the annual external audit; prior to the board's approval of the interim results; after the completion of the annual external audit and prior to the board's approval of the annual financial statements and annual report ("the integrated report").
- 4.2 Any member of the committee or the external auditors or the head of internal audit (if any) may request a meeting if deemed necessary and a meeting will then be arranged in consultation with the chairman of the committee.

5. Authority

- 5.1 In respect of the statutory duties of the committee as set out in section 94 of the Act, the committee will be accountable to shareholders and report to shareholders as provided for in the Act. In respect of all other duties as contained in these terms of reference, the committee will be accountable and report to the board.
- 5.2 The committee is authorised by the board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the committee.

- 5.3 The committee is authorised by the board, subject to the approved process, to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if deemed necessary.
- 5.4 The committee may establish and delegate authority to any member or sub-committee to assist it in carrying out certain of its functions.
- 5.5 The company shall meet all expenses reasonably incurred by the committee in the fulfilling of its duties.

6. Duties

In fulfilling its function, the committee should specifically have oversight of financial reporting risks, internal financial controls, fraud risks and IT risks.

The duties of the committee shall be to:

6.1 Statutory duties (s94(7) of the Act)

- (i) Nominate, for appointment as auditor of the Company under s90 of the Act, a registered auditor who, in the opinion of the Committee, is independent of the Company;
- (ii) Determine the fees to be paid to the auditor and the auditor's terms of engagement;
- (iii) Ensure that the appointment of the auditor complies with the provisions of the Act and any other legislation relating to the appointment of auditors;
- (iv) Determine, subject to the provisions of the Act, the nature and extent of any non-audit services that the auditor may provide to the Company, or that the auditor must not provide to the Company or a related company;
- (v) Pre-approve any proposed agreement with the auditor for the provision of non-audit services to the Company;
- (vi) Prepare a report, to be included in the annual financial statements of the Company for the relevant financial year that addresses the items as listed in the Act;
- (vii) Receive and deal appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative, in relation to the matters as set out in the Act;
- (viii) Make submissions to the Board on any matter concerning the Company's accounting policies, financial control, records and reporting.

6.2 Other duties

6.2.1 External auditors, audit process and financial reporting

- (i) annually review the independence, objectivity and effectiveness of the external auditors;
- (ii) consider and set, if appropriate and subject to relevant legislative requirements, mandatory term limits on the length of time the external auditors or audit partner may serve the company and ensure a managed rotation process in respect of the audit partner after every 5 (five) years;
- (iii) discuss with the external auditor before the annual audit commences the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (iv) review and comment on all financial reporting, including the half year and annual financial statements before submission to the board, focusing particularly on:-
 - a. any changes in accounting policies and practices;
 - b. major judgemental areas;
 - c. significant adjustments resulting from the audit;
 - d. the going concern statement;
 - e. compliance with accounting standards;
 - f. compliance with stock exchange and statutory requirements;
 - g. reliability and accuracy of the financial information provided to management and other users of financial information.
- (v) discuss problems and reservations arising from the interim, (if and when applicable) and final audits, and any matters incidental thereto which the external auditors may wish to discuss (in the absence of management where necessary);
- (vi) review the quality and effectiveness of the external audit process as well as any accounting or auditing concerns identified as a result of the internal or external audits;
- (vii) review the external auditor's management letter and management's response, if available, and/or to consider the matters to be dealt with therein;
- (viii) review the Company's statement on internal control systems prior to endorsement by the board;
- (ix) having satisfied itself with the correctness of the annual financial statements (or summarised financial information) and interim report after having consulted with management and, where necessary, sought audit advice or

other assistance, recommend the annual financial statements and interim report to the board for approval;

- (x) consider whether the external auditor should perform assurance procedures on interim results and make a recommendation to the board in this respect;
- (xi) ensure that the information technology risks insofar as they relate to financial reporting and the going concern status of the Company are adequately managed

6.2.2 Internal Audit

- (i) approve the structure of the internal audit function – internal function or outsources – as proposed by management;
- (ii) approve the appointment of an outside service provider as internal auditor or an internal chief audit executive (“CAE”);
- (iii) approve the dismissal of the internal auditor or CAE;
- (iv) annually review the performance and objectivity of the internal auditor or CAE and subject the internal audit function to an independent quality review as and when deemed necessary by the committee;
- (v) approve the internal audit charter, on behalf of the board, and the internal audit plan as well as the resources required;
- (vi) review the functioning of the internal audit programme and department, if any, ensure co-ordination between the internal and external auditors, and ensure that any internal audit function is adequately resourced and has appropriate standing within the Company;
- (vii) receive and review the internal audit report at each meeting of the committee as well as the annual assessment of internal financial controls;
- (viii) consider the major findings of internal investigations and management’s response;

6.2.3 Integrated reporting and assurance model

- (i) oversee integrated reporting, having regard to all factors and risks that may impact on the integrity of the integrated report, and recommending the integrated report to the board for approval;
- (ii) review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- (iii) review the Company’s internal and external assurance model and recommend to the board the engagement of an external assurance provider on material sustainability issues when deemed necessary;
- (iv) monitor the relationship between the Company and the external assurance providers;

- (v) annually review the expertise, resources and experience of the Company's finance function and disclose the results of the review in the integrated report;

6.2.4 General

- (i) give due consideration to the relevant provisions of the Act, the Listings Requirements of the JSE Limited and the code of governance principles as contained in King III;
- (ii) retain a copy of the current terms of reference of the committee at the registered office of the company and provide shareowners with a copy of same if requested;
- (iii) include a report in the annual financial statements describing how the committee carried out its functions, stating whether it is satisfied that the external auditors are independent of the Company, presenting the committee's views on the financial statements and the accounting practices and stating whether the internal financial controls are effective;
- (iv) in addition to the above report, include a report in the integrated report summarising its role and providing details of its composition, number of meetings and activities;
- (v) receive and deal with any internal or external complaint relating to either accounting practices and internal audit of the Company or to the content or auditing of the financial statements or to any related matter;
- (vi) fulfil all of the abovementioned functions in respect of the Company and all of its subsidiaries and related entities, where appropriate, and ;
- (vii) consider such other topics and fulfil such other duties as defined by the board.

7. Reporting Procedure

- 7.1 The secretary shall incorporate the approved minutes of meetings of the committee in the meeting files prepared for meetings of the board for noting purposes.
- 7.2 In addition to the above, the chairman of the committee will provide verbal feedback at the meetings of the board of directors on the committee's recent activities.
- 7.3 In addition to the reports to stakeholders as referred to above, the committee shall annually report to the board on its statutory duties and duties assigned to it by the board as set out in this document.

8. Review and Assessment

The committee's activities and effectiveness shall be assessed annually and reviewed with the board.

9. Written Resolutions

A resolution in writing signed by a majority of the members of the committee who are present in South Africa at the time when such resolution is released for signature, shall be as valid and effectual as if it has been passed at a duly constituted meeting of the committee, provided that each member of the committee shall have been afforded a reasonable opportunity to express and opinion on the matter to which such resolution relates.

**CHAIRMAN OF THE BOARD OF DIRECTORS
MAY 2011**