Deloitte.

NASD Plc

Planning Report to the Audit Committee for the year ending 31 December, 2019

For the meeting held on Tuesday 15 October 2019

Contents

Executive summary

Introduction

We have pleasure in setting out in this document detail of our planning report to the Audit Committee of **NASD Plc** for the year ending 31 December 2019 and to highlight other pertinent issues for the Audit Committee. This report covers the principal matters that we will focus on during our audit for the year ending 31 December 2018.

Our appointment

Independence

Deloitte has established important safeguards and procedures in order to ensure our independence and objectivity.
These are set out in the 'Independence principles, policies and procedures' section 7 of this report We will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 December 2019 in our final report to the Audit Committee.

Engagement letter

A copy of the engagement letter to be signed on behalf of the Board will be distributed separately.

Fees

Our audit fees are agreed with Management subject to approval by the Audit Committee.

Audit scope

We will conduct our audit in accordance with International Standards on Auditing (ISA's). The audit has been designed to address potential risks in the business and processes of **NASD Plc.**

Auditing Standards require us to obtain an understanding of internal controls relevant to the audit of **NASD Plc.** We use our understanding of the internal controls to identify types of potential misstatements, consider factors that affect the risks of material misstatement, and design the nature, timing and extent of further audit procedures.

Matters that are expected to require significant auditor attention

Key audit matters

The matters which we believe will be of most significance in our audit and may be communicated in our audit report as key audit matters are:

1. Recoverability of deferred tax asset

Refer to Section 3 for details.

Significant risks

The significant audit risks which we have identified as part of our overall audit strategy are:

1. Presumed risk of fraud associated with management override of control.
2. Presumed risk of fraud associated with revenue recognition.

As further matters may arise during the course of our audit, there may be additional key audit matters and significant risks identified, or some of the above matters may no longer be considered key audit matters.

Refer to Section 4 for details.

Use of specialists

To address some aspects of the above key issues and significant risks, and in ensuring compliance with the provisions of relevant auditing standards, the engagement team shall involve certain internal specialists in the audit of the financial statements. These specialists will include: taxation and information technology.

Refer to section 2 (slides 11, & 12) for details.

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Other matters of significance

Other matters of significance which have not been identified as significant audit risks are:

1. Compliance with regulatory and reporting injunctions – S.E.C; FRCN; IFRS; etc.
2. Impact of the recurrent operational losses.

Audit Opinion

The International Auditing and Assurance Standards Board (IAASB) has reviewed certain auditing standards affecting the level of contents required to be disclosed as part of the audit report and also introduced a new standard on auditing, ISA 701 (Communicating key audit matters in the independent auditor's report) which requires the disclosure of key audit matters in the audit report.

Taxation

In compliance with our audit procedures and auditing standards, we are required to review any outside specialist whose work materially impacts balances in the financial statements we are auditing. The work of the company's tax specialists, if any, falls within this scope.

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Consideration of fraud

The primary responsibility for the prevention and detection of fraud rests with management and the Audit Committee, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

ISA 240 – 'The Auditor's Responsibility to consider Fraud in an Audit of Financial Statements' requires us to document an understanding of how the Audit Committee exercises oversight of management's processes for identifying and responding to the risks of fraud in **NASD Plc**, and the internal control that management has established to mitigate these risks.

The audit team will be meeting the Chairman of the Audit Committee to discuss matters of interest to the Committee and our audit.

Materiality

We estimate materiality based on expected results (i.e. profit before tax, revenue, total assets etc.) for the full year. We will report to the Audit Committee on all unadjusted misstatements greater than our established threshold unless they are qualitatively material. Refer to Section 1 for further detail.

Consideration of internal control

We are required to evaluate the design of the controls "relevant to the audit" and determine whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Prior year uncorrected misstatements including disclosure misstatements

We are not aware of any uncorrected misstatement from discussion with management.

However, this will also be corroborated with our review of the opening balances of the predecessor auditors.

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New and revised accounting standards

There are new applicable standards issued by the IASB effective in 2018, and also amendments and annual improvements to existing standards and standards that are available for early adoption. Some of the standards and amendments will have an impact on the company's financial statements, however it is expected that all amendments and annual improvement be fully complied with.

New	Amended/Annual improvement
One: [IFRS 16]	**Three** : [IAS 28; IFRIC 23, IAS 19]

Refer to Section 8 for further detail.

IFRS 16:

This is a new accounting standard that became effective on 1 January 2019 and is applicable to all entities that reports under IFRS. This is a standard that is applicable to **NASD Plc**.

Management is still assessing the possible impacts of the Standard on the entity's financial statements.

The audit engagement team will review and evaluate management's assessment of the quantitative impact of this new Standard on the Group's Financial Statements.

Audit report

Our audit report on **NASD Plc** financial statements for FYE 2019 shall continue to comply with the changes and updates made to International Standards on Auditing as implemented in prior year. The prior year FYE 2018 audit report for **NASD Plc** was prepared in line with the requirements of the international auditing standards, same is expected for the FYE 2019 as there has not been any amendment to the audit and assurance standards since year ended 2018.

Time table

In line with the tradition of the Company in rendering timely report to the regulatory authorities, the shareholders and other stakeholders, we have proposed an audit timetable that will help the Company to achieve this.

We have planned to perform interim audit before year end to be rolled forward at year end. The engagement team will utilise the interim period to:

a. Review of the business processes and system of the company to deepen our understanding of the entity.
b. Review transition impact of IFRS 16 to ensure compliance with the standard.

1. Responsibilities of the Audit Committee

Helping you fulfil your responsibilities as an Audit Committee

The primary purpose of the Auditor's interaction with the Audit Committee:

Clearly communicate the planned scope of the financial statements audit.

Provide timely observations arising from the audit that are significant and relevant to the Committee's responsibility to oversee the financial reporting process.

In addition, we seek to provide the Audit Committee with additional information to help them fulfil their broader responsibilities.

We set out here a summary of the core areas of your responsibilities to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit Committee in fulfilling its duties.

Oversight of external audit

- At the start of each annual audit cycle, ensure the scope of the external audit and fee are appropriate.
- Make recommendations as to the auditor appointment and implement a policy on the engagement of the external auditor to supply non-audit services.

Integrity of reporting

- Review of external audit findings, key judgements and level of misstatements.
- Assess the quality of the Finance team, their incentives and the need for supplementary skillsets.
- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested by the Board of Directors, provide advice in respect of the fair, balanced and understandable statement.

Internal controls and risk

- Review the internal control and risk management systems.
- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

Oversight of Internal Audit

- Monitor and review the effectiveness of the Internal Audit activities.

Whistle-blowing and fraud

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns that are raised through whistle blowing process in connection with improprieties.

2. Scope of work, approach and methodology

Audit quality is our priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

A robust challenge of the key judgements taken in the preparation of the financial statements.

A strong understanding of your internal control environment.

A well planned and delivered audit that raises findings early with those charged with governance.

[redacted]

Our audit approach

We will conduct our audit in accordance with International Standards on Auditing ("ISA's"). The audit has been designed to address potential risks in the business and processes of **NASD Plc**.

Auditing Standards require us to obtain an understanding of internal controls relevant to the audit of the Company. We use our understanding of the internal controls to identify types of potential misstatements, consider factors that affect the risks of material misstatement, and design the nature, timing and extent of further audit procedures.

The audit approach includes requirements and guidance to assist in the planning and performance of audit engagements and is based on the International Standards on Auditing issued by the International Auditing and Assurance Standards Board of IFAC. We have further supplemented these requirements and guidance to reflect local requirements, as applicable. The common documentation and the enabling software technology are tools that enhance the consistent implementation of the audit approach and promote effectiveness and efficiency.

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[redacted]

Our methodology

The following are the main elements of the audit approach:

Understanding of the entity and its environment including internal controls:
An understanding of the entity and its environment, including its internal controls, to assess the risks of material misstatement at the financial statement and assertion level is vital to performing an effective audit. The audit team will develop this understanding and assess financial statement risks in a number of ways, including analysing financial information to identify trends and unusual balances; holding in-depth discussions with management and those charged with governance; considering the inherent nature of each financial statement component and the risks associated with that component; evaluating the reliability of internal controls; assessing the extent to which technology is used in the financial reporting process; and, if applicable, reviewing internal audit findings.

As necessary, based on the nature of the entity's information systems and the extent to which technology plays a role in the transaction processing and financial reporting processes, information technology specialists may be involved in the audit engagement.

Testing the operating effectiveness of controls:
The engagement team will obtain an understanding of the entity's internal controls in each audit engagement. For certain engagements, when required by local auditing standards or when included as a component of the financial statement audit procedures, engagement team may also test the operating effectiveness of the entity's internal controls in preventing or detecting and correcting material misstatements.

Audit quality is our priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

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[redacted]

Our methodology

Audit procedures

Engagement teams tailor the audit plan to address the risks associated with the entity, the audit engagement, and the financial statements as a whole.

Throughout the audit, the engagement team will continue to assess the risks that the business of the company is facing and the impact of audit findings bear on the audit procedures. EMS's framework allows partners and professional staff to modify the audit procedures to address issues that arise in the course of the audit.

Use of Experts

While the engagement partners retain responsibility for all aspects of the engagement, there are instances when the engagement team utilizes an expert. In such instances, the engagement teams evaluate whether the expert has the necessary competence, capabilities, and objectivity.
In evaluating whether or not the expert's work constitutes appropriate audit evidence in support of the financial information, the engagement teams consider:

- The source data used;
- The assumptions and methods used and, if appropriate, their consistency with those used in the prior period; and
- The results of the expert's work in light of the engagement team's overall knowledge of the business and of the results of its audit procedures.

Engagement Documentation

Deloitte maintain policies and procedures to support the assembly and archiving of audit files whereby the audit engagement team submits the audit files for archiving within the shorter of: (1) 60 days from the date of the report; or (2) the period set out in applicable professional standards and regulatory and legal requirements. The Firm's policies and procedures address the retention of documents (in paper and electronic form); including those that address the confidentiality, safe custody, integrity, accessibility, and irretrievability of archived documentation.

Audit quality is our priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

A robust challenge of the key judgements taken in the preparation of the financial statements.

A strong understanding of your internal control environment.

A well planned and delivered audit that raises findings early with those charged with governance.

Scope of our work

Our audit work covers the financial statements of **NASD Plc**.

Our audit scope and approach emphasizes careful planning and risk assessment to respond promptly to the risk of material misstatement, including engagement risk, significant risk and fraud risk factors. This approach helps to minimize year-end surprises and enhances the effectiveness of our audit.

Rather than treating all business activities as if they present equal risk, our procedures are designed to focus more attention on specific risk areas. We will also devote special attention to areas of concern or interest to the Audit Committee or management

Use of specialists

The engagement team shall engage the service of a number of specialists, who are subject-matter experts in certain areas that fall within the scope of our audit. Some of the specialists to be involved, together with their areas of involvement include the following:

Taxation

- Our tax specialists will assist the engagement team in the audit review of the Company's income tax, deferred tax and other tax matters. A key feature of our process is that the tax specialists will work with the audit team to ensure that maximum synergies and efficiencies are created in the delivery of tax and audit services.

Audit quality is our priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

A robust challenge of the key judgements taken in the preparation of the financial statements.

A strong understanding of your internal control environment.

A well planned and delivered audit that raises findings early with those charged with governance.

[redacted]

Use of specialists

Information Technology Specialists (“IT”)

- Our IT specialists will perform work on the technology landscape which includes gaining understanding thereof and testing the key controls within the general computer environment.

Materiality

Approach to materiality	The concept of materiality is applied by us both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming our opinion. In planning the audit, we apply our professional judgement in determining materiality i.e. evaluating the size of misstatements that we would consider to be material, which in turn provides a basis for our risk assessment procedures and determining our further audit procedures. The materiality determined when planning the audit does not necessarily establish an amount below which uncorrected misstatements, individually or in the aggregate, will always be evaluated as immaterial. The circumstances related to some misstatements may cause us to evaluate them as material even if they are below materiality, i.e. they would be considered qualitatively material.
Basis of materiality – benchmark	For the 31 December, 2019 financial statements, the engagement team will consider various benchmark to be used in determining the materiality. The selected benchmark will be based on our assessment of the key factors that are important to users of the financial statement. Some of the benchmarks that will be considered are: • Revenue; • Shareholders fund; & • Total assets. The engagement team could also consider profit before tax (PBT) if it is established that the Company has fully exited the annual loss trend of the last few years. However, a benchmark to be used need to be a stable measure from one year to the other. We had used total assets in prior year.
Planned materiality	We estimate materiality based on expected results for the full year ended 31 December 2019. We will re-evaluate the planned materiality when the actual year end numbers become available.
Reporting to those charged with governance	"The auditor may designate an amount below which misstatements would be clearly trivial and would not need to be accumulated because the auditor expects that the accumulation of such amounts clearly would not have a material effect on the financial statements. "Clearly trivial" is not another expression for "not material". Matters that are clearly trivial will be of a wholly different (smaller) order of magnitude than materiality determined in accordance with this section, and will be matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial". [ISA 450.A2] We will report to you all unadjusted misstatements found in excess of clearly trivial threshold we have established if we consider them to be qualitatively material.

Working with Internal Audit

ISA 610

In terms of ISA 610: *Using the Work of Internal Auditors (“ISA 610”)*, we are required to be sufficiently involved in the audit given our sole responsibility for the audit opinion, and must obtain sufficient appropriate audit evidence that the work of the Internal Audit function is adequate for the purposes of the external audit. Furthermore, the extent of our reliance on the work of Internal Audit is dependent on our evaluation of the Internal Audit function.

We will hold discussions with the head of internal audit and improve our understanding of their systems and approach. We shall continue to liaise with the Internal Auditors in order to maximise our combined effectiveness and eliminate duplication of effort. This co-ordination will enable us to derive full benefit from their function, systems documentation and risk identification during the planning of the external audit.

The audit team, following an assessment of the organisational status, scope of function, objectivity, technical competence and due professional care of the Internal Audit function, will review the findings of Internal Audit as contained in their various reports issued during the year to deepen our understanding of the company and adjust the audit approach as is deemed appropriate.

We will continue to liaise with Internal Audit to maximise our combined effectiveness and to eliminate the duplication of effort as far as possible.

We will liaise with the Company’s internal audit function on a constructive and complementary basis to maximise our combined effectiveness and eliminate duplication of effort.

This co-ordination will enable us to derive full benefit from the Company’s internal audit functions, their systems documentation and risk identification during the planning of the external audit.
The audit team, following an assessment of the organisational status, scope of function, objectivity, technical competence and due professional care of the internal audit function, review of the findings of internal audit, we have tailored our audit approach as is deemed appropriate. This normally takes a number of forms:

- Discussion of the work plan for internal audit.
- Design of further procedures to determine that suggested recommendations have been implemented to fix controls lapses identified during their audits. This will also include ensuring that the “lessons learnt” from various fraud and forgeries acts have been properly disseminated among applicable employees.
- Review of the work performed on key head office units that was concluded during the year in order to gain further insights into the activities of the company and to aid our risk assessment and audit procedures.
- Where internal audit identifies specific material deficiencies in the control environment, we consider adjusting our testing so that the audit risk is covered by our work.

Working with Internal Audit

Areas of reliance	While we plan to work closely with the internal auditors, we do not intend to place reliance on the work of the internal audit unit in our execution of the current year audit of the company. We will however obtain a sufficient understanding of their work and procedures in order to enhance our understanding of the company to guide the planning and execution of our audit procedures. We will also evaluate instances where Internal Audit has identified deficiencies in the control environment, and consider adjusting our testing so that the audit risk is addressed.

Internal control

Obtaining an understanding of internal control relevant to the audit	We are required to evaluate the design of the controls considered to be 'relevant' to the audit and determine whether they have been implemented ("D & I"). The Engagement Team will carry out a test of operating effectiveness of the identified relevant controls if our preliminary evaluation of their design and implementation is considered appropriate. The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered. Our audit is not designed to provide assurance as to the overall effectiveness of the controls operating within the Company, although we will report to management any recommendations on controls that we may have identified during the course of our audit work.
Areas of reliance	We take a rotational approach to testing the operational effectiveness ("OE") of the relevant controls within each of the business processes, although we are required to evaluate the design and implementation of all of the relevant controls on an annual basis. Controls relating to significant risks are tested on an annual basis. Our rotational plan is as follows:

3. Key Audit Matters

The auditor is required to communicate those matters which were of most significance in the audit of the financial statements, known as Key audit matters (“KAM’s”). The intention is not for the auditor to provide a comprehensive list, as doing so would diminish the value of the reporting. The point is to focus on a few key matters, in the context of the entity and the audit.

The KAM’s are those matters that, in our professional judgment, are of most significance in our audit of the financial statements of the current period. These matters are addressed in our audit report and within the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Cont'd)

Further matters may arise during the course of our audit, there may be additional KAM's identified, or some of the below matters may no longer be considered key audit matters.

As part of our preliminary assessment the following KAM's were identified:

	Key audit matter's
Recoverability of deferred tax assets	Under IAS 12, the Company is able to recognize deferred tax asset in its books as long as there is reasonable expectation of future profits against which the deferred tax benefit would be utilized in subsequent years. We have identified recoverability of deferred tax assets as a key audit matter because of the size of deferred tax assets relative to the entity's total assets and uncertainties around the Directors' judgement in their estimation of future taxable profits deductible temporary differences or unused tax losses or credits will be utilized. Critical assumption involved include growth rate of estimated future cash flows.
	To address the KAM we will complete audit procedures which will include: • We will review the methodology and processes adopted by management for calculating and arriving at the tax estimates (including deferred tax assets) to be recognized in the books of the company. • We will validate the data used in the calculation of the deferred tax assets (and/or liabilities, if any). • We will involve Deloitte Tax Specialists in the review of the assumptions and estimates of the deferred tax amounts used by management and assess the adequacy of the overall tax liabilities in line with applicable tax laws and related accounting standards. • We will evaluate Directors' assessment of the sufficiency of future taxable profits in support of the recognition of deferred tax assets by assessing projected cash flow estimates, taxable future profits, etc. vis-a-vis the company's business plans and model. • We will challenge key assumptions of growth rate of taxable profits, and non-taxable transactions. • We will ensure the appropriateness of the journals posted, footed and agreed the figures disclosed in the financial statements to the figures stated in the deferred tax assets after thorough review of the basis and assumptions.

4. Significant Risks

Our audit scope and approach emphasises careful planning and risk assessment to respond promptly to the risk of material misstatement, including engagement risk, significant risk and fraud risk factors. This approach helps to minimise year-end surprises and enhances the effectiveness of our audit.

Rather than treating all business activities as if they present equal risk, our procedures are designed to focus more attention on specific risk areas. We will also devote special attention to areas of concern or interest to the Audit Committee or management.

The following areas represent the significant risks for our audit based on our preliminary assessment. Our related responses to these significant risks are also provided. We continually update our risk assessment as we perform our audit procedures and we will inform the Audit Committee and management of significant changes to this assessment as and when they occur.

Based upon our initial assessment and following our interim review, we will concentrate specific audit effort on the following areas:

	Impact on our 2018 audit
Presumed risk of management override of controls	Profitability and returns on investments are key performance indicators for management. The pressure to meet performance expectations from the business owners and other stakeholders could lead to management override of controls and fraudulent financial reporting. Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. As a result, ISA 240 "The auditor's responsibilities relating to fraud in an audit of financial statements" requires us, the auditors, to consider fraud in the audit of financial statements. To respond to the risk, we will complete audit procedures which will include: • Perform procedures to test, evaluate and challenge significant management estimates and assumptions related to significant account balances, classes of transactions and disclosures. • We shall carry out journal entry testing with special focus on yearend adjustments and confirm validity of entries. • Obtain and evaluate business rationale for significant and unusual transactions processed in the year • Perform fraud enquiries of select members of those charged with governance and management staff and conduct a detailed review of the key business processes in place to evaluate the susceptibility of the entity to the risk of fraud. • Evaluate insider related transactions

New significant risk

Continuing significant risk

	Impact on our 2018 audit
Presumed risk of fraud associated with revenue recognition	ISA 240: *The auditor's responsibilities relating to fraud in an audit of financial statements* ("ISA240") provides that the auditor is required, based on a presumption that there are risks of fraud in revenue recognition, to evaluate which types of revenue, revenue transactions or assertions give rise to such risks. Material misstatements due to fraudulent financial reporting often result from an overstatement of revenues (for example premature revenue recognition or recording fictitious revenues) or an understatement of revenues (for example through improper shifting of revenues to a later period). Specifically, it is presumed that management, in response to stiff regulatory environment, and unfavourable fiscal and monetary policies, may get involved in unusual transactions to boost earnings in order to meet up with budget. To respond to the risk, we will complete audit procedures which will include: • Update our understanding of the company income recognition processes. • Evaluation of design and operational effectiveness of controls over the processes involved with recognition of income. • Evaluate the company's strategy to maintain and improve its net underwriting income and the steps taken by the company to generate earnings growth to determine its impact on our audit strategy. • Detailed review of the specific requirements of key/ new contracts in the period and the specific revenue recognition criteria. • Engage IT Specialists, where necessary, to assist in the testing of computer generated income heads and to assess the reasonableness of system-generated income earned during the year. • Evaluate and test management estimates and assumptions related to significant revenue balances.

	Impact on our 2018 audit
Impairment loss on receivables	There may be management bias in the assumptions and estimates used in determining the recoverable amount of receivables. To respond to the risk, we will complete audit procedures which will include: • We will review the methodology and processes adopted by management for making reserves in the books of the company. • We will test entity's control around reserving process and maintenance of data for estimating recoverable amounts of receivables. • We will validate the data used in arriving at the provisioning rate of the receivable. • We will ensure the appropriateness of the journals posted, footed and agreed the figures disclosed in the financial statements to the figures stated in the actuarial valuation after thorough review of the basis and assumptions. This significant risk may however be reassessed in the course of the audit if it is noted that there are no material transactions that would warrant management's application and exercise of judgement in this financial statements item.

5. Other matters of significance

Other issues which have not been identified as significant audit risks but which are considered very important to the company financial statements are discussed below:

	Areas of higher assessed audit risks other than significant risks
Recurrent operational losses	From our analysis, the Company has consistently reported losses over the past few years, except prior year ended 31 December 2018. Additional capital injection in the year 2017 and profit in the FYE 2018 helped to keep off pressure on the entity's equity. The engagement team will continue to assess this area as high and to determine if it requires special focus and assessment of whether material uncertainty does not exists. A risk exist that a material uncertainty might exist with respect to the going concern. The engagement team will perform the following to address the issue identified: - Obtain and review management's assessment of its ability to continue as a going concern. - Obtain management's strategic plan to revamp the entity's loss position and turn around its fortune. - Perform risk assessment procedures to determine whether management's use of the going concern basis of accounting is likely to be an important issue and its impact on planning the audit.

6. Consideration of fraud

ISA 240

The primary responsibility for the prevention and detection of fraud rests with management and the Audit Committee, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

ISA 240 – 'The Auditor's Responsibility to consider Fraud in an Audit of Financial Statements' requires us to document an understanding of how the Audit Committee exercises oversight of management's processes for identifying and responding to the risks of fraud in Royal Exchange Group and the internal control that management has established to mitigate these risks.

We will make inquiries of management, internal audit and others within the Company as appropriate, regarding their knowledge of any actual, suspected or alleged fraud affecting the Company. In addition, we are required to discuss the following with the Audit Committee:

1. Whether the Audit Committee has knowledge of any actual, alleged or suspected fraud?
   - The role that the Audit Committee exercises in oversight of the entities within the company.
   - Royal Exchange Group assessment of the risks of fraud.
2. The design and implementation of internal controls to prevent and detect fraud.
3. The Audit Committee's assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We will be seeking representations in this area from the Board and the Audit Committee in due course.

Management override of controls	Profitability and returns on investment are key performance indicators for management. The pressure to meet performance expectations from the business owners and other stakeholders could lead to management override of controls and fraudulent financial reporting. As a result, auditors are required to presume a risk of management override of controls. We are required to design and perform audit procedures to respond to the risk of management's override of controls. Our audit procedures will among others, include the following: ▪ *Testing the appropriateness of journal entries* – We will obtain an understanding of, and evaluate the process and controls over journal entries and other adjustments made in the preparation of the financial statements. This will equally involve us testing the appropriateness and proprietary of a sample of such entries and adjustments. ▪ *Testing accounting estimates for bias* – We will review all significant accounting estimates for biases that could result in material misstatement to the financial statements; including evaluating whether any differences between estimates best supported by evidence and those in the financial statements, even if individually reasonable, indicate a possible bias on the part of management. We will also perform a retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements. At a minimum, we will focus on valuation of deferred tax assets and account receivables. ▪ *Testing business purpose for significant unusual transactions* – We will obtain an understanding of the business rationale for any significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of the entity and its environment.

7. Independence

We confirm that the engagement team and others within Deloitte, comply with all relevant ethical requirements regarding independence, including compliance with the following:

- The International Ethics Standards Board for Accountants ("IESBA") *Code of Ethics for Professional Accountants;*

Deloitte has policies and procedures that are designed to provide reasonable assurance that we comply with applicable independence standards. These policies and procedures are based on the Code, and are enhanced as appropriate, to reflect local standards or DTTL policies that may be more restrictive.

Our systems and controls related to independence are categorized into the following areas:

- Independence policies and procedures
- Compliance business process tools, including the Deloitte Entity Search and Compliance system, the Global Independence Monitoring System and Confirmations
- Business relationship assessments and monitoring
- Independence learning
- Monitoring of independence systems and controls relating to personal independence, and engagement and practice reviews
- Disciplinary measures and actions
- Assignment of responsibility for independence systems and controls
- "Tone-at-the-top" culture relating to independence

8. New and revised accounting standards

New and revised accounting standards:

Standard	Status	Details of amendments and/or improvement
IFRS 16 **Leases**	New standard	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Issued: 13 January 2016
IFRIC 23 Uncertainty over Income Tax Treatments	Amendments	The interpretation sets out how to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12 Income Taxes. The Interpretation requires an entity to: - determine whether uncertain tax positions are assessed separately or as a group; and - assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: -If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. -If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.
Annual Improvements 2015-2017 Cycle	Amendments	Makes amendments to the following standards: *IFRS 3 Business Combinations and IFRS 11 Joint Arrangements* - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. *IAS 12 Income Taxes* - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

8. New and revised accounting standards

New standard alert:

Standard	Status	Details of amendments and/or improvement
Annual Improvements 2015-2017 Cycle	Amendment	IAS 23 Borrowing Costs - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Amendment	The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments in Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) are: - Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. - Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

9. Timetable

According to ISA 260(R) par 15: "The auditor shall communicate with those charged with governance an overview of the planned scope and timing of the audit."

The timing of our audit procedures is designed to meet Royal Exchange Group reporting timetable. We will work closely with management and will communicate the nature and timing of our audit requirements in a timely manner throughout the entity.

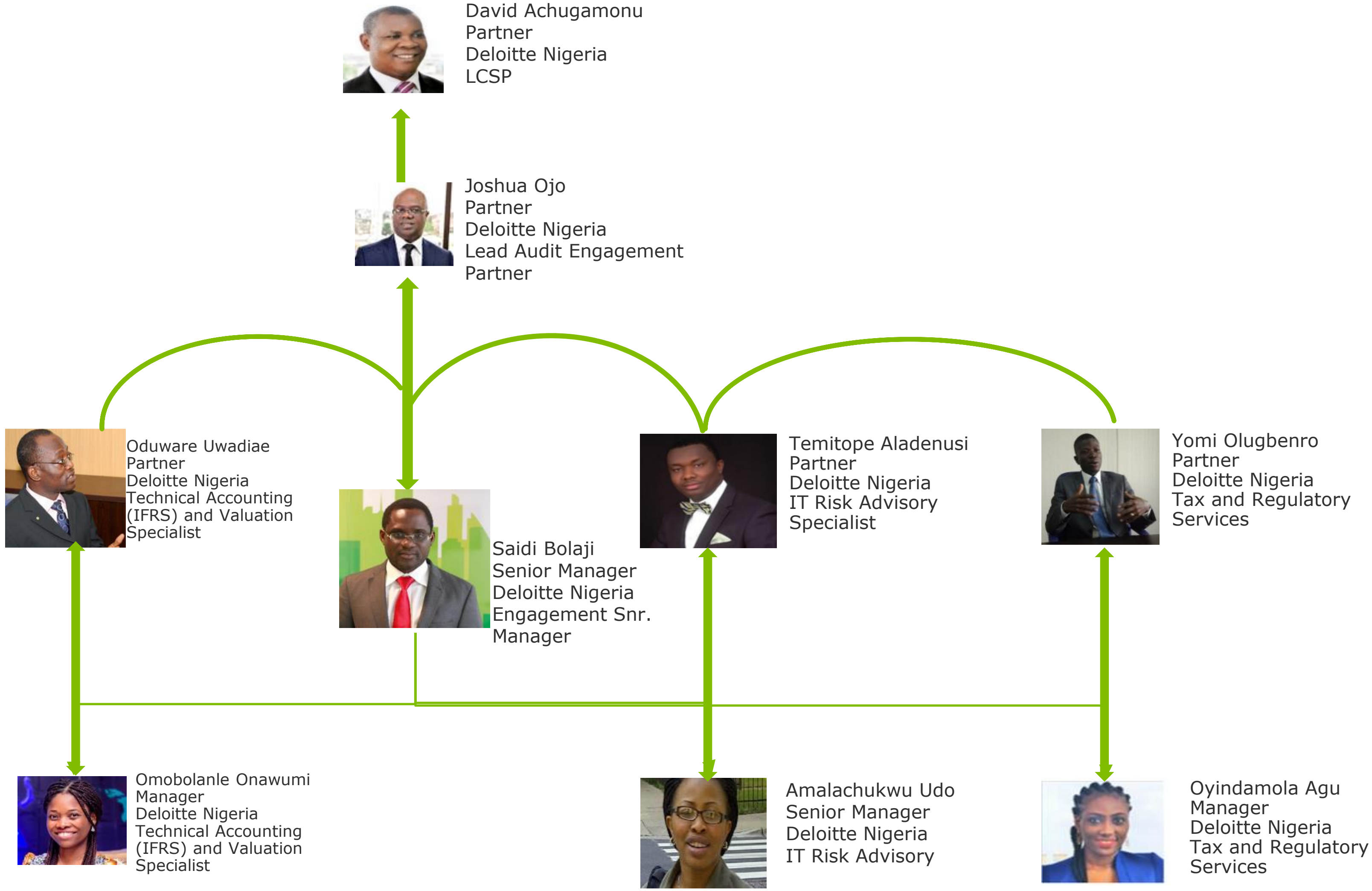
Set out below is the approximate expected timing, form and general content of our reporting and communication with management, the Audit Committee, the board of directors and the shareholders.

S/N	Activities	Proposed Date
1.	Ongoing meetings with management	All year round
2.	Presentation of 2019 Audit Plan to Statutory Audit Committee	October 2019
3.	Receipt of Trial Balance , Management Accounts, Reconciliations and Schedules for period ending 31 October 2019	8 November 2019
4.	Commencement of Review Planning /Preliminary Activities	11 November 2019
5.	Commencement of Year-end audit	6 January 2020
6.	Receipt of Trial Balance , Management Accounts, Reconciliations and Schedules for year ending 31 December 2019	6 January 2020
7.	Draft Financial Statements	15 January 2020
8.	Draft Management Letter	31 January 2020
9..	Final Financial Statements	24 January 2020
10.	Final Audit Committee meeting	February 2020
11.	Board of Directors' meeting	TBA
12.	Annual General Meeting	TBA

10. Audit engagement team

Our commitment

Having the best people is at the heart of our business, and we continue to commit to ensuring that we have the right people to provide the highest level of technical expertise, assurance and client service for the entity.



11. Purpose of our report and responsibility statement

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit and to agree our audit plan. Our report includes:

- Our audit plan, including significant audit risks, key audit matters and the planned scope and timing; and
- Key regulatory and corporate governance updates, relevant to you.

What we report

- As you are already aware, our audit is not designed to identify all matters that may be relevant to the Board of Directors, Audit Committee and Management.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, the views on internal controls in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We would like to take this opportunity to thank the management team for their assistance and co-operation during the planning of our audit work.

This report has been prepared for the Board of Directors and the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Joshua Ojo
Engagement Partner
Deloitte & Touche

Appendices

Appendix 1 - Consideration of fraud

Responsibilities explained

Your responsibilities	Our responsibilities	Fraud characteristics
• The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.	• We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement. • As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.	• Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional. • Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We will request the following to be stated in the representation letter signed on behalf of the Board:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:

  (i) management; (ii) employees who have significant roles in internal control; or (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

We will make the following inquiries regarding fraud:

Management	Internal Audit	Those charged with governance
• Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments. • Management's process for identifying and responding to the risks of fraud in the entity. • Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity. • Management's communication, if any, to employees regarding its views on business practices and ethical behaviour. • Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.	Whether Internal Audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.	• How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks. • Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity. • The views of those charged with governance on the most significant fraud risk factors affecting the entity.