

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee has pleasure in submitting this report as required by Section 94(7)(f) of the Companies Act. The Audit and Risk Committee has adopted detailed terms of reference which comply with the Companies Act No 71 of 2008 ("Act"), and King III and have been approved by the Board of Directors of the Company ("Board").

AUDIT AND RISK COMMITTEE MEMBERSHIP AND ATTENDANCE AT MEETINGS

The Audit and Risk Committee comprises only Independent Non-executive Directors. The Chief Executive, Chief Financial Officer and other executives attend meetings of the Audit and Risk Committee by invitation and actively engage in these meetings. Other Non-executive Directors also attend by invitation.

The Audit and Risk Committee was duly appointed by the shareholders at the Annual General Meeting on 26 November 2013. Shareholders will again be asked to approve the appointment of the members of the Audit and Risk Committee for the 2014/15 financial year at the Annual General Meeting scheduled for 28 November 2014.

Details of the members of the Audit and Risk Committee and the number of meetings (including the attendance of the members) held for the financial year are set out on page 44 in the Governance, Risk and Compliance Report.

FUNCTION OF THE AUDIT AND RISK COMMITTEE

The functions of the Audit and Risk Committee are as follows:

- To perform all of the duties required of it by the Act, in respect of the Company and all of its subsidiary companies;
- To assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control and reporting processes, the maintenance of accurate and complete accounting records and the preparation of financial statements in compliance with the applicable legal requirements, King III code of governance principles and applicable accounting standards;
- To review the Group's Annual Integrated Report, including the annual financial statements, as well as its interim report and any other public reports or announcements containing financial information;
- To provide management, External Auditors and the Internal Auditors with access to the Chairman or any other member

of the Audit and Risk Committee to discuss any matter within the Audit and Risk Committee's scope;

- To meet separately with the external and Internal Auditors at least once a year;
- To provide a forum for discussing business risk and control issues and developing recommendations for consideration by the Board;
- To monitor enterprise-wide, operational, market, regulatory, safety and other risks, and to monitor controls designed to minimise risk;
- To consider and recommend to the Board whether external assurance should be provided on the six capital report and to ensure that the report is consistent with the annual financial statements;
- To perform the functions required in terms of the JSE Listings Requirements;
- To perform the matters required by the Act, in respect of the Company and all its subsidiary companies incorporated in South Africa; and
- To oversee the activities of, and ensure co-ordination, between the activities of internal and External Audit. To review the Audit and Risk Committee's work plan and terms of reference annually and make recommendations to the Board to ensure its effectiveness.

Duties carried out

The Audit and Risk Committee confirms that it has performed its duties and responsibilities during the financial year in accordance with the Act and its terms of reference.

External Audit

During the year under review, the Audit and Risk Committee undertook the following:

- Nominated EY Inc. as the External Auditor, with Sarel Strydom as the designated auditor to the shareholders for appointment as auditor for the financial year ended 30 June 2014, and ensured that the appointment complied with all legal and regulatory requirements for the appointment of an auditor;
- Confirmed that the auditor and the designated auditor are accredited by the JSE;
- Approved the External Audit engagement letter, the plan and the budgeted audit fees payable to the External Auditor;
- Reviewed the audit and evaluated the effectiveness of the auditor;
- Obtained a statement from the auditor confirming that its independence was not impaired;

- Determined the nature and extent of all non-audit services provided by the External Auditor and pre-approved all non-audit services undertaken;
- Obtained assurances from the External Auditor that adequate accounting records were being maintained;
- Confirmed that no reportable irregularities had been identified or reported by the auditors under the Auditing Profession Act; and
- Nominated the External Auditor and the designated independent auditor for each of the South African subsidiary companies for the financial year ended 30 June 2014.

FINANCIAL STATEMENTS

During the year under review, the Audit and Risk Committee:

- Confirmed, based on managements' review that the interim and annual financial statements were drawn up on the going concern basis;
- Examined the published interim and annual financial statements and other financial information, prior to the Board's approval;
- Considered the accounting treatment of significant or unusual transactions and accounting judgements by management;
- Considered the appropriateness of accounting policies and any changes made;
- Reviewed the audit report on the annual financial statements;
- Reviewed the representation letter relating to the annual financial statements signed by management;
- Considered any problems identified as well as any legal and tax matters that could materially affect the financial statements;
- Met separately with management, the External Auditor and Internal Auditor; and
- Concluded that the annual financial statements fairly present the financial position of the Group and Company at the end of the financial year and the results of operations and cash flows for the financial year.

RISK MANAGEMENT AND INFORMATION TECHNOLOGY

During the year under review, the Audit and Risk Committee:

- Reviewed and approved the Group's Enterprise Wide Risk Management Framework defining Clover's risk management methodology;
- Reviewed quarterly risk reports containing pertinent risks and opportunities aligned to the Group's vision and mission, emerging events and reportable incidents;

- Reviewed the Group's policies on risk assessment and risk management, including fraud risks and information technology risks and found them to be sound;
- Reviewed the Group's insurance cover based on the advice of the Group's insurance broker and confirmed that all significant insurable risks are appropriately covered; and
- Received a limited assurance report on management's assessment of the effectiveness of the Group's system of internal controls over financial reporting from the External Auditors, EY Inc.

INTERNAL CONTROL AND INTERNAL AUDIT

During the year under review, the Audit and Risk Committee:

- Reviewed and approved the annual Internal Audit plan and evaluated the independence, effectiveness and performance of the Internal Audit providers;
- Considered the reports of the internal and External Auditors on the Group's systems of internal control, including financial controls, business risk management and maintenance of effective internal control systems;
- Received assurances that proper accounting records were maintained and that the systems safeguarded the Group's assets against unauthorised use or disposal;
- Reviewed issues raised by Internal Audit and the adequacy of corrective action taken by management in response; and
- Assessed the adequacy of the performance of the Internal Audit function and found it satisfactory.

Taking into account all information received from management as well as the internal and External Auditors, nothing has come to the attention of the Audit and Risk Committee that indicates a material breakdown in the internal controls of the Group.

SUSTAINABILITY

During the year under review, the Audit and Risk Committee:

- Reviewed the six capital report included in the Group's Integrated Annual Report and satisfied itself that it is consistent with the annual financial statements; and
- The Committee has obtained partial assurance over the six capitals to the extent disclosed in the combined assurance framework as reflected in the table on the right. It is the Group's intention to enhance qualitative and quantitative information as systems are progressively bedded down. All material risks considering the sustainability of Clover's business model and in complying the requirements of Regulation 43 of the Companies Act, as well as King III are

incorporated into Clover's risk universe and are monitored under Clover's risk management process as described more comprehensively under the Governance section of this report.

LEGAL AND REGULATORY REQUIREMENTS

During the year under review, the Audit and Risk Committee:

- Reviewed with management all legal matters that could have a material impact on the Group;
- Reviewed with the Group's internal legal counsel the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities;
- Monitored complaints received *via* the Group's ethics line or otherwise, including complaints or concerns regarding accounting matters, Internal Audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters; and
- Considered reports provided by management, Internal Audit and the External Auditor regarding compliance with legal and regulatory requirements.

COMBINED ASSURANCE

The Audit and Risk Committee reviewed the combined assurance plans and reports of the respective assurance providers, including external and Internal Auditors, and concluded that the material financial and governance controls within the business were satisfactory.

CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

As required by the JSE Listings Requirements 3.84(h), the Audit and Risk Committee has:

- Considered the experience and expertise of the Chief Financial Officer and concluded that these were satisfactory;
- Considered the expertise, resources and experience of the finance function and concluded that these were satisfactory;

INDEPENDENCE OF EXTERNAL AUDITOR

The Audit and Risk Committee is satisfied that EY Inc., is independent of the Group after taking the following factors into account:

- Representations made by EY Inc. to the Audit and Risk Committee;

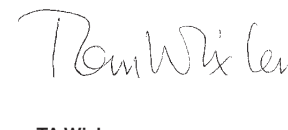
- The auditor does not, except as External Auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the Group;
- The auditor's independence was not impaired by any consultancy, advisory or other work undertaken;
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor; and
- The criteria specified for independence by the Independent Regulatory Board of Auditors and international regulatory bodies.

ANNUAL FINANCIAL STATEMENTS

Following the review by the Audit and Risk Committee of the consolidated and separate annual financial statements of Clover Industries Limited for the year ended 30 June 2014 and the opinion of the External Auditor, the Audit and Risk Committee is of the view that they fairly present, in all material aspects, the financial position at that date and the results of operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act. The Audit and Risk Committee has satisfied itself of the integrity of the remainder of the Integrated Annual Report.

Having achieved its objectives for the financial year, the Audit and Risk Committee has recommended the annual financial statements and Integrated Annual Report for the year ended 30 June 2014 for approval to the Clover Industries Limited Board. The Board has subsequently approved the financial statements, which will be open for discussion at the forthcoming Annual General Meeting.

For and on behalf of the Audit and Risk Committee.



TA Wixley

Chairman of the Audit and Risk Committee

15 September 2014