



Verification Services
B-BBEE Verifications

Registration Number : 2011/118765/07

VAT Number : 4830263473

IRBA Registration Number : 179515B

For more information, visit us at

www.mscverification.co.za

or email us at

info@mscverification.co.za

Andy Armstrong
Pro-Slit CC
61 Marshall Drive
Mount Edgecombe
4301

23 September 2014

Dear Sir/Madam

Engagement letter to provide Broad-Based Black Economic Empowerment ("B-BBEE") Verification Assurance Services in respect of the Generic Scorecard

Introduction

You have requested that we perform the B-BBEE Verification Certificate assurance engagement to determine the B-BBEE Scorecard for the Generic B-BBEE Scorecard ("the Scorecard") of Pro-Slit CC at and for a twelve-month period in terms of the following:

- Broad-based Black Economic Empowerment ("B-BBEE") Act 53 of 2003 and amendments thereto;
- Generic Scorecards of the Codes of Good Practice on B-BBEE (further referred to as "the Codes of Good Practice"); and
- Other applicable guidelines issued by the Department of Trade and Industry (**dti**) or other legislation as provided for in the Codes.

We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our procedures will be conducted with the objective of us expressing a limited assurance conclusion on the B-BBEE Status reflected in the Certificate.

Directors' / Management's responsibility

The directors / management of Pro-Slit CC are responsible for the preparation and presentation of the Scorecard in accordance with the Codes of Good Practice. This responsibility includes:

- Designing, implementing and maintaining such internal control as is necessary to enable the preparation of the B-BBEE scores for the B-BBEE Scorecard and determination of the B-BBEE status reflected on the B-BBEE Verification Certificate that is free from material misstatement, whether due to fronting, fraud or error;

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- Clearly identifying the relevant B-BBEE Codes or relevant sector codes that will comprise the criteria applicable to the engagement and reaching agreement with the B-BBEE approved registered auditor regarding any differences in interpretation to be applied
- The preparation of the detailed information and supporting documentation applicable to the calculation of the B-BBEE Scorecard based on underlying information selected by management from the components comprising the measured entity, as permitted by the Codes of Good Practice, and in accordance with information derived from the audited or unaudited financial statements and underlying records of the measured entity for the measurement period;
- Ensuring access by the B-BBEE approved registered auditor and engagement team to internal parties responsible for the preparation of the underlying information and supporting evidence needed for determination the scores for the B-BBEE Scorecard; and
- Facilitating access to external third parties and internal parties for the purpose of obtaining supporting evidence as may be requested.
- Providing us with a written management representation letter at the conclusion of the engagement.

B-BBEE approved registered auditor's responsibility

Our responsibility is to express a *limited assurance conclusion* on the B-BBEE Status reflected in the Certificate based on the procedures we have performed. We will conduct our *limited assurance engagement* in accordance with the *South African Standard on Assurance Engagements (SASAE) 3502: Assurance Engagements on Broad Based Black Economic Empowerment (B-BBEE) Verification Certificates (SASAE 3502)*. This standard requires us to comply with ethical requirements contained in the Independent Regulatory Board of Auditors *Code of Professional Conduct for Registered Auditors* and to plan and perform this engagement to obtain *limited assurance* about whether the B-BBEE Scorecard and Status reflected in the Certificate has been determined in all material respects, in accordance with the B-BBEE Codes or relevant Sector Codes.

A limited assurance engagement with respect to a B-BBEE Verification Certificate involves performing procedures regarding the Scorecard and B-BBEE Status of the measured entity based on the criteria and requirements contained in the relevant Codes. The procedures performed depend on the assurance provider's judgement. The nature of those procedures is different from and the extent is substantially less than in a reasonable assurance engagement, and consequently they do not enable us to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement.

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Because of the inherent limitations of a limited assurance engagement, 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 SASAE 3502.

Our engagement does not constitute an audit or an independent review of financial statements performed in accordance with *International Standards on Auditing* or *International Standards on Review Engagements* and consequently an audit or independent review opinion will not be expressed.

Scope of Work

We will plan and perform our work to obtain all the information and explanations that we consider necessary to provide a basis for our conclusions on the score awarded to each element of the Scorecard.

As we are not the auditors of Pro-Slit CC, we will perform such procedures as we consider necessary to obtain an understanding of the entity and its environment, including its internal control, sufficient to identify and assess the risks of material misstatement of the Scorecard in order to design procedures appropriate for gathering sufficient appropriate evidence to determine that the elements of the Scorecard are not materially misstated or misleading. Our assessment of relevant internal controls will not, however, be for the purpose of expressing a conclusion on the effectiveness of the entity's internal controls.

We have no responsibility to update our B-BBEE Verification Certificate ("the Certificate") for events and circumstances occurring after the date of our report, nor will we perform any work in this regard.

Summary of work to be performed

Set out below is a summary of the procedures we will perform for each element of the Scorecard in order to obtain sufficient appropriate evidence regarding the content and presentation in accordance with the B-BBEE Codes of Good Practice:

- We will obtain sufficient appropriate evidence that each element of the Scorecard and the Scorecard overall has been calculated in all material respects in accordance with the bases and formula's set out in the gazetted B-BBEE Codes of Good Practice; and
- We will perform the procedures required by the SASAE 3502 and such other procedures as we consider necessary, on a sample basis, including the comparison of selected Scorecard information to the underlying financial records and other source documentation from which the information has been derived and making inquiries of the management or employees responsible for preparing the Scorecard.

Reporting to a Regulatory Body or Other Person

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Where we have a statutory obligation to report matters to a regulatory oversight body or other body or other person such as the Independent Regulatory Board for Auditors (IRBA) or the Companies and Intellectual Property Commission (CIPC), we need to adhere to the statutory requirements imposed on us. Where permissible, we shall bring such circumstances to your attention.

Access to information

We understand that all records, documentation and information we request in connection with our engagement will be made available to us in accordance with the dates specified in the prepared by client ("PBC") listing, and that we will receive full co-operation from management and staff. In this regard, management agrees to facilitate and/or obtain any external supporting documentation, records and/or information that we may request to enable us to perform the services.

In the event that we are not provided with sufficient appropriate evidence in support of any of the elements of the Scorecard, we would be unable to allocate a score for that element of the Scorecard.

Timing

The engagement will span a period of 4 weeks and will not commence before completion of our engagement acceptance procedures and signing of the engagement letter. This time span relies on the timely collation of data by the entity.

Date of issuance and period of validity

We will compile a draft of the Certificate and our Limited Assurance Report ("Report") with our Detailed Analysis of scores determined for each element of the Scorecard for discussion on 12 December 2014. We will allow a period of 1 week for review by yourselves and comments to be provided to us, after which we intend to issue our final Certificate and Report on 19 December 2014, being the date of which we expect all evidence requested to have been provided to us for inspection.

For the purposes of clarity, the Certificate is valid for a period of twelve months from the date of issue.

Deliverables

The following will be delivered by MSC Verification Services to the client at the end of the engagement:

- The Certificate indicating the score on each element for the Generic Scorecard

Should you require a hard copy of the final certificate, please request this in writing and this will be supplied once full payment has been received. This certificate will be sent in A4 format via registered post. We can accommodate requests for an A3 certificate, however, this will be at an additional cost.

Our Report on the findings and scores for each element

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As a consequence of our assurance work performed and evidence obtained, the scores determined per element may differ from management's expectations.

Restriction on use of our report

Our Certificate will be prepared in accordance with the B-BBEE Codes of Good Practice.

Our Certificate and Limited Assurance Report with Detailed Analysis of scores determined for each element of the Scorecard and/or any other product of our services will be made solely for the benefit and information of Pro-Slit CC in accordance with the terms of our engagement and should not be used for any other purpose, copied, referred to, or disclosed to any person or entity (save for your own internal purposes) without our prior written consent.

Our Certificate may be disclosed to dti (or any other third party) requiring the Certificate on the proviso that, to the fullest extent permitted by law, we do not accept or assume any responsibility or liability to the dti (or any other party) and neither do we owe them any duty of care in connection with the Certificate and/or the services provided to you, and disclosure by the dti (save for their own internal purposes) is not permitted without our prior written consent.

Further, our Certificate may not be used in a misleading manner or in a manner which would bring our reputation or Certificate in disrepute. Our Certificate may only be reproduced in full and may not be altered or amended in any manner whatsoever. In the event of such occurring, we have the right to withdraw our rating and Certificate, having given 7 days' notice to you thereof. We are required to inform the dti of the withdrawal of our rating and Certificate within 30 days thereof.

Fees

Our fee, plus expenses, will be billed as follows:

- 50% downpayment
- 50% on completion of the work

and payment is due by you on presentation of our invoice. Our fee estimate is **R11 000**, excluding disbursements and VAT.

Our fee estimate is determined on the basis of the information currently available to us and our understanding of your requirements and the following assumptions with regards to the cost of the work to be undertaken:

- We have applied the standard MSC Verification Services daily charge out rates;

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- The level of resource allocated to the engagement is based on the level of technical skill and experience required for each Scorecard element;
 - The initial Scorecard and all supporting documentation thereto should be available for our purposes by 23 October 2014; and
 - A revised draft Scorecard and report will be subject to review for a period of 1 week ending on 19 December 2014 after which the final Scorecard and report will be prepared and issued.

All required information is supplied to MSC Verification Services by the 19 December 2014. Any valid additional information provided after that date, which requires amendment to the Certificate and our Report, will result in additional time incurred and therefore additional fees being billed.

Confidentiality

We are likely to acquire sensitive and confidential information concerning your business and affairs during the engagement. We confirm that we will take the same due care and steps to protect the confidentiality of this information as we do for own confidential information. In terms of our statutory and professional responsibilities, this confidential information will not be divulged to any third party other than when we are obliged to do so to our insurers, legal advisors or in compliance with any law or professional standards. Once information enters the public domain, it will no longer be regarded as confidential information.

Agreement of terms

This engagement letter should be read in conjunction with the MSC Verification Services standard terms and conditions which are attached to this letter which will be applicable to all work undertaken by MSC Verification Services prior to and pursuant to this engagement letter.

All references in or to this letter include MSC Verification Services standard terms and conditions and any other appendices attached hereto, all of which together form an integral part of this engagement letter and are referred to as the "Agreement" or the "engagement letter".

We are available to discuss this letter with you at any time. Please confirm your agreement to the terms of this letter by signing the enclosed copy, and initialling each page of the engagement letter and the attached standard terms and conditions and returning them to us, or let us know if the terms of our engagement are not in accordance with your understanding.

We appreciate the opportunity of continuing to be of service to Pro-Slit CC. We are committed to providing you with quality service in an efficient and timely manner.

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On completion of the engagement, as part of our commitment to the quality of our service, we would welcome the opportunity to receive your views on the work carried out by ourselves and the service delivered.

Yours sincerely

Per Arthur Alexander Luiz

IRBA Registration No. : 1795158

Director: B-BBEE approved registered auditor

Client Acceptance

The terms of engagement set out are agreed to by:

Pro-Slit CC

Full name of measured entity

VERNON DOVE

Full name of individual responsible

MEMBER.

Designation

who warrants [his/ ~~her~~] authority to bind the measured entity.

25TH SEPTEMBER 2014.

Date

Authorised Signature