



## REPORT ON AGREED UPON PROCEDURES ON CONSOLIDATED PROFORMA FINANCIAL STATEMENTS

To the Administrator of Chemical, Energy, Paper Printing, Wood and Allied Workers Union ("CEPPWAWU" or "the Union")

We have performed the procedures agreed with you and enumerated below with respect to the Consolidated Proforma Financial Statements of the CEPPWAWU as set out on pages 3 to 5 and pages 8 to 36, which comprise of the Administrator's responsibility and approval, Administrator's report, Statement of Financial Position as at 31 December 2014, Statement of Profit & Loss and Other Comprehensive Income for the year then ended, Statement of Changes in Equity, Statement of Cash Flows and the notes, comprising of a summary of significant accounting policies and other explanatory information for the year ended 31 December 2014. These Consolidated Proforma Financial Statements are the responsibility of the Administrator. Our responsibility is to issue a report on Agreed-Up Procedures on this engagement in connection with these Consolidated Proforma Financial Statements.

The Agreed-Up Procedures as per our engagement letters are as follows:

- Review of the consolidation procedures, calculations and eliminations as performed by the Union's Administrator for consolidating the Union's accounts with that of its subsidiary, CEPPWAWU Development Trust.

The parties agreed that GrowthStone Assurance Inc. will not undertake any audit or review of the financial statements of the Union or any of its subsidiaries.

### GrowthStone Assurance Incorporated's Responsibility

We have performed the procedures as defined above and in our Engagement Letter, which were agreed to by CEPPWAWU and the Administrator of the Union. These Agreed-Up procedures were performed as a limited review of the proforma financial statements of the Union. Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Up Procedures Engagements ("ISRS 4400 (Revised)"). The terms of our engagement require us to be independent. We confirm that we are independent based on our determination in accordance with the independence provisions in terms of the IRBA Code of Professional Conduct. Our firm applies International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the Administrator of CEPPWAWU.

An Agreed-Up procedures engagement performed in accordance with ISRS 4400 (Revised) involves our performing of the procedures that have been agreed to by us and CEPPWAWU and reporting the findings based on the procedures performed. CEPPWAWU has acknowledged that the procedures are appropriate for the purpose of the engagement. We make no representation regarding the appropriateness of the procedures described as part of our engagement letter.

We report our findings below:

Based on our review and, because of the significance of the matters described in the below, we do not believe that the accompanying Consolidated Proforma Financial Statements provide a true and fair view of the consolidated entity.

### Non-Reliance on Consolidated Proforma Financial Statements

- We have performed agreed upon procedures on CEPPWAWU Development Trust for which we have issued a separate review report. However, we have not performed additional procedures on the financial statements of the subsidiary, CEPPWAWU Investment (Pty) Limited, of the CEPPWAWU Development Trust and have relied upon the numbers as provided by the signed audit reports of this entity. Hence could not conclude if any adjustments were required on these balances.
- In our review of the Consolidated Proforma Financial Statements, all operating expenses have been recorded as an accrual based on a percentage (10%) of dividend earned by CEPPWAWU Investment (Pty) Limited. No evidence of any actual cost could be produced, and the amount is based on the Trust's Administrator's estimate of likely cost. Hence, we could not conclude if any adjustments were required on these balances.
- The Trust has accrued for a distribution due to the CEPPWAWU Union based on paragraph 10 of the Trust Deed. The Trust Deed notes that the amount should not be less than twenty five 25% of the income earned on any investment owned by the Trust. The Trust will be deemed to have earned income, if that income has been earned by any company, or any other legal entity controlled by the Trust regardless of the whether, in the case of the company, such income has been declared as a dividend. The income earned by the Trust shall be net of any Trust administration expenses. The Administrator of the Trust has only accounted for the dividend income earned by the CEPPWAWU Investment (Pty) Limited investments. This does not represent the full income of the Trust or entities under control of the Trust. Further, since the amount of dividend was not accrued as income in the accounts of the Union, the same has been reversed against retained earnings at the time of consolidation of Union with CEPPWAWU Development Trust.

- The Administrator has agreed to accrue the remaining 75% of Trust income, after the accrual of Trust expenses, to the members of the Union, their families and communities in line with the objectives of the Trust.
- Letsema Investment (Pty) Ltd entered into a management agreement with CEPPWAWU Investments (Pty) Ltd in April 2000. CEPPWAWU (Union) renegotiated the contract with Letsema Investment (Pty) Ltd in 2001. In 2007, a further agreement has been entered into between Letsema Investment (Pty) Ltd, CEPPWAWU Investments (Pty) Ltd and CEPPWAWU Development Trust. In terms of these agreements Letsema Investment (Pty) Ltd:
  - agreed to co-fund the first year of operational cost of the company
  - responsible for the administration of CEPPWAWU Investments (Pty) Ltd (annually renewable contract);
  - receive transaction fees, where Letsema Investment (Pty) Ltd is the transaction advisors; and
  - receive a percentage of the of the equity in transactions that have been secured through CEPPWAWU Investments (Pty) Ltd.

The Administrator is investigating whether any amounts are due and payable to Letsema Investments (Pty) Ltd in terms of these agreements

Also, we have not done a detailed assessment for tax impact of the proposed transactions (such as accruals of dividend income and expenses).

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), we do not express any assurance on the financial statements.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), other matters might have come to our attention that would have been reported to you.

The following are the points raised by the Union's Auditors for their standalone financial statements:

**Revenue and Trade receivables:**

The Union did not have adequate systems to maintain records of membership register for billing purposes. The Union recognised its revenue based on cash collection up-to the 15th day of the following month. Accordingly, it is impractical for us to extend our examination beyond the actual receipt recorded. Furthermore, Subscriptions – Agency as per the Union's financial statement is based on funds withdrawn from the Agency bank account for purposes of qualifying expenses and not Agency revenue resulting from Agency agreements. Consequently, we were unable to determine whether any adjustment relating to the revenue subscription and receivables stated at R42 429 925 (2013: 43 832 384) and R 1 583 788 (2013: 1 529 363) respectively in note 12 and 7 in the separate financial statements was necessary.

**Leave Provision:**

We could not obtain sufficient appropriate evidence for leave provisions due to system deficiencies and lack of proper record keeping. We were unable to confirm the leave-pay provision by alternative means. Consequently, we were unable to determine whether any adjustment relating to the leave pay provision stated at R 709 422 in note 9 the separate financial statements was necessary.

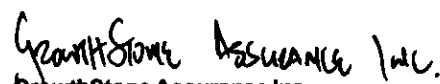
**Provision – Legal claim**

We were unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding amounts for the legal provision amount in the separate financial statements. As described in note 19 to the financial statements, the restatement was made to rectify a previous year misstatement, but reasonability of assumption employed to determine termination penalty could not be substantiated by management. We were unable to confirm the restatement by alternative means. Furthermore, the current year amount did not take into consideration the time value of money in the determination of the provision estimation. Consequently, we were unable to determine whether any adjustment was necessary to the Legal claim liability corresponding amount stated at R 5 000 000 (2013: R5 818 942) in the separate financial statements. The possible effect of the matter is considered material to the separate financial statements.

**Agency operations - Segment reporting**

During our audit, we noted that the Agency operations were not reported or included in the Union's financial statements as an operating segment of the Union as required by IFRS 8 - Operating Segment. As a result of the above, the current year and related comparative figures on revenue, expenses and cash and cash equivalent and retained income excludes the financial information of the Agency. We were unable to satisfy ourselves by alternative means concerning the accounting effect for the current year and prior year financial information for the Agency, in respect of the movements in the statement of profit or loss and other comprehensive income, the net cash flows from operating activities reported in the statement of cash flows and the changes in equity reported in the statement of changes in equity.

Our report is solely for the purpose set forth in the second paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the accounts and items specified above and does not extend to any financial statements of the CAPPWAWU, taken as a whole.

  
**GrowthStone Assurance Inc.**  
 Per: Theodore Josias  
 Registered Auditor

4 May 2021  
 20 Woodlands Drive Woodmead, Johannesburg, 2128