Audit and Risk Committee report

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee submits this report in terms of the Companies Act No 71 of 2008 ("Companies Act").

A formal Audit and Risk Committee Charter, approved by the Board, guides the Committee in terms of its objectives, authority and responsibilities. The Charter is reviewed annually and, if necessary, amended to meet market, regulatory and statutory requirements.

The Committee consists of three independent non-executive directors, namely S M du Toit (Chairman), and S I Gama and S G Pretorius.

The Committee meets at least three times a year. The Chief Financial Officer, Group financial manager, external audit partner, internal audit representative and the head of information technology attend meetings by invitation. The Company Secretary, E J Willis, attends and minutes all meetings of the Audit and Risk Committee.

Committee member	Attendance at meetings in 2012
S M du Toit	5/5
S I Gama	5/5
S G Pretorius	5/5

The role of the Committee is *inter alia* to:

- review the effectiveness of the Group's systems of internal control, including internal financial control and risk management, and to ensure that effective internal control systems are maintained;
- oversee the risk management process;
- review financial statements for proper and complete disclosure of timely, reliable and consistent information and to confirm that the accounting policies used are appropriate;
- deal with concerns and complaints relating to accounting policies, internal audit, the audit or content of the integrated annual report and internal financial controls;
- nominate the appointment of the external auditors as the registered independent auditor after satisfying itself through enquiry that the auditors are independent as defined in terms of the Companies Act;
- determine the fees to be paid to the external auditors and their terms of engagement;
- ensure that the appointment of the external auditor complies with the Companies Act and any other legislation relating to the appointment of auditors; and
- approve the scope of non-audit services which the external auditor may provide to the Group and preapprove any non-audit services to be provided by the external auditors.

RISK MANAGEMENT AND CO-ORDINATION OF ASSURANCE ACTIVITIES

The Committee oversees the risk management process. At least one Committee meeting a year is dedicated to the detailed review of the Group risk assessment including information technology risks. The Committee co-ordinates all assurance activities by means of the Group's combined assurance model. The internal audit function is an integral part of the Group finance function. The Committee approves the internal audit plan and focus areas. Internal audit reports on findings of work performed to the Committee on a regular basis.

EXTERNAL AUDITORS

During the year under review, the Committee, in consultation with executive management, approved the external audit plan and fee proposal and considered reports from the external auditors on the annual and interim financial statements. The Committee satisfied itself that Ernst & Young Inc. and D Engelbrecht, the designated auditor, are independent of the Company. The Chairman of the Committee has regular discussions and meetings with the external auditors, independently of management.

WHISTLE-BLOWING

An independent external whistle-blowing line was introduced during the year under review. Instances of whistle-blowing are reported to the Chairman of the Committee. There were no instances of whistle-blowing during the year under review.

EXPERTISE OF CHIEF FINANCIAL OFFICER

In accordance with the JSE Listings Requirements, the Committee must consider the appropriateness of the expertise and experience of the Chief Financial Officer of the Company on an annual basis. The Committee believes that P D Swatton, the Chief Financial Officer, possesses the appropriate expertise and experience to meet his responsibilities in that position.

INTERNAL FINANCIAL CONTROLS

Based on the results of work done by the internal audit function and external auditors on Italtile Group's system of internal financial controls, and considering feedback and information from management, the Committee is of the opinion that the Italtile Group's system of internal financial control was effective for the year under review and that it formed a reliable basis for the preparation of the Group financial statements.

FINANCIAL STATEMENTS

The Committee has reviewed the financial statements of the Company and the Italtile Group and is satisfied that they comply with International Financial Reporting Standards and that the accounting policies applied are appropriate.

SUSTAINABILITY REPORTING

The Committee reviewed and considered the Group's sustainability information as disclosed in the integrated annual report. The Committee discussed the sustainability information with management and is satisfied, based on information and explanations from management, that the sustainability information is reliable.

RECOMMENDATION OF THE INTEGRATED ANNUAL REPORT

The Committee has noted the external auditors' opinion and findings on the integrated annual report and has recommended the approval of the integrated annual report to the Board.

The Committee reports that it has discharged its responsibilities and duties in compliance with its Charter.

S M du Toit

Audit and Risk Committee Chairman

20 September 2012