
ITALTILE Limited
Annual report 2009
The style. The passion.
CELEBRATING
40 YRS
OF ITALIAN PASSION

CONTENTS

CELEBRATING 40 YRS OF ITALIAN PASSION

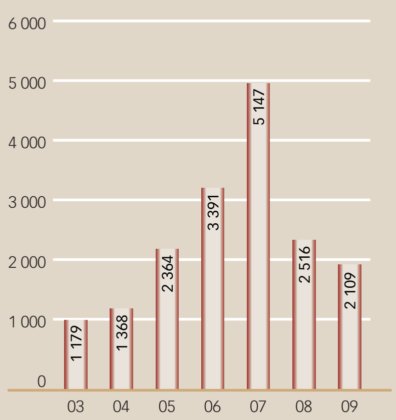
Front cover picture courtesy of:
Laufen Bathrooms – Il Bagno Allessi One

Financial highlights

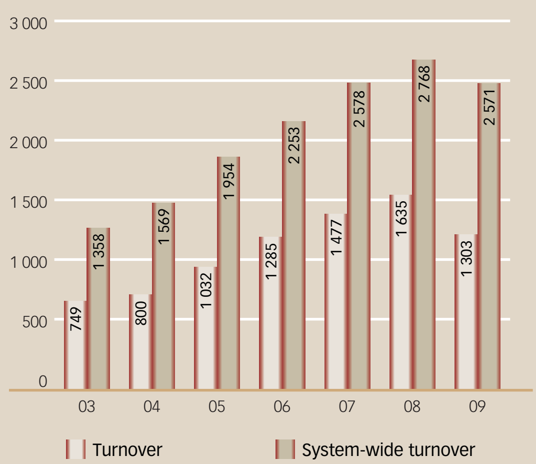
	% change from 2008	2009	2008
GROUP AND FRANCHISED RESULTS			
Turnover (Rm's)			
– by Group-owned stores	(20)	1 303	1 635
– by franchised-owned stores (unaudited)	12	1 268	1 133
System-wide turnover (Rm's)	(7)	2 571	2 768
Number of stores	6	104	98
Group results			
Turnover (Rm's)	(20)	1 303	1 635
Normalised trading profit (Rm's)*	(15)	361	424
Total assets (Rm's)	23	1 933	1 570
Cash and cash equivalents (Rm's)	137	667	281
Number of shares in issue (000's)*	—	909 800	909 800
Headline earnings per share (cents)	(6)	32	34
Normal dividends declared per share (cents)	(8)	11	12
Net asset value per share (cents)	13	169	149
Number of employees	(23)	447	582

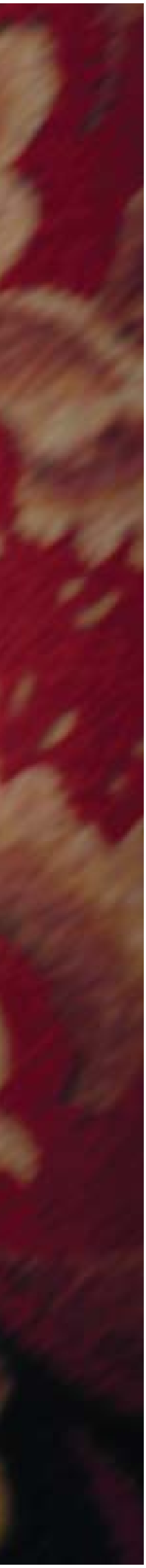
Trading profit excluding BEE share option expense of R25 million in 2008.

Market capitalisation *(Rm's)*

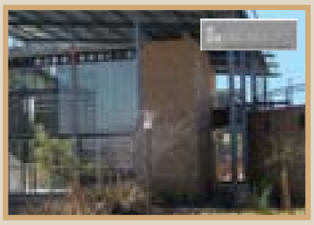


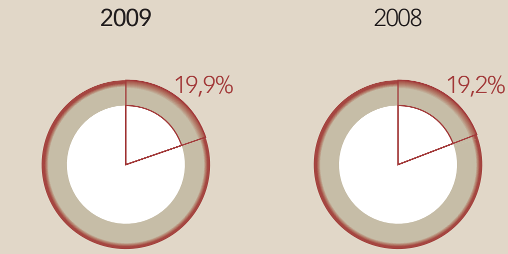
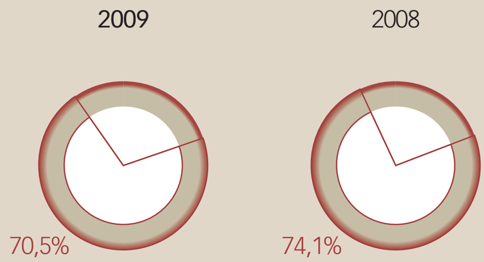
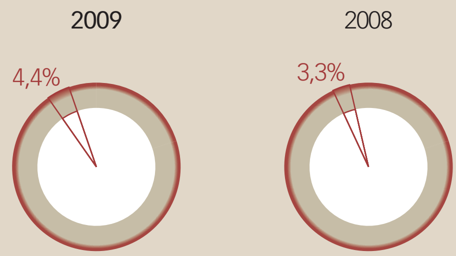
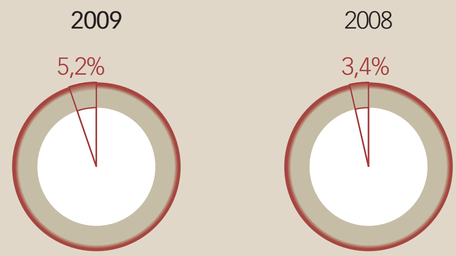
Turnover and system-wide turnover *(Rm's)*





Group structure

Grouping	Region	Company
Support services	**South Africa**	→ International Tap Distributors (Pty) Limited
		→ Earlyworks 191 (Pty) Limited
		→ Cladding Finance (Pty) Limited
		→ Majuba Aviation (Pty) Limited
THE ACADEMY Practical tiling and plumbing	**Italy**	→ Ser Export s.p.a.
Retail	**South Africa**	→ Italtile Ceramics Limited
		→ Italtile Retail (Pty) Limited
		→ Ceramic Tile Projects (Pty) Limited
	Australia	→ Italtile Australia (Pty) Limited
	Africa	→ CTM Kenya Limited
		→ Italtile Zambia Limited
		→Orban Investments 375 (Pty) Limited
Franchise	**South Africa**	→ Italtile Franchising (Pty) Limited
 CTM Plettenberg Bay store	**Mauritius**	→ Italtile Mauritius Limited
Property investment	**South Africa**	→ F.B. Ashman (Pty) Limited (Italtile Property Holdings)
		→ Allmuss Properties (Pty) Limited (CTM Property Holdings)
		→ Emerald Sky Trading 736 (Pty) Limited (TopT Property Holdings)
		→ Magnolia Ridge Properties 291 (Pty) Limited
CTM Bethlehem store		→ Penates Logistics (Pty) Limited
	Africa	→ Allmuss (Botswana) (Pty) Limited
		→ Allmuss Properties Namibia (Pty) Limited
		→ Allmuss Lesotho (Pty) Limited
		→ Allmuss Properties Kenya Limited
		→ Allmuss Properties (Uganda) Limited
		→ Allmuss Properties Zambia Limited

Nature of Business	Contribution to Group Revenue
→ Distributor of taps and accessories	
→ Distributor of tiling tools and accessories	
→ Outsourced debtors solutions	
→ Aircraft charter company	
→ Procurement specialist	
→ Retailers of tiles, taps, sanware and accessories	
→ Retailers of tiles, taps, sanware and accessories	
→ Suppliers of tiles, taps, sanware and accessories to contracts market	
→ Retailers of tiles, taps, sanware and accessories	
→ Retailers of tiles, taps, sanware and accessories	
→ Dormant. Retailers of tiles, taps, sanware and accessories	
→ Retailers of tiles, taps, sanware and accessories	
→ Bearer of South African trademarks	
→ Bearer of non-South African trademarks	
→ Property investments	
→ Property investments	
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Chairman's statement

The key to our enduring success has been our knowledge and passion for tiles and sanitaryware.

We have always taken decisions with a long-term time horizon, and resisted the temptation to simply respond to the current environment. This we will continue to do.

Introduction

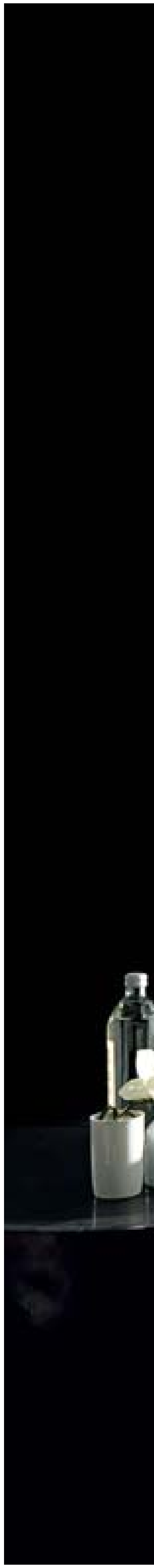
This year marks a significant milestone for Italtile with the celebration of the company's 40th anniversary. Since we started Italtile in 1969, we have grown into the pre-eminent retailer of tiles and sanitaryware, with a retail network of more than 100 stores located in South Africa, Africa and Australia. Our well-established Italtile and CTM brands target consumers in the premium and middle segments of the market, while our newly established TopT brand is designed to capture the market segment below CTM. Underpinning our retail network is our extensive property portfolio which is valued at R1,1 billion.

Over our 40 year history the domestic consumption of tiles has grown by a factor of more than 20 times and in line with global trends, tiles have gained acceptance as the preferred floor finish. Across South Africa and Africa, where this trend is accentuated, tiles are aspired to by the emerging market, which has grown by more than half a million new consumers every year since the democratisation of our country.

Italtile is an organisation both knowledgeable and passionate about tiles and sanitaryware, and this has been the key to our long-standing success. While there is no denying that we are currently operating in what is certainly the toughest market in my memory, our passion and our long-term approach will ensure that we successfully steer through these challenging times. We have always taken decisions with a long-term time horizon, and resisted the temptation to simply respond to the current environment. This we will continue to do.

Results

We reported a 7% decline in system-wide turnover to R2,57 billion (2008: R2,77 billion) as consumer confidence was impacted by the downturn. Operating profit was affected by lower turnover as well as the poor performance and inefficiencies in a few stores, declining



by 10% to R361 million (2008: R399 million). The tangible net asset value per share has increased by 13% to 169 cents (2008: 149 cents).

Trading environment

There is no doubt that 2009 was an interesting year. As global demand for tiles and sanitaryware dropped off significantly as a result of the global economic malaise, our markets in South Africa, Africa and Australia were negatively affected. The decline in sanitaryware demand has been more accentuated than in the tile segment. In South Africa, the competition became extremely aggressive and customers increasingly selective in their pursuit of fashion and value. However we remain confident that the long-term fundamentals for the industry are positive.

On the supply side, Italtile has taken advantage of the excess supply in the international market, enabled by our entrenched network, to secure competitively priced products for the local market. To ensure that we have the right levels of stock and maintain our fashion leadership, we have heightened our ongoing evaluation of local market dynamics. In addition, our long-standing relationships with our local suppliers continues to stand us in good stead, especially during 2009 when we reduced imported purchases in order to offer our customers better value with shorter lead times, reduced freight costs etc.

Although the Group experienced a faster drop off in sales in traditional urban areas, the strong support of the black market continues. The larger urban stores have shown a substantial decline in foot traffic, resulting in lower turnover, a reflection perhaps of a market segment more exposed to the current economic difficulties.

Operating environment

In previous years we mentioned our good fortune at being able to trade successfully in a buoyant market. While this undoubtedly benefited our financial performance during those boom times, inefficiency and complacency crept into our retail network. In 2009, when trading conditions deteriorated substantially, we focused inwards to improve our operational systems, introducing further efficiencies and improved customer service. We have doubled our efforts to adjust the way our operators work, to ensure their ability to manage their operations optimally to trade through these tough times and ultimately gain market share. This introspective and self-critical approach will ensure a stronger and more streamlined business which is well positioned to participate in the inevitable turnaround. We are confident that our ongoing efforts to improve systems and efficiencies can introduce further savings in other areas.

Our decision last year to incentivise our top two performing Italtile store operators with equity has started to pay off. With their expertise and passion, the brand delivered a small improvement in market share.

Within our supply chain, we refined our business models and broadened our offering, adding new product in brassware (ITD), tools and hardware (Earlyworks) and laminated wooden flooring (ELF). Managed by our partners, the performance of these businesses is expected to show significant benefits. We also confronted inefficiencies in ITD during the year, through the introduction of more effective management systems, but there is still a way to go.

In line with our commitment to taking long-term decisions to support the sustainability of our business model, we continued to invest during the year, adding a further

R57 million to our property portfolio and completing the following key initiatives;

- Three years ago, we reinforced our training initiatives and in 2009, the number of employees participating in skills development programmes during the year increased by a factor of three. This will be supported by the construction of our dedicated Practical Training Centre for tiling and plumbing, which was completed at a total cost of R6 million. Training will start in October.
- In support of our strategy to position CTM as a destination with its own in-house brands, we launched the Kilimanjaro, Studio Ceramico and Tivoli ranges, which was supported by extensive brand building campaigns.

Our customer always comes first, and this commitment is underpinned by these ongoing investments both in our business model and our people. While our customer service levels have improved, these have not yet reached a satisfactory level.

Property portfolio

Returns from the R1,1 billion property portfolio are in line with the Group`s trading operations. During the reviewed period we continued to invest in new sites, store upgrades and relocations. In the current market, land prices have softened and we anticipate further declines. With our strong cash reserves of R667 million and borrowings of R227 million, we have the ability to benefit as the industry rationalises further.

Our customer always comes first, and this commitment is underpinned by ongoing investment in our business model and our people.

Foreign interests

The growth opportunity in Africa is considerable and we remain committed to our expansion into the region. However, as with all our business interests, we have adopted a long-term approach which is based on developing a solid understanding of each country in which we invest and identifying the right partners. At present we are evaluating opportunities in Zambia and Malawi where our Master Franchise licences have expired. We continue to explore opportunities in Kenya and Uganda and our operation in Tanzania is showing improvements.

Despite extremely difficult trading conditions, our Australian business, which comprises nine stores, produced an improved performance in the final three months of the review period to deliver a small trading profit.

Dividend

The Group has maintained its dividend cover of three times.

The Board has declared a final dividend of 5 cents per share (2008: 8 cents), which together with the interim ordinary dividend of 6 cents, produces a total ordinary dividend declared for the year of 11 cents (2008: 12 cents), a decrease of 8%.

Prospects

The short-term performance of the Group will remain muted in line with the adverse trading environment which is set to persist in the coming financial year. During our 40 year history, we have proved our resilience and we are confident in Italtile's ability to continue delivering value in the long-term.

Our immediate focus is to drive the initiatives which we have set in motion and which will result in a leaner, more customer focused business.

Directorate

We welcome Ms Susan Maria du Toit who was appointed as an independent non-executive director of Italtile, with effect from 6 March 2009. We are pleased that she accepted the invitation to join our Board and are confident that she will make a positive contribution to our Company.

Appreciation

I am grateful to all those involved with Italtile during 2009 for their commitment and efforts in overcoming the hurdles which were imposed by the tougher environment. It has been a privilege for me to work with all our people, our team at Peter Place, as well as our franchisees, joint venture partners and our suppliers. My heartfelt thanks for your steadfast commitment during the year; you have all contributed to Italtile's long-term success.

To our customers, thank you for your continued loyalty to our brands and we look forward to welcoming you in our stores for many years to come.

As we embark on the next 40 years, we maintain our focus on improving Italtile so that we will again be able to look back and celebrate our long-term successes.

G A M Ravazzotti

The Academy

Practical tiling and plumbing

The Group recently launched its R6 million state-of-the-art Tiling and Plumbing Academy in Zenzele Park, Gauteng. This environmentally friendly facility is heated with gas, features a water filtering and purifying system, and optimises on natural light through its large contemporary-styled glass doors and windows.

The training course which has been developed for the new premises is geared to provide practical tiling and plumbing experience for learners enabling them to better understand the products they sell, thereby equipping them to offer competent and informed advice which will enhance our customers' shopping experience.

Training commences in October 2009.

Students will be taught tiling techniques ranging from basic to extremely complicated methods, including interpretation of drawings, practical plastering, cutting and tiling and sophisticated layout and design.

Plumbing training is conducted in a wet room which facilitates practical installation of sanitaryware and showers.

Students will also be taught basic plumbing techniques, tap assembly and general plumbing trouble shooting.

Customer service is of paramount importance to the Group and our commitment to continual improvement underpins this latest investment in our people.

Our commitment to continually improving customer service underpins the investment in our new Academy. Development of our people will be to the benefit of all our stakeholders.

The Group's success is based on passion for our brands.

Despite the adverse economic environment, the Group delivered a sound performance, with a modest gain in market share and results in line with expectations.

A balanced and resilient business model

Although the Group faced lower foot traffic across its stores, it benefited from its high levels of diversification within its niche in the tile and sanitaryware market. The Group services a broad range of consumers from the entry level through to mid tier and super affluent customers from its three retail brands which are balanced between rural and urban areas. Italtile services the discerning customer with its high quality product, CTM targets the middle segment of the market and the latest addition to the fold, TopT's merchandise is suited to entry level consumers. In addition, the Group has developed a robust and diverse product range to suit its broad client base.

During the year under review, existing homeowners continued to upgrade their homes, despite pressure on discretionary spending. While first time buyers in the black market supported demand, especially in rural areas, the Group has witnessed a marked downturn in spending in the established market. Worst affected were the metropolitan centres in the Western Cape, Durban and Gauteng. These were balanced by sound growth from outlying regions such as the Free State, Mpumalanga and Limpopo.

The Group's long-standing alliances with its major local suppliers of tiles, taps and other decor products has been particularly beneficial during these challenging times. By working together, the Group and its partners are better positioned to withstand the economic downturn. CTM significantly reduced its imported tiles during the period and successfully substituted imports with high quality local products which further entrenched these local associations.

The Group's conservative and measured approach to investing in new properties during the height of the consumer boom also proved fortuitous as its mature and well located network of stores has shown resilience despite the deteriorating environment. The Group's property portfolio is valued at R1,1 billion.

Financial review

Despite the adverse economic environment, the Group delivered a sound performance, with a marginal increase in market share and results which were in line with market expectations. The Group reported a 7% decline in organic system-wide turnover to R2,57 billion compared to R2,77 billion in the previous year.

Price inflation was restricted to 2,5% as the Group benefited from its solid partnerships with local suppliers, so that the negative impact on imports of short-term currency movements was not passed on to customers.

Reported trading profit decreased by 10% to R361 million (2008: R399 million). The Group operating margin remained firm. The contribution to revenue from tile sales grew, while the bathware contribution declined. Despite reduced consumer traffic in general, the Group benefited from an increase in average selling price as customers sought out higher quality products. This trend indicates that, whilst price sensitive, discerning customers are prepared to pay for quality.

Inventory management continued to improve throughout the review period and improved stock turn remained a priority, both at store level and in the supply chain. Each successive quarter has witnessed a reduction in stockholding, resulting in a strong balance sheet and improved product mix. In December 2007, inventories were valued at R322 million. In June 2008 this was reduced to R263 million, and further reduced to R224 million by December 2008. The Group's current inventory of R191 million reflects a decrease of 27% over the reporting period.

Cash reserves increased from R281 million in 2008 to R667 million, an improvement of 137%. This positions the Group to capitalise on opportunities in the current market.

The tangible net asset value per share has increased by 13% to 169 cents (2008: 149 cents).

Italtile

The Italtile brand reported an improvement in turnover relative to the sector and a gain in market share.

Italtile, with its high quality product and first-rate reputation for service, appeals to a discerning market which aspires to quality and style. While its sales from the mid-tier market were hit by the poor economy, its super affluent customers continued to spend. As a result, the brand has been more defensive than CTM in the current downturn.

In line with consumers' increasing levels of sophistication in relation to the fashion trends associated with bathware, Italtile experienced increased volumes from this segment while tile volumes declined for the period.

The Group's decision to equity-incentivise its two top performing store operators during 2008 has paid off, as evidenced by the brand's relative improved performance. During the year, Italtile's overhead structure was streamlined bringing greater cohesion to the brand. The seven store operators are increasingly working as a team, sharing ideas and adopting uniform standards throughout. The brand also heightened its focus on training to improve the quality of its customer interactions to reinforce the quality of its service. Several new training courses were launched and minimum skills standards were introduced for all retail staff to ensure consistent service levels.

Italtile successfully managed its ranges during the year, capitalising on the slowdown in global demand, to secure stock lots of high quality and fashionable products at competitive prices from Spanish suppliers and passing these savings on to customers.

The Italtile brand widened its leadership against its small, owner run competitors through its high quality of service, extensive product range and strategy of carrying stock to immediately fulfil customers' orders. The consumers' tendency to shop around before making a purchase has played to these strengths as Italtile has the capacity and capability to meet its customers increasing service requirements.

With its renewed energy, the Italtile brand is now well placed to extend its network into untapped markets. The Group is targeting one new store opening per year in the next few years to extend Italtile's current base of seven stores across South Africa. The brand will not compromise on its high standards, nor its position in the upper market segment. As such, the Group will ensure that these new stores are resourced with high calibre people who will be nurtured and developed to ensure their ability to take on leadership positions.

CTM

Purchasing trends across CTM stores, which showed an increase in the average selling price, demonstrate that consumers are making purchases to renovate their primary property rather than embarking on the renovations to achieve capital gains which characterised the market 18 months ago. Tile sales were characterised by higher selling prices, which buoyed the performance against the lower tile volumes. Contrary to the experience in Italtile, tile sales were more defensive relative to bathware, demonstrating the pressure on CTM customers' ability to invest in extensive renovations.

In addition, the South African property development market was more severely affected by the downturn in new residential development activity than individual residential consumers. This has played to CTM's strengths as it has traditionally targeted individual consumers rather than professional developers.

Increasingly, consumers are supporting CTM due to the value it has on offer. In order to capitalise on this trend, the brand biased its ranges towards local products during the year. Customers, acutely aware that it is a buyer's market, are more discerning of service and are demanding greater added value. Despite temporary supply interruptions in the bathware segment, CTM achieved a high standard with its store ranges during the year.

The brand's stock levels which consistently trended down during the past 18 months, afforded CTM the flexibility to respond quickly to its customers' ever changing fashion preferences as well as reducing inefficiencies resulting from excessive stock handling.

In the past few years, CTM, which has a network of 66 retail outlets, has undertaken extensive refurbishments to eight stores to differentiate these as shopping emporiums. The next step in CTM's evolution to becoming destination stores was the introduction of in-house brands in 2009. The Group launched three new brands, being Studio Ceramica, Kilimanjaro and Tivoli Taps which were supported with active marketing campaigns to build awareness. Consumers responded positively and CTM will continue to grow and invest in these.

The Group benefited from its high profile retail brands which appeal to a diverse customer base ranging from entry level to mid tier and affluent consumers.

Operational review

continued

CTM's marketing strategy has historically focused on recurring in-store promotions and discounting to accelerate sales, which resulted in staffing pressures and resource intensive planning during the height of these promotions, as well as high cyclical sales. The introduction of the in-house brands represents a new marketing strategy which will result in more predictable sales volumes year round, allowing for increased accuracy in planning and higher quality customer service. Although the change in marketing, which is driving new consumer buying patterns, dampened CTM's sales volumes in the second half of the year, the Group is confident that its investment in these new brands will yield significant long-term benefits.

In line with the Group's commitment to customer service as well as developing its people, CTM focused heavily on training to increase the competencies of its staff. The number of employees who were trained during 2009 increased by a multiple of 3,5 times the 2008 attendance as the brand took advantage of the lower foot traffic in its stores to upskill its people. With their improved understanding and knowledge, CTM's sales people have become more energised and equipped with the knowledge to provide high quality interactions with customers on the shop floor.

Looking forward, CTM will continue to invest in its in-house brands to promote its value proposition with customers. In addition, it will focus on motivating and energising its staff to capture the improvements in customer service which are well within its reach.

In order to focus on its larger Group-owned stores, the Group will pursue opportunities to franchise smaller company owned stores in 2010.

TopT

TopT, which fits in strategically below CTM, targets the developing rural towns and smaller markets. Having opened an additional four TopT stores during the year to bring the total to eight stores, the Group continued to explore the optimal business model for the fledgling brand.

International Tap Distributors

ITD made excellent inroads to improve its business during the year, emerging as a more efficient operation. These benefits were leveraged with its robotic warehouse and modular stacker tower which enabled increased accuracy of deliveries and lead times, with 67% of orders being delivered within 24 hours. The number of line items has increased and ITD has also improved its order fulfilment both within the Group and to external clients, with stock accuracy recording a level of 99%.

The focus in 2010 is to extend the product ranges which will deliver efficiency benefits in the warehouse.

Elf and Earlyworks

Elf and Earlyworks, which distribute laminated boards, cabinets and tools through CTM, concluded an agreement with three highly experienced new partners during the year and showed significant revenue growth. Operating margins also showed a substantial improvement as overheads were drastically reduced, inventories were cleared and the warehouse was relocated to Vereeniging. The business is now positioned to deliver on its inherent potential. It was rebranded as Cedar Point after year end.

Property

The Group's property strategy is pivotal to supporting the growth of its brands. As each brand's business evolves, its image adjusts and its trading philosophy becomes more refined. Being its own landlord, affords the Group the flexibility to modify its properties to reflect these changes.

With only a few regional gaps remaining in its portfolio, the Group is well placed to maintain its selective approach to finding the right properties. Having taken eight years to acquire its existing portfolio of 70 properties. The Group will remain prudent, taking its time to locate the remaining sites in those locations that have been earmarked to complete its portfolio. However, with approved funding to purchase properties, the Group is positioned to conclude a quick purchase should the opportunity arise.

Future priorities

Looking forward, the Group will continue to explore mechanisms to enhance its operating efficiencies. It will maintain the momentum of the training activities initiated in 2009, focusing on growing and mentoring its people to pass on knowledge from its long-standing team members.

Customer service remains the key, and in order to create the platform, the Group first had to ensure that the basics were in place by adjusting the operating model and optimising the stock turn and logistics. The next step is to make sure that the team on the shop floor is energised, is aware of the products which are in store, and understands them to actively sell them.

CTM will continue to develop and support its in-house ranges, driving sales with compelling merchandising in its store. There has been progress on this front during 2009, but there is a way to go and the Group will continue to improve the standards of in-store décor with additional imagery and displays to support and build its brands.

The Group is committed to driving these initiatives to capture the opportunities which the tile and bathware market presents in the long-term to drive value creation for shareholders.

Appreciation

The Italtile Group's successes in the past year have been based on the team efforts of all those involved in our Group – all those who care about our brands.

Heartfelt thanks go to everyone who has enabled us to make progress during such a challenging time. We appreciate the hard work of the dedicated people who, to mention a few, are running our stores, are providing invaluable advice to our customers, are giving us insights into improving the way we do things – each has played an important role in building Italtile.

The Group will continue to enhance its operating efficiencies, focus on growing and mentoring its people and strive to deliver an unparalleled customer experience.

Group review

for the year ended 30 June 2009

(All amounts in Rm's)	Seven-year compound growth %	2009	2008	2007	2006	2005	2004	2003*	2002*
OPERATIONS									
Turnover	11	**1 303**	1 635	1 477	1 285	1 032	800	749	620
Normalised trading profit#	16	**361**	424	393	338	274	214	166	129
Profit before taxation	16	**369**	405	408	352	285	222	174	133
Profit attributable to equity holders of the parent	15	**257**	275	270	233	191	151	118	95
Headline earnings	15	**258**	275	270	237	190	151	122	95
Dividends paid	29	**107**	84	95	114	60	26	21	18
FINANCIAL POSITION									
Non-current assets		**939**	890	772	550	446	330	265	257
Current assets		**994**	680	573	567	520	425	327	301
Equity attributable to equity holders of the parent		**1 306**	1 158	944	764	634	500	389	326
Non-current liabilities		**343**	101	12	11	12	9	10	12
Current liabilities		**244**	286	357	312	291	232	182	212
CASH FLOW									
Cash flows from operating activities		**228**	107	168	167	205	155	126	98
Cash flows utilised in investing activities		**(71)**	(138)	(249)	(121)	(137)	(88)	(67)	(59)
Cash flows from/(utilised by) financing activities		**229**	54	(4)	(4)	10	(2)	7	7
Cash and cash equivalents at end of year		**667**	281	258	343	301	223	158	92

**Historical ratios relating to financial years prior to and including 2003 were not restated to reflect subsequent changes in accounting policies.*

#Trading profit excluding BEE share option expense of R25 million in 2008.

(All amounts in Rm's)	Seven-year compound growth %	2009	2008	2007	2006	2005	2004	2003*	2002*
FINANCIAL RATIOS									
Returns									
Normalised trading profit to turnover (%)	4	**27,7**	25,9	26,6	26,3	26,5	26,7	22,1	20,9
Return on shareholders' interest (%)(1)		**20,9**	26,2	31,6	33,3	33,7	34,0	33,0	33,9
Average consumer price index (%)†		**6,9**	12,2	7,0	4,9	2,6	4,8	9,6	10,6
Earnings per share (cents)	15	**32,3**	34,6	33,9	29,3	24,4	19,4	15,2	11,8
Headline earnings per share (cents)	16	**32,4**	34,4	33,9	29,8	24,3	19,5	15,7	11,8
Dividends declared per share (cents)	25	**11,0**	12,0	11,4	9,8	6,1	3,6	3,0	2,3
Special dividend per share (cents)						7,5	3,2		
Productivity									
Turnover per employee (R000's)	7	**2 915**	2 809	2 499	2 596	2 572	2 122	2 171	1 797
Total assets per employee (R000's)	15	**4 324**	2 698	2 276	2 257	2 394	2 003	1 718	1 617
Normalised trading profit per employee (R000's)	12	**808**	729	665	683	681	566	479	375
Turnover growth (%)		**(20,3)**	10,7	14,9	24,5	29,6	6,8	20,9	36,1
Number of employees		**447**	582	591	495	403	377	345	345
Number of stores		**104**	98	93	98	101	97	94	91
– Owned and joint ventures		**44**	44	44	42	42	36	33	35
– Franchised		**60**	54	49	56	59	61	61	56
Solvency and liquidity									
Interest cover (times)(2)		**9,0**	28,5	196,5	112,7	219,8	144,2	96,1	71,8
Dividend cover (times)(3)		**3,1**	2,9	3,0	3,1	4,0	5,4	5,3	5,1
Gearing ratio (%)(4)		**26,1**	8,5	1,2	1,3	1,5	1,6	2,4	3,2
Current ratio (times)(5)		**4,1**	2,4	1,6	1,8	1,8	1,8	1,8	1,4
Acid test ratio (times)(6)		**3,3**	1,5	1,0	1,3	1,3	1,3	1,3	0,8

Definitions

(1) **Return on shareholders' interest:** Profit attributable to equity holders of the parent as a percentage of average equity attributable to equity holders of the parent.

(2) **Interest cover:** Trading profit divided by finance cost.

(3) **Dividend cover:** Headline earnings divided by dividends declared (excluding special dividends).

(4) **Gearing ratio:** Interest-bearing loans and borrowings as a percentage of equity attributable to equity holders of the parent.

(5) **Current ratio:** Current assets divided by current liabilities.

(6) **Acid test ratio:** Current assets, less inventory, divided by current liabilities.

**Historical ratios relating to financial years prior to and including 2003 were not restated to reflect subsequent changes in accounting policies.*

†As per Statistics South Africa.

for the year ended 30 June 2009

(All amounts in Rm's)	Seven-year compound growth %	2009	2008	2007	2006	2005	2004	2003*	2002*
FINANCIAL RATIOS *(continued)*									
Stock exchange performance									
Market capitalisation+ (Rm's)	15	**2 109**	2 516	5 147	3 391	2 364	1 368	1 179	842
Closing share price at year-end (cents)	15	**265**	317	645	427	302	176	152	105
Market value per share									
– High (cents)		**330**	727	727	475	318	179	152	107
– Low (cents)		**220**	250	414	302	173	116	105	80
Closing share price to net asset value per share		**1,57**	2,13	5,27	4,28	3,57	2,66	2,86	2,51
Price-earnings ratio (times)		**8,20**	9,16	19,06	14,57	12,40	9,07	10,0	8,9
Dividend yield (%)		**4,2**	3,8	1,8	2,3	2,6	2,1	1,9	2,2
Earnings yield (%)		**12,2**	10,9	5,2	6,9	8,1	11,0	10,0	11,3
Number of shares in issue (000 000's) (excluding treasury shares)		**796**	794	797	796	782	776	781	806
Volume of shares traded (000 000's)		**38**	58	37	23	31	18	11	26
Value of shares traded (R000's)		**103 082**	227 713	190 352	94 921	77 466	27 570	13 671	23 462
Volume of shares traded as a % of total issued shares		**4,8**	7,3	4,6	2,9	3,9	2,3	1,3	3,2

**Historical ratios relating to financial years prior to and including 2003 were not restated to reflect subsequent changes in accounting policies.*

+Excluding treasury shares.

General

The Board affirms a commitment to the principles of openness, accountability and integrity and to the provision of timeous, relevant and meaningful reporting to all its stakeholders. It will ensure that the business of Italtile and its subsidiaries is conducted with integrity and in accordance with the highest standards of corporate governance.

The Board endorses the Code of Corporate Practices and Conduct as set out in the Second King Report on Corporate Governance for South Africa 2002 ("King II" or "King Code"). The principles contained therein are reviewed from time to time to take into account appropriate changes and developments in the field of corporate governance, both locally and internationally. The Company is in substantial compliance with King II. Areas in which the Company does not comply are indicated below. The draft of the King III guidelines is also being closely monitored to ensure that the Group will comply by the time of its implementation in March 2010.

Board of directors

The Board comprises three executive directors and five non-executive directors.

The Board is responsible to shareholders for the conduct of the business of the Italtile Group, which includes providing Italtile with clear strategic direction. The schedule of matters reviewed by the Board includes:

- approval of the Group's strategy and annual budget;
- overseeing Group operational performance and management; ensuring that there is adequate succession planning at senior levels;
- overseeing director selection, orientation and evaluation;
- approval of major capital expenditure or disposals, material contracts, material acquisitions and developments;
- reviewing the terms of reference of Board committees;
- determining policies and processes which seek to ensure the integrity of the Group's risk management and internal controls;
- maintaining and monitoring of the Group's systems of internal control and risk management;
- communication with shareholders, including approval of all circulars, prospectuses and major public announcements;
- approval of the interim statement and annual report and accounts (including the review of critical accounting policies and accounting judgements and an assessment of the Company's position and prospects); and
- recommendation of dividends.

The Board retains full and effective control over the business of Italtile. The Board has defined levels of materiality through a written delegation of authority, which sets out decisions the Board wishes to reserve for itself. The delegation is regularly reviewed and monitored. Division of responsibilities maintains a balance of power and authority.

The three executive directors have fixed terms of employment. In accordance with the Company's Articles of Association, all directors are subject to retirement by rotation and re-election by shareholders at least every three years. If requested to serve a further term, those retiring directors may offer themselves for re-election by shareholders. Any director appointed during the year must retire at the annual general meeting held immediately after his or her appointment.

Operation of the Board of directors

The Board meets at least every quarter or more frequently if circumstances so require. Information relevant to a meeting is supplied on a timely basis to the Board ensuring directors can make informed decisions.

The directors have unrestricted access to information, management and the Company Secretary in relation to Italtile. All directors are entitled to seek the advice of independent professionals on matters concerning the affairs of the Group, at Italtile's expense.

Details of attendance at Board meetings are set out below:

Board meetings

	1 August 2008	26 November 2008	31 January 2009	21 May 2009
G A M Ravazzotti	√	√	√	√
P D Swatton	√	√	√	√
S M du Toit*	N/A	N/A	N/A	√
D H Rabin	√	√	√	√
G Zannoni	√	√	√	√
G K A Morolo	√	√	√	√
S I Gama	√	√	—	√
G P E Ravazzotti	√	√	√	√

**Appointed 6 March 2009.*

Areas of non-compliance

Representation on the Board and Board committees does not represent a majority of independent non-executive directors. The Board is satisfied that these areas of non-compliance with the King Code do not impair governance integrity or perceptions of it. Furthermore, the Board is committed to appoint additional independent non-executive directors to the Board as a matter of priority.

Appointment to the Board

The Board as a whole is responsible for reviewing the composition of the Board and identifies and considers the appointment of new directors. Appointments to the Board are made taking into account the need for ensuring that the Board provides a diverse range of skills, knowledge and expertise, the necessity of achieving balance between skills and expertise and the professional and industry knowledge necessary to meet the Company's strategic objectives, as well as the need for ensuring demographic representation. Upon appointment, each director receives an induction programme into the Group with guidance on their responsibilities.

Division of responsibility

Whilst the Board is chaired by an executive Chairman, there is a clear division between the roles of the Chairman and the Chief Executive Officer. The Chairman is responsible for providing leadership to the Board, formulating strategy, overseeing its efficient operation and ensuring effective corporate governance practices.

The Chief Executive Officer is responsible for formulating, implementing and maintaining the strategic direction of Italtile, and ensuring that the day-to-day affairs of the Group operations are appropriately supervised and controlled.

The Company will conduct an annual evaluation of its Board, Board committees and individual directors and is confident that this process would raise concerns should any particular individual have too much influence.

The non-executive directors all have a high degree of integrity and credibility, and the composition of the Board provides for objective input into the decision-making process, thereby ensuring that no one director holds unfettered decision-making powers. The directors come from diverse backgrounds and bring to the Board a wide range of experience.

Board Committees

The Board has appointed two Committees to which it has delegated specific responsibilities. Both Committees operate within written terms of reference approved by the Board.

The Audit and Risk Committee

The Audit and Risk Committee is chaired by S M du Toit and includes S I Gama and G K A Morolo. The Audit and Risk Committee meets at least every quarter or more frequently if circumstances so require. The external auditors have unrestricted access to the Audit and Risk Committee.

The Audit and Risk Committee assumes responsibility for internal control assessment, internal audit, external audit, the financial statements and the appointment of the external auditors of the Italtile Group. The Audit and Risk Committee regularly reviews the work plan and key findings of the internal and external audit process and monitors developments to ensure that areas of weakness are addressed. The Audit and Risk Committee also assumes responsibility for assessment and management of all business risks with a view to enhancing the value of shareholders' investments and safeguarding assets.

A policy regarding the provision of non-audit services by the Company's auditors is in place. This process is structured between management and the external auditors to ensure that the guidelines, requiring approval by the Audit and Risk Committee, are adhered to and monitored.

The roles and responsibilities of the Audit and Risk Committee are currently in compliance with Corporate Laws Amendment Act 2006. The composition requirements of the Corporate Laws Amendment Act 2006 are currently being met, with its composition of three independent non-executive directors. The Board assesses the independence of the non-executive directors on an ongoing basis.

The Audit and Risk Committee provides regular reports on its activities to the Board and confirms that it has adhered to its terms of reference over the past financial year.

The Audit and Risk Committee report

Details of attendance at Audit and Risk Committee meetings are set out below:

The Audit and Risk Committee meetings

	31 July 2008	13 November 2008	30 January 2009	27 May 2009
P D Swatton†	√	√	√	√
S M du Toit*	N/A	N/A	N/A	√
S I Gama	√	√	—	√
G K A Morolo	√	√	√	—

**Appointed 6 March 2009.*
†By invitation.

Remuneration Committee

The Remuneration Committee is chaired by D H Rabin and includes G A M Ravazzotti.

The Remuneration Committee operates within the written terms of reference confirmed by the Board, which includes:

- the Group's remuneration policy; and
- short and long-term incentive policies for directors, executive management and staff.

No director or manager is involved in any decisions as to his or her own remuneration.

Details of attendance at Remuneration Committee meetings are set out below:

Remuneration Committee meeting

	5 September 2009
G A M Ravazzotti	√
D H Rabin	√

Code of business and ethics

The Group has adopted a formal Code of Business Ethics and Conduct ("the Code") which reaffirms the high standards of business conduct required of all employees, officers and directors of the Italtile Group. The Group is committed to the promotion of ethical behaviour and compliance with laws and regulations through a system of values and standards. The Board oversees and ensures that management throughout the Group assumes responsibility for training and mentoring staff on the Group's values and standards and ensuring compliance. No significant contraventions of the Code have been reported.

Share dealings

In line with best practice and the Securities Services Act, the Company operates closed periods prior to the announcement of its interim and annual financial results. During these closed periods, directors, officers and other employees who are likely to be in possession of price sensitive information may not deal in the shares or other instruments pertaining to the shares of the Company. This principle is also applied at other times whenever there is a corporate action or similar circumstances.

Risk management and internal control

The Board assumes ultimate responsibility for risk management and regularly assesses financial and non-financial risks in the context of the Group's business environment with a view to mitigate and/or eliminate risk through the Group's strategies and processes.

Internal controls are designed to manage rather than eliminate risks of failure to achieve business objectives, and provide reasonable rather than absolute assurance against material misstatement or loss. The internal audit function is a structured review of internal controls based on risk assessment.

Currency risk

Foreign currency exposure in imported product is actively managed. All foreign liabilities are matched with forward exchange contracts upon confirmation of import orders.

Computer-based business processes

All major business processes are computerised and the Group has a formally documented and tested disaster recovery plan in place.

Credit risk

Trade credit is available through the Italtile and the CTM divisions. Strict credit granting criteria are in place and the trade debtors' book is insured through a reputable insurance company.

The Board is confident that an adequate system of internal control is in place, which mitigates areas of significant risk to an acceptable level.

Sustainability report

Italtile Limited is aware of its responsibility to safeguard the interests of all its stakeholders and believes that good governance is essential to the Group's long-term sustainability and functioning. The objective of the Group is to conform to its stringent requirement for transparency, while operating profitably and remaining accountable to the broader community which it serves and respecting the natural environment.

The Group embraces the King II report's guidelines for socially responsible reporting according to the "triple bottom line" – the economic, social and environmental impacts of its operations – as a method of enhancing its commercial success as well as improving the likelihood of its long-term success. The Group will take into account the King III sustainability guidelines once these are implemented in March 2010.

Communication with stakeholders

The Group is committed to honest, open and regular communication with key stakeholders on both financial and non-financial matters. A working partnership between the Group, its suppliers, franchisees, employees and members of the community forms the basis of a mutually beneficial association.

The annual general meeting provides an opportunity to communicate directly with shareholders. The Chairman has the opportunity to present to the shareholders a report on current operations and developments. The annual general meeting also provides a forum for shareholders to question and express their views about the Company's business. The Chairmen of the Audit, Risk and Remuneration committees are also available at the meetings to answer questions from shareholders. Notice of the annual general meeting and related documents are mailed to shareholders at least 21 working days before the meeting. Separate resolutions are proposed on each substantially different issue. The notice is contained in this annual report.

The Italtile Group's executive management team meets with investors after the publication of the interim and annual results with an update of the current operations as well as the industry outlook and prospects for the company. In addition, a site visit to the Group's CTM operations was held with investors during June 2009.

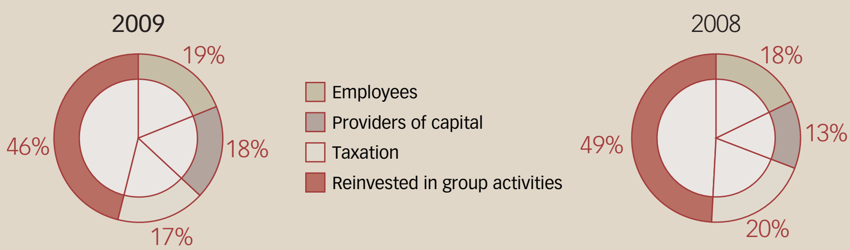
Economic impacts

At the cornerstone of its business is Italtile Limited's commitment to satisfy the needs of its customers while delivering acceptable profit growth. The Group endeavours to create wealth for the benefit of all stakeholders.

The value added statement is a measure of the wealth created by the Group during the year under review. It equates to the amount of value added by its diverse activities to the cost of raw materials, products and services purchased. The statement shows the total wealth created and how it was distributed.

Value added statement

	2009 Rm's	%	2008 Rm's	%
Turnover	1 303		1 635	
Cost of goods and services	(711)		(1 004)	
	592		631	
Income from investments and interest received	48		20	
Value added	640		651	
Value distributed and retained				
Employees				
– Salaries, incentives and benefits	119	19	120	18
Providers of capital	114	18	87	13
– Outside equity holders	3	0	2	0
– Ordinary dividend	111	17	85	13
Taxation	109	17	128	20
Reinvested in group activities	298	47	316	49
– Depreciation	41		41	
– Retained income	257	40	275	42
	640	100	651	100



Indirect Impacts

The total economic impact of an organisation includes indirect impacts. These are usually benefits arising in the course of its business to which a monetary amount is not directly attributable. Italtile Limited does not assess and quantify its indirect economic impacts although the Group does provide indirect economic benefits:

- The Group spent R711 million during the year purchasing tiles and sanitaryware as well as other products and services from suppliers. This in turn creates opportunities for suppliers to employ more staff to keep pace with the Group's demands.
- During the year the Group paid R109 million in taxation, for the ultimate benefit of all South Africans.
- During the year, the Group paid R119 million to employees in the form of salaries, incentives and benefits. These employees in turn supported their families, contributing to the economic activity of their communities and the South African economy.

Transformation

Italtile Limited is supportive of transformation in South Africa and is committed to the principles embodied in the BEE Act and Department of Trade and Industry's Broad Based Black Economic Empowerment Codes of Good Practice and the Employment Equity Act.

Ownership

In 2008, the Group finalised a transaction which effectively transferred the equivalent of 10,7% of the entire issued ordinary share capital of Italtile to the following equal BEE partners:

- Mafumbuka Investment Holdings (Proprietary) Limited, a wholly black owned entity which has a shareholder profile comprising of a trust, private individuals as well as the Ingcuce Women Organisation, a broad-based women`s group involved with HIV/AIDS projects as well as employment generation for rural women.
- Aka Capital (Proprietary) Limited, a black owned and managed private equity and investment holding company, which was founded in 2001.

Employment equity

People balance sheet

The split as of the 30th June 2009 is as follows:

	Male				Female				
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Total Permanent	198	18	12	57	56	11	6	33	391
Non-Permanent	18	2	0	7	3	0	0	6	36
Total	216	20	12	64	59	11	6	39	427

The above split is for company owned and JV stores only and does not include the franchised stores.

The Group submits its employment equity reports to the Department of Labour on an annual basis. It has met its overall targets, set out in its employment equity reports.

Corporate social responsibility

The Group is keenly aware of the broader society in which it operates and believes that a sustainable business can only be built upon a foundation of partnership that enriches society as a whole. Italtile continues to invest both in South Africa and neighbouring countries in education, training and skills transfer through the Italtile training academy which has provided tiling, technical and business skills to many previously unemployed individuals.

Italtile also makes significant donations every year to children's Aids hospices and environmental organisations.

The Group continues to support the Sparrow Ministries, a non-profit organisation which provides care and comfort to adults and children who have been infected or affected by the HIV/AIDS pandemic. Located in Roodepoort, it is both a Hospice for the terminally ill and a Children's Home for those vulnerable children who have become homeless due to the death of one or both of their parents. Sparrow currently cares for over 225 children and 80 adults.

The Group also made ad hoc contributions to deserving causes during 2009 including, among others:

- Support for the Soweto Sports Day by sourcing sponsorship for 22 schools;
- Monthly financial aid to the Fiat Soweto Sports Grounds;
- Donations of new basins to Little Eden to enhance the facilities at its new chapel; and
- Annual donations to the World Wildlife Foundation and the SA Guide Dogs' Association.

In addition, a number of CTM stores also make ongoing corporate social investments including:

- CTM Nelspruit made monthly donations of 50m^2 of odd tiles for a period of eight months to the Maqamela Primary School during the financial year;
- CTM Port Elizabeth is an ongoing sponsor of the Port Elizabeth Children's Home, Boys Town and the Animal Anti-Cruelty Society; and
- CTM Potchefstroom donated tiles, sanitaryware and taps to a homeless blind lady in her 80s, in co-operation with the Mayor's Officer to help in providing her with a roof over her head.

Occupational health and safety

Occupational health and safety remains a priority. The Group's health and safety complies with the Occupational Health and Safety Act 1970 and other relevant legislation, regulations and codes of practice for South Africa. The Group aims to prevent and minimise work-related and health impairments by ensuring that all employees are supplied with adequate training and supervision for the role they undertake.

Compliance is reviewed by an independent third party on a quarterly basis. No serious accidents have been reported during the year.

Environmental management

The nature of the Group's business is such that it has very little negative impact on its environment. Italtile takes great care in harmonising buildings with the surrounding environment in order to provide staff, customers and the community with a pleasing, safe and clean environment.

Human capital development

Key strategic themes have been identified and are continuously strived for:

- to match the demographics of the organisation with the diverse markets in which the Group operates;
- a representative task team drives the Group's employment equity plan and ensures that milestones are met;
- Italtile employs a number of mechanisms to promote worker participation in the operational decision-making process;
- a profit incentive scheme in terms of which all members of staff share in trading profits has been in operation since 1990;
- it is a stated objective of the Group to have all trading operations either in an outright franchise or in partnership with Italtile to cultivate the level of entrepreneurship within the Group; and
- to continuously enhance effectiveness of training in order to improve the foundation of skills within the organisation.

Human resources

In support of Italtile's commitment to empowering its people and training them to ensure only the highest quality customer interactions, a dedicated human resources manager was appointed during the year.

The formalised focus on human resources will enable the Group to deliver on its objective to be the preferred employer in the tile and sanitaryware retail market. These disciplines will include more stringent human resource practices and standards as well as more intensive screening of new staff.

High on the agenda is a strategy to strengthen the channels of employee communication across the Group to ensure its people's understanding of policies and procedures as well as accelerating activities which give employees a sense of belonging to a family which extends beyond the store of their employ.

These programmes, which started at the end of 2009, are set to deliver benefits in 2010 in the form of an improved culture and loyalty, to support growth through increased knowledge of salespeople on the shop floor.

Training and development

The Group manages its training and development initiatives in-house and has, over the years, heightened its Group focus to improve business and management skills as training was identified as a competitive advantage for the Group. All training is developed in-house to ensure relevance to CTM's culture and strategy and 34 training modules are available throughout the country. The courses are tailored into three tiers aimed at the Beginners; Intermediate and Advanced levels. Training courses include focused business, technical, management and corporate governance programmes as well as an induction course for all new employees.

Minimum training competencies have been mapped for all job titles to support consistent standards across the Group. The benefits of these training initiatives are starting to pay off. For example, attendance at the selling course yielded an improvement in sales of about 30% in the three subsequent months.

Directorate and administration

Directors

Giovanni Ravazzotti (66)
Chairman

Founder, in 1969, of the Italtile Group and Chairman of Ceramic Industries Limited.

Gian-Paolo Ravazzotti (38)
Chief Executive Officer

Appointed to the Board in October 2004.

Gian-Paolo was appointed Chief Executive Officer in 2006.

Peter Swatton (51) – British
BCompt (Hons), CA(SA)
Chief Financial Officer

Joined the Company in 1988. Appointed to the Board in 1992.

Peter was appointed Chief Financial Officer in February 1992. He has had 21 years' service with the Italtile Group during which time he was Chief Executive Officer for two and a half years.

Derek Rabin (59)
Dip Law
Non-executive Director

Appointed to the Board in 1990 and appointed as Chairman in December 2004. Relinquished role of Chairman effective 1 July 2006.

Derek is an attorney of the High Courts of the Republic of South Africa and Lesotho, and has held directorships with several companies, and served as Chairman of Honeywell Southern Africa (Pty) Limited for many years. He was previously a partner at Godfrey Rabin and Partners Attorneys, Werksmans and a founding partner of Rabin, Van den Berg and Pelkowitz whose corporate advisory business was sold to Brait S.A. in 2000. Derek served on the main Board of Brait and as Chairman of Brait's advisory division until the formation of Derek H Rabin & Associates in July 2003.

Siyabonga Gama (42)
BCom (Hons), AEP, CAIB(SA)
Non-executive Director

Appointed to the Board in 2004.

Siyabonga is a past Chief Executive Officer of the National Ports Authority of South Africa, past Chairman of the Port Management Association of Eastern and Southern Africa, is currently President of the Union of African Railways and serves on the Board of the Union of International Railways. During 2005 he was appointed as the Chief Executive Officer of Transnet Freight Rail, which was recently listed in the Top 300 Companies National Business Leaders of 2008.

Giuseppe Zannoni (67)
Non-executive Director

Appointed to the Board in 2007.

Mr Zannoni, an Italian resident, started his career in ceramics as an entrepreneur in 1961. Although his formal training is in finance and administration, Mr Zannoni has been involved with businesses engaged in the manufacture of tiles, pioneering new production methods and technologies. He has held the CEO position at several ceramic companies, retiring from the Board of Richetti, a company listed on the Milan Stock Exchange, in 2001. He is a non-executive director of Ceramic Industries Limited.

Gary Morolo (51)
Non-executive Director

Appointed to the Board in 2008.

Gary is Chairman of Datacentrix Holdings Limited, a listed Aka Capital investee company. In addition to Board membership of some of Aka Capital's investee companies, Gary is a former Board member of the Financial Services Board, which he served for about 10 years in a non-executive capacity.

Susan du Toit (36)
CA(SA), MComm (Financial Management)
Non-executive Director

Appointed to the Board in 2009.

Susan is a Chartered Accountant (SA) and has held a number of positions within Ernst & Young culminating in the position as Lead Audit Partner on a number of entities listed on the JSE. Susan also held the position of Team Leader for a group of audit partners at Ernst & Young.

Group Audit and Risk Committee

S M du Toit *(Chairperson)*
S I Gama
G K A Morolo
P D Swatton*

**By invitation.*

Remuneration Committee

D H Rabin *(Chairman)*
G A M Ravazzotti

Divisional management

Pierre Langenhoven (40)
Chief Operating Officer (Australia)

Wouter van der Merwe (41)
NDip (Property Development and Housing Management)
Manager – Property division

ITALTILE Limited

Directors' approval

The directors are responsible for both the preparation and integrity of the financial statements and related financial information contained in the annual report. In their opinion, the financial statements fairly represent the Group's financial position and results of operations. It is the responsibility of the independent auditors to report on the financial statements. Their report to the members of the Company is set out on page 31.

In order for the directors to discharge their responsibility, the Group maintains adequate accounting systems, risk control procedures and accounting records. A system of internal control, focused on critical risk areas and designed to provide reasonable assurance that assets are safeguarded, and that the risk of error, fraud or loss is reduced in a cost-effective manner, has been implemented. All controls are frequently monitored and subject to review and audit. There was no material breakdown in the system of internal control during the year under review.

The Group adopts appropriate accounting policies and the annual financial statements are prepared in accordance with International Financial Reporting Standards. The financial statements incorporate full and meaningful disclosure, and have been prepared using reasonable and proven judgements and estimates.

GOING CONCERN

The directors are of the opinion that the business will continue as a going concern in the year ahead. The annual financial statements have accordingly been prepared on a going-concern basis.

CODE OF ETHICS

The directors have complied with the Group's code of ethics.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the Company and the Group set out in pages 36 to 87 were approved by the Board of Directors on 17 September 2009 and signed on its behalf by:

G A M Ravazzotti
Chairman

P D Swatton
Chief Financial Officer

COMPANY SECRETARY'S APPROVAL

In terms of the Companies Act 1973, I certify that the Company has lodged, with the Registrar of Companies, all such returns as are required of a public company in terms of the Act, and that all such returns are true, correct and up to date.

E J Willis
Company Secretary

18 September 2009

Audit and Risk committee report

The Corporate Laws Amendment Act, 24 of 2006 ("CLAA"), came into effect on 14 December 2007. The Audit and Risk committee as appointed by the Board of Directors, complies with the CLAA.

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

As at the financial year-end, the committee comprised three non-executive directors, namely Ms Susan du Toit (Chairperson), Mr Gary Morolo and Mr Siyabonga Gama. 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 annual financial statements 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 CLAA;
- determine the fees to be paid to the external auditors and their terms of engagement;
- ensure that the appointment of Ernst & Young complies with the CLAA and any other legislation relating to the appointment of auditors; and
- approve the scope of non-audit services which Ernst & Young may provide to the company and pre-approve any non-audit services to be provided by the external auditors.

During the year under review, the committee 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 and Mr Derek Engelbrecht, the designated auditor, are independent of the Company. The Chairperson of the committee met with the external auditors on two occasions, independently of management.

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 Mr Swatton, the Chief Financial Officer, possesses the appropriate expertise and experience to meet his responsibilities in that position.

S M du Toit

Audit and Risk Committee Chairperson

Johannesburg

18 September 2009

Independent auditors' report to the members of Italtile Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements of Italtile Limited, which comprise the directors' report, the balance sheet as at 30 June 2009, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 87.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 30 June 2009, and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor

Johannesburg
18 September 2009

Directors' report

NATURE OF BUSINESS

Italtile Limited is the leading supplier of ceramic tiles and related products through its destination one-stop branded outlets, Italtile, CTM and TopT. They provide superior ceramic tile flooring and walling, at competitive prices to a growing market. As brands that offer optimal choice for the discerning consumer they also stock ancillary products which are especially selected to complement the traditional offering of their business, including bathroomware and sanitaryware, bathroom furniture, taps, fittings, laminated wooden flooring, cabinets and tools. Their products are available through a wide network of stores in South Africa, countries in the Southern African Development Economic Region (SADEC), and the east coast of Australia.

FINANCIAL REVIEW

System-wide turnover

Turnover from the CTM and Italtile system-wide stores declined 7% to R2,57 billion (2008: R2,77 billion). Although it operated in an adverse economic environment, the Group delivered a marginal increase in market share and results which were in line with market expectations.

Normalised profit and trading operations

Normalised profit from trading operations decreased by 10% to R361 million (2008: R424 million) for the year under review.

The reduction is a reflection of the more muted trading conditions. The Group operating margin remained firm.

Property, plant and equipment

Investment in the Group's property portfolio was maintained, increasing in carrying value by R34 million to R813 million (2008: R779 million). During the year, R77 million was invested in new sites, store upgrades and relocations. There has been no change in the nature or use of property, plant and equipment during the year.

Cash and cash equivalents

Cash from operations and working capital management has resulted in cash and cash equivalents of R667 million (2008: R281 million). The cash resources were bolstered with borrowings of R227 million which were secured to enable the Group to make significant investments should opportunities arise in the current market. Cash resources built up in previous years have historically been used, after payment of the dividend, to fund operations, store refurbishments and store relocations. This policy will continue into the future.

Long-term liabilities

The Group's only exposure to interest-bearing debt includes the borrowings of R227 million to fund investments in South Africa as well as the loan finance utilised in the acquisition of fixed property in Australia.

DIRECTORS AND OFFICERS

The details of the directors of the Company are set out on page 28.

In accordance with the provisions of the Company's Articles of Association, Messrs G P E Ravazzotti, G K A Morolo and P D Swatton retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Ms S M du Toit was appointed as a director on 6 March 2009. In terms of the Articles of Association, confirmation of her appointment is to be placed before the forthcoming annual general meeting. Mr D H Rabin will resign at the forthcoming annual general meeting, and will not offer himself for re-election.

Except for the share option scheme, detailed below, the Company was not party to any arrangement during the year or at year-end, which would enable the directors or officers, or their families, to acquire benefits by means of acquisition of shares in the Company.

Other than disclosed in note 32, none of the directors or officers of the Company had any interest in any contracts, which significantly affected the affairs or business of the Company or its subsidiaries, during the year.

It is Company policy that all directors and employees who have access to price-sensitive information may not deal directly or indirectly in the shares of the Company from the end of a reporting period until publication of the interim results or annual profit announcement.

DIRECTORS' SHAREHOLDING

The directors' beneficial and non-beneficial interest in the stated share capital of the Company at the balance sheet date is set out in the table on page 33. There has been no change of interests between 30 June 2009 and the date of this annual report.

At 30 June 2009 Director	Direct	Beneficial Indirect	Total	% held	Direct	Non-beneficial Indirect	Total	% held
D H Rabin	640 000	—	640 000	0,1	—	—	—	—
G A M Ravazzotti	12 222 232	280 533 665	292 755 897	32,2	—	—	—	—
P D Swatton	12 896 400	—	12 896 400	1,4	—	—	—	—
G P E Ravazzotti	5 896 000	—	5 896 000	0,6	—	—	—	—
S I Gama#	—	—	—	—	—	—	—	—
G K A Morolo#	—	—	—	—	—	—	—	—
G Zannoni	12 100 000	96 735 746	108 835 746	12,0	—	96 735 746	96 735 746	10,6

#Beneficial indirect interest in BEE Special Purpose Entities as listed on page 89.

At 30 June 2008 Director	Direct	Beneficial Indirect	Total	% held	Direct	Non-beneficial Indirect	Total	% held
D H Rabin	640 000	—	640 000	0,1	—	—	—	—
G A M Ravazzotti	12 222 232	280 077 876	292 300 108	32,1	—	—	—	—
P D Swatton	12 896 400	—	12 896 400	1,4	—	—	—	—
G P E Ravazzotti	3 256 000	—	3 256 000	0,4	—	—	—	—
S I Gama#	—	—	—	—	—	—	—	—
G K A Morolo#	—	—	—	—	—	—	—	—
G Zannoni	12 100 000	96 578 578	108 678 578	11,9	—	97 778 578	97 778 578	10,7

#Beneficial indirect interest in BEE Special Purpose Entities as listed on page 89.

DIRECTORS' PARTICIPATION IN THE ITALTILE SHARE INCENTIVE SCHEME

Directors' holdings under deferred sale agreements are set out in the table below:

Director	Options held at 1 July 2008	Options awarded during the year	Strike price	Strike date	Options exercised during the year	Exercise price	Options held at 30 June 2009
G A M Ravazzotti	—	—	—	—	—	—	—
P D Swatton	—	—	—	—	—	—	—
G Zannoni	—	—	—	—	—	—	—
D H Rabin	—	—	—	—	—	—	—
S I Gama	1 320 000	—	2,39	01/11/2009	—	—	1 320 000
G P E Ravazzotti	2 640 000	—	1,82	04/03/2009	2 640 000	3,00	—
S M du Toit	—	—	—	—	—	—	—
G K A Morolo	—	—	—	—	—	—	—

STATED CAPITAL

The authorised and issued share capital remains unchanged at 3 300 000 000 shares of no par value and 909 800 452 shares of no par value respectively.

DIVIDENDS

A final dividend No 86 of 5 cents per share (2008: 8 cents per share) for the year ended 30 June 2009 was declared by the Board of Directors. Together with the interim dividend No 85 of 6 cents per share (2008: 4 cents per share) this amounts to a total ordinary dividend of 11 cents per share (2008: 12 cents per share), a decrease of 8%.

Italtile remains cash generative. Management is satisfied that current cash resources coupled with projected net cash inflows are in excess of operating requirements and planned capital expenditure.

The dividend cover will remain at three times.

The salient dates for the final dividend are:

The last day to trade "cum" dividend	Friday, 28 August 2009
First day to trade "ex" dividend	Monday, 31 August 2009
Record date	Friday, 4 September 2009
Dividend payment date	Monday, 7 September 2009

SPECIAL RESOLUTION

No special resolutions were passed by shareholders on 28 November 2008.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

No events took place between the balance sheet date and the date of this report that would have a material effect on the financial statements as disclosed.

THE ITALTILE SHARE INCENTIVE TRUST

In terms of a resolution passed at a shareholders' meeting on 12 January 1993, the directors are authorised to make available for the purposes of the scheme a maximum aggregate number of 136 470 068 ordinary shares (2008: 136 470 068), representing 15% of the issued share capital.

The scheme exists for the directors and senior management of the Company with a limit of 15 400 000 shares which any one participant may acquire.

The movements in the number of shares available to eligible participants are as follows:

	2009 Number of shares	2008 Number of shares
At 1 July	8 594 000	9 284 000
New allocations made	—	—
Redeemed allocations	(6 284 000)	(360 000)
Forfeited allocations	—	(330 000)
Outstanding at 30 June	2 310 000	8 594 000

	R	R
Average subscription price per share	2,39	1,96

The allocation outstanding at 30 June 2009 will mature up to 1 November 2009. Should the option holder resign from the Group before these dates, the options will be forfeited.

The Trust holds sufficient shares to meet its commitments. Shares will be bought in the open market by the scheme to meet any future allocations.

Included in the share option expense is an amount of R222 387 (2008: R491 915) relating to executive and non-executive directors.

SUBSIDIARY COMPANIES

Details of the Company's interest in its subsidiaries are set out on page 87.

The Company's interest in the profits and losses after taxation and minority shareholders' interest of its subsidiaries is:

	2009 Rm's	2008 Rm's
Profits	124	189

DIRECTORS' EMOLUMENTS

The emoluments paid to each director during the year by a subsidiary company are set out in the table below.

All emoluments paid to directors are short term in nature, other than gains on exercise of share options, and contributions to medical aid and provident fund.

The remuneration of both executive and non-executive directors is determined by the Remuneration Committee. Other benefits include the fringe benefit value of company cars for executive directors and fees for services rendered by non-executive directors.

All figures in R000's	Board fees	Salary	Bonus and performance-related payments	Provident fund and medical contributions	Gain on exercised share options	Other benefits	Total 2009	Total 2008
Executive directors								
G A M Ravazzotti*	—	700	241	—	—	—	941	1 118
G P E Ravazzotti	—	1 468	640	154	3 120	86	5 468	2 189
P D Swatton	—	1 300	702	152	—	118	2 272	2 001
2009	—	3 468	1 583	306	3 120	204	8 681	
2008	—	2 900	1 943	260	—	205	—	5 308
Non-executive directors								
D H Rabin	108	—	—	—	—	—	107	93
S I Gama**	118	—	—	—	—	—	118	145
G Zannoni	95	—	—	—	—	—	95	50
G K A Morolo	120	—	—	—	—	—	120	63
S M du Toit	36	—	—	—	—	—	36	—
J Couzis	—	—	—	—	—	—	—	70
2009	476	—	—	—	—	—	476	
2008	421	—	—	—	—	—	—	421
Aggregate emoluments of directors who served during the year							—	5 729

**Paid to Rallen (Pty) Limited, the company that this director represents for his services as director of Italtile Limited. Refer to note 32.*

***Paid to Transnet the employer of this director.*

Group income statement

for the year ended 30 June 2009

	Note	2009 Rm's	2008 Rm's
Revenue	3	1 521	1 798
Turnover	3	1 303	1 635
Cost of sales	4	(767)	(988)
Gross profit		536	647
Other operating income		190	162
Expenses			
Sales and distribution		(245)	(220)
General and administration		(119)	(167
(Loss)/profit on sale of property, plant and equipment		(1)	2
Normalised trading profit		361	424
BEE share option expense	6	—	(25)
Trading profit	5	361	399
Finance revenue	7	48	20
Finance cost	8	(40)	(14)
Profit before taxation		369	405
Taxation	9	(109)	(128)
Profit for the year		260	277
Attributable to:			
Equity holders of the parent		257	275
Minority interests		3	2
Earnings per share (cents)	10	32,3	34,6
Diluted earnings per share (cents)	10	32,3	34,4
Dividends paid per share (cents)	12a	14,0	10,0
Dividends declared per share (cents)	12b	11,0	12,0

Group balance sheet

at 30 June 2009

	Note	2009 Rm's	2008 Rm's
ASSETS			
Non-current assets		939	890
Property, plant and equipment	13	914	861
Available-for-sale investments	14	7	8
Long-term assets	15	9	9
Goodwill	16	6	6
Deferred taxation	17	3	6
Current assets		994	680
Inventories	18	191	263
Trade and other receivables	19	136	136
Cash and cash equivalents	20	667	281
Total assets		1 933	1 570
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent		1 306	1 158
Stated capital	21	417	417
Non-distributable reserve		48	50
Treasury shares	21	(473)	(473)
Share option reserve		30	30
Retained earnings		1 284	1 134
Minority interest		40	25
Total equity		1 346	1 183
Total liabilities		587	387
Non-current liabilities		343	101
Interest-bearing loans and borrowings	22	341	98
Deferred taxation	17	2	3
Current liabilities		244	286
Trade and other payables	23	238	276
Taxation	26	6	10
Total equity and liabilities		1 933	1 570

Group statement of changes in equity

for the year ended 30 June 2009

Rm's	Note	Stated capital	Non-distributable reserve*	Treasury shares	Share option reserve	Retained earnings	Equity holders of the parent	Minority interest	Total
Balance at 30 June 2007		27	24	(54)	4	943	944	32	976
Movement for the year									
Currency translation difference			26				26		26
Total income and expense for the year recognised directly in equity		—	26	—	—	—	26	—	26
Profit for the year						275	275	2	277
Total income and expense for the year		—	26	—	—	275	301	2	303
Dividends paid	12a					(84)	(84)	(1)	(85)
Equity share options	6				26		26		26
BEE shares issued and treated as treasury shares		402		(402)			—		—
BEE shares issue expense		(12)					(12)		(12)
Unallocated shares in share trust				(20)			(20)		(20
Accumulated surplus in share trust				3			3		3
Purchase of additional share in subsidiary							—	(8)	(8)
Total movement		390	26	(419)	26	191	214	(7)	207
Balance at 30 June 2008		417	50	(473)	30	1 134	1 158	25	1 183
Movement for the year									
Currency translation difference			(12)				(12)		(12)
Total income and expense for the year recognised directly in equity									
Profit for the year						257	257	3	260
Total income and expense for the year									
Dividends paid	12a					(107)	(107)	(4)	(111)
Equity share options	6				—#		—		—
Unallocated shares in share trust				2			2		2
Accumulated deficit in share trust				(2)			(2)		(2)
Disposal of interest in subsidiary	28		10				10	16	26
Total movement		—	(2)	—	—	150	148	15	163
Balance at 30 June 2009		417	48	(473)	30	1 284	1 306	40	1 346

*The non-distributable reserve is comprised entirely of the foreign currency translation reserve.
#Less than R1 million.

Group cash flow statement

for the year ended 30 June 2009

	Note	2009 Rm's	2008 Rm's
Cash flows from operating activities			
Cash receipts from customers		1 303	1 621
Cash paid to suppliers and employees		(861)	(1 294)
Cash generated from operations	25	442	327
Interest received		18	12
Dividends received		30	8
Taxation paid	26	(111)	(141)
Interest paid		(40)	(14)
		339	192
Dividends paid	27	(111)	(85)
Net cash flows from operating activities		228	107
Cash flows from investing activities			
Additions to property, plant and equipment (expansion)		(94)	(133)
Proceeds on disposal of plant and equipment		13	11
Lease premiums paid		—	(3)
Net acquisition and disposal of interest in subsidiary	28	10	(13)
Net cash flows utilised in investing activities		(71)	(138)
Cash flows from financing activities			
Share issue expenses relating to BEE transaction			(12)
Increase in interest-bearing loans and borrowings (includes short-term portion)		228	111
Repayment of interest-bearing loans and borrowings			(28)
Purchase of treasury shares		(11)	(18)
Treasury shares taken up		12	1
Net cash flows from financing activities		229	54
Movement in cash and cash equivalents for the year		386	23
Cash and cash equivalents at beginning of year		281	258
Cash and cash equivalents at end of year	20	667	281

Notes to the group financial statements

for the year ended 30 June 2009

1. ACCOUNTING POLICIES

1.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") and its interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee.

1.2 Basis of preparation

The annual financial statements are prepared on the historical-cost basis, adjusted for the fair valuing of certain assets and liabilities. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

1.3 Judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The key assumptions concerning the future and key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, relates to the provision for stock obsolescence and impairment of land and buildings.

The Group determines whether there is obsolete stock on an annual basis. This requires an estimation of the expected future saleability of stock items based on historical experience, an analysis of market and fashion trends and a review of the ageing of the stock items. More details of the stock write-off is given in note 18.

The Group also determines whether any of the land and buildings are impaired at each reporting date. This requires consideration of the current and future economic and trading environment; available valuation information and the physical state of the land and buildings, to ascertain if there are indications of impairment to those owned by the group. No impairments were recorded during the current financial year.

The financial statements are presented in rands and all values are rounded to the nearest million (R'000 000), except when otherwise indicated.

1.4 Basis of consolidation

The consolidated financial statements incorporate the results and financial position of the Company, its subsidiaries, its associates, the Share Incentive Trust, the BEE Trust and its joint venture interests.

Subsidiaries are those companies in which the Group has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations. The results of subsidiaries are included from the effective dates of acquisition until the effective dates of disposal. The identifiable assets and liabilities of companies acquired are assessed and included in the balance sheet at their fair values as at the effective dates of acquisition.

Intragroup balances and transactions have been eliminated. Unrealised profits that arise between Group entities are eliminated.

All companies in the Group maintain consistent accounting policies and have the same year-ends.

1. ACCOUNTING POLICIES *(continued)*

1.4 Basis of consolidation *(continued)*

Joint ventures are those enterprises over which the Group exercises joint control in terms of a contractual agreement. Investments in jointly controlled entities are accounted for by way of the proportionate consolidation method whereby the Group's proportional share of the assets, liabilities, revenue, expenses and cash flows of joint ventures are combined on a line-by-line basis, with similar items in the financial statements of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entities. The results of joint ventures are included from the effective dates of their acquisition and up to the effective dates of their disposal, or a date on which joint control ceases.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from equity attributable to equity holders of the parent. Acquisitions of minority interests are accounted for using the parent entity method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as equity.

1.5 Business combinations and goodwill

New acquisitions are included in the Group's financial statements using the purchase method whereby the assets, liabilities and contingent liabilities are measured at their fair value. The purchase consideration is allocated on the basis of fair values at the date of acquisition.

Goodwill is initially measured at cost and represents the excess of the purchase consideration. The Group's share is the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Goodwill carried in the balance sheet is not amortised. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the acquisition. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of the cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation when determining the gain or loss on disposal of that operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

1.6 Investment in subsidiaries and joint ventures ***(as accounted for on an entity level within the Group)***

Investment in subsidiaries and joint ventures are initially recorded at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Investments are carried at cost, less impairment.

The carrying value of the subsidiaries is reviewed for impairment at every balance sheet date. Where necessary, the value of the investment is written down to the greater of the fair value less costs to sell or the value in use.

The difference between the net proceeds on disposal and the carrying amount of investments is charged to the income statement.

1.7 Treasury shares

Shares in Italtile Limited held by the Group are classified in equity attributable to equity holders of the parent as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares. Dividends received on treasury shares are eliminated on consolidation. No gain or loss on the purchase, sale, issue or cancellation of the Group's listed shares is recognised in the income statement. Consideration received or paid with regards to treasury shares are recognised in equity.

1. ACCOUNTING POLICIES *(continued)*

1.8 Foreign currencies

The consolidated financial statements are presented in rands, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of the transactions. The related monetary assets and liabilities at year-end are translated at the rates ruling at the balance sheet date. Gains and losses arising on translation are recognised in the income statement.

The Group has investments in foreign subsidiary companies which are classified as foreign operations with functional currencies that are different to that of the Group. The financial statements of these subsidiaries are translated for incorporation into the Group financial statements as follows:

- Assets and liabilities at the rates ruling at the balance sheet date.
- Income statement items at a weighted average rate for the period.
- Cash flow items at a weighted average rate for the period.
- Equity items at the appropriate historical rate.

Exchange differences are taken directly to a foreign currency translation reserve which is disclosed in the statement of changes in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity, relating to that particular foreign entity, is recognised in the income statement.

1.9 Property, plant and equipment

Land is not depreciated. All buildings, including investment properties, are carried at cost less accumulated depreciation and accumulated impairment.

A valuation to open market value for existing use is done on an annual basis for disclosure and impairment purposes. Provision is made for any impairment to the carrying value of properties and is charged to the income statement.

All plant and equipment is stated at cost less accumulated depreciation and accumulated impairment.

Depreciation is calculated on the straight-line basis estimated to write each asset down to estimated residual value over the term of its useful life at the following annual rates:

Buildings	2%
Plant and machinery	25%
Vehicles	20% to 25%
Computer equipment	20% to 33,3%
Furniture and fittings	16,6% to 33,3%

1. ACCOUNTING POLICIES *(continued)*

1.9 Property, plant and equipment *(continued)*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. In addition, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

The useful lives, methods of depreciation and residual values are reviewed, and adjusted if appropriate, at each financial year-end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on derecognition of assets are determined by reference to their carrying amount and the net disposal proceeds and are taken to the income statement in the year the asset is derecognised.

1.10 Inventory

Inventory is valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs necessary to make the sale. Cost is determined on a weighted average cost method and excludes cash discounts, rebates and relevant indirect taxes.

1.11 Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax

Deferred income tax is provided on the liability method, on recognised temporary differences at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

1. ACCOUNTING POLICIES *(continued)*

1.11 Taxes *(continued)*

Deferred income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, other than in the circumstances described below. Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward or unused tax assets and unused tax losses can be utilised, other than in the circumstances described below. Furthermore, deferred tax assets are reviewed at each balance sheet date. The carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not recognised where they arise from goodwill arising on acquisition or from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Secondary taxes on companies (STC)

STC is provided in respect of expected dividend payments, net of dividends received or receivable, and is recognised as a taxation charge in the year in which the dividend is declared. Where applicable, non-residents shareholders' taxation is provided in respect of foreign dividends receivable. To the extent that it is probable that entities within the Group with STC credits will declare dividends of its own against which unused STC credits can be utilised, a deferred tax asset is raised.

Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense items, as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the balance sheet.

1.12 Borrowing costs

Borrowing costs are recognised as an expense when incurred.

1.13 Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable and is recognised when the significant risks and rewards of ownership are transferred to the buyer. It excludes cash discounts, rebates and relevant indirect taxes.

Revenue from fixed property rental is recognised when the sale of goods, which gives rise to this turnover-related revenue, takes place.

Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

Dividends are recognised when the right to receive payment is established.

Revenue from franchise income and royalties is recognised on the accrual basis in accordance with the substance of the agreement.

Flight income is recognised when the services are delivered. It excludes cash discounts, rebates and relevant indirect taxes.

1. ACCOUNTING POLICIES *(continued)*

1.14 Employee benefits

Retirement benefits

Defined-contribution plan

Current contributions to the retirement benefit plan are the best estimate of current service costs and are charged against income as services are rendered by the employee.

1.15 Equity participation plan

Selected employees, including directors, of the Group receive remuneration in the form of share options, whereby they render services in exchange for rights over shares. The cost of share options is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes option-pricing model, further details of which are given in note 6. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Italtile Limited.

The cost of the share options is recognised, together with a corresponding increase in shareholders' equity, over the vesting period ending on the date on which the performance conditions are fulfilled and the employees become fully entitled to take up the share options. The cumulative expense recognised for share options granted at each balance sheet date until the vesting date, reflects the extent to which the vesting period has expired and the number of share option grants that will ultimately vest in the opinion of the directors of the Group, at that date. This is based on the best available estimate of the number of share options that will ultimately vest. No expense is recognised for share options that do not ultimately vest.

Where the terms of the share options are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense if recognised for any increase in the value of the transactions, as a result of the modification, as measured at the date of modification.

Where a share option is forfeited prior to vesting, it is treated as if it had never been granted, and any expense recognised for the award is reversed immediately. Where an award is cancelled, other than an award cancelled by forfeiture when the vesting conditions are not satisfied, it is treated as if it vested on the date of cancellation, and any expense not yet recognised, is recognised immediately. If a new share option is substituted for the cancelled share option, and designated as a replacement share option on the date that it is granted, the cancelled and new share option grant are treated as if they were a modification of the original grant, as described above.

The dilutive effect of outstanding options is reflected as a share dilution in the computation of diluted earnings per share (refer to note 10).

1.16 Financial instruments

Financial instruments carried on the balance sheet comprise cash and cash equivalents, available-for-sale investments, trade and other receivables, trade and other payables, and interest-bearing loans and borrowings.

Measurement

All financial instruments are recognised at the time the Group becomes party to the contractual provisions of the instruments. Financial instruments are initially measured at fair values. Directly attributable transaction costs are included in the fair value, unless it is classified as fair value through profit or loss. The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

1. ACCOUNTING POLICIES *(continued)*

1.16 Financial instruments *(continued)*

Measurement (continued)

Investments that are considered available-for-sale financial assets are carried at fair value, except for unlisted equity investments which are carried at cost as a reliable measure of fair value and cannot be determined. All movements are recognised as a separate component of equity, until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in the income statement. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals of impairment recognised previously in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

Cash and cash equivalents that have a fixed maturity date are subsequently measured at amortised cost using effective interest rates. Cash and cash equivalents that do not have a fixed maturity are subsequently measured at fair value.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, trade and other receivables are subsequently carried at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when trade and other receivables are derecognised or impaired, as well as through the amortisation process. In relation to trade receivables, a provision for impairment is made where there is objective evidence (such as probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable. If there is objective evidence that an impairment loss on other receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the receivable is reduced through the use of an allowance account. The amount of the loss shall be recognised in the income statement.

Trade and other payables and *amounts owing from subsidiaries* are subsequently measured at amortised cost.

Interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derivative financial instruments

The Group uses foreign exchange contracts to manage its risks associated with foreign currency fluctuations. It is the Group's policy not to trade in derivative financial instruments. Details of the Group's financial risk management objectives and policies are set out in note 31.

All derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Any gain or loss from remeasuring the derivative financial instrument to fair value is recognised immediately in the income statement.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Disclosure in respect of financial instruments is provided in note 31.

1. ACCOUNTING POLICIES *(continued)*

1.16 Financial instruments *(continued)*

Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flow from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender of substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference is the respective carrying amounts is recognised in the income statement.

Offset of financial instruments

Financial assets and liabilities are set off against each other where there is an intention to settle the amounts simultaneously, and a legal right of set-off exists.

1.17 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset. The classification of the lease is determined using IAS 17, Leases.

Group as a lessee

Assets leased in terms of agreements, which are considered to be finance leases, are capitalised. Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group, as lessee. Assets subject to finance leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the minimum lease payments, with the related lease obligation recognised at the same value. Capitalised leased assets are depreciated at the same rates and on the same basis as equivalent owned assets. Should there be no reasonable expectation that the Group will obtain ownership by the end of the lease term, the depreciation period is the shorter of the estimated useful life of the asset and the lease term. Where the carrying amount of an asset is greater than its estimated recoverable amount (ie the higher of value in use and fair value less costs to sell), it is written down immediately to its recoverable amount, based on the value in use or fair value less costs to sell. Lease finance charges are amortised over the duration of the leases, using the effective interest rate method and reflected in finance cost in the income statement.

1. ACCOUNTING POLICIES *(continued)*

1.17 Leases *(continued)*

Group as a lessee (continued)

All other leases are treated as operating leases and the relevant rentals are charged to income in a systematic manner related to the period of use of the assets concerned, on a straight-line basis.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

1.18 Dividends paid

Dividends paid are recognised as appropriations of reserves in the statement of changes in equity at the dates of declaration.

1.19 IFRSs and IFRIC Interpretations not yet effective

There are an extensive number of new IFRSs and IFRIC Interpretations or amendments to existing ones. One of the reasons for the changes in the year under review is a moratorium that the International Accounting Standards Board, or IASB, agreed to in 2006 under which there would be no new or amended standards effective before 1 January 2009. This was done in order to have a stable platform for a four year period. Standards and amendments to standards were issued in this time, but with a delayed effective date. In addition to this the IASB introduced an annual improvements projects. These annual projects were intended to be a vehicle for making non-urgent, but necessary, amendments to standards. The amendments are generally meant to be clarifications of expected practice. Within the financial year under review, two such projects have been completed, referred to as the 2008 Improvements Project and the 2009 Improvements Project. These Improvement Projects have affected a significant number of statements and interpretations.

The Group has not applied the following IFRSs and IFRIC Interpretations that are not yet effective:

- *Amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards" and IAS 27, "Consolidated and Separate Financial Statements":*
  These amendments are to be applied for annual periods beginning on or after 1 January 2009. These amendments allow an entity to determine the cost of investment in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost.
- *Amendments to IFRS 1, "First-time adoption of International Financial Reporting Standards":*
  These amendments are to be applied for annual periods beginning on or after 1 January 2010. These amendments date to oil and gas assets and determining whether an arrangement contains a lease.
- *Amendments to IFRS 2, "Share-based Payment":*
  The first amendments, *"Vesting Conditions and Cancellations"* are to be applied for annual periods beginning on or after 1 January 2009. These amendments provide further guidance and clarity regarding the treatment of vesting conditions associated with share-based payments as well as the effect of cancellations thereof.
  The second amendment forms part of the *IASB's 2009 Improvements Project* and is to be applied for annual periods beginning on or after 1 July 2009. These amendments provide clarity on the scope of IFRS 2 and IFRS 3 (as revised) by broadening the scope exclusions to common control transactions as defined in the revised IFRS 3 and joint ventures as defined in IAS 31.

1. ACCOUNTING POLICIES *(continued)*

1.19 IFRSs and IFRIC Interpretations not yet effective *(continued)*

- *IFRS 3, "Business Combinations":*

  This statement has been revised and is to be applied for annual periods beginning on or after 1 July 2009 and 1 January 2010, respectively. The first revision of the statement is aimed at ensuring that an acquirer of a business recognises the assets acquired and liabilities assumed at their acquisition-date fair values and discloses information that enables users to evaluate the nature and financial effects of the acquisition. The statement states that assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this IFRS shall not be adjusted upon application of this IFRS. The second amendment provides clarity of the definition of the term "Group" in respect of accounting for cash-settled share-based payment transactions.

- *IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations":*

  This statement has been revised and is to be applied for annual periods beginning on or after 1 July 2009 and 1 January 2010, respectively. The amendments are due to the IASB's 2008 and 2009 Improvement Projects. The *2008 Improvement Project* discusses the approach to be taken when there is a plan to sell the controlling interest in a subsidiary. The *2009 Improvement Project* provides guidance in respect of disclosures of Non-current assets Held for Sale (or disposal groups) and Discontinued Operations required by IFRS 5.

- *Amendments to IFRS 7, "Financial Instruments: Disclosures":*

  The first amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. These amendments include:

  - The removal of the reference to "total interest income" as a component of finance costs.
  - Improved disclosures about financial instruments.

  The second amendment is to be applied for annual periods beginning on or after 1 January 2009. This amendment deals with enhancing disclosures about fair value and liquidity risk.

- *IFRS 8, "Operating Segments":*

  This standard is to be applied for annual periods beginning on or after 1 January 2009. This statement requires that an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

- *Amendments to IFRS 8, "Operating Segments":*

  The amendments form part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2010. An amendment was made to the disclosures of information about profit or loss, assets and liabilities of a reportable segment.

- *Amendments to IAS 1, "Presentation of Financial Statements":*

  This statement has been revised and is to be applied for annual periods beginning on or after 1 January 2009. IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

  Secondly amendments have been made as part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. These amendments deal with the current/non-current classification of derivatives.

  Thirdly amendments have been made as part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2010. These amendments deal with the classification of convertible instruments as either non-current or current.

- *Amendment to IAS 7, "Statement of Cash Flows":*

  The first amendment forms part of the *IASB's 2008 Improvements Project* and is to be applied to annual periods beginning on or after 1 January 2009. The amendment states that cash flows from assets held for rental are classified as operating activities.

  The second amendment forms part of the *IASB's 2009 Improvements Project* and is to be applied for annual periods beginning on or after 1 January 2010. In terms of the amendment only expenditure resulting in a recognised asset in the balance sheet can be recognised as investment activities.

1. ACCOUNTING POLICIES *(continued)*

1.19 IFRSs and IFRIC Interpretations not yet effective *(continued)*

- *Amendments to IAS 8, "Accounting Policies, Change in Accounting Estimates and Errors":*
  The amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. The amendment provides clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- *Amendments to IAS 10, "Events after the Reporting Period":*
  The first amendments form part of the *IASB's 2008 Improvements Project.* This amendment clarifies that dividends declared after the end of the reporting period are not obligation. This amendment is to be applied for annual periods beginning on or after 1 January 2009.
  The second amendment resulted from the issue of IFRIC 17, "Distribution of Non-cash Assets to Owners" and is to be applied for annual periods beginning on or after 1 July 2009.
- *Amendments to IAS 16, "Property, Plant and Equipment":*
  These amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. These amendments replace the term "net selling price" with "fair value less costs to sell", and state that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.
- *Amendments to IAS 17, "Leases":*
  The amendments form part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2010. The amendment states that leases of land and buildings need to be considered separately for all transactions. In establishing whether the land component is an operating or finance lease the entity should take into account that the land has an indefinite economic life.
- *Amendments to IAS 18, "Revenue":*
  The first amendment forms part of the *IASB's 2008 Improvements Project* and is to be applied for annual periods beginning on or after 1 January 2009. The amendment replaces the term "direct costs" with "transaction costs" as defined in IAS 39.
  The second amendment forms part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2010. This amendment provides guidance to assess whether, in an agency relationship, an entity is acting as an agent or principal.
- *Amendments to IAS 19, "Employee Benefits":*
  These amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. The amendments revise the definition of "past service costs", "return on plan assets" and "short term" and "other long-term" employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. The reference to the recognition of contingent liabilities has been deleted to ensure consistency with IAS 37.
- *Amendments to IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance":*
  The amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. The amendment states that loans granted in the future with no or low interest rates will not be exempt from the requirements to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant. Also various terms have been revised to ensure consistency with other IFRSs.
- *Amendments to IAS 23, "Borrowing Costs":*
  The first amendments are to be applied for annual periods beginning on or after 1 January 2009. The amendments require that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.
  The second amendment forms part of the *IASB's 2008 Improvements Project* and is to be applied for annual periods beginning on or after 1 January 2009. This amendment revised the definition of borrowing costs to consolidate the two types of times that are considered components of borrowing costs into one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

1. ACCOUNTING POLICIES *(continued)*

1.19 IFRSs and IFRIC Interpretations not yet effective *(continued)*

- *Amendments to IAS 27, "Consolidated and Separate Financial Statements":*
  The first of the amendments are to be applied for annual periods beginning on or after 1 January 2009. These amendments require all dividends from a subsidiary, jointly controlled entity of associate to be recognised in the income statement in the separate financial statements, i.e. the Company. This revision has to be applied prospectively.
  The second of the amendments are to be applied for annual periods beginning on or after 1 July 2009. These are consequential changes with the amendment of IFRS 3, "Business Combinations".
  The third of the amendments are to be applied for annual periods beginning on or after 1 July 2009. These amendments require that a change in the ownership interest of a subsidiary (without loss of control) be accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amendments change the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The Group will apply these amendments going forward.
  The fourth amendment forms part of the *IASB's 2008 Improvements Project* and is to be applied for annual periods beginning on or after 1 July 2009. The amendment states that when a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statement, this treatment continues when the subsidiary is subsequently classified as held for sale.
- *Amendments to IAS 28, "Investment in Associates":*
  The first amendments form part of the *IASB's 2008 Improvements Project* and is to be applied for annual periods beginning on or after 1 January 2009. These amendments state the following:
  - If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans, applies.
  - An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

  The second of the amendments are to be applied for annual periods beginning on or after 1 July 2009. These are consequential changes with the amendment of IFRS 3, "Business Combinations".
- *Amendment to IAS 29, "Financial Reporting in Hyperinflationary Economies":*
  The first amendment forms part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. The amendments include a revision of the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. In addition various terms used are revised to be consistent with other IFRSs.
  The second of the amendments are to be applied for annual periods beginning on or after 1 July 2009. These are consequential changes with the amendment of IFRS 3, "Business Combinations".
- *Amendment to IAS 31, "Interest in Joint Ventures":*
  This amendment forms part of the *IASB's 2008 Improvements Project* and is to be applied for annual periods beginning on or after 1 January 2009. This amendment states that if a joint venture is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 31 to disclose the commitments of the venturer and joint venture, as well as summary financial information about the assets, liabilities, income and expenses will apply.
- *Amendments to IAS 32, "Financial Instruments: Presentation" and IAS 1, "Presentation of Financial Statements" – Puttable Financial Instruments and Obligations Arising on Liquidation:*
  These amendments are to be applied for annual periods beginning on or after 1 January 2009. These amendments require further detail with regards to Puttable Financial Instruments and Obligations Arising on Liquidation.

1. ACCOUNTING POLICIES *(continued)*

1.19 IFRSs and IFRIC Interpretations not yet effective *(continued)*

- *Amendments to IAS 34, "Interim Financial Reporting":*
  The amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. This amendment states the earnings per share should be disclosed in the interim financial reports if an entity is within the scope of IAS 33.
- *Amendments to IAS 36, "Impairment of Assets":*
  The first amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. This amendment states that when discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use".
  The second amendment forms part of the *IASB's 2009 Improvements Project* and is to be applied for annual periods beginning on or after 1 January 2010. This amendment deals with the unit of accounting for goodwill impairment.
- *Amendments to IAS 38, "Intangible Assets":*
  The first amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. These amendments state that expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. The amendments further remove the statement that there is rarely, if ever, persuasive evidence to support an amortisation method of an intangible asset other than a straight-line method.
  The second amendments form part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 July 2009. These include the consequential amendments arising from the revisions to IFRS 3, as well as dealing with measuring the fair value of an intangible asset acquired in a business combination.
- *Amendments to IAS 39, "Financial Instruments: Recognition and Measurement":*
  The first amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. These amendments state that:
  - Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the "fair value through profit or loss" classification after initial recognition.
  - The reference in IAS 39 to a "segment" when determining whether an instrument qualifies as a hedge has been removed.
  - The use of the revised effective interest rate is required, when remeasuring a debt instrument on the cessation of fair value hedge accounting.

  The second amendment is to be applied for annual periods beginning on or after 30 June 2009. This amendment deals with embedded derivatives when reclassifying financial instruments.
  The third amendment is to be applied for annual periods beginning on or after 1 July 2009. This amendment clarifies two hedge accounting issues, being inflation in a financial hedge item and a one-sided risk in a hedged item.
  The fourth amendments form part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2010. These include the:
  - Scope exemption for business combination contracts.
  - Treating loan prepayments penalties as closely related embedded derivatives.
  - Cash Flow Hedge Accounting.

1. ACCOUNTING POLICIES *(continued)*

1.19 IFRSs and IFRIC Interpretations not yet effective *(continued)*

- *Amendments to IAS 40, "Investment Property":*
  The amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. These amendments revised the scope, such that property under construction or development for future use as an investment property is classified as investment property. If the fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. In addition the condition for a voluntary change in accounting policy has been revised to be consistent with IAS 8 and the statement now clarifies that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.
- *Amendments to IAS 41, "Agriculture":*
  The amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. These amendments remove the reference to the use of a pre-tax discount rate to determine fair value. The prohibition to take into account cash flows resulting from any additional transformation when estimating fair value, has been removed. Lastly the term "point-of-sale costs" was replaced with "costs to sell".
- *Amendments to IFRIC 9, "Reassessment of Embedded Derivatives":*
  The amendments form part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 July 2009. These amendments extend scope exclusions to businesses under common control, business combinations as defined in the revised IFRS 3 and joint ventures as defined under IAS 31.
- *IFRIC 15, "Agreements for the Construction of Real Estate":*
  This interpretation is to be applied for annual periods beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, this interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.
- *IFRIC 16, "Hedges of a Net Investment in a Foreign Operation":*
  This interpretation is to be applied for annual periods beginning on or after 1 October 2008. The interpretation provides guidance on the accounting for a hedge of a net investment in accordance with IAS 39.
- *Amendment to IFRIC 16, "Hedges of a Net Investment in a Foreign Operation":*
  The amendments form part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 July 2009. This amendment places restrictions on the entity that can hold hedging instruments.
- *IFRIC 17, "Distribution of Non-cash Assets to Owners":*
  This interpretation is to be applied for annual periods beginning on or after 1 July 2009. This interpretation addresses when an entity should recognise the dividend payable relating to non-cash assets; how this dividend payable should be measured; and when an entity settles the dividend payable, how it should account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable.
- *IFRIC 18, "Transfers of Assets from Customers":*
  This interpretation is to be applied for annual periods beginning on or after 1 July 2009. This interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers.

The Group expects the pronouncements listed above to have no impact on the Group's current results, other than additional disclosures required in the group annual financial statements in the period of initial recognition and/or for comparative periods as may be required. The Group intends to apply these statements and interpretations in the periods prescribed and required.

2. DEFINITIONS

2.1 System-wide turnover
Aggregated turnover of the Group-owned and franchised stores.

2.2 Cost of sales
Cost of sales is calculated as the historical cost of inventory, including distribution costs incurred in bringing the inventory to the retail locations together with stock losses.

2.3 Sales and distribution costs
Sales and distribution costs include costs incurred in bringing inventory to the retail locations and ensuring the saleability thereof.

2.4 General and administrative expenses
General and administrative expenses are those overhead expenses that have not been allocated to inventory valuation.

2.5 Cash and cash equivalents
The cash and cash equivalent amounts comprise cash in hand, deposits held on call with banks and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value.

2.6 Business and geographical segment
The principal segments of the Group have been identified on a primary basis by operational functionality and on a secondary basis by significant geographical region.
The basis is representative of the internal structure for management purposes, which reflects the source and nature of business risks and returns.

2.7 Segment revenue
Segment revenues are revenues that are directly attributable to a segment, or the relevant portion of revenues that can be allocated on a reasonable basis to a segment, and that are derived from transactions with parties outside the enterprise and from other segments of the same enterprise.

2.8 Segment expenses
Segment expenses are expenses that are directly attributable to a segment or the relevant portion of expenses that can be allocated on a reasonable basis to a segment, and that are derived from transactions with parties outside the enterprise and from other segments of the same enterprise.

2.9 Segment results
Net total of segment revenue less segment expenses.

2.10 Segment assets
Total assets of a segment, excluding interest and dividend generating assets and income tax assets.

2.11 Segment liabilities.
Total liabilities of a segment, excluding interest-bearing liabilities and income tax liabilities.

2.12 Treasury shares
Shares in Italtile Limited held by the entities in the Group.

2.13 Cash-generating unit
A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

	2009 Rm's	2008 Rm's
3. REVENUE		
Turnover represents net sales, excluding value-added tax and intercompany sales.		
Total revenue comprises:		
Turnover	1 303	1 635
Rental income	78	65
Interest income	18	12
Dividend income	30	8
Franchise income (excluding royalties)	23	20
Royalty income from franchising	67	58
Flight income	2	—
	1 521	1 798
All the rental income pertains to properties that are leased to franchised stores. These rentals are turnover related and can therefore not be predetermined.		
4. COSTS OF SALES		
Cost of sales consists largely of the cost of inventories recognised as an expense.	767	988
5. TRADING PROFIT		
Trading profit is stated after taking into account the following items:		
Auditors' remuneration		
– Audit fee	2	1
– Expenses	—#	—#
	2	1
Depreciation		
Owned and leased		
– Buildings	4	5
– Plant and machinery	6	4
– Vehicles	2	1
– Aircraft	1	—
– Computer equipment	4	5
– Furniture and fittings	24	26
	41	41

#*Less than R1 million.*

	2009 Rm's	2008 Rm's
5. TRADING PROFIT *(continued)*		
Operating lease payments		
– Properties	17	18
All the operating leases pertain to properties that are rented then sublet to Group-owned and franchised stores. The subrentals are based on 6,3% of turnover and can therefore not be predetermined. At current levels they exceed abovementioned obligations.		
Contingent lease payments were determined, based on escalated contractual rentals charged by third parties. Certain leases have renewal terms. There are no trading restrictions on any of the leases.		
Total of future minimum contracted operating lease payments:		
Within 1 year	10	15
Within 2 – 5 years	11	18
Later than 5 years	5	7
	26	40
Directors' emoluments		
Refer to page 35 of the directors' report for detail disclosures.		
Employee remuneration		
– Salaries and wages	88	94
– Profit share	17	19
– Contributions to retirement benefits	14	7
	119	120

6. SHARE-BASED PAYMENTS

Share Incentive Trust

In terms of the Share Incentive Trust, shares are offered on a combined option and deferred sale basis. Options vest over a period of five years. An agreement of deferred sale is automatically constituted on acceptance of the offer. All shares must be taken up by way of a purchase and delivery by no later than five years after the grant date. The exercise price of the option is not less than the market value of the ordinary shares on the day prior to the date of grant and the option is exercisable provided that the participant has remained in the Group's employ until the option vests. Should the participant resign before these vesting dates, the options will be forfeited. An exception may be made in the case of termination of employment as a result of death or retirement. Options are settled in equity once exercised and subsequently taken up.

In terms of a resolution passed at a shareholders' meeting on 12 January 1993, the directors are authorised to make available for the purposes of the scheme a maximum aggregate number of 136 470 068 ordinary shares (2008: 136 470 068), representing 15% of the issued share capital. The scheme exists for the directors and senior management of the Company with a limit of 15 400 000 shares which any one participant may acquire.

	2009	2008

6. SHARE-BASED PAYMENTS *(continued)*

The following assumptions were used in valuing the various option grants:

	2009	2008
Expected volatility	**18% to 24%**	18% to 24%
Risk-free interest rate	**8,19% to 8,54%**	8,19% to 8,54%
Expected dividend yield	**1,90% to 2,07%**	1,90% to 2,07%
Expected life (years)	**5,5**	5,5

The expected life of the options is based on historical data and expected future trends and is not necessarily indicative of exercise patterns that may occur. The expected volatility in 2009 of 18% to 24% reflects the assumption that the historical volatilities of 18% to 24% are indicative of future trends.

The fair value of the share options that were granted over the year to 30 June 2009 is Rnil (2008 Rnil). Included in the expenses in the profit and loss for the year is Rnil million (2008: R1 million) relating to the current year share option expense.

The following table illustrates the number and weighted average exercise prices of share options held by eligible participants including executive directors:

	2009		2008	
	Number of share options	**Weighted average exercise price (R)**	Number of share options	Weighted average exercise price (R)
At 1 July	**8 594 000**	**1,96**	9 284 000	1,98
New allocations made	**—**	**—**	—	—
Redeemed allocations	**(6 284 000)**	**1,81**	(360 000)	2,36
Forfeited allocations	**—**	**—**	(330 000)	2,09
Outstanding at 30 June	**2 310 000**	**2,39**	8 594 000	1,96
Average subscription price per share		**2,39**		1,96

The options outstanding at 30 June 2009 become unconditional on the following dates:

	Subscription price (R)	Number of shares
01 November 2009	2,39	2 310 000

Should the participant resign from the Group prior to the commencement dates as indicated above, the shares for options will not be awarded, payment will not be required and the options will be forfeited.

A breakdown of the share options in issue to executive and non-executive directors is given in the directors' report on page 33.

6. SHARE-BASED PAYMENTS *(continued)*

Black economic empowerment transaction

The Company issued 61 600 000 shares in terms of a black economic empowerment, or BEE, transaction on 11 February 2008. The shares were issued at R4,57 per share, which represented a discount of 17% to the volume weighted average price of the Company's shares over the month of March 2007. The transaction was funded by way of the Company subscribing to preference shares in the empowerment vehicles. These preference shares attract dividends at a rate of 70% of the prevailing prime interest rate. Any dividends paid on the Company's shares to the empowerment vehicles will be firstly used to fund the preference share dividends payable to the Company, and then to redeem a portion of the outstanding preference shares.

The BEE partners may not sell or otherwise encumber the shares for a period of seven years, after which the Company will have the pre-emptive right to reacquire the shares at 83% of the trade weighted average price at which the Company's shares traded on the JSE during the 10 trading days immediately preceding the date of purchase. The Company may force a repurchase of the shares after eight years have elapsed, again at 83% of the trade weighted average price at which its shares traded on the JSE during the 10 trading days immediately preceding the date of purchase. The cash proceeds from this sale will be used to settle any remaining obligations in terms of the preference shares.

For further details on this transaction, refer to the circular dated 20 June 2007.

The economic substance of this transaction is that the BEE partners have received a equity-settled call option over the Italtile Limited shares, which matures in eight years time. The cost of the transaction has been valued accordingly by using a Monte Carlo simulation model and using the following inputs:

Share price	R3,03
Exercise price	R4,57
Volatility	28%
Time to maturity	8 years
Risk-free interest rate	9,89%
Prime interest rate	13,21%
Dividend yield	2%

The model is not particularly sensitive to the risk-free and prime interest rate assumptions, as any change in the one would generally be offset by a change in the other. The predicted volatility is based on an analysis of the historic Italtile Limited share price volatility, over the last seven years.

The total cost of the transaction was determined as Rnil (2008: R25 million).

	2009 Rm's	2008 Rm's
7. FINANCE REVENUE		
Bank interest receivable	18	12
Income from investments:		
Dividends from unlisted equity investments	30	8
Total finance revenue (on a historical cost basis)	48	20
8. FINANCE COST		
Bank loans and overdraft	39	13
Finance charges payable under finance leases	1	1
Total finance cost (on a historical cost basis)	40	14

	2009 Rm's	2008 Rm's
9. TAXATION		
Current taxation		
– Normal tax	96	119
– Deferred tax	2	—
– Secondary tax on companies	11	9
	109	128
#Less than R1 million.		
Reconciliation of tax rate	%	%
Standard tax rate – South Africa	28,0	28,0
Adjusted for:		
Exempt income	(2,3)	(0,6)
Other permanent differences	0,8	2,0
Secondary tax on companies	3,0	2,2
Effective tax rate	29,5	31,6
10. EARNINGS PER SHARE		
Earnings per share and diluted earnings per share is based on the income attributable to ordinary shareholders of R257 million (2008: R275 million). The calculation of earnings per share is based on 794 550 273 (2008: 796 333 413) weighted average number of shares in issue during the period, excluding weighted average treasury shares. The calculation of diluted earnings per share is based on:		
Weighted average number of shares in issue for basic earnings per share	794 550 273	796 333 413
Potentially dilutive ordinary shares resulting from options outstanding	865 864	4 669 333
Weighted average number of shares for diluted earnings per share	795 416 137	801 002 746
88 000 000 share options in issue to BEE partners (refer to note 6) are anti-dilutive at the current share price levels and have been excluded from the diluted earnings weighted average number of shares		
11. HEADLINE EARNINGS PER SHARE		
Headline earnings per share (cents)	32,4	34,4
Diluted headline earnings per share (cents)	32,4	34,2
The calculation of headline and diluted headline earnings per share is based on the income attributable to ordinary shareholders – as used in the calculation for basic earnings, adjusted in terms of Circular 08/07, "Headline Earnings".		
Reconciliation of headline and diluted headline earnings		
Basic earnings	257	275
Profit/(loss) on sale of land and buildings	1	(2)
Gross amount	1	(2)
Taxation	—#	—#
Share attributable to minority shareholders	—	—
Headline and diluted headline earnings	258	273

#Less than R1 million.

		2009 Rm's	2008 Rm's
11.	HEADLINE EARNINGS PER SHARE *(continued)*		
	The calculation of headline earnings is based on 794 550 273 (2008: 796 333 413) weighted average number of shares in issue during the period, excluding weighted average treasury shares		
	The calculation of diluted headline earnings per share is based on:		
	– Weighted average number of shares in issue for headline earnings per share	794 550 273	796 333 413
	– Potentially dilutive ordinary shares resulting from options outstanding	865 864	4 669 333
	Weighted average number of shares for diluted headline earnings per share	795 416 137	801 002 746
	88 000 000 share options in issue to BEE options (refer to note 6) are anti-dilutive of the current share price levels and have been excluded from the diluted headline earnings weighted average number of shares		
12a	DIVIDENDS PAID IN THE CURRENT YEAR		
	Final 2008 – No 84		
	Paid 2009: 8 cents per share (2008: 6 cents)	64	49
	Interim 2009 – No 85		
	Paid 2009: 6 cents per share (2008: 4 cents)	43	35
	Total – 14 cents per share (2008: 10 cents per share)	107	84
12b	DIVIDENDS DECLARED WITH RELATION TO CURRENT YEAR PROFIT		
	Interim – No 85		
	6 cents per share (2008: 4 cents per share)	43	35
	Final – No 86		
	5 cents per share (2008: 8 cents per share)	40	64
	Total – 11 cents per share (2008: 12 cents per share)	83	99

	Land and buildings* Rm's	Plant and machinery Rm's	Vehicles Rm's	Aircraft Rm's	Computer equipment Rm's	Furniture and fittings Rm's	Total Rm's
13. PROPERTY, PLANT AND EQUIPMENT							
2009							
Owned and leased							
Beginning of year							
– assets at cost	795	37	8	—	19	132	991
– accumulated depreciation	(16)	(19)	(2)	—	(13)	(80)	(130)
– net book value	779	18	6	—	6	52	861
Current year movements							
– additions	57	7	2	31#	4	24	125
– disposals	(4)	(4)	(3)	—	(1)	(2)	(14)
– depreciation	(4)	(6)	(2)	(1)	(4)	(24)	(41)
– translation	(15)	(1)	—	—	—	(1)	(17)
Balance at end of year	813	14	3	30	5	49	914
Made up as follows:							
– assets at cost	827	42	6	31	20	149	1 075
– accumulated depreciation	(14)	(28)	(3)	(1)	(15)	(100)	(161)
– net book value	813	14	3	30	5	49	914

**Constituting owner- and related-party occupied properties.*
#Acquired through acquisition of subsidiary. Refer to note 28.

Buildings with a cost of R606 million were valued on 17 June 2008 by AJH Valuations CC, independent professional valuers, to a replacement value for existing use of R1,1 billion.

A register of the Group's land and buildings is available for inspection at the Company's registered office.

Certain property, plant and equipment is encumbered as stated in note 22. The net book value of furniture and fittings held under finance leases at 30 June 2009 was Rnil million (2008: R1 million). Additions during the year include Rnil (2008: Rnil) of furniture and fittings held under finance leases with R1 million (2008: R1 million) in depreciation and write downs. The net book value of aircraft held under finance lease at 30 June 2009 was R30 million. Additions during the year include R31 million (2008: Rnil) of aircraft held under finance lease with R1 million (2008: Rnil) in depreciation and write downs. Leased assets are pledged as security for the related finance lease. Refer to note 22 for further details.

	Land and buildings* Rm's	Plant and machinery Rm's	Vehicles Rm's	Computer equipment Rm's	Furniture and fittings Rm's	Total Rm's
13. PROPERTY, PLANT AND EQUIPMENT *(continued)*						
2008						
Owned and leased:						
Beginning of year						
– assets at cost	697	27	4	20	99	847
– accumulated depreciation	(9)	(16)	(1)	(11)	(57)	(94)
– net book value	688	11	3	9	42	753
Current year movements						
– additions	80	9	5	1	38	133
– disposals	(6)	—	(1)	—	(2)	(9)
– depreciation	(5)	(4)	(1)	(5)	(26)	(41)
– translation	22	2	—	1	—	25
Balance at end of year	779	18	6	6	52	861
Made up as follows:						
– assets at cost	795	37	8	19	132	991
– accumulated depreciation	(16)	(19)	(2)	(13)	(80)	(130)
– net book value	779	18	6	6	52	861

**Constituting owner- and related-party occupied properties.*

	2009 Rm's	2008 Rm's
14. AVAILABLE-FOR-SALE INVESTMENTS		
Unlisted		
Equity instruments – at cost	7	8
Directors' valuation of unlisted investments	7	8

All unlisted equity instruments have no reliable measure of fair value as there is no active trading market for these instruments, therefore these investments are carried at cost less accumulated impairment.

	2009 Rm's	2008 Rm's
15. LONG-TERM ASSETS		
Lease premiums		
Lease premiums paid in advance on land leases that have a duration of between 35 and 50 years.	9	9
16. GOODWILL		
Beginning of year		
– cost	6	4
– impairment	—	—
– net book value	6	4
Goodwill arising on increase in share in subsidiary	—	2
Balance at end of year	6	6
Made up as follows:		
– cost	6	6
– impairment	—	—
– net book value	6	6
17. DEFERRED TAXATION		
Deferred tax assets	3	6
Deferred tax liabilities	(2)	(3)
	1	3

The deferred tax balance is made up as follows:

	Opening balance Rm's	Charged through income statement Rm's	Closing balance Rm's
Deferred tax asset:			
Accruals	4	(2)	2
Property, plant and equipment	2	(1)	1
Deferred tax liability:			
Property, plant and equipment	(3)	2	(1)
Prepayments	—	(1)	(1)
Net deferred tax asset/liability	3	(2)	1

Deferred tax assets and liabilities are only offset when the income tax relates to the same legal entity or fiscal authority.

The tax rate applied to South African entities is 28% (2008: 28%) for normal taxation and 10% (2008: 10%) for STC. Australian entities are taxed at 30%.

	2009 Rm's	2008 Rm's
18. INVENTORIES		
Finished goods and merchandise	191	263
R4 million of inventory write down was reversed in the current year, whilst the expense in 2008 was less than R1 million. This reversal expense is included in the general and administration expenses line item on the face of the income statement.		
19. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables	92	92
Sundry debtors	44	44
	136	136

For terms and conditions relating to related-party receivables, refer to note 32.

Trade receivables are non-interest-bearing and are generally on 30-day terms.

The fair value approximates the carrying value due to the short-term nature of these balances.

As at 30 June 2009, trade receivables at nominal value of R4 million (2008: R1 million) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Individually impaired Rm's	Total Rm's
At 1 July 2007	2	2
Charge for the year	1	1
Utilised	(2)	(2)
Unused amounts reversed	—#	—#
At 30 June 2008	1	1
Charge for the year	3	3
At 30 June 2009	4	4

#Less than R1 million.

As at 30 June 2009, the ageing analysis of trade receivables is as follows:

			Past due		
	Total Rm's	Current (not impaired) Rm's	30 – 60 days Rm's	60 – 90 days Rm's	> 90 days Rm's
2009	92	90	2	—	—
2008	92	90	1	1	—#

#Less than R1 million.

Allowances have been raised on debt older than 90 days.

	2009 Rm's	2008 Rm's
20. CASH AND CASH EQUIVALENTS		
Cash at banks and on hand	**190**	129
Short-term deposits	**477**	152
	667	281

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.
The fair value approximates the carrying value due to the short-term nature of these balances.

	2009 Rm's	2008 Rm's
21. STATED CAPITAL		
Authorised		
3 300 000 000 ordinary shares of no par value		
Issued		
909 800 452 (2008: 909 800 452) ordinary shares of no par value	**417**	417
Number of shares in issue to external parties:		
Total shares in issue	**909 800 452**	909 800 452
Opening balance	**909 800 452**	821 800 452
Issued in terms of BEE transaction	**—**	88 000 000
Treasury shares: Share incentive trust	**(25 815 909)**	(27 976 931)
BEE transaction	**(88 000 000)**	(88 000 000)
In issue to external parties	**795 984 543**	793 823 521

All unissued shares are under the control of the directors until the next annual general meeting.

	2009 Rm's	2008 Rm's
22. INTEREST-BEARING LOANS AND BORROWINGS		
Finance leases		
Secured		
Rand		
This finance lease bears interest at prime less 2,25% per annum, with a residual value of R12 million. The lease terminates on 3 December 2012.		
Obligations under finance leases	15#	2
Current obligation included in accruals	(3)	(1)
Non-current obligations under finance leases	12	1
Secured		
Rand		
The loan bears interest at prime less 2,4% per annum, and is repayable on 9 April 2011. The loan is secured by a cession of all shares and claims in Allmuss Properties (Pty) Limited.	300	73
Foreign long-term loans		
Australian dollars		
Loans secured by a first mortgage over property that has a current value of R57 million, the first loan of R20 million bears interest at 8,4% per annum, and matures on 5 October 2012. The second loan of R9 million bears interest of 6,5% per annum, and matures on 31 October 2011.	29	24
	341	98
#Acquired through acquisition of subsidiary. Refer to note 28.		
The fair value of the long-term borrowings approximates the carrying value, as the current market rates of interest do not differ materially from those specified in the loan agreements.		
23. TRADE AND OTHER PAYABLES		
Trade payables	187	214
Accruals/other payables	51	62
	238	276
For terms and conditions relating to related parties, refer to note 31.		
Trade payables are non-interest-bearing and are normally settled on 30-day terms.		
Accruals/other payables are mostly non-interest-bearing and have an average term of three months.		
The fair value of all trade and other payables approximates the carrying value, due to the short-term nature of these balances.		

	2009 Rm's	2008 Rm's
24. JOINT VENTURE		
The Group has a 50% interest in SER Export s.p.a, a company incorporated in Italy.		
Impact on Group balance sheet		
Current assets	40	32
Non-current assets	13	10
Current liabilities (non-interest-bearing)	(32)	(27)
Impact on Group income statement		
Income	69	7
Expenses	(68)	(2)
Impact on Group cash flow statement		
Cash flow from operating activities	8	5
Cash outflow from investing activities	—#	(2)
Cash from financing activities	—	—
There are no significant contingent liabilities or commitments in respect of this joint venture for which the Group is responsible (2008: nil).		
25. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS		
Profit before taxation	369	405
Adjusted for:		
Depreciation	41	41
Profit/(loss) on sale of property, plant and equipment	1	(2)
Interest received	(18)	(12)
Dividends received	(30)	(8)
Interest paid	40	14
Share option expense	—	1
BEE share option expense	—	25
Working capital changes		
Decrease/(increase) in inventories	75	(38)
Increase in trade and other receivables	(1)	(43)
Decrease in trade and other payables	(35)	(56)
Cash generated from operations	442	327

#Less than R1 million.

	2009 Rm's	2008 Rm's
26. TAXATION PAID		
Amounts unpaid at beginning of year	(10)	(23)
Charged per income statement	(109)	(128)
Deferred tax expense	2	—#
Amounts unpaid at end of year	6	10
Amounts paid	(111)	(141)

#Less than R1 million.

	2009 Rm's	2008 Rm's
27. DIVIDENDS PAID		
Charged per statement of changes in equity	(107)	(84)
Dividends paid to minority shareholders	(4)	(1)
Amounts paid	(111)	(85)

28. SUBSIDIARIES

Majuba Aviation

On 31 March 2009, the Group acquired the full share capital and voting rights of Majuba Aviation (Proprietary) Limited, a company in the aviation industry.

The fair value of the identifiable assets and liabilities of Majuba Aviation (Proprietary) Limited as at the date of acquisition were:

	Fair value recognised on acquisition Rm's
Aircraft	31
	31
Finance lease liability	15
	15
Net assets	16
Total net assets acquired	16
Goodwill arising on transaction	—
Consideration, satisfied by cash	16
Cash flow on acquisition	
Cash paid	(16)
Net cash outflow	(16)

The accounting recognised in the 30 June 2009 financial statements was based on a fair value as the Group had sought an independent valuation for the aircraft owned by Majuba Aviation.

Italtile Retail

During the financial year, the Group restructured its Italtile store operations. It subscribed for additional shares in the subsidiary and a party outside the Group also subscribed for shares. As a result, Italtile Ceramic's shareholding decreased by R26 million to 55% while the minority interest now holds 45%. This transaction was accounted for in accordance with the accounting policy on accounting for transactions with minority interests.

	2009 Rm's	2008 Rm's
29. COMMITMENTS		
Capital commitments		
Capital expenditure for land and buildings, computer equipment and other fixed assets		
Contracted	23	41
Authorised but not contracted for	46	60
	69	101

Capital expenditure will be financed from own resources.

29. COMMITMENTS *(continued)*

Finance lease commitments

The Group has finance lease commitments for various items of furniture and fittings. The Group does have the option to purchase the assets at the end of the lease. There are no escalation clauses. Future minimum lease payments under finance leases, together with the present value of the minimum lease payments, are as follows:

	2009		2008	
	Minimum payments Rm's	Present value of payments (note 22) Rm's	Minimum payments Rm's	Present value of payments (note 22) Rm's
Within one year	3	3	1	1
After one year but not more than five years	12	12	1	1
Total minimum lease payments	15	15	2	2
Less amounts representing finance charges	(4)		(1)	
Present value of minimum lease payments	11		1	2

Operating lease commitments

Refer to note 5 for details of lease commitments.

30. EMPLOYEE BENEFITS

The Group participates in the Alexander Forbes Retirement Fund. This is an umbrella fund arrangement created for the provision of retirement benefits. The fund is a defined-contribution plan and is governed by the Pension Fund Act, 1956 (Act No 24 of 1956).

The financial position of the Alexander Forbes Retirement Fund (Provident Section): Italtile Limited is currently reviewed on a monthly basis. As at 30 June 2009, the fund was found to be in a sound financial position.

At 30 June 2009, 1 042 (2008: 947) employees of the Group and Franchises were members of the Fund, to which the Group contributed R14 million (2008: R9 million) and the employees Rnil (2008: R4 million).

The Fund is open to all permanent staff with their participation thereof being a condition of employment. Their dependants are eligible for death benefits accruing from the Fund in the event of the member's death.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise bank loans, finance leases and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets, such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Group enters into derivative transactions, primarily forward currency contracts. The purpose is to manage the currency risk arising from the Group's operations.

It is, and has been throughout 2009 and 2008, the Group's policy that no trading in derivates shall be undertaken.

The main risk arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the finance revenue generating ability of the Group's cash surplus and servicing of long-term loans due to floating interest rates. To manage this risk, management constantly review cash placements and contract in financial expertise to ensure preferential interest rates are obtained for surplus funding.

As part of the process of managing the Group's interest rate risk, interest rate characteristics of new borrowings are positioned according to expected movements in interest rates.

The Australian dollar denominated loans (refer to note 22) attract a fixed rate of interest whereas the Rand denominated loan and Rand finance lease bear interest at a floating rate. The following table demonstrates the Group's sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings). There is only an immaterial impact on the Group's equity. Full details of interest rates relating to borrowings are detailed in note 22.

Foreign currency risk

As a result of the Australian dollar denominated loan balance, the Group's balance sheet can be affected by movements in the Australian dollar/rand exchange rate. Due to the value of the loan any movements are unlikely to have a material effect on the results of the Group.

The Group has transactional currency exposures. Such exposure arises from purchases by an operating unit in currencies other than the unit's functional currency. Approximately 25% (2008: 35%) of cost of sales are denominated in the currencies other than the unit's functional currency. The Group requires all of its operating units to use forward currency contracts to eliminate the currency exposures on any individual transaction for which payment is anticipated on terms after the Group has entered into a firm commitment for a purchase, for which no letter of credit has been issued. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

It is the Group's policy not to apply hedge accounting.

At 30 June 2009, the Group had no significant forward exchange contracts.

Exchange rates utilised to convert financial information are as follows:

	2009		2008	
	Weighted average rate for the year	**Closing rate**	Weighted average rate for the year	Closing rate
Australian $: ZAR	**6,67:1**	**6,34:1**	6,56:1	7,66:1
Botswana Pula: ZAR	**1,24:1**	**1,18:1**	1,19:1	1,22:1
Euro: ZAR	**13,08:1**	**13,34:1**	9,67:1	10,04:1
Namibian $: ZAR	**1:1**	**1:1**	1:1	1:1

Credit risk

The Group trades only with recognised, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, and, where appropriate, credit guarantee insurance is purchased. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debs is not significant. The maximum exposure is the carrying amount as disclosed in note 19. There is no significant concentration of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds arising by using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g. accounts receivables, other available-for-sale investments) and projected cash flows from operations.

Adequate cash reserves are invested in a dividend income fund in order to match the repayment profile of the secured Rand loan.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and finance leases.

In terms of the Articles of Association the Company's borrowing powers are unlimited.

The table below summarises the maturity profile of the Group's financial liabilities at 30 June 2009, based on contractual undiscounted payments.

Year ended 30 June 2009

	On demand Rm's	Less than 3 months Rm's	3 to 12 months Rm's	1 to 5 years Rm's	> 5 years Rm's	Total Rm's
Interest-bearing loans and borrowings	—	—	—	341	—	341
Trade and other payables	—	208	30	—	—	238
	—	208	30	341	—	579

Year ended 30 June 2008

	On demand Rm's	Less than 3 months Rm's	3 to 12 months Rm's	1 to 5 years Rm's	> 5 years Rm's	Total Rm's
Interest-bearing loans and borrowings	—	—	1	97	—	98
Trade and other payables	—	229	47	—	—	276
	—	229	48	97	—	374

The Group has cash and cash equivalents of R667 million (2008: R281 million), and unutilised credit facilities of R138 million (2008: R138 million) in respect of which all conditions precedent had been met.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the year ended 30 June 2009 and 2008.

The Group's business model is such that the operations ensure a consistent cash flow. This source is used to find expansion and business growth. In addition the Group raised R300 million financing in the current financial year. This replaces a R73 million facility procured in 2008.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

The Group monitors capital using a gearing ratio which is defined as interest-bearing debt and borrowings as a percentage of equity attributable to the equity holders of the parent.

	2009 Rm's	2008 Rm's
Interest-bearing debt and borrowings	**341**	98
Equity attributable to the equity holders of the parent	**1 306**	1 158
Gearing ratio	**26%**	8%

In addition, consideration is given to black economic empowerment, or BEE. In 2008 the Group finalised a BEE transaction to sell 10,7% of the Group's ordinary share capital to a BEE consortium which includes Italtile's black staff. All conditions precedent were met on 22 February 2008 and 88 000 000 ordinary shares were issued. The BEE transaction fulfils an important component of Italtile's BEE strategy which was initiated with enterprise development and the introduction of black-owned franchisees, following which the Group met all its employment equity targets. With the achievement of these key elements of broad-based BEE, the Group is now well positioned to access segments of the market from which it was previously precluded.

32. RELATED-PARTY TRANSACTIONS

The Company is controlled by Rallen (Pty) Limited which owns 51,3% (2008: 51,2%) of its issued share capital. The Group purchases product from Rallen (Pty) Limited's subsidiary, Ceramic Industries Limited. In addition, the Company pays Rallen (Pty) Limited for directors' remuneration.

Other related parties listed are related due to the sharing of key management personnel.

All related-party transactions are concluded at arm's length. Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related-party receivables or payables. For the year ended 30 June 2009, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2008: Rnil) nor incurred any bad debt expense in the current year (2008: Rnil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Details of related-party transactions are as follows:

		Aggregate value of transactions		Balances owing at year-end	
Related party	Nature of transactions	2009 Rm's	2008 Rm's	2009 Rm's	2008 Rm's
Ceramic Industries Limited	Inventory purchases	**312**	429	**45**	54
Rabin and Associates	Legal services	**—**	10	**—**	—
Rallen (Pty) Limited	Management fees	**1**	1	**—**	—
Routledge Modise in association with Eversheds	Legal services	**1**	1	**—**	—

Key management personnel comprise only the Board of Directors. Remuneration paid to key management personnel of the Group is therefore detailed in the directors' report (refer to page 35). No balances were owing at year-end (2008: nil).

	Retail	Franchising	Property	Supply and support services	Group
33. SEGMENTAL REPORTING					
Primary segments					
2009					1 521
Group revenue					
Add:					
Other income					20
Add back:					
Interest and dividend received (excluded from segment revenue)					(48)
Revenue (external)	1 052	65	78	298	1 493
– Total	1 052	111	138	576	1 877
– Internal (with other segments)	—	(46)	(60)	(278)	(384)
Depreciation (non-cash item)					(41)
Other net (expenses)/income					(1 091)
Segment results	183	94	49	35	361
Net interest and dividends received					8
Group profit before taxation					369
Total segment assets	337	10	736	180	1 263
Deferred taxation					3
Cash and cash equivalents					667
Total Group assets					1 933
Total segment liabilities	111	5	39	83	238
Deferred taxation					2
Interest-bearing loans and borrowings					341
Taxation					6
Total Group liabilities					587
Cost of assets acquired	16	0	64	45	125

33. SEGMENTAL REPORTING *(continued)*

Primary segments

2008

	Retail	Franchising	Property	Supply and support services	Group
Group revenue					1 798
Add:					
Other income					22
Add back:					
Interest and dividend received (excluded from segment revenue)					(20)
Revenue (external)	1 333	60	62	345	1 800
– Total	1 333	158	144	856	2 491
– Internal (with other segments)	—	(98)	(82)	(511)	(691)
Depreciation (non-cash item)	(21)	—	(13)	(7)	(41)
Other net (expenses)/income	(1 059)	27	(12)	(316)	(1 360)
Segment results	253	87	37	22	399
Net interest and dividends received					6
Group profit before taxation					405
Total segment assets	322	59	654	248	1 283
Deferred taxation					6
Cash and cash equivalents					281
Total Group assets					1 570
Total segment liabilities	125	2	10	139	276
Deferred taxation					3
Interest-bearing loans and borrowings					98
Taxation					10
Total Group liabilities					387
Cost of assets acquired	58	—	70	5	133

33. SEGMENTAL REPORTING *(continued)*

Nature of business segments

Retail segment: Sells tiles, vitreous china sanitaryware and bathroom accessories to the public.

Franchise segment: Income and costs incurred with relation to maintaining and use of the brand names in the Group.

Property segment: Purchases and rents out properties from which retail operations and franchisees operate.

Supply and support services: Income and costs incurred in providing procurement, management and secretarial services.

	South Africa	Other countries	Group
Secondary segments			
2009			
Revenue – external sales	1 271	222	1 493
Total assets	1 650	283	1 933
Cost of assets acquired	93	32	125
2008			
Revenue – external sales	1 677	123	1 800
Total assets	1 379	191	1 570
Cost of assets acquired	89	44	133

Nature of geographical segments

South Africa: Includes the results of the operations and activities within the borders of South Africa.

Other countries: Includes the results of the operations and activities in Mauritius, Australia, Italy, Botswana, Kenya, Unganda, Zambia, Lesotho and Namibia.

Intersegmental transfer pricing

All intersegmental transactions are concluded at arm's length.

Company income statement

for the year ended 30 June 2009

	Note	2009 Rm's	2008 Rm's
Revenue	1	207	121
Dividend income – from subsidiaries	2	200	121
Dividend income – from special purpose entities	2	7	—#
Management fees		2	1
Expenses			
BEE share option expense	4	—	(25)
Impairment of available-for-sale financial asset	6 & 7	(168)	—
General and administration		(2)	(2)
Profit before taxation	3	39	95
Taxation	5	(11)	(9)
Profit for the year		28	86

#Less than R1 million.

Company balance sheet

at 30 June 2009

	Note	2009 Rm's	2008 Rm's
ASSETS			
Non-current assets		242	415
Available-for-sale investments	6	173	294
Loan to BEE trust	7	69	121
Current assets		207	139
Amounts owing by subsidiaries	8	205	138
Other receivables		—	1
Taxation		1	—
Cash and cash equivalents	9	1	—#
Total assets		449	554
EQUITY AND LIABILITIES			
Capital and reserves		448	547
Stated capital	10	417	417
Retained earnings		1	100
Share option reserve		30	30
Current liabilities		1	7
Amounts owing to subsidiaries		—	5
Other payables		1	2
Total equity and liabilities		449	554

#Less than R1 million.

Company statement of changes in equity

for the year ended 30 June 2009

Rm's	Note	Stated capital	Retained earnings	Share option reserve	Total
Balance at 30 June 2007		27	101	4	132
Total income and expense for the year			86		86
Profit for the year			86		86
Dividends paid	14		(87)		(87)
Equity share options: Share Incentive Trust	11			1	1
Equity share options: Share-based payments (BEE transaction)	4			25	25
BEE shares issued		402			402
BEE share issue expense		(12)			(12)
Balance at 30 June 2008		417	100	30	547
Total income and expense for the year			28		28
Profit for the year			28		28
Dividends paid	14		(127)		(127)
Equity share options: Share Incentive Trust	11			—#	—
Balance at 30 June 2009		417	1	30	448

#Less than R1 million.

Company cash flow statement

for the year ended 30 June 2009

	Note	2009 Rm's	2008 Rm's
Cash flows from operating activities			
Cash receipts from customers		2	1
Cash paid to suppliers and employees		(4)	(2)
Cash utilised by operations	12	(2)	(1)
Management fees received		2	1
Dividends received		207	121
Taxation paid	13	(12)	(9)
		195	112
Dividends paid	14	(127)	(87)
Net cash flows from operating activities		68	25
Cash flows from investing activities			
Purchase of available-for-sale investments		—	(281)
Loan granted to BEE share trust		—	(121)
Repayments of portion of BEE share trust loan		5	—
Net cash flows utilised by investing activities		5	(402)
Cash flows from financing activities			
Increase in stated capital		—	402
Share issue expenses relating to BEE transaction		—	(12)
Increase in amounts owing by subsidiaries		(72)	(32)
Net cash flows utilised/(generated) by financing activities		(72)	358
Movement in cash and cash equivalents for the year		1	(19)
Cash and cash equivalents at beginning of year		—	19
Cash and cash equivalents at end of year	9	1	—

Notes to the company financial statements

for the year ended 30 June 2009

		2009 Rm's	2008 Rm's
1.	REVENUE		
	Total revenue comprises:		
	Dividend income	207	121
		207	121
2.	DIVIDEND INCOME		
	Unlisted		
	Dividend income from subsidiaries	200	121
	Dividend income from special purpose entities	7	—#
		207	121
3.	PROFIT BEFORE TAXATION		
	Profit before taxation is stated after taking into account the following items:		
	Auditors' remuneration		
	– Audit fee	—#	—#
	– Taxation assurance, other services	—#	—#
	– Expenses	—#	—#
		—#	—#

#Less than R1 million.

4. SHARE-BASED PAYMENTS

Black economic empowerment transaction

The Company issued 61 600 000 shares in terms of a black economic empowerment, or BEE, transaction on 11 February 2008. The shares were issued at R4,57 per share, which represented a discount of 17% to the volume weighted average price of the Company's shares over the month of March 2007. The transaction was funded by way of the Company subscribing to preference shares in the empowerment vehicles. These preference shares attract dividends at a rate of 70% of the prevailing prime interest rate. Any dividends paid on the Company's shares to the empowerment vehicles will be firstly used to fund the preference share dividends payable to the Company, and then to redeem a portion of the outstanding preference shares.

The BEE partners may not sell or otherwise encumber the shares for a period of seven years, after which the Company will have the pre-emptive right to reacquire the shares at 83% of the trade weighted average price at which the Company's shares traded on the JSE during the 10 trading days immediately preceding the date of purchase. The Company may force a repurchase of the shares after eight years have elapsed, again at 83% of the trade weighted average price at which its shares traded on the JSE during the 10 trading days immediately preceding the date of purchase. The cash proceeds from this sale will be used to settle any remaining obligations in terms of the preference shares.

For further details on this transaction, refer to the circular dated 20 June 2007.

4. SHARE-BASED PAYMENTS *(continued)*

Black economic empowerment transaction *(continued)*

The economic substance of this transaction is that the BEE partners have received a equity-settled call option over the Italtile Limited shares, which matures in eight years time. The cost of the transaction has been valued accordingly by using a Monte Carlo simulation model, and using the following inputs:

Share price	R3,03
Exercise price	R4,57
Volatility	28%
Time to maturity	8 years
Risk-free interest rate	9,89%
Prime interest rate	13,21%
Dividend yield	2%

The model is not particularly sensitive to the risk-free and prime interest rate assumptions, as any change in the one would generally be offset by a change in the other. The predicted volatility is based on an analysis of the Company's historic share price volatility, over the last seven years.

The total cost of the transaction was determined as Rnil (2008: R25 million).

In addition 26 400 000 Italtile Limited shares were issued to the BEE trust. This trust will be responsible for making allocations based on the shares it holds, to all staff, but primarily to and for the benefit of black members of management and staff of the Group. These shares were issued at R4,57 per share and funded by way of a loan from the Company (refer to note 7). As at the year-end these shares have not yet been allocated to staff members.

	2009 Rm's	2008 Rm's
5. TAXATION		
Current taxation		
– Normal tax	—	—
– Deferred tax	—	—
– Secondary tax on companies	11	9
	11	9
Reconciliation of tax rate	%	%
Standard tax rate – South Africa	28,0	28,0
Adjusted for:		
Exempt income	(28,0)	(35,7)
Other permanent differences	—	7,7
Secondary tax on companies	7,5	9,5
Effective tax rate	7,5	9,5

		2009 Rm's	2008 Rm's
6.	AVAILABLE-FOR-SALE INVESTMENTS		
	Investment in subsidiaries		
	Unlisted ordinary shares at cost	13	13
	A list of subsidiaries appears on page 87.		
	These unlisted equity instruments represent investments in subsidiaries, therefore these investments are carried at cost less accumulated impairment.		
	Preference shares		
	Unlisted preference shares. The preference shares have been impaired down to their fair value. The value of the impairment was 121 million in the 2009 financial year.	160	281
		173	294
	The fair value of these unlisted shares approximates the carrying amount, as these instruments attract a floating rate of interest.		
7.	LOAN TO BEE TRUST		
	In order to raise funds necessary to purchase BEE shares (refer to note 4), the Company has funded the BEE trust by way of a loan. This loan accrues interest at the prime lending rate from time to time. Interest will start accruing once the Bee Trust starts issuing shares to employees.	69	121
	The loan to BEE Trust has been impaired down to its fair value. The value of the impairment was 47 million in the 2009 financial year.		
8.	AMOUNTS OWING BY SUBSIDIARIES		
	These amounts represent amounts owing by Italtile Ceramics Limited. These amounts are unsecured, carry no interest and there are no fixed terms of repayment. Outstanding balances are settled from time to time based on the cash flow requirements of the various entities.	205	138
	Due to the short-term nature of the balance the carrying amount approximates fair value.		
9.	CASH AND CASH EQUIVALENTS		
	Cash on hand	1	—
		1	—
	Cash at banks earns interest at floating rates based on daily bank deposit rates. The fair value approximates the carrying value due to the short-term nature of these balances.		

	2009 Rm's	2008 Rm's
10. STATED CAPITAL		
Authorised		
3 300 000 000 ordinary shares of no par value		
Issued		
909 800 452 (2008: 909 800 452) ordinary shares of no par value	417	417
All unissued shares are under the control of the directors until the next annual general meeting.		

11. SHARE INCENTIVE TRUST

In terms of the Share Incentive Trust, shares are offered on a combined option and deferred sale basis. Options vest over a period of five years. An agreement of deferred sale is automatically constituted on acceptance of the offer. All shares must be taken up by way of a purchase and delivery by no later than seven years after the grant date. The exercise price of the option is not less than the market value of the ordinary shares on the day prior to the date of grant and the option is exercisable provided that the participant has remained in the Group's employ until the option vests. Should the participant resign before these vesting dates, the options will be forfeited. An exception may be made in the case of termination of employment as a result of death or retirement. Options are settled in equity once exercised and subsequently taken up.

In terms of a resolution passed at a shareholders' meeting on 12 January 1993, the directors are authorised to make available for the purposes of the scheme a maximum aggregate number of 136 470 068 ordinary shares (2008: 136 470 068), representing 15% of the issued share capital. The scheme exists for the directors and senior management of the Company with a limit of 15 400 000 shares which any one participant may acquire.

The following assumptions were used in valuing the various grants:

	2009	2008
Expected volatility	18% to 24%	18% to 24%
Risk-free interest rate	8,19% to 8,54%	8,19% to 8,54%
Expected dividend yield	1,90% to 2,07%	1,90% to 2,07%
Expected life (years)	5,5	5,5

The expected life of the options is based on historical data and expected future trends and is not necessarily indicative of exercise patterns that may occur. The expected volatility in 2009 of 18% to 24% reflects the assumption that the historical volatilities of 18% to 24% are indicative of future trends.

The fair value of the share options that were granted over the year to 30 June 2009 is Rnil (2008: Rnil). Included in the expenses in the profit and loss for the year is Rnil (2008: R1 million) relating to the current year share option expense.

11. SHARE INCENTIVE TRUST *(continued)*

The following table illustrates the number and weighted average exercise prices of share options held by eligible participants including executive directors:

	2009 Number of share options	2009 Weighted average exercise price (R)	2008 Number of share options	2008 Weighted average exercise price (R)
At 1 July	8 594 000	1,96	9 284 000	1,98
New allocations made	—	—	—	—
Redeemed allocations	(6 284 000)	1,81	(360 000)	2,36
Forfeited allocations			(330 000)	2,09
Outstanding at 30 June	2 310 000	2,39	8 594 000	1,96
Average subscription price per share		2,39		1,96

The options outstanding at 30 June 2009 become unconditional on the following dates:

	Subscription price (R)	Number of shares
01 November 2010	2,39	2 310 000

Should the participant resign from the Group prior to the commencement dates as indicated above, the shares for options will not be awarded, payment will not be required and the options will be forfeited.

A breakdown of the share options in issue to executive and non-executive directors is given in the directors' report on page 33.

	2009 Rm's	2008 Rm's
12. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS		
Profit before taxation	39	95
Adjusted for:		
Dividends received	(207)	(121)
Management fee received	(2)	(1)
BEE share option expense	—	25
Impairment of available-for-sale financial asset	168	—
Working capital changes		
Decrease in other receivables	1	1
Decrease in other payables	(1)	—
Cash utilised by operations	(2)	(1)
13. TAXATION PAID		
Amounts prepaid at beginning of year	—	—
Charged per income statement	(11)	(9)
Deferred tax expense	—	—
Amounts prepaid at end of year	(1)	—
Amounts paid	(12)	(9)
14. DIVIDENDS PAID		
Charged per statement of changes in equity	(127)	(87)
Amounts paid	(127)	(87)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities, comprise loans given to subsidiary companies and the BEE trust. The Company's financial assets comprise cash and short-term deposits, which arise directly from its investments.

It is, and has been throughout 2009 and 2008, the Company's policy that no trading in derivatives shall be undertaken.

The main risk arising from the Company's financial instruments are cash flow interest rate risk, liquidity risk, and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the finance revenue generating ability of its cash surplus, due to floating interest rates. To manage this risk, management constantly review cash placements and contract in financial expertise to ensure preferential interest rates are obtained for surplus funding.

Credit risk

With respect to credit risk arising from the cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At year-end this exposure was R1 million (2008: Rnil). There is no provision for bad debts against this balance and no impairments recorded.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Company monitors its risk to a shortage of funds arising by using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets and projected cash flows from investments.

In terms of the Articles of Association the Company's borrowing powers are unlimited.

The Company has cash and cash equivalents of R1 million (2008: Rnil), and no credit facilities. All liabilities are current.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the year ended 30 June 2009 and 2008.

The Company monitors capital using liquidity ratio analysis.

In addition, consideration is given to black economic empowerment, or BEE. The Group finalised a BEE transaction to sell 10,7% of the Company's ordinary share capital to a BEE consortium which includes Italtile's black staff. All conditions precedent were met on 22 February 2008 and 88 000 000 ordinary shares were issued. The BEE transaction fulfils an important component of Italtile's BEE strategy which was initiated with enterprise development and the introduction of black-owned franchisees, following which the Group met all its employment equity targets. With the achievement of these key elements of broad-based BEE, the Group is now well positioned to access segments of the market from which it was previously precluded.

16. RELATED-PARTY TRANSACTIONS

The Company owns 100% of the issued share capital of Italtile Ceramics Limited and receives dividends and management fees from its subsidiary.

The Company receives preference share dividends from Four Arrow Investments 256 (Pty) Limited and Arrow Creek Investments 74 (Pty) Limited. These are special purpose entities set up as part of the BEE transaction.

The Company receives interest from the loan to the BEE Trust. This entity was set up by the Company's Board of Directors as part of the BEE transaction. No interest has been received or accrued as yet, as no shares have been issued by the BEE Trust as yet.

All related-party transactions are concluded at arm's length. Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related-party receivables or payables. For the year ended 30 June 2009, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2008: Rnil) nor incurred any bad debt expense in the current year (2008: Rnil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Details of related-party transactions are as follows:

		Aggregate value of transactions		Balance owing at year-end	
		2009	2008	2009	2008
Related party	Nature of transactions	Rm's	Rm's	Rm's	Rm's
Arrow Creek Investments 74 (Pty) Limited	Preference share dividends	3	—	68	120
Four Arrows Investments 256 (Pty) Limited	Preference share dividends	4	—	92	161
BEE Trust	Interest	—	—	69	121
Italtile Ceramics Limited	Dividends and management fees	202	122	205	133

Subsidiaries

	Issued share capital R	% held 2009	% held 2008	Book value of interest: Shares 2009 Rm's	Shares 2008 Rm's	Amounts owing to 2009 Rm's	Amounts owing to 2008 Rm's
Held by Italtile Limited							
RETAILING							
Italtile Ceramics Limited	36 383 618	100	100	1	1	145	133

	Issued share capital 2009 R	Issued share capital 2008 R	Effective % shareholding 2009	Effective % shareholding 2008
Held by subsidiaries				
FRANCHISING				
Italtile Franchising (Pty) Limited	1 000	1 000	100	100
Italtile Mauritius (Pty) Limited##	1 589	1 589	100	100
PROPERTY INVESTMENT				
Allmuss Properties (Pty) Limited	1 500	1 500	100	100
Allmuss (Botswana) (Pty) Limited###	4 651	4 651	100	100
Allmuss Properties Namibia (Pty) Limited ####	100	100	100	100
Allmuss Lesotho (Pty) Limited#####	1 000	1 000	100	100
Allmuss Properties Kenya Limited*	464 000	—	100	—
Allmuss Properties (Uganda) Limited**	5 825 590	—	55	—
Allmuss Properties Zambia Limited***	10 000	—	55	—
Emerald Sky Trading 736 (Pty) Limited	100	—	100	—
F. B. Ashman (Pty) Limited	100	100	100	100
Magnolia Ridge Properties 291 (Pty) Limited	100	—	100	—
SUPPORT SERVICES				
Cladding Finance (Pty) Limited	100	100	100	100
Earlyworks 191 (Pty) Limited	100	100	100	100
International Tap Distributors (Pty) Limited	200	200	79	79
Majuba Aviation (Pty) Limited	150	—	100	—
Penates Logistics (Pty) Limited	100	100	100	100
RETAILING				
Ceramic Tile Projects (Pty) Limited	1 000	—	100	—
CTM Kenya Limited*	464 000	—	55	—
Italtile Australia (Pty) Limited#	57 072 821	57 072 821	70,1	70,1
Italtile Retail (Pty) Limited	1 000	200	55	—
Italtile Zambia Limited***	10 000	100	55	100
Orban Investments 375 (Pty) Limited####	1 000	—	100	—

#Incorporated in Australia.
##Incorporated in Mauritius.
###Incorporated in Botswana.
####Incorporated in Namibia.
#####Incorporated in Lesotho.
**Incorporated in Kenya.*
***Incorporated in Uganda.*
****Incorporated in Zambia.*

ITALTILE Limited

Analysis of shareholders

Category of shareholder	Number of shareholders	Number of shares held	Shares held %
The Italtile Empowerment Trust	2	26 400 000	2,9
The Italtile Share Incentive Scheme	1	25 815 909	2,8
Individuals	379	93 569 637	10,3
Nominee shareholders	67	52 794 042	5,8
Companies and other corporate bodies	114	183 787 499	20,2
Directors	5	43 754 632	4,8
Associates to directors	2	483 678 733	53,2
Total	570	909 800 452	100,0

Concentration of holdings – number of shares	Number of shareholders	Number of shares held	Shares held %
1 – 5 000	242	446 916	0,1
5 001 – 20 000	131	1 507 407	0,2
20 001 – 100 000	99	4 711 058	0,5
100 001 – 1 000 000	57	20 494 971	2,2
Over 1 000 000	41	882 640 100	97,0
Total	570	909 800 452	100,0

Shareholders' spread

for the year ended 30 June 2009

Category of shareholder	Number of shareholders	Number of shares held	Shares held %
Directors	5	43 754 632	4,8
Associates of directors	2	483 678 733	53,2
The Italtile Share Incentive Trust	1	25 815 909	2,8
The Italtile Empowerment Trust	2	26 400 000	2,9
Total non-public shareholders	10	579 649 274	63,7
Public shareholders	560	330 151 178	36,3
Total	570	909 800 452	100,0

Major shareholders	Number of shares held	% interest in the issued share capital
Rallen (Pty) Limited	466 713 169	51,3
Old Mutual Group	82 619 471	9,1
Four Arrows Investments 256 (Pty) Limited#	35 200 000	3,8
Tommaso Altini Trust	35 908 600	4,00
	620 441 240	68,2

#BEE Special Purpose Entities.

Branch addresses

ITALTILE AND CTM BRANCH ADDRESSES

ITALTILE

Italtile Group Owned and Joint Venture Stores South Africa

Bryanston, Johannesburg

Corner William Nicol Drive
and Peter Place
Bryanston 2021
PO Box 1689, Randburg 2125
Tel: (011) 510-9000
Fax: (011) 510-9019

Menlyn, Pretoria

Adjacent to Menlyn Park
Shopping Centre
38 Palala Road
Ashlea Gardens
Pretoria
PO Box 35232
Menlo Park 0102
Tel: (012) 348-8700/1/2
Fax: (012) 348-3429
Fax: 086-518-7947

Nelspruit

18 Rapid Street
Riverside Industrial Park
Nelspruit 1200
PO Box 13040, Nelspruit 1200
Tel: (013) 752-8333
Fax: (013) 753-3362

Port Elizabeth

Corner Roshan Street and
N2 Freeway, Framesby
Port Elizabeth
PO Box 10973
Linton Grange 6025
Tel: (041) 360-4460
Fax: (041) 360-4470

Umhlanga

7 Tetford Crescent
Umhlanga Ridge
Umhlanga
PO Box 2474
Mount Edgecombe
Country Club 4301
Tel: (031) 566-5069
Fax: (031) 566-5090

Italtile Franchise Stores South Africa

Montague Gardens, Cape Town

Corner Koeberg and
Omuramba Roads
Montague Gardens
Cape Town
PO Box 713
Somerset West 7129
Tel: (021) 552-2101
Fax: (021) 552-2106

Somerset West

Corner N2 and R44 next to
Somerset Mall
Somerset West
P/Bag X15, Postnet Suite 174
Somerset West 7129
Tel: (021) 851-2170
Fax: (021) 852-7790

CTM Group Owned and Joint Venture Stores South Africa

Alberton

Dion Centre, St Austall Road
New Redruth Ext
PO Box 1689, Randburg 2125
Tel: (011) 869-0070
Fax: (011) 869-0084

Boksburg

Corner Northrand and
Trichardt Streets
Boksburg 1459
PO Box 1689, Randburg 2125
Tel: (011) 918-5858
Fax: (011) 894-3782

Brakpan

Corner Nossop and Ouhout
Streets
Dalpark, Extension 13
Brakpan
PO Box 1689, Randburg 2125
Tel: (011) 915-1754
Fax: (011) 915-5916
Fax: 086-508-1689

Centurion

Highway Business Park
Old Johannesburg Road
Rooihuiskraal
Centurion 0157
PO Box 1689, Randburg 2125
Tel: (012) 661-2196/7/8/9
Fax: 086-555-0550

Dobsonville

301 Roodepoort Road
Mmesi Park
Dobsonville 1863
PO Box 1689, Randburg 2125
Tel: (011) 988-6789
Fax: (011) 988-6726

Durban

41B Intersite Avenue
Umgeni Business Park
Springfield
PO Box 40571, Red Hill 4071
Tel: (031) 263-1470/2/3
Fax: (031) 263-1475

East London

Corner Main and
Fitchett Streets
Amalinda
East London
PO Box 12836, Amalinda
East London 5252
Tel: (043) 741-1360
Fax: (043) 741-1369

Ladysmith

83A Murchison Street
Ladysmith 3370
PO Box 1689, Randburg 2125
Tel: (036) 631-0056/7
Fax: (036) 631-1619

Menlyn, Pretoria

Adjacent to Menlyn Park
Shopping Centre
38 Palala Road
Ashlea Gardens
Pretoria
PO Box 1689, Randburg 2125
Tel: (012) 365-3070/1/2
Fax: (012) 365-3080
Fax: 086-518-7947

Montana

Corner Taaifontein and
Caliandra Roads
Montana Park
Pretoria
PO Box 1689, Randburg 2125
Tel: (012) 548-3555
Fax: (012) 548-4009

Paarl

Corner Textile and
Lady Grey Streets
Paarl 7646
PO Box 1689, Randburg 2125
Tel: (021) 871-1902/3/4
Fax: (021) 871-1907

Pretoria

Corner Michael Brink Street
and Hendrik Verwoerd Drive
Innesdale
Pretoria
PO Box 1689, Randburg 2125
Tel: (012) 335-3308
Fax: (012) 335-3323

Prospecton

2 B Prospecton Road
Prospecton, Durban
PO Box 26311
Isipingo Beach 4115
Tel: (031) 902-9230
Fax: (031) 902-9234

Route 24 (Edenvale)

198 Herman Road
Meadowdale, Edenvale
PO Box 1689, Randburg 2125
Tel: (011) 453-0320
Fax: (011) 453-7443

Somerset West

Somerset West Business Park
Delson Circle
Somerset West
PO Box 224, Somerset West
7129
Tel: (021) 851-7110
Fax: (021) 851-7117

Southgate

20 Rifle Range Road
Ridgeway
(Next to Southgate Mall)
Southgate
PO Box 1689, Randburg 2125
Tel: (011) 494-4496
Fax: (011) 494-5000

Strijdompark

1 Arbeid Street
Strijdompark
PO Box 1689, Randburg 2125
Tel: (011) 792-4136
Fax: (011) 792-4138

Tembisa

1, Erf 4859, Isimuku Street
Birch Acres Ext
Tembisa
PO Box 1689, Randburg 2125
Tel: 084-585-9348
Fax: 086-508-1640

Trichardt

12 Paul Kruger Street
Trichardt, 2300
PO Box 6985, Secunda 2302
Tel: (017) 638-0403/4
Fax: (017) 638-0445

Vaal

Corner Johannesburg and
Leeuwenhoek Streets
Vereeniging 1930
PO Box 1689, Randburg 2125
Tel: (016) 422-7456
Fax: (016) 422-7350/54

Westgate

Corner C R Swart and
Ontdekkers Roads
Wilropark
PO Box 1689, Randburg 2125
Tel: (011) 768-5758/0416/7
Fax: (011) 768-1969

Windhoek

No. 3 Andimba Toivo Ya Toivo
Street, Southern Industria
Windhoek
PO Box 40480, Ausspannplatz,
Windhoek
Namibia
Tel: 00264 61 255318/9
Fax: 00264-61-235479

Worcester

10 Park Close
Worcester 6850
PO Box 767, Worcester 6849
Tel: (023) 347-4869
Fax: (023) 342-4808

CTM Franchise Stores South Africa

Bethlehem

Mullerstraat Oos 19
Hospitaalheuwel
Bethlehem 9701
PO Box 2638
Bethlehem 9700
Tel: (058) 303-0065/6
Fax: (058) 303-8517

Botshabelo

No. 1 Blue Street
Botshabelo 9781
PO Box 34654, Faunasig
Bloemfontein 9325
Tel: (051) 534-8899
Fax: (051) 534-8991
Fax: 086-508-1639

Bloemfontein

Corner Curie and Pasteur
Avenue, Showgate
PO Box 34654, Faunasig
Bloemfontein 9325
Tel: (051) 430-4967
Fax: (051) 447-7532
Fax: 086-508-1638

Brackenfell

Paradys Street
Brackenfell 7560
PO Box 3974, Durbanville 7551
Tel: (021) 981-4576
Fax: (021) 981-6750

Brits

Hendrik Verwoerd Avenue
Brits 0250
Postnet Suite 160
Private Bag x0001
Ifafi 0260
Tel: (012) 250-3034/66
Fax: (012) 250-2991
Fax: 086-508-1655

Burgersfort

281 Katania Street
Burgersfort 1150
PO Box 3171, Nelspruit 1200
Tel: (013) 231-7968
Fax: (013) 231-7687

Empangeni

Corner John Ross and
Tanner Road
Empangeni 3880
PO Box 8696, Empangeni
Station 3901
Tel: (035) 772-5250/1
Fax: (035) 772-5253

George

Corner Knysna Road and
Fourth Street
George East 6529
PO Box 12231, Garden Route
Mall, George 6546
Tel: (044) 871-1021/2
Fax: (044) 871-1048

Groblersdal

09 Eind Street Corner
Van Riebeck and Canal
PO Box 1641
Groblersdal 0470
Tel: (013) 262-5416
Fax: (013) 262-3976

Hermanus

Corner Skulphoek and
Adam Roads, Sandbaai
Hermanus
PO Box 1622, Sandbaai
Hermanus 7200
Tel: (028) 313-1199
Fax: (028) 313-2928

Kimberley

Pniel Road No 7
Kimberley 8301
PO Box 194, Kimberley 8301
Tel: (053) 831-4230
Fax: (053) 831-4232

Klerksdorp

Corner Bishop Desmond Tutu
and Jo Slovo
Klerksdorp 2571
PO Box 966, Klerksdorp 2570
Tel: (018) 464-1222/1999
Fax: (018) 462-2729
Fax: 086-576-6105

Lonehill

152 Capricorn Road
Paulshof 2062
PO Box 922, Petervale 2151
Tel: (011) 467-6357/8
Fax: (011) 467-6362

Louis Trichardt

Limpopo Street No. 1
Corner Limpopo and
Commercial Road
Louis Trichardt
PO Box 4200,
Louis Trichardt 0920
Tel: (015) 516-2779/0279
Fax: (015) 516-2777

Mafikeng

Corner Nelson Mandela Drive
and 1st Avenue
Industrial Sites
Mafikeng 2745
PO Box 23274, Mafikeng 2745
Tel: (018) 381-1073/0509
Fax: (018) 381-0504

Middelburg (Mpumalanga)

No 1 Meyer Street
Middelburg
PO Box 830, Middelburg 1050
Tel: (013) 282-2420/30
Fax: (013) 282-2425

Mokopane (Potgietersrus)

43 Thabo Mbeki Street
Potgietersrus
Mokopane
PO Box 4749, Mokopane 0600
Tel: (015) 491-1368
Fax: (015) 491-3912

Montague Gardens

Koeberg Road
Montague Gardens 7945
PO Box 1179, Milnerton 7435
Tel: (021) 552-2999
Fax: (021) 552-3049

Mossel Bay

8 Bolton Road, Voorbaai
Mossel Bay
PO Box 2058, Mossel Bay 6500
Tel: (044) 695-1141
Fax: (044) 695-0284

Branch addresses

continued

Mthatha (Umtata)
73 Nelson Mandela Drive
Umtata
PO Box 52550, Umtata 5099
Tel: (047) 532-6850
Fax: (047) 532-6868
Fax: 086-622-7652

Nelspruit
18 Rapid Street
Riverside Industrial Park
Nelspruit 1200
PO Box 3171, Nelspruit 1200
Tel: (013) 755-2006
Fax: (013) 755-1434

Newcastle
81 Scott Street
Newcastle
PO Box 20543, Newcastle
2940
Tel: (034) 315-5145/6
Fax: (034) 315-5147

Phuthaditjhaba
115, Mohale Street
Phuthaditjhaba Area 3
Tel: (058) 713-6183/93
Fax: (058) 713-6178

Pietermaritzburg
116 Victoria Road
Pietermaritzburg 3201
Tel: (033) 342-9701
Fax: (033) 342-7330

Pinetown
56 Old Main Road
Pinetown
PO Box 1924, Westville 3630
Tel: (031) 702-3701
Fax: (031) 702-3706

Potchefstroom
Corner Nelson Mandela Drive
and Landdros Steyn Streets
Potch Industria
PO Box 1660, Potchefstroom
2520
Tel: (018) 294-3011/12
Fax: (018) 294-3013

Plettenberg Bay
Theron Street
Plettenberg Bay
Industrial Area
PO Box 1931, Plettenberg Bay
6600
Tel: (044) 533-5829
Fax: (044) 533-5916

Polokwane (Pietersburg)
64 Hoof Street, Superbia
Polokwane
PO Box 31281, Superbia 0759
Tel: (015) 292-0001/5
Fax: (015) 292-1529

Port Elizabeth
1 Archie Close
Corner Chase Drive and
Keeton Street
Young Park, Port Elizabeth
PO Box 3788, Northend
Port Elizabeth 6056
Tel: (041) 456-4691
Fax: (041) 456-4683

Port Shepstone (South Coast)
1 Oscar Nero Road, Marburg
Port Shepstone
PO Box 2533, Port Shepstone
4240
Tel: (039) 682-1601
Fax: (039) 682-1762

Queenstown
123 Cathcart Road
Queenstown 5320
PO Box 687, Queenstown 5320
Tel: (045) 838-5376/7/8
Fax: (045) 838-5011

Rustenburg
8 Korokoro Street
Waterfall East
Postnet Suite 4529
Private Bag X82323
Rustenburg 0300
Tel: (014) 592-1205/6/7
Fax: (014) 592-1203
Fax: 086-508-1694

Springs
3 Lead Road, New Era
Springs
PO Box 9410, Elsburg 1407
Tel: (011) 817-1336
Fax: (011) 813-3922

Thohoyandou
102 Main Street
Thohoyandou 0950
PO Box 1700, Sibasa 0970
Tel: (015) 962-5401
Fax: (015) 962-5462

Tokai
Corner Vans and Tokai Roads
Tokai 7945
Tel: (021) 715-8506
Fax: (021) 715-8569

Tzaneen
Corner Sapekoe Avenue and
Claude Wheadly Drive
Tzaneen
PO Box 1297, Tzaneen 0850
Tel: (015) 307-4039/44
Fax: (015) 307-4049

Umhlanga
7 Tetford Crescent
Umhlanga Ridge
Durban
PO Box 2474, Mount
Edgecombe
Country Club 4301
Tel: (031) 566-3340
Fax: (031) 566-3341

Upington
Corner Le Roux and
Swartmodder Streets
Upington 8801
PO Box 1735, Upington 8800
Tel: (054) 331-2577/79
Fax: (054) 331-2575

Vredenburg
20 Saldanha Road
Vredenburg
PO Box 1318
Vredenburg 7380
Tel: (022) 715-1180/1/2
Fax: (022) 715-1105

Vryburg
Corner Stella and
Moffat Streets
Vryburg
PO Box 1093, Vryburg 8600
Tel: (053) 927-6875/3591
Fax: (053) 927-6876

Welkom
Corner Koppie Alleen and
Constantia Roads
PO Box 98, Welkom 9460
Tel: (057) 396-3371/2
Fax: (057) 396-4818

Witbank
No. 2 Vanderbijl Street
Witbank
PO Box 13150, Leraatsfontein
1035
Tel: (013) 690-2874/6
Fax: (013) 690-2878

NAMIBIA

Oshakati
Erf 5640, Main Road
PO Box 3044, Oshakati
Namibia
Tel: 00264 652 31190/5
Fax: 00264-652-31176

Swakopmund
Sudring and Moses-Garoeb
Street
Swakopmund
PO Box 2196, Swakopmund
Namibia 9000
Tel: 00264 644 64148
Fax: 00264-644-64124

LESOTHO

Maseru
Plot No 12282-077
Moshoeshoe Road
Industrial Area, Maseru
Lesotho
Private Bag A248, Maseru
Lesotho 0100
Tel: 00266 22 327 457
Fax: 00266-22-327-458
Fax: 086-508-1681

UGANDA

Uganda
Plot 171/177, 6th Street
Industrial Area
Kampala
PO Box 25202, Kampala
Uganda
Tel: 00256 312 261 888
Fax: 00256 312-261-889

SWAZILAND

Matsapha
No. 3 King Maswati III Avenue
Matsapha, Swaziland
PO Box 1095, Matsapha
Swaziland
Tel: 00268 518 4061
Fax: 00268-518-4048

Mbabane
Plot 940, Mshini Road
Sidwashini, Mbabane
PO Box 1095, Matsapha
Swaziland
Tel: 00268 422 1720
Fax: 00268-422-1721

BOTSWANA

Francistown
Plot 31248
Somerset Industrial
Francistown
PO Box 1285, Francistown
Botswana
Tel: 00267 241 5590
Fax: 00267-244-0065

Gaborone
Plot 53609, Unit 5, Gaborone
West Industrial
Botswana
PO Box 25033, Gaborone
Botswana
Tel: 00267 393 3770
Fax: 00267-393-3771

Palapye
Plot 304, New Industrial Sites
Palapye
PO Box 11791, Pota, Palapye
Botswana
Tel: 00267 490 0430
Fax: 00267-490-0429

TANZANIA

Arusha – CTM (EA) LTD
Shop 6A – TFA Shopping
Complex
PO Box 10802, Arusha
Tanzania
Tel: 00255 27 254 8015
Fax: 00255 27-254-8145

Dar es Salaam Airport (Main) Store – CTM (EA) LTD
Plot 115, Nyerere Road
PO Box 79085
Dar es Salaam
Tanzania
Tel: 00255 22 286 3916
Fax: 00255-22-286-5692

Dar es Salaam (Mwenge Store) – CTM (EA) LTD
Plot 109, Mikocheni Light
Industrial Area
PO Box 79085
Dar es Salaam
Tanzania
Tel: 00255 22 270 0602
Fax: 00255-22-286-5692

KENYA

Kenya
Mombasa
Malindi Road
Plot MN1/301/3102
Nyali
Mombasa
Kenya
PO Box 95787, Kenya
Tel: 00254 2020-3828/9
Fax: 00254-2020-38526

AUSTRALIA

Sydney – New South Wales

CTM Beresfield
2 Birraba Avenue, Beresfield
NSW2322
Tel: 00612 4966-0166
Fax: 00612-4966-0677

CTM Blacktown
Shops 8 and 9 Homebase
Shopping Center
19 Stoddart Road, Prospect
NSW 2148
Tel: 00612 9688-4528
Fax: 00612-9688-4918

CTM Brookvale
734 – 736 Pittwater Road
Brookvale
NSW 2100
Tel: 00612 9939-3090
Fax: 00612-9939-3313

CTM West Gosford
297 Manns Road
West Gosford
NSW 2250
Tel: 00612 4322-8377
Fax: 00612-4322-8399

CTM Lansvale
286 Hume Highway, Lansvale
NSW 2166
Tel: 00612 9724-0141
Fax: 00612-9724-5219

Brisbane – Queensland

CTM Canon Hill
1881 Creek Road
Canon Hill
QLD 4170
Tel: 00617 3395-6774
Fax: 00617-3395-8661

CTM Springwood
3439 Pacific Highway
Slacks Creek
QLD 4127
Tel: 00617 3208-3472
Fax: 00617-3208-2918

CTM Strathpine
114 Gympie Road
Strathpine
QLD 4500
Tel: 00617 3889-8666
Fax: 00617-3889-8142

TOPT CASH & CARRY

Lenasia/Lawley
Main Lawley Road, Lenasia
PO Box 1689, Randburg 2125
Tel: (011) 857-1232/1249
Fax: (011) 857-1556

TOPT FRANCHISE STORES

Benoni
Corner Amphill and
Wistead Road
Benoni
PO Box 1689, Randburg 2125
Tel: (011) 845-3081
Fax: (011) 845-3175

Oudtshoorn
60 Jones Street
Oudtshoorn
PO Box 1689, Randburg 2125
Tel: (044) 272-2217/8
Fax: (044) 272-2281

Polokwane (Pietersburg)
79 Mandela Drive
Polokwane
PO Box 31281, Polokwane
0759
Tel: (015) 292-3841
Fax: (015) 292-3842

Roodepoort
Corner Anvil and
Granville Streets
Robertville
PO Box 1689, Randburg 2125
Tel: (011) 674-2134
Fax: (011) 674-3306

Rustenburg
115 Leyds Street
Postnet Suite 4529
Private Bag X82323
Rustenburg 0030
Tel: (014) 597-2701
Fax: (014) 597-3056

Uitenhage
103 Durban Road
Uitenhage
PO Box 3788, North End
Port Elizabeth 6056
Tel: (041) 922-0676
Fax: (041) 922-0678

Vanderbijlpark
Rabie Street, CE6
Vanderbijlpark
PO Box 1120, Vereeniging
1930
Tel: (016) 933-1951/2
Fax: (016) 933-1955

Administration and offices

ITALTILE LIMITED
Incorporated in the Republic of South Africa
Listed on the JSE Limited

Registration number	1955/000558/06
JSE share	ITE
ISIN code	ZAE000003679
Company Secretary	E J Willis
Registered office	The Italtile Building Cnr William Nicol Drive and Peter Place Bryanston, 2021
Postal address	PO Box 1689, Randburg, 2125
Telephone number	+27 (0) 11 510-9050
Fax number	+27 (0) 11 510-9061

Transfer secretaries	Computershare Investor Services (Proprietary) Limited 70 Marshall Street Johannesburg, 2001
Sponsor	Barnard Jacobs Mellet
Legal advisors	Derek H Rabin & Associates (Pty) Limited and Routledge Modise in Association with Eversheds
Bankers	Nedbank Limited
Auditors	Ernst & Young Inc.
Website	http://www.Italtile.com

ITALTILE Limited

Shareholders' diary

Financial year-end		June
Annual general meeting		November
Reports		
Interim half-year to December		February
Preliminary profit announcement		August
Annual financial statements		September
Dividends		
Interim dividend	Declared	February
	Paid	March
Final dividend	Declared	August
	Paid	September

Notice to shareholders

Italtile Limited
(Incorporated in the Republic of South Africa)
(Registration No 1955/000558/06)
("the Company" or "Italtile")
JSE code: ITE
ISIN code: ZAE000003679

This document is important and requires your immediate attention.

If you are in any doubt as to the action you should take, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, legal advisor, accountant or other professional advisor immediately.

Notice is hereby given that the 21st annual general meeting of shareholders of Italtile will be held at Zenzele Park, cnr Likewaan and Dr. Vosloo street, Bartlett ext 40, Boksburg, on Friday, 27 November 2009 at 09:00, for the following purposes:

ORDINARY BUSINESS

1. To receive, consider and adopt the annual financial statements for the year ended 30 June 2009 of the Company and the Group, together with the reports of the directors and auditors.
2. To re-elect G P E Ravazzotti as a director, who is retiring by rotation in terms of the Articles of Association of the Company and, being eligible, offers himself for re-election.
3. To re-elect G K A Morolo as a non-executive director, who is retiring by rotation in terms of the Articles of Association of the Company and, being eligible, offers himself for re-election.
4. To re-elect P D Swatton as a director, who is retiring by rotation in terms of the Articles of Association of the Company and, being eligible, offers himself for re-election.
5. To approve the appointment of Ms S M du Toit who was apointed to the Board on 6 March 2009.

   A brief cirruculum vitae in respect of these directors is contained on page 28 of this annual report.
6. To reappoint Ernst & Young Inc. as auditors of the Company to hold office for the ensuing year until the conclusion of the next annual general meeting.
7. To authorise the audit committee to fix the remuneration of the auditors.
8. To approve the director's remuneration paid to the directors of the Company for the year ended 31 June 2009, as set out on page 35 of the financial statements.

SPECIAL BUSINESS

In addition, shareholders will be requested to consider and, if deemed fit, to pass the following resolution with or without amendment:

RESOLUTIONS

Ordinary resolution number 1

"Resolved that all the authorised but unissued ordinary shares in the capital of the Company, be and are hereby placed at the disposal and under the control of the directors, and that the directors be and are hereby authorised to allot, issue and otherwise to dispose of all or any of such shares at their discretion, in terms of and subject to the provisions of the Companies Act, 1973 (Act No 61 of 1973), as amended and the Listings Requirements of the JSE Limited and subject to the proviso that the aggregate number of ordinary shares which may be allotted and issued in terms of this ordinary resolution number 1, shall be limited to 10% (ten percent) of the number of ordinary shares in issue from time to time".

A majority of the votes cast by all shareholders present or represented by proxy at the annual general meeting, will be required to approve this resolution.

Special Resolution number 1 – Buy-back of shares

"Resolved, as a special resolution, that the Company be given a mandate providing authorisation, by way of a general approval, to acquire the Company's own securities, upon such terms and conditions and in such amounts as the directors may from time-to-time decide, but subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), as amended, (the Act), the Company's Articles of Association and the Listings Requirements of the JSE Limited (JSE), and subject to the following terms and conditions:

- Any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;

- At any point in time, the Company may only appoint one agent to effect any repurchase;
- This general authority be valid until the Company's next annual general meeting, providing that it shall not extend beyond 15 (fifteen) months from date of passing of this special resolution (whichever period is shorter);
- An announcement be published as soon as the Company has cumulatively repurchased 3% of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- Repurchases by the company in aggregate in any one financial year not exceed 20% of the company's issued share capital as at the date of passing of this special resolution or 10% of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company.
- Repurchases may not be made at a price geater than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the transactions was effected;
- Repurchases may not be undertaken by the company or one of its wholly owned subsidiaries during a prohibited period and may also not be undertaken if they will impact negatively on shareholder spread as required by the JSE: and
- The Company may not enter the market to proceed with the repurchase of its ordinary shares until the Company's sponsor has confirmed the adequacy of the Company's working capital for the purpose of undertaking a repurchase of shares in writing to the JSE. The directors are of the opinion that, after considering the effect of the maximum repurchase permitted and for a period of 12 months after the date of this annual general meeting.
- The Company will be able, in the ordinary course of business, to pay its debts;
- The assets of the Company will be in excess of the liabilities of the Company, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual Company financial statements;
- The working capital of the Company will be adequate for ordinary business purposes; and
- The share capital and reserves are adequate for the ordinary business purposes of the Company.

The effect of the special resolution and the reason therefore is to extend the general authority given to the directors in terms of the Act and the Listings Requirements of the JSE for the acquisition by the Company of its own securities, which authority shall be used at the directors' discretion during the course of the period so authorised.

In terms of the Listings Requirements of the JSE, the following disclosures are required with reference to the general authority to repurchase the Company's securities set out in the special resolution above, some of which are set out elsewhere in the annual report of which this notice forms part.

Directors – refer page 28.

Major shareholders of the Company – refer page 89.

Directors' interests in the Company's securities – refer page 33.

Share capital – refer page 87.

Litigation statement

The directors of the Company, whose names are given on page 28 of this annual report, are not aware of any legal or arbitration proceedings, pending or threatened against the Company, which may have or have had, in the 12 months preceding the date of this notice, a material effect on the Company's financial position.

Directors' responsibility statement

The directors, whose names are given on page 28 of this annual report, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there

Notice to shareholders

continued

are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report contains all the information required by law and the JSE Listings Requirements.

Material change

Other than the facts and developments reported on this annual report, there have been no material changes in the affairs, financial or trading position of the Company since the signature date of this annual report and the posting date thereof.

Shares held by the Company as treasury shares and the Italtile Share Incentive Trust will be excluded from the quorum and voting on the resolutions commissioned at the AGM.

VOTING AND PROXIES

A shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy or proxies to attend, speak and vote in his or her stead. A proxy need not be a shareholder of the Company. For the convenience of registered shareholders of the Company, a form of proxy is enclosed herewith.

The attached form of proxy is only to be completed by those shareholders who are:

- holding Italtile ordinary shares in certificated form; or
- recorded on the electronic subregister in 'own name' dematerialised form.

Shareholders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and their CSDP or broker.

Forms of proxy must be lodged with the transfer secretaries of the Company at the address given below, by no later than 15:00 on Wednesday, 25 November 2009. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the AGM.

Holders of dematerialised Italtile shares wishing to attend the annual general meeting must inform their CSDP or broker of such intention and request their CSDP or broker to issue them with the relevant authorisation to attend.

By order of the Board

E J Willis
Company Secretary

Johannesburg
18 September 2009

Form of proxy

Italtile Limited
(Incorporated in the Republic of South Africa)
(Registration No 1955/000558/06)
("the Company" or "Italtile")
JSE code: ITE
ISIN code: ZAE000003679

ONLY TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH 'OWN NAME' REGISTRATION

For use at the annual general meeting of the holders of ordinary shares in the Company (Italtile shareholders) to be held at Zenzele Park, cnr Likewaan and Dr Vosloo street, Bartlett Ext 40, Boksburg, on Friday, 27 November 2009 at 09:00.

Italtile shareholders who have dematerialised their shares through a CSDP or broker must not complete this form of proxy but must provide their CSDP or broker with their voting instructions, except for Italtile shareholders who have elected 'own name' registration in the subregister through a CSDP or broker. It is these shareholders who must complete this form of proxy and lodge it with the transfer secretaries.

Holders of dematerialised Italtile shares wishing to attend the annual general meeting must inform their CSDP or broker of such intention and request their CSDP or broker to issue them with the relevant authorisation to attend.

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, vote and speak in his/her/its stead at the annual general meeting. A proxy need not be a member of the Company.

I/We (Name in block letters)

of (address)

being a member(s) of the Company, and entitled to votes do hereby appoint

of or, failing him/her

of or, failing him/her

the chairman of the annual general meeting, as my/our proxy to represent me/us at the annual general meeting, which will be held at Zenzele Park, cnr Likewaan and Dr Vosloo street, Bartlett Ext 40, Boksburg, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name (see note 2 overleaf) as follows:

	For	Against	Abstain
1. To adopt the Group annual financial statements for the year ended 30 June 2009			
2. To re-elect G P E Ravazzotti as director			
3. To re-elect G K A Morolo as a non-executive director			
4. To re-elect P D Swatton as director			
5. To confirm the appointment of S M du Toit as director			
6. To reappoint Ernst & Young Inc. as auditors			
7. To authorise the audit committee to fix the auditors' remuneration			
8. To approve the directors' remuneration			
9. Ordinary resolution number 1 – To place the unissued shares of the Company under the control of the directors			
10. Special resolution number 1 – Buy-back of shares			

and generally to act as my/our proxy at the said annual general meeting. (Indicate with an "X" or the relevant number of votes, in the applicable space, how you wish your votes to be cast. If no directions are given, the proxy holder will be entitled to vote or to abstain from voting as that proxy holder deems fit.)

Signed at on 2009.

Signature of member(s) Assisted by (where applicable)

Please read the notes on the reverse side hereof.

Notes to the form of proxy

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space(s) provided, with or without deleting "chairperson of the annual general meeting", but any such deletion or insertion must be initialled by the shareholder. Any insertion or deletion not complying with the aforegoing will be declared not to have been validly effected. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names that follow. In the event that no names are indicated, the proxy shall be exercised by the chairperson of the annual general meeting.
2. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" or the relevant number of votes exercisable by that shareholder in the appropriate box provided. An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded, may not exceed the maximum number of votes exercisable by the shareholder or by his/her proxy.
3. To be effective, completed proxy forms must be lodged with the Company's registrars or at the registered office of the Company not less than 48 hours (excluding Saturdays, Sundays and public holidays) before the time appointed for the holding of the annual general meeting. As the annual general meeting is to be held at 09h00 on 27 November 2009, proxy forms must be lodged on or before 15:00 on 25 November 2009.
4. The completion and lodging of this proxy form will not preclude the relevant shareholder attending the annual general meeting and speaking and voting in person thereat instead of any proxy appointed in terms hereof.
5. The chairperson of the annual general meeting may reject or accept any proxy form which is completed and/or received other than in compliance with these notes.
6. Any alteration to this proxy form, other than a deletion of alternatives, must be initialled by the signatories.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative or other legal capacity must be attached to this proxy form unless previously recorded by the Company or its registrars or waived by the chairperson of the annual general meeting.
8. Where there are joint holders of shares:
   8.1 any one holder may sign the proxy form; and
   8.2 the vote of the senior shareholder (for that purpose seniority will be determined by the order in which the names of the shareholders appear in the Company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.

The style. The passion.



CELEBRATING 40 YRS OF ITALIAN PASSION