Notes to the financial statements
for the year ended 30 June 2025

1. ACCOUNTING POLICIES

1.1 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with and comply with IFRS Accounting Standards, its interpretations issued by the International Accounting Standards Board ("IASB"), International Financial Reporting Interpretations Committee ("IFRIC"), the Listings Requirements of the JSE ("the JSE Listings Requirements"), the requirements of the Companies Act, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

1.2 Basis of preparation

The consolidated and separate financial statements are prepared on the historical cost basis, except for certain assets and liabilities that have been measured at fair value. The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements.

1.3 Standards and interpretations

1.3.1 IFRS Accounting Standards and amendments effective for the first time for June 2025 year-ends

Number	Effective date	Executive summary
Amendments to IAS 1, 'Presentation of Financial Statements' – Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. The impact is not material to the Group.
Amendment to IFRS 16, 'Leases' – sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The impact is not material to the Group.
Amendments to Supplier Finance Arrangements (IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosure')	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. The impact is not material to the Group.

Notes to the financial statements continued
for the year ended 30 June 2025

1. ACCOUNTING POLICIES continued
1.3 Standards and interpretations continued
1.3.2 IFRS Accounting Standards and amendments issued but not effective

Number	Effective date	Executive summary
Amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates' – Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. As the Group does not trade in territories where foreign currency is not exchangeable into another currency, the impact is not considered material to the Group.
Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" – Classification and Measurement of Financial Instruments	Annual periods beginning on or after 1 January 2026 (Published May 2024)	These amendments: • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest ("SPPI") criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance ("ESG") targets); and • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income ("FVOCI"). The impact is not expected to material to the Group as the amendments have been considered in the financial assets at fair value through profit and loss note.
IFRS 18, 'Presentation and Disclosure in Financial Statements'	Annual periods beginning on or after 1 January 2027 (Published April 2024)	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. Many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. Management is assessing the impact of the potential changes in disclosure.
IFRS 19, 'Subsidiaries without Public Accountability'	Annual periods beginning on or after 1 January 2027 (Published May 2024)	The objective of IFRS 19 is to provide reduced disclosure requirements for subsidiaries, with a parent that applies the Accounting Standards in its consolidated financial statements. IFRS 19 is a voluntary Accounting Standard that eligible subsidiaries can apply when preparing their own consolidated, separate or individual financial statements. As this set of financial statements is the consolidated Group results, this amendment will not be applicable to the consolidated set of Financial Statements.

1. ACCOUNTING POLICIES continued

1.4 Judgements and estimates

The preparation of financial statements in conformity with IFRS Accounting Standards 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 reporting 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 following:

Inventory obsolescence provision

The Group determines whether there is obsolete inventory on a continuous basis. This requires an estimation of the expected future saleability of inventory items based on historical experience, an analysis of market and fashion trends and a review of the ageing of the inventory items. Details pertaining to carrying values and write-offs are provided in note 21.

Classification of leased land and buildings

Underpinning the retail network is an extensive property portfolio. The Group derives important strategic advantage by supporting its brands with high-profile prime sites that ensure stores are easily accessible, well presented and maintained, and contribute to an aspirational shopping experience. The Group leases certain properties it owns to its franchisees. The leased properties do not generate cash flows largely independently of other assets of the Group, as rental income is directly linked to the franchise agreement and does not account for the significant portion of income generated from the franchise agreement.

In determining whether these properties are classified as investment property or property, plant and equipment, the Group considers the following factors:

- As part of the franchise agreement, a franchisee enters into a lease agreement with the Group for the property from which it will operate its business. As a result, the lease agreement is considered to be part of the franchise agreement rather than a standalone lease agreement;
- Rental income is based on a percentage of the turnover generated by the franchisee; and
- The leased property also facilitates the generation of other franchise income for the Group, including royalty income through the use of trademarks; IT fees through the use of IT infrastructure; and other operational-related fees such as human resource fees. These income streams are based on turnover generated by the franchisee.

The above considerations indicate that the Group retains significant exposure to the variation in the cash flows generated by the operations of the properties. As such, these leased properties are accounted for as property, plant and equipment.

Residual values and useful lives of buildings

The Group depreciates its buildings to estimated residual values over an estimated useful life. These estimates are reviewed annually by the Group at each reporting period with reference to expected usage of the buildings, expected physical wear and tear, and current market values. Details of residual values and useful lives are disclosed in note 1.11.

Impairment of tangible and intangible assets

The Group evaluates the carrying value of assets with finite useful lives when events and circumstances indicate that the carrying value may not be recoverable and when there are indicators of impairment. These assets (notes 13, 15 and 16) are tested annually for impairment and more frequently when events or circumstances indicate that there may be impairment.

Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model. The assumptions and models used are disclosed in note 6.

Control of franchisees

The Group does not include franchised stores in its consolidated results as it has assessed its rights over franchised stores to be protective in nature (to preserve the franchised brands), with the holder of the franchise rights (the franchisees) having the ability to direct the franchised store operations and activities. In addition, financial support to franchisees over and above arm's length trading terms for supply of product and services is limited, as is the Group's exposure to variability of returns and profitability of the franchised stores (franchise fees are not dependent on the returns made by franchisees).

Notes to the financial statements continued
for the year ended 30 June 2025

1. ACCOUNTING POLICIES continued

1.5 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 Empowerment Trust, the Retention Trust, the Foundation Trust and the Italtile Staff Share Scheme Trust.

Subsidiaries are those companies in which the Group has the power to exercise control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power of the investee. The results of subsidiaries are included from the effective dates of acquisition, being the dates on which the Group obtains control, until the dates that control ceases. The identifiable assets and liabilities of companies acquired are assessed and included in the statement of financial position at their fair values as at the effective dates of acquisition.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intragroup balances, transactions, unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

All entities controlled by the Group maintain consistent accounting policies and have the same year-end.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the parent. Non-controlling interests are not fair valued post-acquisition.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

1.6 Business combinations and goodwill

New acquisitions are included in the Group's financial statements using the acquisition 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 over the Group's share of 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 statement of financial position 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 ("CGUs") expected to benefit from the acquisition. Impairment is determined by assessing the recoverable amount of the CGU, to which the goodwill relates.

Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of the CGU 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 CGU which is retained.

Common control reserve

Common control transactions are accounted for using the pooling of interest method with the difference between the carrying amount and consideration recognised in a separate reserve in equity. A business combination is a common control combination if the combining entities are ultimately controlled by the same party (or parties), both before and after the combination.

1. ACCOUNTING POLICIES continued

1.7 Investment in subsidiaries (as accounted for on an entity level within the Group)

Investment in subsidiaries is 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 indicators at every reporting date. Where necessary, the value of the investment is impaired to the greater of the fair value less costs of disposal or the value in use.

The difference between the net proceeds on disposal and the carrying amount of investments is charged to profit or loss in the statement of comprehensive income.

1.8 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

The classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets that are equity instruments or instruments traded on the open market:

- Mandatorily at fair value through profit or loss.

Financial assets that are debt instruments:

- Amortised cost
  This classification applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows; or
- Mandatorily at fair value through profit or loss
  This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through comprehensive income; or
- Designated at fair value through profit or loss
  This classification option can be applied when it eliminates or significantly reduces an accounting mismatch.

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss
  This applies to contingent consideration in a business combination or to liabilities that are held for trading; or
- Designated at fair value through profit or loss. This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss.

Note 36 (financial instruments and risk management) presents the financial instruments held by the Group based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

a. Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 23.1).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. The Group initially recognises trade and other receivables on the date that they originated. The trade and other receivables are measured initially at their transaction price, if at initial recognition of the trade and other receivable the Group expects to receive payment within one year or less from the date that the goods were transferred for the customer. All other trade and other receivables are initially measured at fair value plus transaction costs.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal payments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Notes to the financial statements continued
for the year ended 30 June 2025

1. ACCOUNTING POLICIES continued
1.8 Financial instruments continued
a. Trade and other receivables continued

Application of the effective interest method

For receivables that contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in finance income when applicable.

Impairment

The Group recognises a loss allowance for expected credit losses ("ECLs") on trade and other receivables at an amount equal to lifetime expected credit losses ("lifetime ECLs"), which represents the ECLs that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate. The customer base is diverse with significantly different loss patterns for different customer segments. The Group aggregates customer segments which share similar credit risk characteristics for purposes of determining the credit loss allowance.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in profit or loss as a movement in credit loss allowance.

Write-off policy

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in trade and other receivables (note 23.1) and the financial instruments and risk management note (note 36).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

b. Cash and cash equivalents

Cash comprises cash on hand and deposits held on call with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are initially and subsequently measured at fair value.

c. Amounts owing by subsidiary

The amounts owing by a subsidiary in the separate financial statements of the Company are repayable on demand and classified as a financial asset subsequently measured at amortised cost as a result. These amounts are initially recorded at fair value and details related to credit risk and impairment are provided in note 23.2.

d. Trade and other payables

Classification

Trade and other payables (note 27) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Trade and other payables are recognised when the Group becomes a party to the contractual provisions and are measured, at initial recognition, at fair value net of transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 8).

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 36 for details of risk exposure and management thereof.

1. ACCOUNTING POLICIES continued

1.8 Financial instruments continued

d. Trade and other payables continued

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period.

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

e. Derecognition

Financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

f. Reclassification

Financial assets

The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model that necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.9 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 profit or loss. Consideration received or paid with regards to treasury shares is recognised in equity.

1.10 Foreign currencies

The consolidated and separate financial statements are presented in Rand, 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 by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences, including tax effects, are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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 reporting date;
- Statement of comprehensive income items at a weighted average rate for the period;
- Cash flow items at a weighted average rate for the period; and
- Equity items at the appropriate historical rate.

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

Notes to the financial statements continued

for the year ended 30 June 2025

1. ACCOUNTING POLICIES continued

1.11 Property, plant and equipment

All buildings are carried at cost less accumulated depreciation and accumulated impairment, if any. A valuation to open-market value for existing use is done every three years for impairment assessment purposes.

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

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:

	Useful life	Residual value
• Buildings	5% to 10%	80%
• Plant and machinery	6,66% to 25%	zero
• Vehicles	20% to 25%	zero
• Computer equipment	20% to 33,3%	zero
• Furniture and fittings	16,6% to 33,3%	zero

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Land and capital work in progress is not depreciated.

Computer equipment, computer software, furniture and fittings are included as part of office equipment and are depreciated over three to five years.

Capital work in progress has a useful life and a residual value of zero as it is not yet ready for its intended use.

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 CGU's fair value less costs of disposal 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 of disposal, an appropriate valuation model is used. All repairs and maintenance are recognised in the statement of comprehensive income as incurred.

Impairment losses of continuing operations are recognised in the statement of comprehensive income 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 statement of comprehensive income.

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 statement of comprehensive income in the year the asset is derecognised.

1.12 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. In the event a sale is not concluded within one year, management will assess whether the non-current asset still meets the criteria to be held for sale. In its assessment, management will consider if the delay in sale is due to developments outside the entity's control, and if management still considers the sale as highly probable and the asset continues to be available for immediate sale in its current condition.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. A non-current asset is not depreciated while it is classified as held for sale.

1. ACCOUNTING POLICIES continued

1.13 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software has a finite useful life and is subsequently carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of the computer software over its estimated useful life (three years). Costs associated with the maintenance of existing computer software programs are expensed as incurred.

1.14 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 the estimated cost of completion and costs necessary to make the sale. Cost is determined on a weighted average cost method and excludes cash discounts, rebates and relevant indirect taxes.

Manufacturing

Cost includes expenditure incurred in acquiring, manufacturing and transporting the inventory to its present location. Manufacturing costs include an allocated portion of production overheads, which are directly attributable to the cost of manufacturing such inventory. The allocation is determined based on the normal production capacity.

Cost is determined as follows:

- Raw materials – weighted average
- Finished product and trading goods – weighted average

Aged and discontinued finished goods, slow-moving consumable stores and obsolete raw materials are identified on a regular basis and are written down to their estimated net realisable value.

1.15 Taxes

Current income tax

Current income tax assets and liabilities 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 at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Current tax items relating to other comprehensive income are recognised in other comprehensive income or directly in equity.

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 reporting date.

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 reporting 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 outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Offset of tax assets and liabilities

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied on the same entity by the same tax authority.

Notes to the financial statements continued
for the year ended 30 June 2025

1. ACCOUNTING POLICIES continued

1.15 Taxes continued

Value added tax ("VAT")

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

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT 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 VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the statement of financial position.

Dividend withholding tax

Dividend withholding tax is imposed on shareholders at a rate of 20% on the receipt of dividends, and is withheld and paid to taxation authorities by the Company paying the dividend. By election, the Group is exempt from dividend withholding tax on its dividend receipts, except for certain consolidated entities which hold treasury shares. The dividend withholding tax for such entities is included in the Group's taxation expense.

1.16 Leases

The Group recognises a right-of-use asset and lease liability in the statement of financial position at commencement of the lease.

The lease liability is measured at the present value of lease payments not paid at commencement date. The Group uses the rate implicit in the lease and if that cannot be determined, the incremental borrowing rate at inception of the lease to discount lease payments. Lease payments include all fixed payments per contract, variable payments linked to an index or rate, any amounts expected to be payable under a residual guarantee and the purchase price if the entity is reasonably certain it will exercise the option to purchase.

The Group subsequently measures the lease liability using the effective interest rate method. The lease liability is remeasured if there is a change in the variable payments linked to an index or rate, if the Group changes its assessment of whether or not it will exercise the option to purchase or option to renew the agreement, or if there is a change in the estimated amount payable under a residual value guarantee. The right-of-use asset is adjusted with the corresponding adjustment to the extent that the balance is reduced to zero, thereafter the adjustments are recognised in profit or loss.

The lease liability is represented as a separate line item in the statement of financial position.

The right-of-use asset is measured initially at cost which comprises the initial amount of the lease liability plus any lease payments made on or before commencement date, plus any direct cost incurred and an estimate of cost to dismantle or restore the underlying asset, less any lease incentives.

The right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If the lease agreement contains an option to purchase the asset at the end of the lease term and the Group is reasonably certain that it would exercise the purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Depreciation is recognised in profit or loss and presented as part of operating expenses. The right-of-use assets are reviewed at each reporting date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether there is any indication of impairment. They are also adjusted for any remeasurements of the lease liability or modifications of the agreement.

The right-of-use asset is presented as a separate line in the statement of financial position.

Short-term leases and low-value assets

The Group has elected not to recognise a right-of-use asset and lease liability for all short-term leases with a lease term of 12 months or less and all low-value assets. The lease payments of these leases are recognised on a straight-line basis over the lease term.

1. ACCOUNTING POLICIES continued

1.17 Employee benefits

Retirement benefits

Current contributions to the retirement benefit plan are charged against profit or loss as services are rendered by the employee.

Short-term benefits

The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service. Liabilities for employee entitlements to wages, salaries and leave represent the amount that the Group has a present obligation, as a result of employee services provided to the reporting date, to the extent that such obligation can be reliably estimated. The accruals have been calculated at discounted amounts based on current wage and salary rates.

Full-time employees of the Group are entitled to a profit incentive payment based on the performance of the Group. The Group thus has a present obligation as a result of the employee services provided in the reporting period, to the extent that such obligation can be reliably estimated. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

1.18 Equity participation plans

Selected employees, including directors, of the Group receive remuneration in the form of share awards, whereby they render services in exchange for rights over shares. The cost of share awards is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using option-pricing models, further details of which are given in note 6. In valuing the share awards, 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 awards is recognised, together with a corresponding increase in shareholders' equity, over the vesting period ending on the date on which the service conditions are fulfilled and the employees become fully entitled to take up the share awards. The cumulative expense recognised for share awards granted at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of share awards 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 awards that will ultimately vest. No expense is recognised for share awards that do not ultimately vest.

The cost of the share awards is recognised over the vesting period ending on the date on which the service conditions are fulfilled. The schemes have been classified as an equity-settled share-based payment. The recipient of the award shall be the registered and beneficial holder from the date of transfer of such shares. Where a share award is forfeited due to vesting conditions not being satisfied, the unvested portion of the awards will be transferred back to the Group.

Where the terms of the share awards are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is 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 award is forfeited prior to vesting, any expense previously 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 award is substituted for the cancelled share award, and designated as a replacement share award on the date that it is granted, the cancelled and new share awards are treated as if they were a modification of the original grant, as described above.

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

1.19 Dividends paid

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

Notes to the financial statements continued
for the year ended 30 June 2025

1. ACCOUNTING POLICIES continued

1.20 Investment in associates and joint ventures

The Group's investment in its associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

The Group's investment in joint venture is accounted for using the equity method where the Group does not exercise power to govern its financial and operating decisions. The joint venture is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate and joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates and joint venture. Goodwill relating to the associates and joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Profit or loss in the statement of comprehensive income reflects the share of the results of operations of the associates and joint venture in profit or loss. Any change in other comprehensive income of the associates and joint venture is presented as part of the Group's other comprehensive income. Where there has been a change recognised directly in the equity of the associates or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates and joint venture are eliminated to the extent of the interest in the associates and joint venture.

The share of profit of an associate and joint venture is included in profit or loss. This is the profit attributable to equity holders of the associates and joint venture and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates and joint venture.

The financial statements of the associates and joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or joint venture and its carrying value and recognises the amount in profit or loss.

Upon loss of significant influence over the associates or joint venture, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associates or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

1.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

1. ACCOUNTING POLICIES continued

1.22 Revenue from contracts with customers

Group

Revenue is recognised when the Group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the Group expects to be entitled to in exchange for these goods or services, allocated to each specific performance obligation. Revenue is measured at the fair value of consideration received or receivable.

Turnover

Revenue from the sale of goods, or turnover, comprises sales to customers through its owned stores and the Group's supply arrangements. Goods comprise tiles, bathroomware and related products. All turnover is stated exclusive of value added tax.

Turnover is recognised at a point in time when the Group transfers control of goods to its customer at the point of sale and is measured at the fair value of consideration received or receivable, net of trade discounts. Discounts to customers are deducted from turnover. Payment of the transaction price in respect of sale of goods is due immediately when the customer purchases goods and takes delivery.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Company

Dividend income

Dividend income is the main source of income, earned in the ordinary course of business. The Company recognises the dividends received from its investment as revenue.

Management fee

The Company charges its wholly owned subsidiary a management fee for services rendered by its Board and other related services. The management fees are recognised at a point in time when the services have been rendered.

1.23 Other income

Royalty and franchise income

The Group earns royalties and other franchise income from its network of franchised stores. Income from franchisees, calculated as a percentage of the sale of goods by franchisees through their point of sale to their customers, in accordance with the substance of the relevant franchise agreement, is recognised at a point in time as franchisee income when the sale that gives rise to the income takes place.

Finance income

Interest income is recognised over time as it accrues in the statement of comprehensive income, using the effective interest rate method, by reference to the principal amounts outstanding and at the interest rate applicable. Dividend income is recognised when the shareholder's right to receive payment is established.

Property rental income

Property rental income comprises variable rent payments received by the Group based on a contractual percentage of monthly franchisee turnover.

2. DEFINITIONS

2.1 Turnover

Turnover represents net sales to customers, excluding value added tax and other revenue and income from franchisees.

2.2 Cost of sales

Cost of sales is calculated as the weighted average cost of inventory, including distribution costs incurred in bringing the inventory to the retail locations, net of rebate income and settlement discounts.

In the manufacturing divisions, cost of sales is inclusive of depreciation and employee costs as these are directly related to the cost of manufacture of inventories.

2.3 Cash and cash equivalents

Cash comprises cash on hand and deposits held on call with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.4 Treasury shares

Shares in Italtile Limited held by the entities and trusts controlled by the Group.