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

6. SHARE-BASED PAYMENTS

Black Economic Empowerment ("BEE") transactions

Various BEE transactions in prior years have resulted in the founding of the Italtile and Ceramic Foundation Trust and the Italtile Empowerment Trust.

The objective of the Italtile and Ceramic Foundation Trust is to carry on one or more public benefit activities as determined by its trustees from time to time for the benefit of the Foundation Trust beneficiaries. At least 85% of all distributions made by the Foundation Trust will be for the benefit of black people.

The Italtile Empowerment Trust remained dormant until implementation of the Italtile Staff Share Scheme in 2014, which is detailed further below in this note.

On 22 August 2019, the Company entered into a subscription and relationship agreement with Yard Investment Holdings (Pty) Ltd ("Yard") and K2019313036 (South Africa) (RF) (Pty) Ltd, a wholly owned subsidiary of Yard ("Yard SPV"), in terms of which Yard SPV subscribed for 26,4 million ordinary shares in Italtile for an aggregate cash subscription amount of R313 million. Net of transaction costs, proceeds totalled R304 million. This transaction has enhanced Italtile's BEE ownership credentials. This general issue of shares was priced at R11,82 per share.

As Italtile Limited receives BEE credentials as a result of entering into this transaction (in which shares were issued at a discount) and the consideration for the shares was partially funded by a shareholder and related party of the Company, the transaction falls within the scope of IFRS 2. This resulted in a once-off expense of R39 million on recognition of the related share-based payment reserve in FY2020.

Share Appreciation Rights Scheme

During FY2011, a share appreciation rights scheme was adopted by the Company, in accordance with which selected directors and employees of the Group are entitled to receive notional share awards based on the increase in share price from grant date price. These awards vest as follows:

- 25% after three years and 75% after five years; and
- The exercise price is determined in accordance with the rules of the scheme.

The plan has been classified as an equity-settled share-based payment scheme and is fair valued on each grant date using a modified Black-Schöles model. The following assumptions and inputs were used in valuing the notional awards on grant dates for awards still in issue at year-end or which vested during the year:

Grant date	31 August 2020	14 December 2020	31 August 2021	31 August 2022	31 August 2023
Notional share award	4 312 500	500 000	3 300 000	650 000	300 000
Grant price	R12,29	R14,58	R16,60	R14,77	R12,29
Interest rate:					
zero yield curve*	5,28%#	5,05%#	5,83%#	8,10%#	8,19%#
Dividend yield	2,50%	2,43%	2,32%	2,45%	2,74%
Volatility**	33,42%	34,52%	34,59%	35,48%	35,43%

** Source: Standard Bank.*
 # Five-year rate used.
*** Five-year annualised daily historical share price volatility.*

The movement in the number of awards during the year is as follows:

	Number of awards	
	2025	2024
At 1 July	**7 534 375**	9 618 750
Awarded during the year	**–**	300 000
Vested and exercised during the year	**–**	–
Forfeited during the year	**(2 006 250)**	(2 384 375)
At 30 June	**5 528 125**	7 534 375

The weighted average vesting period of awards outstanding at year-end is 0,81 years (2024: 1,49 years).

The fair value of the unvested awards granted on 30 June 2025 was R23 million (2024: R25 million).

Included in the expenses in the profit and loss for the year is R6 million (2024: R7,6 million) relating to the current year share-based payment expense for this scheme.

6. SHARE-BASED PAYMENTS continued

Staff Share Scheme

During FY2014, the Group implemented a share incentive scheme for all employees of the Group and its franchisees that had been in the employ of the Group and/or franchise network for a period of three uninterrupted years at each allotment date in August every year from the implementation date. The eighth allotment of shares in the previous scheme, granted in 2020, vested on 31 August 2023. A total of 110 employees qualified for the vesting, of which none opted to retain the shares, and hence received the net value of the awards in cash. This resulted in a decrease in treasury shares of 1 419 798 shares. This scheme is discontinued.

The movement in the number of awards during the year is as follows:

	Number of awards	
	2025	2024
At 1 July	**–**	2 763 345
Awarded during the year	**–**	–
Vested and exercised during the year	**–**	(1 419 798)
Forfeited during the year	**–**	(1 343 547)
At 30 June	**–**	–

Included in the expenses in the profit and loss for the prior year was R0,5 million share-based payment expense for this scheme. No accelerated once-off charge was recorded in the prior year as there were no new allotments made since FY2023.

Italtile Retention Scheme

The Italtile Retention Scheme replaces the Executive Retention Plan.

The scheme is an additional mechanism, over and above the SARS, to retain and reward selected employees and directors.

In terms of this scheme, awards are made to selected directors and employees, which are linked to shares held by the Italtile Retention Trust, with dividend and voting rights on these shares passing to the selected director or employee.

The awards have a five-year retention period and the number of shares, which vest and transfer to participants, is dependent on the achievement of certain performance targets. These performance targets include HEPS growth, return on invested capital and individual performance targets.

The movement in the number of awards during the year is as follows:

	Number of awards	
	2025	2024
At 1 July	**7 645 000**	6 500 000
Awarded during the year	**7 350 000**	1 145 000
Forfeited during the year	**(400 000)**	–
At 30 June	**14 595 000**	7 645 000

The scheme has been classified as an equity-settled share-based payment scheme and is valued on grant date using the market value of the related shares on allocation of awards to participants. The market value of awards issued to participants in the current year on grant date was R87 million (2024: R14 million). Included in expenses in the profit and loss for the year is R0,6 million (2024: R21,8 million) relating to the current year share-based payment expense for the scheme. The decrease in expense year-on-year is attributable to the decrease in the vesting probability of outstanding awards.

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

6. SHARE-BASED PAYMENTS continued

Italtile Staff Share Scheme

During the previous financial year, the Group implemented a new staff share scheme, which replaced the existing scheme on the previous page.

Similar to the previous scheme, all employees of the Group and its franchisees that had been in the employ of the Group and/or franchise network for a period of three uninterrupted years at each allotment date (March every year) qualify to participate in the scheme (if they have not been a participant of any other share scheme before).

In terms of this scheme, awards are made to qualifying employees, which are linked to shares held by the Italtile Staff Share Scheme Trust, with dividend and voting rights on these shares passing to the participating employees. In terms of this scheme, during March 2025, awards of 1,1 million (2024: 1,2 million) of the Group's shares were made to 184 (2024: 196) qualifying employees of the Group and its franchisees. Until vesting, the shares will continue to be accounted for as treasury shares and have a negligible impact on the diluted weighted average number of shares.

The first allotment of shares in the scheme, granted in 2023, vested on 31 March 2025. A total of 253 employees qualified for the vesting, 250 of whom elected to have the shares disposed of on their behalf to receive the net value of the awards in cash with the balance electing to retain the shares.

The scheme is classified as an equity-settled share-based payment scheme and is fair valued on each grant date using a modified Black-Schöles model. The following assumptions and inputs were used in valuing the awards still in issue at year-end:

Grant date	31 March 2023	31 March 2023	31 March 2024	**31 March 2025**
Vesting date	31 March 2025	31 March 2026	31 March 2027	**31 March 2028**
Share awards	1 895 000	843 024	1 165 220	**1 122 584**
Grant price per share	R13,04	R13,04	R12,64	**R9,65**
Share price at valuation date	R12,42	R12,42	R10,20	**R10,25**
Interest rate yield curve*	7,55% – 11,53%	7.55% – 11.53%	8,52% – 13,24%	**7,49% – 9,58%**
Dividend yield	2,72%	2,72%	3,16%	**3,43%**
Volatility#	35,81%	35,81%	31,21%	**31,87%**
Expected forfeitures	18%	27%	27%	**35%**

* *Source: JSE.*
\# *Three-year ordinary share price historical volatility.*

The movement in the number of awards during the year is as follows:

	Number of awards	
	2025	2024
At 1 July	**3 195 730**	2 738 024
Awarded during the year	**1 122 584**	1 165 220
Vested and exercised during the year	**(1 265 000)**	–
Forfeited during the year	**(503 688)**	(707 514)
At 30 June	**2 549 626**	3 195 730

The weighted average vesting period of awards outstanding at year-end is 1,95 years (2024: 1,63 years).

The fair value of the unvested awards granted on 30 June 2025 was R15,1 million (2024: R20,5 million).

Included in the expenses in the profit and loss for the year is R15,1 million (2024: R13,8 million) relating to the current year share-based payment expense for this scheme. An accelerated once-off charge of R1,8 million (2024: R1,3 million) was recorded in the current year related to awards made to employees of franchisees.

6. SHARE-BASED PAYMENTS continued

Ceramic Industries Share Schemes

Long-Term Incentive Plan ("LTIP")

In June 2016, the Ceramic Industries Remuneration Committee made a number of new awards in terms of the Company's LTIP scheme, which was approved at the AGM of shareholders held on 30 November 2007.

The following table reflects the number of notional Ceramic Industries shares granted and held by the participants:

	2025	2024
At 1 July	**4 500**	4 500
Awarded during the year	**–**	–
Vested and exercised during the year	**(4 500)**	–
At 30 June	**–**	4 500

The liability raised for the awards outstanding at 30 June 2025 was R1,0 million (2024: R2,0 million). Included as an expense in profit or loss for the year was R34 062 (2024: R239 914) relating to the current year amortisation of the share options granted. The LTIP award is similar to a forward on Ceramic Industries ordinary shares maturing at tranche measuring date where the strike price is Rnil. A no-arbitrage approach is therefore used to determine the fair value of the awards.

The liability will be measured at the end of each reporting period, until settled in cash, by applying an option-pricing model, taking into account the terms and conditions on which the awards were granted and to the extent to which the employees have rendered services to the Company.

Share option reserve

The composition of the share schemes' reserve is as follows:

Company			Group	
2025 Rm	2024 Rm		**2025 Rm**	2024 Rm
52	52	Black Economic Empowerment transactions	**52**	52
23	25	Share Appreciation Rights Scheme	**23**	25
67	66	Italtile Retention Scheme	**63**	66
15	21	Italtile Staff Share Scheme	**15**	21
–	–	Ceramic Share Schemes	**48**	45
157	164		**201**	209

Treasury shares

The movements of the treasury shares are as follows:

Company			Group	
2025 Rm	2024 Rm		**2025 Rm**	2024 Rm
(111)	(97)	Opening balance	**(1 293)**	(1 087)
–	–	**Treasury share purchases by:**	**–**	(212)
–	–	Italtile and Ceramic Foundation Trust		(10)
–	–	Italtile Ceramics (Pty) Ltd	**–**	(202)
–	–	**Share scheme vestings:**	**2**	6
–	–	Share Appreciation Rights Scheme	**–**	–
–	–	Staff Share Scheme	**2#**	(7)
–	–	Ceramic Industries Retention Scheme	**–**	13
–	–	**Treasury share issuance of awards:**		
(88)	(14)	The Italtile Retention Scheme Trust	**–**	–
(199)	(111)		**(1 291)**	(1 293)

Non-cash movements.