1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY

Basis of preparation

The reviewed condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. The Listings Requirements require condensed reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and financial pronouncements as issued by the Financial Reporting Standards Council and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the reviewed condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements. These results have been prepared under the supervision of the Chief Financial Officer, Mr B G Wood.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of these reviewed condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022, except for the adoption of new and amended IFRS and International Financial Reporting Interpretations Committee interpretations which became effective during the current review period. The application of these standards and interpretations did not have a significant impact on the Group's reported results and cash flows for the year ended 30 June 2023 and the financial position at 30 June 2023.

2. COMMITMENTS AND CONTINGENCIES

There are no material contingent assets or liabilities at 30 June 2023.

Capital commitments (Rand millions)	**30 June 2023**	30 June 2022
– Contracted	**274**	256
– Authorised but not contracted for	**220**	229
Total	**495**	485

Capital commitments will be funded by cash generated by operations.

3. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group does not fair value its financial assets or liabilities in accordance with quoted prices in active markets or market observables, as their carrying value approximates fair value due to the short-term nature of these items and/or existing terms are equivalent to market observables. There were no transfers into or out of Level 3 during the period.

4. STAFF SHARE SCHEME

During the financial year, the Group implemented a new staff share scheme, which replaced the existing scheme implemented by the Group during the 2014 financial year. Both schemes are for the benefit of 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 specified allotment date in every year from implementation date. As a result, 5,5 million of the Group's shares net of forfeitures were held by qualifying staff members at 30 June 2023 (2022: 6,8 million).

Until vesting, the shares will continue to be accounted for as treasury shares and have an impact on the diluted weighted average number of shares.

The seventh allotment of shares in the existing scheme, granted in 2019, vested on 31 August 2022. A total of 151 employees qualified for the vesting (2022: 104), of which two employees opted to retain the shares (2022: three) and the balance received the net value of the awards in cash. This resulted in a decrease in treasury shares of 1 693 135 (2022: 1 163 757) shares.

On 31 March 2023, in terms of the new staff share scheme, the Group made awards to 535 qualifying employees of the Group and its franchisees.

The schemes are classified as equity-settled schemes in terms of IFRS 2 Share-Based Payment, and have resulted in a total expense of R9,8 million (2022: R7 million) to the Group's income; an accelerated once-off charge of R3,8 million was recorded in the current year following the implementation of the new staff share scheme (2022: R nil).

5. EARNINGS PER SHARE

	Reviewed year to 30 June 2023	Audited year to 30 June 2022
Reconciliation of shares in issue (all figures in millions):		
– Total number of shares issued	**1 322**	1 322
– Shares held by the Italtile Share Incentive Trust	**(10)**	(10)
– Shares held by the Italtile Retention Trust	**(8)**	(8)
– Black economic empowerment treasury shares	**(62)**	(65)
– Shares held by Italtile Ceramics Proprietary Limited	**(32)**	(25)
– Shares held by Italtile Staff Share Scheme Trust	**(3)**	–
Shares in issue to external parties	**1 207**	1 214
Reconciliation of share numbers used for earnings per share calculations (all figures in millions):		
Weighted average number of shares	**1 210**	1 217
Dilution effect of share awards	**2**	4
Diluted weighted average number of shares	**1 212**	1 221
Reconciliation of headline earnings (Rand millions):		
– Profit attributable to equity shareholders	**1 605**	1 850
– Profit on sale of property, plant and equipment – after taxation	**(4)**	(1)
– Impairment of property, plant and equipment – after taxation	**–**	2
Headline earnings	**1 601**	1 851
Headline EPS (cents)	**132,3**	152,1
Diluted headline EPS (cents)	**132,1**	151,5
Dividends per share (cents)	**53,0**	61,0
Net asset value per share (cents)	**641,8**	575,0

No adjustments to earnings are required for diluted earnings per share calculations, as the share awards do not have an impact on diluted earnings.

6. DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

	(Rand millions unless otherwise stated)	
	Reviewed year to 30 June 2023	Audited year to 30 June 2022
Turnover[#]	**9 136**	8 981
– Retail	**5 393**	5 349
– Manufacturing	**3 300**	3 052
– Supply and support services	**443**	580
Royalty income from franchising	**144**	153
Other franchise income	**60**	61
	9 340	9 195

[#] *Turnover represents net revenue from sale of goods, excluding value added tax and intercompany sales.*

7. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	(Rand millions unless otherwise stated)	
	Reviewed year to 30 June 2023	Audited year to 30 June 2022
Cash flows from operating activities:		
Profit before taxation	**2 310**	2 700
Adjusted for:		
Income from associates	**(9)**	(7)
Depreciation and amortisation	**402**	369
Depreciation – right-of-use asset	**70**	69
Finance cost – lease liability	**31**	29
Profit on sale of property, plant and equipment	**(5)**	(1)
Impairment of property, plant and equipment	**–**	2
Finance income	**(65)**	(39)
Finance costs (excluding lease liability finance costs)	**51**	34
Share-based payment expenses	**49**	75
Foreign currency translation difference	**41**	(8)
Working capital changes:		
Inventory	**(29)**	(122)
Trade and other receivables	**(109)**	(42)
Trade and other payables (including provisions)	**239**	(183)
Cash generated by operations	**2 976**	2 876

8. INTEREST-BEARING LOANS

A revolving credit facility of US$3,5 million (R52 million) was repaid at the end of June 2023. The facility was settled early (repayment was due in November 2025) given increased interest and foreign exchange rate exposures related to the facility.

9. SPECIFIC SHARE REPURCHASE FROM FOUR ARROWS INVESTMENTS 256 PROPRIETARY LIMITED ("FOUR ARROWS")

On 28 November 2022, Four Arrows submitted a formal written offer to the Group to sell its remaining 6,7 million Italtile shares back to the Group. The offer price was set in accordance with the terms of a Preference Share Agreement signed in 2007 and equated to R11,51 per share (the Italtile 10-day VWAP immediately preceding the date of receipt of the offer).

In accordance with specific approval granted by Italtile shareholders in July 2007, the Board approved the repurchase and the shares were subsequently repurchased from Four Arrows on 14 December 2022 for a total consideration of R77 million and are held as treasury shares by a subsidiary of the Group which was nominated by Italtile to conclude the transaction.

10. EVENTS AFTER REPORTING DATE

Other than the dividend declaration, the directors are not aware of any matters or circumstances arising since the end of the reporting period which significantly impact the financial position at 30 June 2023 or the results of its operations or cash flow for the period then ended.