REVIEWED CONDENSED GROUP RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

AND DIVIDEND DECLARATION

System-wide turnover

R3,50 billion

2015: R3,08 billion
14% increase

Trading profit

R594 million

2015: R531 million
12% increase

Earnings per share

51,1 cents

2015: 44,3 cents
15% increase

Dividend per share

16 cents

2015: 14 cents
14% increase

Corporate information

Italtile Limited

Share code: ITE **ISIN:** ZAE000099123
Registration number: 1955/000558/06

Incorporated in the Republic of South Africa
("Italtile" or "the Group" or "the Company")

Registered office: The Italtile Building, cnr William Nicol Drive and Peter Place, Bryanston (PO Box 1689, Randburg 2125)

Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
(PO Box 61051, Marshalltown 2107)

Executive directors: J N Potgieter (Chief Executive Officer), B G Wood (Chief Financial Officer)

Non-executive directors: G A M Ravazzotti (Non-executive Chairman), S M du Toit, S I Gama, N Medupe, G Mtetwa, S G Pretorius

Company Secretary: E J Willis
Sponsor: Merchantec Capital
Auditors: Ernst & Young Inc.

ITALTILE
LIVE BEAUTIFULLY

CTM

top
CASH & CARRY

Commentary

Overview for the six months ended 31 December 2016

Italtile Limited is a franchisor and retailer of local and imported tiles, sanitaryware, bathware, laminated flooring and other related home-finishing products. The Group's retail brands are CTM, Italtile Retail and TopT, represented through a total network of 156 stores, 16 of which are located in the rest of Africa. The Group's offering targets homeowners in the LSM 4 to 10 categories.

The Retail brand operation is strategically supported by a vertically integrated Supply Chain, investments in key suppliers, and an extensive property portfolio.

The Group's primary goal is to be the first-choice retailer in its market segments, by offering an unrivalled shopping experience for customers. Key to attaining its goal is the Group's retail excellence strategy, "right product at the right time, place and price."

Trading environment

In the context of sustained economic instability, currency volatility and constrained disposable income, consumer and industry confidence levels continued to decline, resulting in a general slow-down in activity in the building and construction sector.

In keeping with trends experienced over recent years, modest growth was experienced in the renovation and commercial projects segments, with little improvement reported in the new build market, as both public and private sectors deferred investment.

Across the income spectrum, investment in durable (home improvement) merchandise is increasingly regarded as a luxury, and disposable income is allocated only after extensive research and consideration. In this environment, consumers continued to favour multi-faceted value offerings (consistent availability of high quality products, good service and reputable brands). In this regard the Group's well-established, comprehensive offering and integrated Supply Chain provided a competitive advantage.

During the period, opportunistic importers and established peer competitors took advantage of sporadic Rand strength, driving a strong influx of imported product, to the extent that an over-stock situation is evident across large segments of the market. As a result, price competition is expected to intensify over the forthcoming months.

Results

Financial highlights

- System-wide turnover rose 14% to R3,50 billion (2015: R3,08 billion). System-wide turnover is defined as the aggregate of the Group's consolidated turnover as reported (total sales by Group owned entities and corporate stores, excluding sales from owned Supply Chain businesses to corporate stores), and the turnover of franchisees of the Group.
- Like-on-like retail store revenue grew 8,8%. Retail store turnover is defined as the aggregate of turnover of all stores, either corporate or franchised, in the Group's retail network. Average selling price inflation was 7,6%.
- Reported trading profit increased by 12% to R594 million (2015: R531 million).
- Gross margins in the Supply Chain and Retail operations declined due to: the deliberate strategy to delay price increases to support the stores' value offering; increased promotional activity to encourage traffic to stores in response to constrained disposable spend; tactical efforts to reduce elevated stock levels through clearance activities; and increased inventory provisioning due to higher inventory levels as detailed below.

  It is anticipated that margin pressure will continue to be experienced over the following six months based on planned deflationary price adjustments and anticipated slower sales in the prevailing subdued economic environment.
- Higher overhead costs relate to store opening costs, which increased in line with TopT's aggressive roll-out programme and will remain a recurring expense as the programme continues; increased human capital and process development costs in the support structures to ensure the business has optimal capacity and capability to keep pace with its ambitious growth plans; increased human capital costs in stores to facilitate improvements in the shopping experience (disappointingly, growth in these costs outstripped sales growth); costs incurred on training, recruitment and corporate social investment, to improve compliance with black economic empowerment legislation; increased marketing spend to retain top of mind awareness in the competitive landscape; increased property costs as a result of utility escalations, as well as an increase in lease rental expense due to the opening of new stores; and increased inventory control costs as a consequence of elevated inventory holdings.
- Profit from associates rose 27% to R56 million (2015: R44 million), and profit after tax for the period increased 15% to R494 million (2015: R430 million).
- Basic earnings per share increased 15% to 51,1 cents (2015: 44,3 cents per share) and headline earnings per share grew 7% to 46,6 cents (2015: 43,4 cents per share). The disparity between basic earnings and headline earnings growth is attributable to a gain of R37 million realised during the period on the disposal of the Italtile Australia property holding business, which together with local property disposal profits of R15 million, is excluded from headline earnings.
- Inventories increased to R761 million (2015: R532 million) from the 2016 financial year-end balance of R693 million. This increase is attributable to: the net addition of six new corporate stores over the six months; the introduction of new merchandise categories and ranges across the operations; early arrival of substantial imported stock in the Cedar Point

Commentary continued

business; an overly conservative approach in application of certain stock parameters of the Group's Business Optimisation Programme ("BOP"); and anticipated sales volumes not being realised.

Given the Group's higher than standard inventory levels at the close of the period, stock provisions have been appropriately increased, although management is satisfied that stock levels will have normalised by the end of the current financial year. Optimum stock management across the operations is, and will remain a key strategic discipline and the Group's BOP will provide the critical tools required to facilitate this.

- Capital expenditure of R243 million (2015: R242 million) was incurred primarily on enhancing the quality of the property portfolio through property acquisitions and an ongoing store upgrade programme. Investments were also made in digital technology to sustain the Group's strategic advantage in this area and in IT systems.

- Cash and cash equivalent reserves at the end of the period were R182 million (2015: R351 million) after capital expenditure (discussed above), increased stock holding, dividend payment of R147 million (2015: R141 million) and tax payments totalling R146 million (2015: R124 million).

- The Group's net asset value was 390 cents per share (2015: 332 cents per share).

Operational review

Further investment was made in increasing operational capacity and improving competencies of personnel at all levels; upgrading technology to support the goal of a seamless shopping experience across sales platforms and improved use of business information to facilitate better customer service.

As reported at year-end, BOP has been extended from the Supply Chain to the Retail operation. While the programme has been bedded down, management believes that the operating parameters were too conservative in the initial phase-in stage, particularly with regards to safety stock levels, creating conditions which resulted in higher than optimal stock levels. This situation was exacerbated by the sharp downturn in sales in the mid to upper income segment of the market in the last quarter of the reporting period. Management is however satisfied that the strategy developed and measures available to manage the further implementation of BOP will overcome these initial teething problems and deliver the anticipated benefits inherent in the programme.

Retail brands

Despite testing trading conditions, the Group's Italtile Retail and CTM brands retained market share across their trading regions and merchandise categories, while TopT grew market share in its existing and new markets.

During the period, 11 new stores were opened, comprising one CTM store in Vhembe (Limpopo) and 10 TopT stores in Bellville, Nyanga, Somerset West and Mitchells Plain (Western Cape), Botshabelo, Kroonstad and Welkom (Free State), Gezina (Gauteng), Motherwell (Eastern Cape) and Isipingo (KwaZulu-Natal).

The Group's new-generation store format has been rolled out to three CTM stores, in Waterfall, Centurion (Gauteng) and Somerset West (Western Cape), and three Italtile Retail stores in Waterfall, Northriding (Gauteng) and Somerset West. While retaining the individual brand's heritage, the new-look stores feature highly contemporary design and additional customer-centric technology aimed at improving the customer experience.

- **Italtile Retail:** in the context of sustained economic and political uncertainty, upper-end LSM homeowners remained inhibited in their investment spend on properties, reflected in slower retail sales and customers' gravitating towards lower price points within the brand offering. In contrast, and in line with management's expectations, the brand's Commercial Projects division performed well, gaining further market share in its non-residential market segment. Projects which developers had put on hold in light of the depreciation of the Rand have subsequently been re-evaluated and re-specified and that business is now flowing again. The division has a solid pipeline of prospective projects in place.

- **CTM:** the brand continued to invest in human capital (including enhanced training and recruitment) aimed at improving customer service. Formal measurement and evaluation (both internal and external) of customer feedback is conducted regularly and reflects incrementally higher levels of customer satisfaction. Further investment was also made in digital and omni-channel technology to entrench the brand's competitive advantage among peers in the industry. In terms of best practice retail disciplines, management believes that the business underperformed in a number of areas, specifically the brand's marketing strategy and stock management. These areas will be a key focus in the forthcoming period, as will the reduction of operating costs in line with reduced sales volumes and improvement of gross margins where opportunities exist.

- **TopT** reported strong like-on-like store growth in the review period. Good progress was also made in growing the brand's presence in the marketplace. Ten (2015: six) new stores were opened in the six months, bringing the total network to 60 stores. The brand's profile was further raised through its first-ever national television campaign, which delivered rewarding results. A key pillar of TopT's business model is its flexibility and responsiveness to consumer demand. In this regard the brand introduced several new product ranges, which have been well received by customers. The introduction of BOP across the store network made a significant contribution to enhanced relationships with the brand's internal and external Supply Chain partners and resulted in improved stock management and customer service.

Supply Chain

The Group's Retail brand operation is strategically underpinned by its vertically integrated Supply Chain businesses: International Tap Distributors, Distribution Centre and Cedar Point.

Improved turnover and profitability was reported by each of the Supply Chain businesses. The introduction of new merchandise categories and ranges, and cost containment in these operations, resulted in better net margins than reported in the prior comparable period.

Investment in associates

The Group holds a 20% strategic stake in Ceramic Industries Proprietary Limited (Ceramic), and an effective 46% stake in Ezee Tile. The combined contribution from these associates to Group profits for the period increased by 27% to R56 million (2015: R44 million).

Ceramic, the Group's primary supplier of tiles, sanitaryware and baths, reported good growth in both its South African and Australian operations, contributing R48 million (2015: R36 million) to Group profit for the six months. Ceramic's new tile plant, Gryphon, was commissioned in December 2015, and the results for the period include Gryphon's full six-month revenue for the first time.

Gryphon's offering is designed to compete with imported product, and management is mindful that the plant's continued success will be constrained in a stronger Rand environment, given the high level of imported product in the market at present and the likely continuation of increased imports in the foreseeable future.

Ezeetile, a national manufacturer of grout, adhesive, paint and related products, contributed R8 million (2015: R8 million) to Group profit for the period; this contribution was negatively impacted by the decision to delay price increases in order to support retail price levels.

Property investment

The Retail brand operation gains strategic advantage from the Group's property investment portfolio, which comprises high visibility, easily accessible sites and well-maintained, aesthetically pleasing stores, designed to enhance the customer shopping experience.

As at 31 December 2016, the estimated market value of this portfolio was in excess of R2,6 billion (2015: R2,2 billion), with a carrying value of R1,77 billion (2015: R1,5 billion). During the reporting period, investments of R210 million (2015: R200 million) were incurred on acquisition of properties, new build and store refurbishments.

Following the sale of the Group's retail business in Australia in October 2013 and in line with management's stated intention over the past several years to dispose of the Group's Australian property holding company, comprising four retail properties, the Group concluded the sale of that company in December 2016 resulting in a gain of R37 million.

Staff share scheme vesting

Italtile's equity-settled staff share scheme ("the scheme") is structured to foster partnerships with the Group's employees and incentivise them to participate in the growth and profitability of the business. In this regard, management is proud to announce that the first allotment of shares in the scheme, granted in 2013, vested on 31 August 2016. A total of 334 employees qualified for the vesting, of which 42 employees opted to receive shares and the balance (292 employees) received the net value of the awards in cash. Cash payments after tax averaged R204 000 per individual and totalled R59,7 million, funded by the sale of related shares on the market. Employees who elected to receive shares, received between 12 083 and 15 802 Italtile Limited shares each (dependent on the individual's effective income tax rate).

Directorate

In the period under review, the following changes were made to the Board of directors ("the Board"):

- Ms Alessia Zannoni retired as a non-executive director with effect from 25 November 2016; and

- Mr Nick Booth, formerly Chief Executive Officer, announced his decision to take early retirement with effect from 28 February 2017 and stepped down from his executive duties on 1 December 2016. He was succeeded by Mr Jan Potgieter, formerly Chief Operating Officer, on 1 December 2016. Mr Booth was CEO of Italtile for a period of three years and prior to that, CEO of Ceramic Industries for 13 years. The Board would like to extend its sincere thanks to him for his valuable contribution to both companies during his tenure. Mr Potgieter is a CA(SA) and has extensive senior level experience in the retail and supply chain sectors, having formerly served as CEO, and prior to that, Financial Director of Massdiscounters (a division of Massmart). He also served as a business manager at Clover SA and spent eight years at SABMiller in senior financial roles.

Subsequent to the reporting period:

- Ms Gugu Mtetwa CA(SA), was appointed as a non-executive director with effect from 28 January 2017. Ms Mtetwa has extensive experience in the financial services and telecommunications sectors. She is also an independent non-executive director of the Development Bank of Southern Africa, Aviation Co-ordination Services and Equites Property Fund.

  The Board welcomes Ms Mtetwa and looks forward to her contribution.

  This appointment reflects the Group's continuing commitment to transforming the composition of the Board and enhancing the experience and expertise available to the business.

Update on offer to acquire shares in Ceramic

Further to the SENS announcements published on 8 and 26 April 2016, 9 June 2016 and 20 July 2016, Italtile submitted a binding offer on 15 July 2016 to Ceramic, to acquire up to a further 73,5% of the Company's issued share capital ("the Acquisition"). In terms of the Acquisition, the purchase consideration equates to R3,61 billion and will be settled in cash (50%) and the balance by the issue of Italtile shares at R11,57 per share.

The Acquisition remains subject to attainment of certain conditions precedent and approval from the competition authorities. Shareholders are referred to the SENS announcements published on 20 and 28 July 2016, 11 August 2016, 14 and 21 September 2016, as well as the Acquisition circular dated 23 August 2016, for further detail in this regard.

Following the Competition Commission's prohibition of the Acquisition, the Group filed a Request for Consideration with the Competition Tribunal and subsequently an *in limine* hearing was

Commentary continued

held with the Tribunal on 25 and 26 October 2016 to consider certain circumscribed aspects of the proposed merger. A full hearing with the Competition Tribunal is scheduled to take place between 6 and 15 March 2017. Shareholders will continue to be apprised of further progress in this regard.

Prospects

Management anticipates that lower consumer demand and high levels of imported product across the industry will result in intensified competition in the marketplace in forthcoming months.

The Group has historically reported a stronger first half than second half, based primarily on consumers having access to additional funds from bonuses and stokvels pay-outs and capitalising on in-store festive season promotional activity at the end of the first half. Management believes this trend will continue in the period ahead, and furthermore, given the prevailing economic climate, that the growth in the second half of the forthcoming six months will be weaker than the strong growth of the second half of the prior year.

Following intensive re-engineering across the business, and in the context of uncertain trading conditions, the emphasis in the forthcoming six months will be on refining retail excellence disciplines. Management's primary focus will be on reducing operating costs and improving efficiencies in the overall Supply Chain; leveraging BOP across the business to optimise stock levels; improving the Group's working capital position; and further enhancing customer service to retain and gain market share.

Management has an optimistic long-term outlook for the future of business in South Africa and for the opportunities which exist for the Group. In this regard, continued investment will be made in expanding the store footprint, developing Supply Chain operations to support the growing business, and improving the offering to customers through investment in people and technology.

Subsequent events

No events have occurred subsequent to the reporting period that require any additional disclosures or adjustments.

Cash dividend

The Group has maintained its dividend cover of three times. The Board has declared an interim gross cash dividend of 16,0 cents per share (2015: 14,0 cents), an increase of 14%.

Dividend announcement

The Board has declared an interim gross cash dividend (number 101) for the six months ended 31 December 2016 of 16,0 cents per ordinary share to all shareholders recorded in the shareholder register of the Company as at the record date of Friday, 3 March 2017.

In accordance with paragraphs 11.17(a)(i) to (x) and 11.17(c) of the JSE Listings Requirements, the following additional information is provided:

- The dividend has been declared out of income reserves.
- The local dividend withholding tax rate is 15% (fifteen percent).
- The gross local dividend amount is 16,00 cents per share for shareholders exempt from the dividends tax.
- The net local dividend amount is 13,60 cents per share for shareholders liable to pay the dividends tax.
- The local dividend withholding tax amount is 2,40 cents per share for shareholders liable to pay the dividend tax.
- Italtile's income tax reference number is 9050182717.
- Italtile has 1 033 332 822 shares in issue including 11 772 983 shares held by the Share Incentive Trust and 83 120 423 shares held as BEE treasury shares.

Timetable for cash dividend

The cash dividend timetable is structured as follows: the last day to trade cum dividend in order to participate in the dividend will be Tuesday, 28 February 2017. The shares will commence trading ex-dividend from the commencement of business on Wednesday, 1 March 2017 and the record date will be Friday, 3 March 2017. The dividend will be paid on Monday, 6 March 2017. Share certificates may not be dematerialised or rematerialised between Wednesday, 1 March 2017 and Friday, 3 March 2017, both days inclusive.

The full Reviewed Condensed Group Results Announcement has been released on SENS and is available for viewing on the Company's website (www.italtile.com); furthermore it is available for inspection at the registered offices of Italtile and the Company's Sponsor, Merchantec Capital, during business hours. Copies of the full announcement are available at no cost on request and may be obtained from the Company Secretary who can be contacted on: +27 11 882 8200 or lizw@rootginger.co.za

For and on behalf of the Board

J N Potgieter
Chief Executive Officer

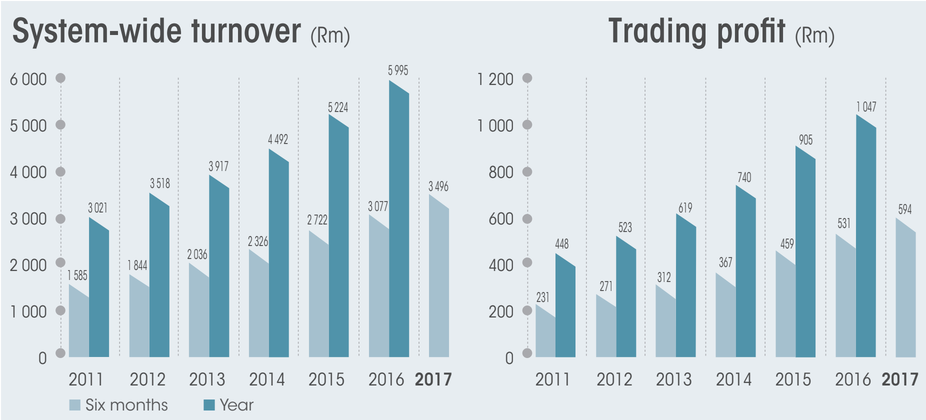
B G Wood
Chief Financial Officer

No statements in the commentary of this announcement have been reviewed or reported on by the Group's auditors.

The Reviewed Condensed Group Results Announcement for the six months ended 31 December 2016 has been reviewed by Ernst & Young Inc. ("EY"). EY's unmodified review conclusion does not necessarily report on all of the information contained in this Reviewed Condensed Group Results Announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of auditors' engagement, they should obtain a copy of EY's unmodified review opinion together with the accompanying financial information from the Company Secretary at the Company's registered office.

Johannesburg

9 February 2017



System-wide turnover analysis

For the six months ended 31 December 2016

(Rand millions unless otherwise stated)

	% increase	**Reviewed six months to 31 December 2016**	Reviewed six months to 31 December 2015	Audited year to 30 June 2016
GROUP AND FRANCHISED TURNOVER				
– By Group owned stores and entities	16	**2 081**	1 798	3 539
– By franchise owned stores (unaudited)	11	**1 415**	1 279	2 416
Total	14	**3 496**	3 077	5 955

Store network

Region	At 31 December 2016 Franchise	Other	Total	At 30 June 2016 Franchise	Other	Total
South Africa						
– Italtile	**–**	**11***	**11**	–	11*	11
– CTM	**30**	**39***	**69**	28	41*	69
– TopT	**39**	**21**	**60**	37	13	50
Rest of Africa (CTM)	**9**	**7***	**16**	9	7*	16
	78	**78**	**156**	74	72	146

*Includes webstore.

Condensed Group statements of comprehensive income

For the six months ended 31 December 2016

(Rand millions unless otherwise stated)

	% increase	**Reviewed six months to 31 December 2016**	Reviewed six months to 31 December 2015	Audited year to 30 June 2016
Turnover	16	**2 081**	1 798	3 539
Cost of sales		**(1 298)**	(1 094)	(2 117)
Gross profit	11	**783**	704	1 422
Other operating income		**243**	182	342
Operating expenses		**(447)**	(366)	(728)
Profit on sale of property, plant and equipment		**15**	11	11
Trading profit	12	**594**	531	1 047
Finance income		**14**	12	25
Finance cost		**(1)**	(1)	(2)
Profit from associates – after tax		**56**	44	96
Profit before taxation	13	**663**	586	1 166
Taxation		**(169)**	(156)	(315)
Profit for the period	15	**494**	430	851
OTHER COMPREHENSIVE INCOME				
Items that may be re-classified subsequently to profit or loss:				
Foreign currency translation difference		**(20)**	25	25
Other comprehensive income from associates		**(7)**	10	8
Items that have been re-classified subsequently to profit or loss:				
Recycling of the foreign currency translation difference on the Australian disposal		**(75)**	–	–
Total comprehensive income for the period		**392**	465	884
PROFIT ATTRIBUTABLE TO:				
– Equity shareholders		**477**	410	813
– Non-controlling interests		**17**	20	38
	15	**494**	430	851
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
– Equity shareholders		**375**	445	846
– Non-controlling interests		**17**	20	38
		392	465	884
EARNINGS PER SHARE (all figures in cents):				
– Earnings per share	15	**51,1**	44,3	87,8
– Headline earnings per share	7	**46,6**	43,4	86,9
– Diluted earnings per share	15	**50,4**	43,8	86,4
– Diluted headline earnings per share	7	**46,0**	42,8	85,5
– Dividends per share	14	**16,0**	14,0	29,0

Condensed Group statements of financial position

As at 31 December 2016

(Rand millions unless otherwise stated)

	Reviewed six months to 31 December 2016	Reviewed six months to 31 December 2015	Audited year to 30 June 2016
ASSETS			
Non-current assets	**2 669**	2 288	2 309
Property, plant and equipment	**1 772**	1 500	1 594
Investment property	**–**	115	–
Investments in associates	**706**	634	674
Long-term assets	**152**	15	15
Goodwill	**6**	6	6
Deferred taxation	**33**	18	20
Current assets	**1 361**	1 176	1 365
Inventories	**761**	532	693
Trade and other receivables	**401**	287	306
Cash and cash equivalents	**182**	351	347
Taxation receivable	**17**	6	19
Assets held in disposal group	**–**	–	116
TOTAL ASSETS	**4 030**	3 464	3 790
EQUITY AND LIABILITIES			
Share capital and reserves	**3 634**	3 068	3 353
Stated capital	**818**	818	818
Non-distributable reserves	**20**	124	122
Treasury shares	**(442)**	(457)	(454)
Share option reserve	**92**	88	95
Retained earnings	**3 066**	2 441	2 711
Non-controlling interests	**80**	54	61
Non-current liabilities	**18**	15	18
Deferred taxation	**18**	15	18
Current liabilities	**378**	381	384
Trade and other payables	**296**	263	329
Provisions	**46**	47	53
Interest-bearing loans	**–**	35	#
Taxation payable	**36**	36	2
Liabilities directly associated with assets held in disposal group	**–**	–	35
TOTAL EQUITY AND LIABILITIES	**4 030**	3 464	3 790
Net asset value per share (cents)	**390**	332	362

#Less than R1 million.

Group statement of changes in equity

(Rand millions unless otherwise stated)

	Stated capital	Non-distri-butable reserves	Treasury shares	Share option reserve	Retained earnings	Total	Non-con-trolling interest	Total equity
For the six months ended 31 December 2015								
Audited balance at 30 June 2015	818	89	(461)	72	2 154	2 672	62	2 734
Profit for the year					410	410	20	430
Other comprehensive income for the year		35				35		35
Total comprehensive income for the year	–	35	–	–	410	445	20	465
Dividends paid					(120)	(120)	(21)	(141)
Transactions with non-controlling interests						–	(7)	(7)
Share incentive costs (including vesting settlement)			4	16	(3)	17		17
Reviewed balance at 31 December 2015	**818**	**124**	**(457)**	**88**	**2 441**	**3 014**	**54**	**3 068**
For the six months ended 31 December 2016								
Audited balance at 30 June 2016	**818**	**122**	**(454)**	**95**	**2 711**	**3 292**	**61**	**3 353**
Profit for the year					477	477	17	494
Other comprehensive income for the year		(102)				(102)		(102)
Total comprehensive income for the year	–	(102)	–	–	477	375	17	392
Dividends paid					(140)	(140)	(7)	(147)
Transactions with non-controlling interests					7	7	9	16
Share incentive costs (including vesting settlement)			12	(3)	11	20		20
Reviewed balance at 31 December 2016	**818**	**20**	**(442)**	**92**	**3 066**	**3 554**	**80**	**3 634**

Condensed Group cash flow statement

For the six months ended 31 December 2016

(Rand millions unless otherwise stated)

	Reviewed six months to 31 December 2016	Reviewed six months to 31 December 2015	Audited year to 30 June 2016
Cash generated by operations	**377**	426	892
Dividend paid	**(147)**	(141)	(279)
Taxation paid	**(146)**	(124)	(330)
Other	**13**	11	23
Cash flow from operating activities	**97**	172	306
Additions to property, plant and equipment	**(243)**	(242)	(375)
Proceeds on disposal of property, plant and equipment	**36**	14	15
Increase in investments	**17**	11	21
Increase in long-term financial assets	**(73)**	–	–
Purchase of interest in subsidiary	**–**	(6)	(19)
Net cash flow from disposal of subsidiary	**(3)**	–	–
Cash flow from investing activities	**(266)**	(223)	(358)
Increase in loans and borrowings	**–**	6	–
Purchase of interest in subsidiary	**(8)**	–	–
Treasury share movements	**12**	4	7
Cash flow from financing activities	**4**	10	7
Net movement in cash and cash equivalents for the period	**(165)**	(41)	(45)
Cash and cash equivalents at the beginning of the period	**347**	392	392
Cash and cash equivalents at the end of the period	**182**	351	347

Segmental report

(Rand millions unless otherwise stated)

	Turnover			Gross margin			Net profit before tax		
	Reviewed period to December 2016	Reviewed period to December 2015	% change	**Reviewed period to December 2016**	Reviewed period to December 2015	% change	**Reviewed period to December 2016**	Reviewed period to December 2015	% change
For the six months ended 31 December 2016									
Retail	**3 138**	2 799	12	**585**	539	9	**131**	140	(6)
Franchising							**186**	165	13
Properties							**156**	136	15
Supply and Support Services	**1 218**	947	29	**96**	86	12	**147**	111	32
Associates							**56**	44	27
Total	**4 356**	3 746	16	**681**	625	9	**676**	596	13
Franchise stores	**(1 415)**	(1 279)	11						
Consolidation entries	**(860)**	(669)	29	**(13)**	(10)	30	**(13)**	(10)	30
Total Group	**2 081**	1 798	16	**668**	615	9	**663**	586	13

(Rand millions unless otherwise stated)

	Turnover	Gross margin	Net profit
Audited year to 30 June 2016			
Retail	5 441	1 072	285
Franchising			200
Properties			249
Supply and Support Services	1 934	183	358
Associates			96
Total	7 375	1 255	1 188
Franchise stores	(2 416)		
Consolidation entries	(1 420)	(22)	(22)
Total Group	3 539	1 233	1 166

Geographical analysis

(Rand millions unless otherwise stated)

	South Africa	Rest of Africa	Australia	Inter-group entries	Group	Disposal* group
Reviewed six months to 31 December 2016						
Turnover	**2 724**	**217**	**–**	**(860)**	**2 081**	
Non-current assets	**3 012**	**152**	**–**	**(528)**	**2 636**	
Reviewed six months to 31 December 2015						
Turnover	2 273	194	–	(669)	1 798	
Non-current assets	2 682	103	116	(631)	2 270	
Audited year to 30 June 2016						
Turnover	4 562	397	–	(1 420)	3 539	–
Non-current assets	2 775	115	–	(601)	2 289	112

**Australia.*

Notes

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY

Basis of preparation

The Interim Condensed Consolidated Financial Statements for the six months ended 31 December 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, the Companies Act, 2008 (Act 71 of 2008), as amended, the SAICA Financial Reporting Guides, as issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE. The Interim Condensed Consolidated Financial Statements do not include all information on disclosures required in the Annual Financial Statements and should be read in conjunction with the Group's Annual Financial Statements as at 30 June 2016. These results have been prepared under the supervision of Chief Financial Officer, Mr B Wood CA(SA).

New standards, interpretations and amendments adopted

The accounting policies adopted and methods of computation are in terms of International Financial Reporting Standards ("IFRS") and consistent with those of the previous financial year except for the adoption of new and amended IFRS and IFRIC interpretations which became effective during the current financial year. The application of these standards and interpretations did not have a significant impact on the Group's reported results and cash flows for the six months ended 31 December 2016 and the financial position at 31 December 2016.

2. COMMITMENTS AND CONTINGENCIES

There are no material contingent assets or liabilities at 31 December 2016.

Capital commitments (Rand millions)	31 December 2016	31 December 2015	30 June 2016
– Contracted	111	32	42
– Authorised but not contracted for	252	148	239
TOTAL	363	180	281

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 there is no difference between their fair value and carrying 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. CEDAR POINT TRADING 326 PROPRIETARY LIMITED

The Group acquired the remaining 10% non-controlling stake in Cedar Point Trading 326 Proprietary Limited at the beginning of the period under review, held by the previous business partner at a cost of R14 million. Subsequently the Group sold a 10% stake in Cedar Point Trading 326 Proprietary Limited at the beginning of the period under review to a new business partner. This stake was sold at a price of R16 million, and kept the Group's interest in this entity at 90%.

5. DISPOSAL OF AUSTRALIAN OPERATION

As previously reported, management's stated intention during the previous financial years has been the disposal of the property holding company in Australia. Prior to the end of the previous financial year, a buyer for the company was identified and the assets of the operation were therefore treated as a disposal group at 30 June 2016. The sale was concluded on 13 December 2016 and in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates,* certain accumulated exchange differences related to this company (recorded as foreign currency translation reserve) have been reclassified to income, resulting in a once-off gain of R37 million.

Notes continued

6. STAFF SHARE SCHEME

During the 2014 financial year, 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 implementation date. As a result, 8.1 million of the Group's shares net of forfeitures were held by qualifying staff members at 31 December 2016 (2015: 16,3 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 first allotment of shares in the scheme, granted in 2013, vested on 31 August 2016. A total of 334 employees qualified for the vesting, of which 42 employees opted to receive shares and the balance (292 employees) received the net value of the awards in cash. This resulted in a decrease in treasury shares of 4 879 577 shares.

The scheme is classified as an equity-settled scheme in terms of IFRS 2 *Share-based Payment*, and has resulted in a charge of R11 million (2015: R11 million) to the Group's income; R10 million (2015: R9 million) of this charge is a once-off accelerated expense for franchise staff.

	Reviewed 31 December 2016	Reviewed six months to 31 December 2015	Audited year to 30 June 2016
7. EARNINGS PER SHARE			
Reconciliation of shares in issue (all figures in millions):			
– Total number of shares issued	**1 033**	1 033	1 033
– Shares held by Trust	**(15)**	(19)	(19)
– BEE treasury shares	**(88)**	(88)	(88)
Shares in issue to external parties	**930**	926	926
Reconciliation of share numbers used for earnings per share calculations (all figures in millions):			
Weighted average number of shares	**932**	925	925
– Dilution effect of share awards	**13**	12	15
Diluted weighted average number of shares	**945**	937	940
Reconciliation of headline earnings (Rand millions):			
– Profit attributable to equity shareholders	**477**	410	813
– Profit on sale of property, plant and equipment – after taxation	**(11)**	(9)	(9)
– Profit on disposal of Australian operation – after taxation	**(31)**		
Headline earnings	**435**	401	804

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

BASTION GRAPHICS

ITALTILE Limited

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