



ITALTILE
LIMITED

2023
INTEGRATED ANNUAL REPORT

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For further information, please visit our website on
www.italtile.com

OUR BUSINESS AT A GLANCE

Retail stores

Situated on high-visibility sites and online, their comprehensive offerings position them as one-stop solution destinations, with ranges including ceramic and porcelain wall and floor tiles, sanitaryware, bathroom furniture, taps, fittings, laminate and vinyl flooring, lighting, home-finishing products and tools.



Integrated supply chain

Retail operations are supported by an integrated supply chain comprising:

Manufacturing operations

Ceramic Industries – manufacturer of glazed porcelain floor tiles, ceramic wall and floor tiles, vitreous china sanitaryware and acrylic baths and shower trays.

Ezee Tile – manufacturer of grout, adhesives, paint and related products.



Import operations

International Tap Distributors – importer and distributor of brassware and accessories.

Cedar Point Trading – importer and distributor of laminate and vinyl flooring, bathroom furniture, shower enclosures, accessories, sanitaryware, décor and other home-finishing products.

Distribution Centre – importer of product and provider of logistics and warehousing.



Support services

Information technology ("IT"), e-commerce, human resources ("HR"), finance/administration, marketing, and internal audit.

Property investment portfolio

Underpins the retail operation by locating stores on high profile, easily accessible sites and maintaining and upgrading premises to ensure an optimum shopping environment. Manufacturing operations comprise well-maintained state-of-the-art factories supplied with raw materials sourced from productive quarries in close proximity to the factories.

Associate investment

EasyLife Kitchens ("ELK") – a leading installer and manufacturer of kitchen, bathroom, vanity, built-in-cupboards, bar and storage design. The Group owns a 30% stake in ELK. The investment is in line with the Group's goal to provide customers with complete specialist solutions in home finishing.



ABOUT OUR REPORT

REPORTING SCOPE AND BOUNDARY

This Integrated Annual Report ("IAR") provides information relating to Italtile's strategy and business model, operating context, material risks and opportunities, governance, sustainability and operational performance for the period 1 July 2022 to 30 June 2023.

We also consider the risks, opportunities and outcomes of our business activities on the various stakeholders who are affected by what we do.

These stakeholders and their interests are described on pages 69 and 70. In addition, we have published annual financial statements ("AFS"). The reporting process for all our reports has been guided by the principles and requirements contained in International Financial Reporting Standards ("IFRS"), the IIRC's International <IR> Framework, the Global Reporting Initiative Standards, the King IV™* Report on Corporate Governance for South Africa 2016 ("King IV"), the Listings Requirements of the JSE Limited ("JSE"), and the Companies Act (No 71 of 2008) as amended ("Companies Act").

ASSURANCE ON REPORT CONTENT

Reporting element	Assurance status and provider
IAR	Reviewed by the directors and management but has not been externally assured.
Financial information	All summarised financial information is extracted from the annual financial statements, audited by PricewaterhouseCoopers Inc., who expressed an unmodified audit opinion thereon.
Selected non-financial performance metrics	Accredited service providers and agencies have verified selected non-financial performance metrics contained in the report, including our carbon footprint and the Broad-Based Black Economic Empowerment ("B-BBEE") rating.
All other non-financial performance information	Management has verified the processes for measuring all other non-financial information.

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OUR APPROACH TO MATERIALITY

This report provides information that we believe is of material interest to current and prospective investors, and to any other stakeholder who wishes to make an informed assessment of Italtile's ability to generate value over the short, medium and long term. We have sought to ensure that all the information in this report relates to matters that have a material bearing on value creation at Italtile. Understanding our business (pages 1 to 24) and our business model forms the basis for appreciating how Italtile creates value, and identifying those issues impacting value. Our ability to create value is determined by the quality of our response to our operating context (page 71), the priority risks and opportunities facing our business (page 72), and the material interests of our key stakeholders (page 69). Making an informed assessment of the quality of our response requires an appreciation of our strategy (page 30), our performance (pages 32 to 59), the Italtile Limited Board of directors ("Board") (page 4), and our governance practices (page 110).

ABOUT THE FORWARD LOOKING INFORMATION CONTAINED IN THIS REPORT

This report contains certain forward looking statements which relate to the possible future performance and financial position of the Group. All forward looking statements are solely based on the views and considerations of the directors. These statements involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future. The Group does not undertake to update or revise any of these forward looking statements publicly, whether to reflect new information, future events or otherwise. These forward looking statements have not been reviewed or reported on by the Group's external auditor.

The Group neither accepts any responsibility for any loss arising from the use of information contained in this report, nor undertakes to publicly update or revise any of its forward looking statements.

STATEMENT OF RESPONSIBILITY FOR THE IAR

The Board of directors of the Company acknowledges its responsibility to ensure the integrity of this IAR, and has applied its collective mind in the preparation thereof. In the Board's opinion, the report addresses all material issues and fairly presents the Group's integrated performance.

On behalf of the Board


L R Langenhoven
 Chairman


L A Foxcroft
 Chief Executive Officer

22 September 2023



ITALTILE AT A GLANCE

Founded in **1969**, Italtile Limited is a proudly South African **manufacturer, franchisor and retailer** of tiles, bathroomware and other related home-finishing products. The Group's retail brands are **CTM, Italtile Retail, TopT and U-Light** represented by **216 stores** in South Africa and the rest of Africa.

The retail operation is strategically supported by a **vertically integrated supply chain**.

We have installed capacity to manufacture **52 million m²** of tiles and **2 million** pieces of sanitaryware annually, producing **one out of every two** tiles, baths and toilets purchased in South Africa.

Our tile factories rank **among the most energy efficient** in the world. We generated **2 667 MWh** of solar power for the period and are installing at least a further **2,3 MW in the year ahead**. We target continued reduction of our carbon footprint through extensive Group-wide initiatives.

Our total **system-wide turnover** for the period was **R11,5 billion**, and our **market capitalisation** is in excess of **R15 billion**.

We are a **B-BBEE level 2** contributor. Our Group **corporate social economic development** spend was **R37 million**.

Our manufacturers are **Ceramic Industries** comprising **seven** factories in South Africa and **one** in Australia, and **Ezee Tile** with **six** factories in South Africa and **four** in the rest of Africa.

Our import businesses are **International Tap Distributors, Cedar Point** and **Distribution Centre**, with facilities in KZN, Gauteng and the Western Cape.

Our **property** portfolio is valued in excess of **R4,5 billion**.

We partner with **25 franchisees** and have **3 268 employees** (including those employed by franchisees).



FINANCIAL HIGHLIGHTS

▲ 1%
System-wide turnover

R11,5 billion

2022: R11,3 billion

▼ 15%
Trading profit

R2,3 billion

2022: R2,7 billion

▼ 13%
Earnings per share

132,6 cents

2022: 152,0 cents

▼ 13%
Headline earnings per share

132,3 cents

2022: 152,1 cents

▼ 13%
Ordinary dividend per share

53,0 cents

2022: 61,0 cents

▲ 12%
Net asset value per share

642 cents

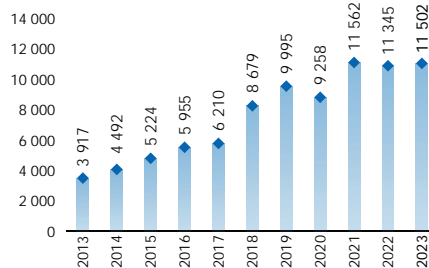
2022: 575 cents

▲ 143%
Net cash

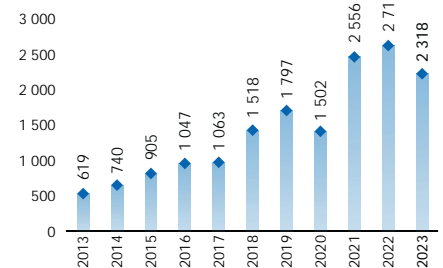
R1 billion

2022: R0,4 billion

System-wide turnover (Rm)



Trading profit (Rm)





—
THIS IS
ITALTILE

Over the past 54 years, the industry has evolved into one of the most innovative and competitive in the world. Hard work, determination, and courage in the face of adversity are values that are as relevant today as they were in 1969 when this business was founded.

OUR BOARD OF DIRECTORS



Luciana Ravazzotti Langenhoven (54)

Chairman

Appointed: 2018

Qualifications, skills and experience

Luciana has 34 years of experience with the Group, having worked in various roles in the South African business. She was also involved in the establishment of the Group's Ceramic Industries' Centaurus factory in Australia. Luciana is a non-executive director on the board of Centaurus Pty Ltd in Australia (appointed in 2000) and Chairman of Ceramic Industries (Pty) Ltd (appointed to the board in 2006).

Luciana was appointed as Non-executive Chairman of Italtile Ltd with effect from 1 July 2023.

Board committee membership



Giovanni Ravazzotti (80)

Non-executive director and founding member

Qualifications, skills and experience
 Founder, in 1969, of the Italtile Group.

Board committee membership



Lance Foxcroft (51)

Chief Executive Officer

Appointed: 2022

Qualifications, skills and experience

BSc Eng (Physical Metallurgy)
Cum Laude, BSc Hons IT

Lance served as CEO-designate from 1 July 2021 and was appointed CEO on 1 January 2022. He was formerly CEO of Ceramic Industries. Lance joined Ceramic in 2003 and held a range of senior management positions in the business prior to his appointment as CEO in 2014.

Board committee membership



Susan du Toit (50)

Lead independent non-executive director

Appointed: 2009

Qualifications, skills and experience

CA(SA), MCom (Financial Management)

Susan is a Chartered Accountant (SA) and has held a number of positions within Ernst & Young ("EY") culminating in the position as lead audit partner on a number of entities listed on the JSE. Susan also held the position of team leader for a group of audit partners at EY.

Board committee membership



Jan Potgieter (54)

Non-executive director

Appointed: 2014

Qualifications, skills and experience

BCompt (Hons), CA(SA), Advanced Management Programme (INSEAD)

Jan served as CEO of Italtile from 2016 to 2021, prior to that he held the position of Chief Operating Officer ("COO") from 2014. He retired from his executive role in December 2021. He is a Chartered Accountant (SA) and has extensive senior-level experience in the retail and supply chain sectors, having served as CEO and formerly 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. Jan currently serves as a non-executive director on the boards of Fortress Income Fund Limited, The Foschini Group Limited and Motus Holdings Limited.



Alex Motshwanetsi Mathole (51)

Independent non-executive director

Appointed: 2022

Qualifications, skills and experience

B.Luris, LLB (University of the Witwatersrand)

Alex was admitted as an attorney in 1997 and has extensive experience in legal, governance, and regulatory and conduct risk management. From 2014 to 2021 Alex was Chief Compliance Officer for the FirstRand group. Prior to that, she was Regulatory and Corporate Affairs Group Executive at Tiger Brands Ltd. She has also served as executive director and General Counsel for Siemens in Africa, and as an independent non-executive board member for Pick n Pay Stores Ltd until August 2020. Alex is currently the Managing Director and founder of Justings (Pty) Ltd, a business that provides regulatory and conduct risk management advisory services.

Board committee membership



**Brand Pretorius (75)**

Independent non-executive director

Appointed: 2011**Qualifications, skills and experience**

MCom Business Economics

Brand Pretorius is a well-known and respected businessman in South Africa, particularly in the motor industry where he held the position of Managing Director for Toyota SA for eight years and that of CEO of McCarthy Limited from 1999 to his retirement in 2011. Brand currently serves as a non-executive director on the board of InvoTech.

Board committee membership**Brandon Wood (41)**

Chief Financial Officer

Appointed: 2013**Qualifications, skills and experience**

BAcc, CA(SA)

Brandon is a Chartered Accountant (SA) and prior to joining the Group, was an audit manager at EY. He joined Italtile in 2010 as Group Financial Manager and was appointed as CFO in 2013, a position he served in for five years. From 2018, Brandon served as Executive Director: Commercial and Supply Chain and Executive Director: Retail, prior to being reappointed as CFO with effect from 2020.

Board committee membership**Lushane Prezens (46)**

Independent non-executive director

Appointed: 2021**Qualifications, skills and experience**

BBusSc, CA(SA)

Lushane is a Chartered Accountant (SA) having completed her articles at PricewaterhouseCoopers ("PwC"). She has 17 years of experience in investment banking, specifically in mergers and acquisitions and capital raisings at Morgan Stanley, J.P.Morgan and Fidelis Partners. She currently has her own advisory and consulting business. She serves as a non-executive director of Ceramic Industries (Pty) Ltd.

Board committee membership**Nkateko Khoza (47)**

Independent non-executive director

Appointed: 2018**Qualifications, skills and experience**

BCom, MBA

Nkateko is the CEO of Dzana Investments, a venture founded by her father, Dr Reuel Khoza. Dzana Investments is a holding company with interests in mining, property, energy, education, health and the information and communications technology ("ICT") sector. She was formerly associate director at Deloitte Consulting where she was responsible for business development and client service.

Board committee membership**Board committee key**

Audit and Risk

Social and Ethics

Remuneration

Nominations

Chairman

* By invitation

OUR EXECUTIVE LEADERSHIP



CERAMIC INDUSTRIES

Gerard Maartens

Designation

Ceramic Industries CEO

Joined the Group

2012

Qualification

Mechatronics Technician; Mechanical Engineering Certificate; Information Technology Certificate; Senior Management Development Certificate. Currently undertaking Honours in Business Administration



CTM

Paul Isaacs

Designation

CTM Executive

Joined the Group

1996

Qualification

Senior Management Development Programme Certificate; Financial Management course. Currently undertaking an MBA



TopT

Karabo Theledi

Designation

TopT Executive

Joined the Group

2018

Qualification

BCom (Economics); Postgraduate Diploma in Project Management; MBA



SUPPLY CHAIN

Tees Govender

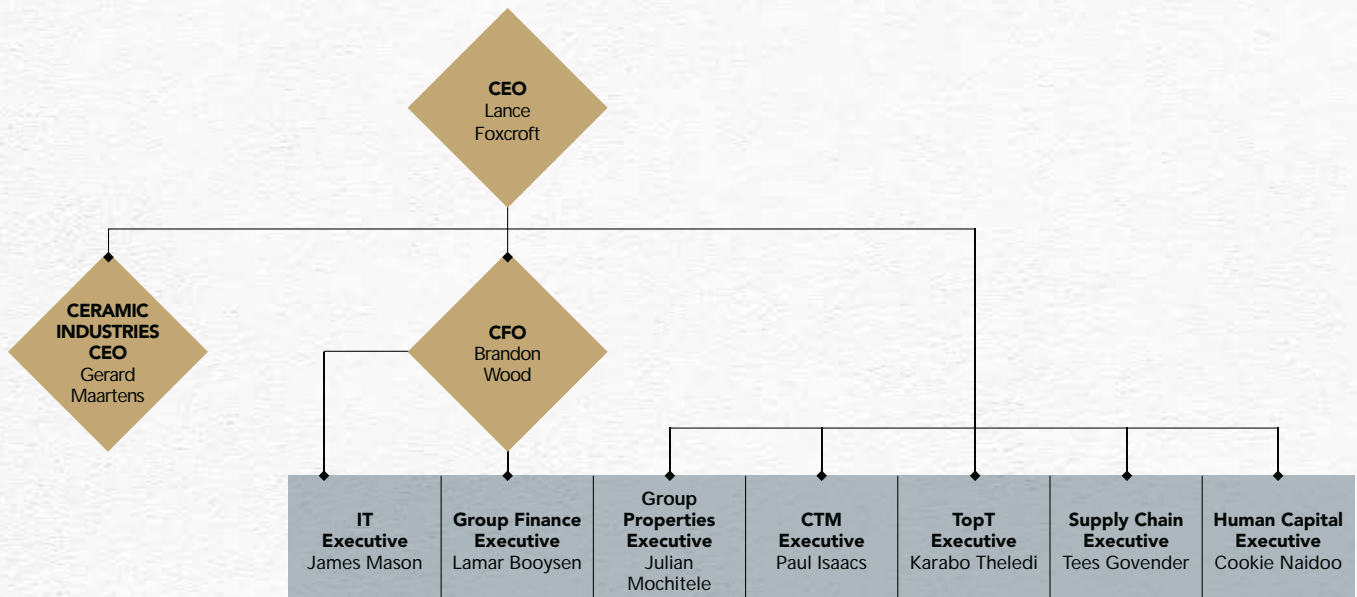
Designation

Supply Chain Executive

Joined the Group

2000

Italtile Group Executive Committee





INFORMATION SERVICES

James Mason

Designation
IT Executive

Joined the Group
2012

Qualification

Diploma IT; Diploma in Programme Management Development; Postgraduate in Business Management and MBA



PROPERTY PORTFOLIO

Julian Mochitele

Designation
Group Properties Executive

Joined the Group
2015

Qualification

BTech (Finance and Accounting)



**MANAGEMENT SERVICES:
HUMAN CAPITAL**

Cookie Naidoo

Designation
Human Capital Executive

Joined the Group
2018

Qualification

Honours degree (Major in Financial Management and HR) and Diploma in Strategic HR



GROUP FINANCE

Lamar Booysen

Designation
Group Finance Executive

Joined the Group
2023

Qualification

BCom (Accounting) *Cum Laude*; BCom Hons (Accounting); CA(SA)



OUR PURPOSE

Italtile is a South African group invested in a portfolio of differentiated, complementary, focused retail formats and manufacturing facilities focused on operational excellence.

The Group actively seeks opportunities to vertically integrate the supply chain to improve price competitiveness for our customers. Collaboration throughout the organisation and our culture of continued improvement in performance will drive market share gains.

Strategic clarity; principle-driven; ethical leadership; cost-effective technology; and customer and staff-centred partnerships form the essence of who we are.

We deliver superior return on funds employed to our shareholders.

We fight for the right of our customers to have a beautiful home.

Our mission and definition of victory

- To be **Africa's leading retailer of tiles, sanitaryware and ancillary products**
- To grow market share
- To be an **employer of choice**
- To **build our leadership and succession pipeline**
- To be viewed by our suppliers as ethical and **tough but fair**
- To be recognised as **compassionate and caring through meaningful measurable CSI initiatives**
- To be **innovative and strive for continuous improvement**
- To capitalise on the ever-accelerating pace of **technological innovation for the benefit of customers and shareholders**
- To progress the imperative of **transformation**
- To be a **globally competitive manufacturer of tiles, baths and sanitaryware**
- To be our **customers' number one choice** in the merchandise categories we plan to own
- To remain a **cash positive business** and maintain a dividend cover of two-and-a-half times
- To ensure **quality of earnings** by driving free cash flow
- To grow the business sustainably, while **minimising our impact on the natural environment**



OUR TIMELINE AND MILESTONES



Italtile Founded by Giovanni Ravazzotti in Alberton

1969



1971

Italtile's first **Cape Town** store opens.

Italtile's first **Durban** store opens.

Italtile's first **Johannesburg** store opens.

1972



1976

Samca Floor tile factory opens.

Samca introduces single-firing monocotura tiles using the clay dry-milling process.

Italtile moves into new premises in Alberton.

1981



1983

Launch of the first cash-and-carry concept CTM store in Roodepoort.

The second store opens in Stikland, Cape Town.

Acquisition of **Betta Sanitaryware** from a consortium of banks.

1986

Italtile moves head office to Randburg.

Samca Wall tile factory opens.



1989



1988

Acquisition of **NCI Ceramics**.

Italtile listed on the Johannesburg Stock Exchange.





The management information system is upgraded and all Italtile Centres are linked by computer.

1991

The roll out of stores continues with the launch of the boutique store in Tokai.

1993

CTM Roodepoort becomes the first store to turn over **R1 million**.

The entire organisation participates for its first full year in the staff profit share scheme.

Italtile moves head office to its current location in Bryanston.

Commencement of trading in Australia.

Introduction of high-pressure casting at Betta.

SAP is introduced to CTM Strijdom Park.

R1 billion system-wide turnover reached.

Opening of **Pegasus** factory.



2002

2003

Introduction of CTM joint-venture ("JV") model.

Italtile displays its passion for tiles with the 1,1 m x 2,2 m replica of Botticelli's Primavera which was made using kaolin clay and fired as a single tile in a roller kiln.

1992



Formation of **Ceramic Industries (Pty) Ltd.**

Ceramic Industries listed on the JSE.

Established CTM Franchising division.

1995

1994



The launch of the **CTM Mastertile Club**.

Italtile transfers its JSE listing from the building and construction sector to the retail sector.

2000



2001

Closure of NCI Tiles – production moves to Vitro factory.

1996



Acquisition of **Vitro Tile Factory**.

CTM **Pretoria** becomes the first store to achieve a turnover of **R2 million**.

CTM begins its successful TV advertising campaign with **Bob and Nige**.

Formation of Penates Logistics (Pty) Ltd.

2005



Italtile acquires a minority stake in **Ezee Tile**.

Penates builds the Tiling Training Academy in Boksburg.

Italtile Commercial division is established.

Cedar Point Trading is formed.

Expansion of Pegasus and Centaurus to double production volumes.

2007



Italtile acquires 20% of Ceramic Industries.

Ceramic is delisted from the JSE.

CTM's internet shopping facility is upgraded to a fully functional operating online trading store.

2006

Acquisition of **Sphinx**. Ceramic Industries and support centre moves to the Clay Quarry.

Penates builds the International Tap Distributors ("ITD") robotic warehouse, showrooms and the Forum Auditorium.

2009

2008



Expansion of Betta.

Aquarius factory opens.

Italtile launches the **TopT brand**.

2012

2010

Italtile appoints an Environment Officer to work with the Properties division to reduce the Group's carbon footprint.

2004



Acquisition of controlling interest in **International Tap Distributors (Pty) Ltd**.

Acquisition of controlling interest in **Early Works (Pty) Ltd**.

Centaurus factory opens.





Retail stores in Australia are sold to management.

2013

2014

Italtile introduces the equity-settled staff share scheme.

System-wide turnover reaches the **R5 billion** milestone.

2015

2016

The store properties in Australia are sold.

New-generation stores for Italtile and CTM open.

Gryphon tile factory opens.

Italtile Foundation Trust established.

2018

Acquisition of a controlling stake in **Ceramic Industries** and **Ezee Tile**.



Establishment of **Italtile and Ceramic Foundation Trust**.

2019

Italtile celebrates **50 years** of achievement.

2020

EcoTec tiles launched.
Acquisition of a 25,1% stake in **EasyLife Kitchens**.



2021

R290 million profit share earned by staff.

2023

Ezee Tile commissions flagship plant in **Vulcania, Gauteng**.

Samca+ floor tile factory is launched.

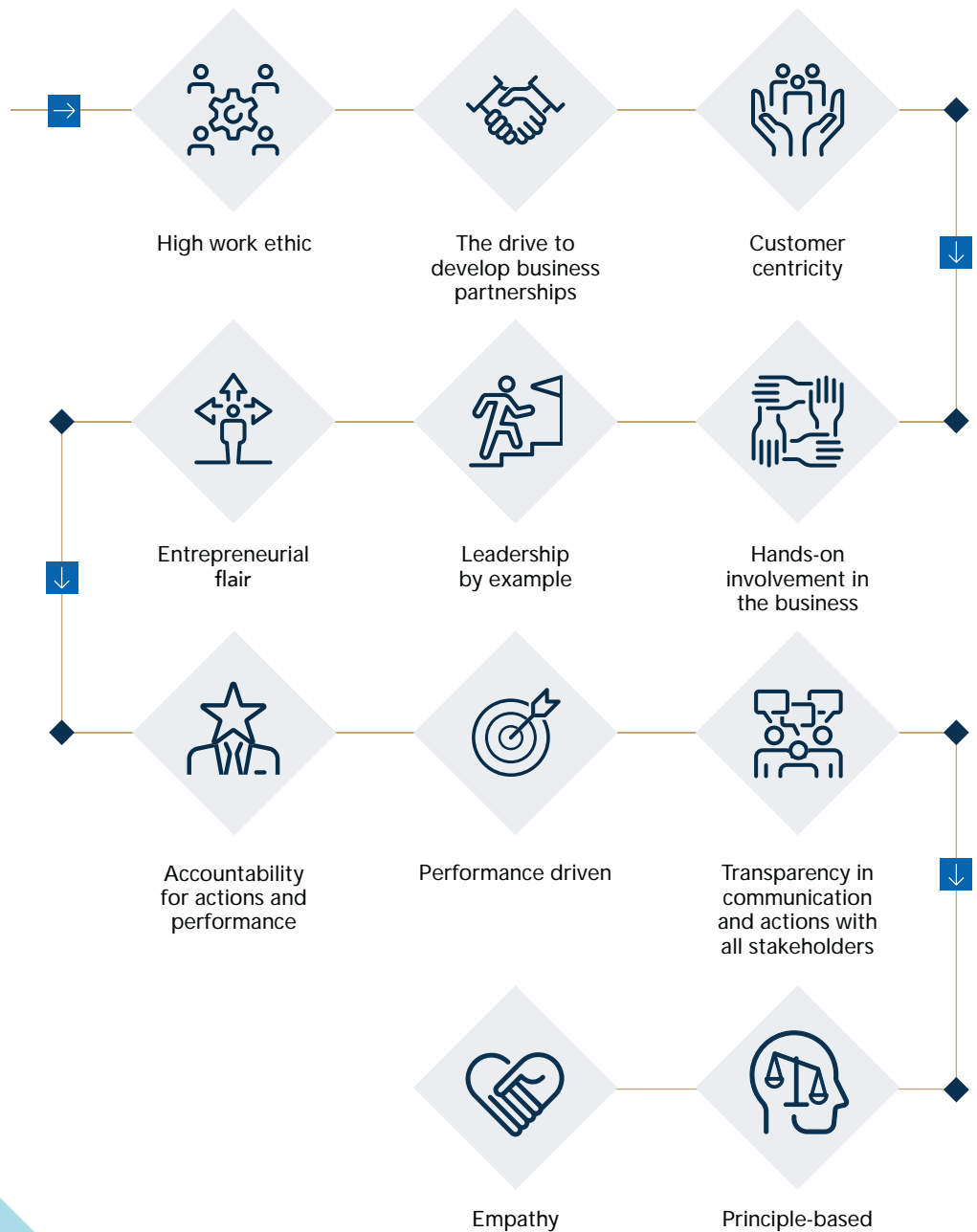
2022

OUR VALUES AND BELIEFS

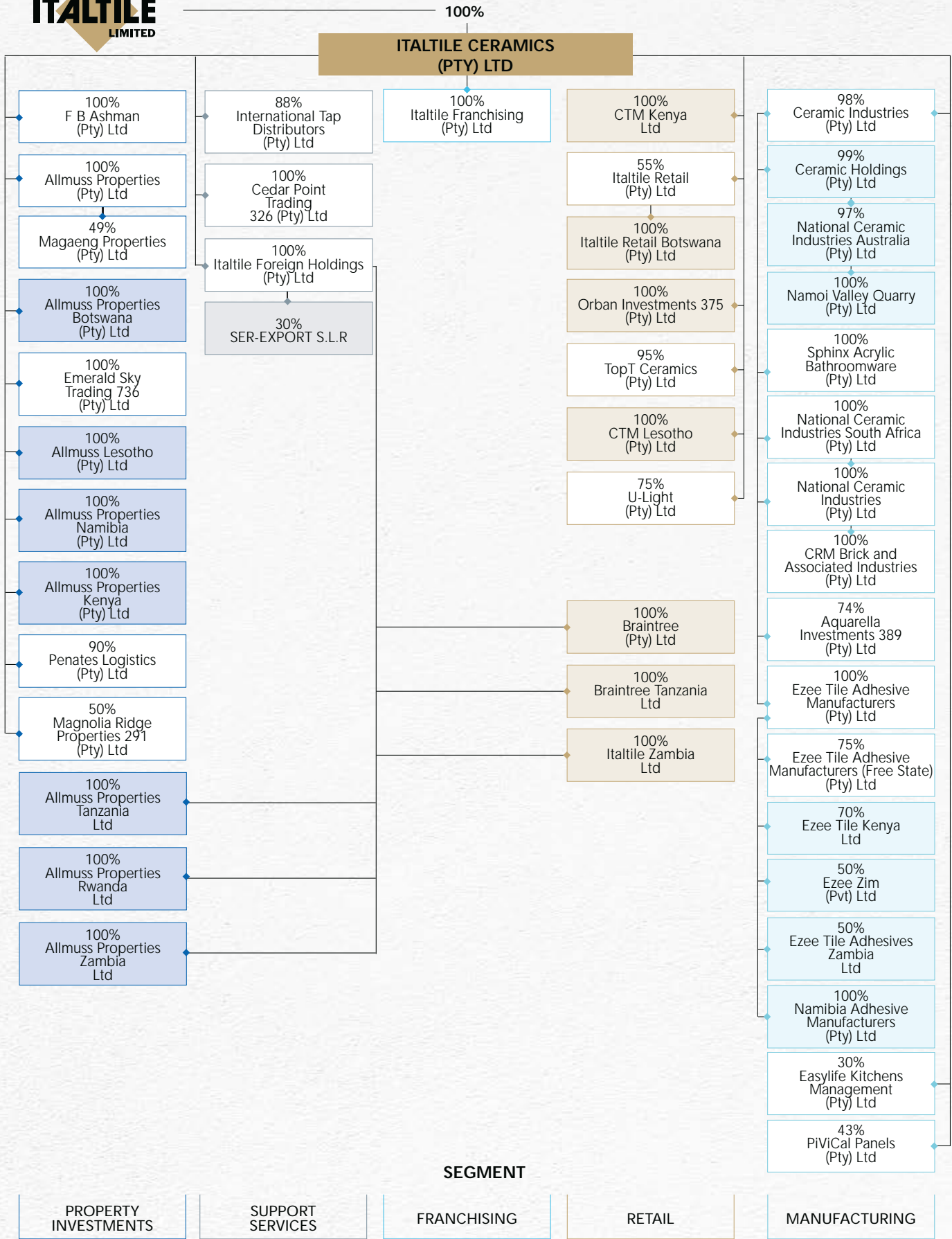
OUR VALUES

FAIRNESS	INTEGRITY	HONESTY	HUMAN DIGNITY (respect and caring)
EMPOWERMENT	EXCELLENCE	PARTNERSHIP	SERVANT LEADERSHIP

BELIEFS THAT ARE CORE TO OUR CULTURE



OUR GROUP STRUCTURE



Note: shaded blocks indicate companies incorporated outside of South Africa.

WHAT SETS US APART

-
- Strategic portfolio of strong retail brands that appeal to customers across the income spectrum.
 - Flat, low-cost organisational structure comprising strong teams and unique individuals intimately involved in the operations.
 - Strong partnerships with employees, equity partners and entrepreneurial franchisees.
 - Extensive property portfolio which comprises high profile, well-maintained, inspirational stores, state-of-the-art factories, and productive quarries.
 - Sustained investment in improving and innovating the shopping experience and ensuring the offering remains attractive to traditional customers and new, emerging homeowners.
 - Long-standing reputation as the industry trendsetter and fashion authority.
 - Integrated supply chain which underpins our policy of 'right product at the right time, place and price'.
 - Recognition that our people are key to our competitive advantage and hence continued investment in them is paramount.
 - Reward and empowerment ethos which incentivises personnel to participate in the profitability of the business.
 - A customer-centric philosophy which ensures all our activities are centred on keeping them top of mind.
 - Concerted focus on developing and employing industry-leading technology in both our retail offering and manufacturing operations.

RETAIL FOOTPRINT

216* Total network of stores



93* TopT stores



101* CTM stores



15* Italtile Retail stores



7* U-Light stores



* Includes webstores.

SOUTH AFRICA STORES

Limpopo

1 Italtile store
9 CTM stores
15 TopT stores
2 U-Light store

Mpumalanga

1 Italtile store
6 CTM stores
17 TopT stores

Gauteng

7 Italtile store
21 CTM stores
19 TopT stores
3 U-Light store

North West

6 CTM stores
8 TopT stores

KwaZulu-Natal

1 Italtile store
9 CTM stores
12 TopT stores

Free State and Northern Cape

6 CTM stores
7 TopT stores

Eastern and Southern Cape

1 Italtile store
6 CTM stores
11 TopT stores

Western Cape

2 Italtile store
10 CTM stores
3 TopT stores

STORES

KENYA



Eldoret Kisumu Thika
Nairobi Mwanza Mombasa
Diani Nakuru

TANZANIA



Mwanza Arusha Dar es Salaam

ZAMBIA



Lusaka

BOTSWANA



Maun Palapye Francistown
Gaborone

NAMIBIA



Oshakati Windhoek Swakopmund

ESWATINI

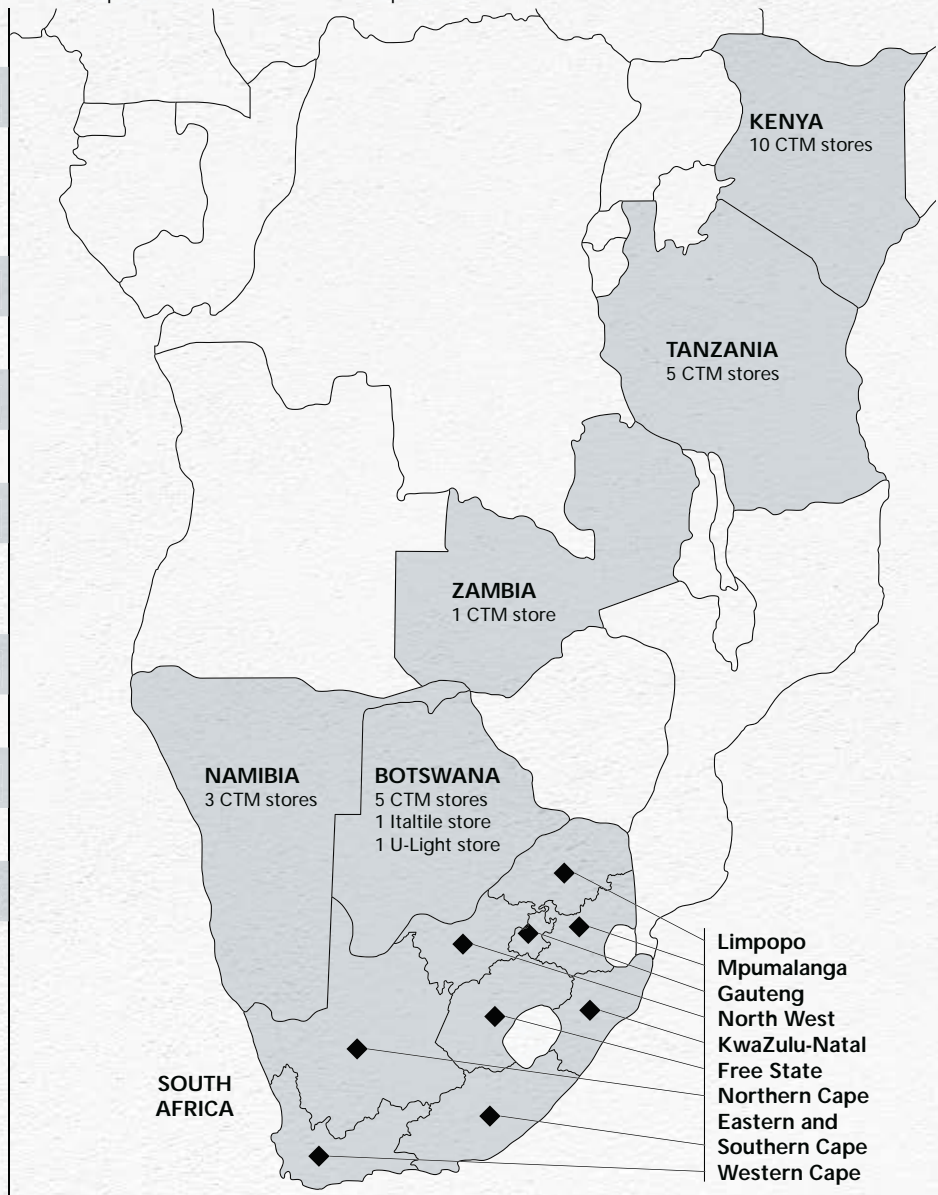


Mbabane Matsapha

LESOTHO

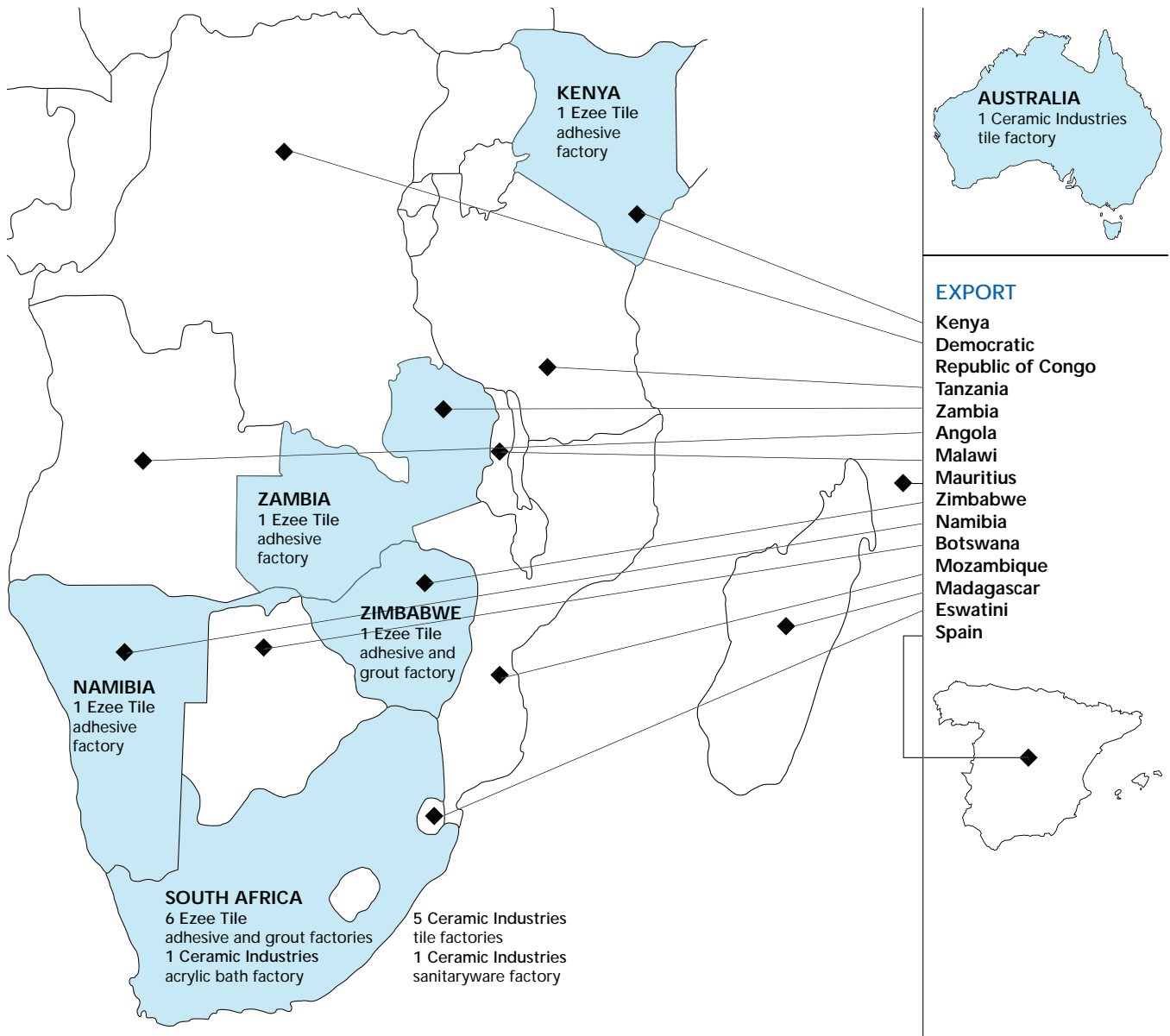


Maseru



MANUFACTURING AND EXPORT FOOTPRINT

The Group exports tiles, sanitaryware, grout, paint and adhesives to various sub-Saharan territories.



MANUFACTURING FACTORIES

<p>18 Total factories</p> <p>10 Ezee Tile Adhesive and grout factories</p> <p>1 Ceramic Industries Acrylic bath factory</p> <p>1 Ceramic Industries Sanitaryware factory</p> <p>6 Ceramic Industries Tile factories</p>	<p>AUSTRALIA </p> <p>Rutherford NSW</p>	<p>SOUTH AFRICA </p> <p>Mokopane Krugersdorp Hammanskraal Johannesburg Vereeniging Durban Gqeberha Cape Town</p>
	<p>KENYA </p> <p>Mombasa</p>	
	<p>ZAMBIA </p> <p>Lusaka</p>	
	<p>ZIMBABWE </p> <p>Harare</p>	
	<p>NAMIBIA </p> <p>Windhoek</p>	

CREATING VALUE THROUGH OUR BUSINESS MODEL

INPUTS

Through effective and sound management of our capitals, we create sustainable value.

Human capital

- Our workforce, partners and franchisees
- Skills and training
- Ethics
- Transformation
- Health and safety
- Values and culture

Financial capital

- Cash generated from operations
- Strategic direction
- Risk management

Intellectual capital

- Trademarks and brands
- Product research and development
- Knowledge, experience and practices
- People, HR and governance systems

Social capital

- Our customers
- Corporate social investment
- Our brands and reputation
- Regulatory and governmental authorities

Manufactured capital

- Production and research facilities
- Procurement and supply chain

Natural capital

- Natural resources (land, air and water)
- Projects to reduce carbon footprint

ACTIVITIES AND DRIVERS OF REVENUE

A key strength of the Group is our integrated business model.

Franchising

15%*

2022: 12%

Bearer of Group trademarks and franchisor of retail brands

Properties

14%*

2022: 12%

Well-maintained and strategically positioned rental yielding properties

Supply and support services

13%*

2022: 15%

Distributors of imported tiles, brassware, accessories, tiling tools, wooden flooring, cabinets, décor and shower enclosures. Provider of various Group services including IT, HR and marketing

Manufacturers

34%*

2022: 40%

Manufacturer and supplier of tiles, sanitaryware, bathware, grout, adhesive, paint and related products

Retail

24%*

2022: 21%

Retailers of tiles, wooden flooring, brassware, bathroomware, hardware, accessories and other home-finishing products

* Contribution to Group profit before tax.

Ethical and sound governance and corporate social responsibility underpin our business model

THE STRENGTH OF OUR BRANDS



To live beautifully means to live your best life. And since the day we opened our doors for business in 1969, it has been our passion and privilege to deliver a unique brand of service and a luxury experience to our customers that brings home the best:

the very best from the world of décor innovation and inspiration, international trends, mindful and sustainable eco-chic living, the very best professional design advice, and the very best quality and value for money. It's the Italtile Way, and nobody does it better.

TIVOLI

• PURE ITALIAN CRAFTSMANSHIP •

Tivoli Taps are beautifully designed and manufactured in Italy since 1959. All products are manufactured by robotic machinery according to the highest European standards. Tivoli Taps products are imported from Italy and carry a 15-year manufacturing guarantee.



volcanic limestone baths

Victoria + Albert Baths is a British brand with a worldwide reputation for creating beautiful freestanding baths and basins. Formed in 1996 with a passion for baths and bathing, the organisation has a head office in the United Kingdom and dedicated South African production facilities. Today, Victoria + Albert's international roots fuse together global design, sales and marketing operations with in-house manufacturing to deliver luxurious, lasting products. Made from 100% QUARRYCAST™, a blend of Volcanic Limestone™ and high-performance resins. Naturally white, each item is individually hand-finished by craftsmen.



ceramica SANT'AGOSTINO

Ceramica Sant'Agostino was set up in 1964 near Ferrara, in an area far from the place in Emilia where most of the Italian ceramic factories are situated. The factory, always managed by the founder's family, continues to develop its research for innovative products and innovative processes. Ceramica Sant'Agostino manufactures its products in Italy at 100% and creates a wide range of high-level products, able to satisfy the ongoing technical and stylistic market requirements for ceramic and porcelain tiles.

atlas concorde

Since 1969 Atlas Concorde has established itself as one of the leading brands in the global ceramic tile landscape. Atlas Concorde is a global partner in international design thanks to its superior ceramic solutions that are innovative in both style and technology. Our extensive range of porcelain surfaces for interiors, exteriors, and ceramic decorative tiles meets all the needs of designers and end-users all over the world.



LIVEGREEN

LAUFEN

Laufen Bathrooms, established in 1892, is a traditional Swiss brand reflecting a symbiosis of design, quality and functionality. What makes LAUFEN products unique at first glance is that their Swiss design unites two major design trends: emotional Italian design from the south and the northern tradition of design precision and clarity. Laufen products including washbasins, bath tubs, toilets and bidets are exclusive to Italtile in South Africa.

Italtile strives to be green at heart and to that end, we hold ourselves and our suppliers accountable to an eco-standard we call LiveGreen. Green enough isn't green enough. We believe that to 'live beautifully' doesn't just mean to surround oneself with gorgeous things. It means treading carefully, making responsible choices, even looking for a second life and upcycling options. Italtile beauty is more than just skin deep.



ITALTILE

LIVE BEAUTIFULLY

Launched in 1983, CTM is a household name in Southern Africa, enjoying strong brand affinity based on its reputation for a high-quality year-round value offering. Represented by 101 stores in Southern and East Africa, CTM is the largest specialist tile and bathroom retailer in the country.

CTM

Big savings. More style.



Smeg is an Italian home appliance manufacturer based in Guastalla, near Reggio Emilia in the north of the country. Know-how, creativity and style: these are the qualities that spring from Smeg's Italian identity and characterise the company's commitment to bringing everyday objects to life.

Smeg's identity is an expression of its actual Italian origins and the fact that the company is passionate about what it does.

TIVOLI

• PURE ITALIAN CRAFTSMANSHIP •



Tivoli is the largest Italian brand of taps in South Africa. Made by Italian master craftsmen, Tivoli taps are renowned for their quality, technology and design. All Tivoli taps carry a 15-year guarantee.

Capturing the African landscape, Kilimanjaro tiles are made in South Africa for African conditions and are exceptionally strong and durable. Imitating natural stone, these beautiful tiles are suitable for indoor and outdoor. The Kilimanjaro range is exclusive to CTM.



KILIMANJARO

Capture the African Landscape

TREVI

COLLECTIONS

Trevi is an aspirational range of modern, minimalist bathroom furniture and sanitaryware designed to enable discerning homeowners the opportunity to personalise their unique bathroom creations. Individual items including wall-hung and floorstanding cabinets can be combined and adapted to suit any bathroom size and layout; the colour palette includes glossy white, woodgrain grey and warm glossy grey.

Amalfi taps are specifically designed for the customer who seeks quality products at an affordable price. The Amalfi brand is exclusive to CTM and carries a 10-year guarantee.



amalfi
tap into style



Eco Ceramica, established in 2009, currently distributes to 120 countries internationally. Development with the latest market technology manufacturing and supplying red body, white body, porcelain as well as polished tiles. Eco Ceramica forms part of a bigger group, Pamesa Industrial Group, the first European producer of ceramics and fifth in the world. This has allowed them to unite the experiences and values of a consolidated industrial group.



Nu Vinyl flooring is ideally suited for use throughout the house. The insulating elastic surface absorbs noise, is warm to the touch, effective in damp areas and gentle on the body's joints, making it a desirable floor covering in bedrooms, bathrooms, kitchens and living rooms.

Origins Nature's Touch is an on trend, innovative range of ceramic tiles that mirror the look-and-feel of real wooden flooring. The tiles are manufactured in a variety of sizes and colours, all mimicking the hues of natural wood. The Origins range is exclusive to CTM.



Stonewall is the modern contemporary designer expression of timeless natural stone. Easy-to-install tile sheets enable homeowners to replicate their favourite stone look with confidence and ease.



ELF LAMINATES

The Feel Good Floor

Elf is a range of high-quality laminate floors, meticulously selected from leading German and other European factories. Elf's authentic-look wood floors are cool in summer and warm in winter. This trusted brand offers a class-leading guarantee, backed by CTM, nationwide.



This specifically customised range of tile adhesives is a brand leader in the industry, based on its quality, performance and good value. Pro Grip is manufactured exclusively for Italtile Retail and CTM.



PRO GRIP
IT NEVER LETS GO

TECHNOLOGY IN STYLE CRYSTALTECH SHOWERS



'Technology in style' defines the perfect combination of form and function. Crystaltech Showers are manufactured from specially treated, tempered glass that ensures stylish but safe showering. This range of framed, frameless and corner shower enclosures affords homeowners a variety of options to match the perfect cubicle with their specific bathroom space.

The Ezee Tile brand is represented by a range of tile adhesives and grouts as well as related products designed to make tiling easier and provide a professional finish for any home-improvement or building project.

EZEE TILE ADHESIVES

AFRICA'S PREFERRED TILING SOLUTIONS



Established in 1976, Ceramic Industries has grown to become a leader in the design, manufacture and distribution of ceramic tiles and bathroomware. The Group comprises five tile factories, one bathroomware factory and one acrylic bath factory, all based in South Africa, and a tile factory in Australia.



The Quadravec range comprises large format, high-definition ceramic tiles whose design draws inspiration from nature – while striving to preserve it – through eco-sensitive manufacturing principles. Quadravec is produced in Ceramic Industries' world-class continua tech facility in South Africa.

Styletec's high-quality, high-tech and highly stylish tiles are produced using superior manufacturing techniques and inkjet printing for defined designs in an extensive array of options. The wide range enables customers to perfectly match their taste with their lifestyle.



Megatec's contemporary design provides an excellent choice for replicating the beauty of natural stone and the modern edge of screeded floors. The large-format tiles reduce grout lines and afford a clean generous canvas with an unbroken look.

TopT is a one-stop home-finishing supplier of good quality, affordable merchandise and the low-cost leader in its entry-level market segment.

TopT has 93 stores situated in underserved rural areas and outlying markets.



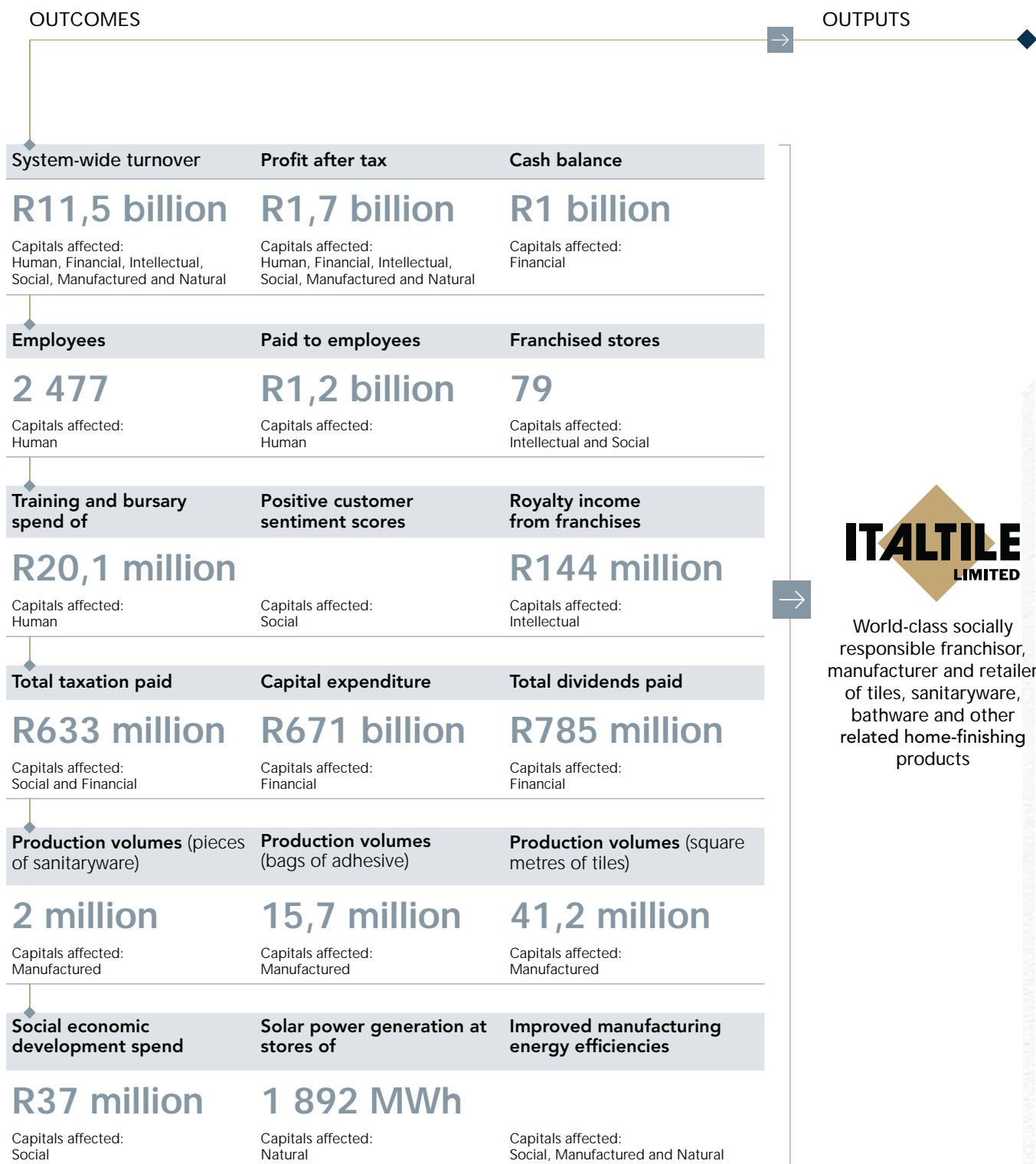
The Diva brand is an exclusive range of good quality taps designed and priced specifically for TopT stores in South Africa. Available in both conventional and single lever styles, there is a range to suit all tastes.

Homemakers are proud to use the high-quality Homegrown range of paints; available in four variants. This indoor, outdoor and rooftop paint is stylish and user-friendly.



The Tuff range comprises class-leading adhesives and paints that are innovatively packaged and specifically engineered to provide real value for the entry-level market. This brand is exclusive to TopT stores.

Our business model supports delivery of our strategy and is shaped by our purpose, mission, values and beliefs.



Ethical and sound governance and corporate social responsibility underpin our business model

TO THE OUTGOING CHAIRMAN, GIOVANNI RAVAZZOTTI

It is an honour to pay our respects to the outgoing Chairman, 'Mr R', as he is affectionately known in the business, as he steps down from a position held with distinction for 54 years.

Visionary pioneer, extraordinary entrepreneur, passionate leader and generous mentor describe the man who founded this business in 1969 and steered it through five decades that have witnessed the world - and our industry - change beyond recognition.

Throughout this tumultuous time, the Group has benefited from his steadfast leadership, unerring judgement and instinctive, insightful understanding of the business, the customer and the market.

Quoted as saying that his greatest achievement has been 'making a difference in the lives of many people', exemplifies his commitment to those he works with and the communities in which this business operates. His obsession with empowering his people is manifested through the various training and development programmes, profit-sharing incentives and partnership ethos that underpin the Group's corporate culture and his founding principles.

Equally, his support for local community socio-economic initiatives and personal involvement in the environmental sector have far-reaching impacts on the neediest in our country.

Mr R is an inspiration to the Italtile team. He embodies the virtues of hard work, honest endeavour, courage and humility. While his designation has changed, he will continue to be a driving force in this business and we are extremely fortunate to retain his vast wealth of knowledge and support. On behalf of all the people of Italtile, we would like to congratulate him on his exemplary tenure and thank him for setting the Gold standard for us to strive for.

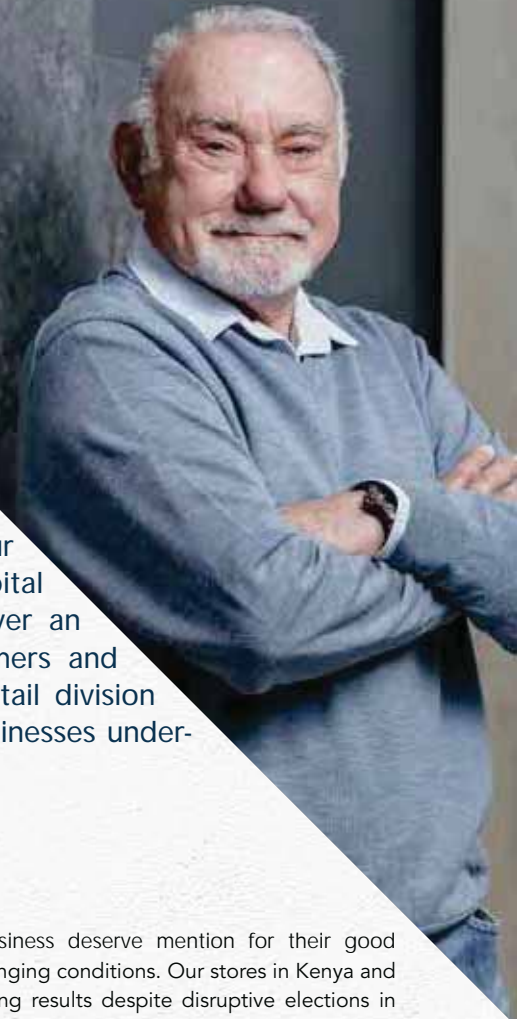
The Board

STRATEGIC REVIEW

In the year under review, the Board's focus remained on the key sustainability pillars of our five-year strategic plan: operational excellence; leadership effectiveness and preservation of corporate culture; fashion leadership; omni-channel platform; organic growth; and energy security and transition to renewable resources.

OUTGOING CHAIRMAN'S STATEMENT

Giovanni Ravazzotti,
Chairman



Our aim over the past year was to optimise our investments in people, technology and capital expenditure projects across the business to deliver an unsurpassed shopping experience for our customers and thereby achieve our growth targets. While our retail division delivered solid results, the local manufacturing businesses underperformed against our expectations.

OVERVIEW

System-wide turnover for the period was 1% higher at R11,5 billion; trading profit declined by 15% to R2,3 billion. These results reflect difficult trading conditions featuring weak consumer demand, heightened competition and intense margin pressure in the current inflationary environment. Regrettably, in the South African manufacturing division, the adverse impact of the operating context was exacerbated by internal inefficiencies, which constrained productivity and profits. Particularly disappointing was the delay in bedding down recent major capital expenditure ("capex") projects in our Ceramic and Ezee Tile plants.

Our investment approach in our manufacturing operations has always been to entrench our leadership in the industry through using world-class technology to create highly fashionable, exceptional quality products. I am confident that the cutting-edge equipment and facilities which we have invested in will deliver significant competitive advantage once their full potential is realised. To achieve this, we have implemented critical remedial actions in the division, including restructuring the teams and systems to optimise on competencies, efficiencies, quality and costs. Our primary focus over the next year will be on optimising and extracting the projected benefits of these capex projects.

Certain parts of the business deserve mention for their good performance in the challenging conditions. Our stores in Kenya and Tanzania delivered pleasing results despite disruptive elections in the former, and subsequent flooding in both countries. Our Australian operation, Centaurus, also reported higher sales and profits, notwithstanding the subdued market. Locally, I am pleased to report that Beta Sanitaryware grew sales and production volumes and gained market share through fashionable import-replacement products. Beta's branded sanitaryware range offers important competitive advantage through its SABS-approved and ISO 9001 certifications and five or 10-year warranties.

BOARD FOCUS

In the year under review, the Board's focus remained on the key sustainability pillars of our five-year strategic plan. They are: operational excellence; leadership effectiveness and preservation of corporate culture; fashion leadership; omni-channel platform; organic growth; energy security and transition to renewable resources.

The Board's responsibility is to ensure that these sustainability pillars and related policies are communicated, understood and complied with, while management is accountable for promoting and implementing the policies. Management's key performance indicators are aligned with the five-year strategic plan.





In terms of our strategic plan, I am satisfied that good progress was made on improving operational excellence in the retail division, while our fashion leadership was enhanced across all our business units. We grew the contribution of our omni-channel to total sales, and progressed our energy journey, as discussed in this report. While we continuously monitor the landscape for potential acquisitions, no suitable opportunities were identified in the period.

Leadership effectiveness was acutely tested during the year, resulting in a restructuring of the management team at both Ceramic and Ezee Tile. These measures have started to bear fruit, although continued focus is required to build and develop depth in the team. Significantly, I believe that opportunities were missed in the manufacturing division in terms of increasing tile volumes and improving productivity measures, and these will remain key focus areas.

ENVIRONMENT, SOCIAL AND GOVERNANCE (“ESG”)

Environment

We have made progress in our efforts to reduce the Group’s carbon footprint and transition to renewable alternatives, as outlined in the Environmental report in this document. In our retail operations, we operate three entirely off-grid stores, which are serving as pilot studies for further stores. Photovoltaic systems are installed at 44 of our stores and we are rolling out a bridging battery solution to 38 stores. Throughout the retail network we have implemented measures to monitor and reduce consumption of non-renewable resources and minimise waste destined for landfill.

In our manufacturing operations, heat and water recovery solutions are implemented, and solar capacity is installed at Betta, Gryphon, Samca+, Samca Wall and Ezee Tile’s Vulcania plants. Up to seven percent of Ceramic’s gas requirements are supplied by liquefied natural gas (“LNG”), which diversifies our energy source, but at a cost. An additional 0,4 MW of power is being installed at Samca Wall and we are currently investigating installing additional solar power at Samca+; a combined heat and power plant project in Vereeniging;



and an electricity-wheeling arrangement. We are also conducting exploratory discussions with a biogas supplier.

It is of significant concern that Sasol has indicated that it could stop supplying LNG from Mozambique as early as 2026. Seventy percent of Ceramic’s energy requirements are supplied by gas, and therefore the repercussions for the business are serious if an alternative bulk gas supply is not commercially available at a viable price. While this potential decision is a key risk for the entire national economy and will likely require a collaborative solution from a range of industry players, management is in the interim actively exploring alternatives, both in the Independent Gas Users Association-SA (“IGUA”) forum and independently. Shareholders will be apprised as and when further developments occur.

Social Transformation

Our stated goal at the end of the prior year was to strive to maintain and improve on the Group’s B-BBEE rating of level 2 (98,55 points) as assessed in September 2022. The key areas identified for improvement were management control, skills development and enterprise and supplier development. In the assessment conducted in September 2023, the Group maintained its level 2 rating, with an improved score of 99,34 points.

Proudly South African

Approximately 82% of all merchandise procured by the Group over the past year was from South African businesses. Our Proudly South African policies and practices are centred on promoting the sustainability of our business, the communities in which we operate, and the broader economy. By selling local products manufactured by local people, we support suppliers to create jobs and facilitate skills transfer. While our focus is predominantly on local procurement, pricing dynamics in the global market currently favour importing certain products. In the interests of our cost-conscious customers, we leverage such buying opportunities to support them.

Socio-economic development

The Group’s social investment spend is conducted primarily through the Italtile and Ceramic Foundation Trust (“Foundation”), our broad-based black ownership scheme, whose goal is the transformation and upliftment of previously disadvantaged communities through distributions made to public benefit activities related to education, sport and conservation. The Foundation’s spend of R33 million for 2023 was allocated as follows: education: 40%; sport: 40%; conservation: 10% and other: 10%.

We partner with non-profit organisations in these social impact projects, and I would like to thank each of them for the transformative results they achieve in the communities and natural environments they serve. Their devotion to improving the lives and futures of those

CHAIRMAN'S STATEMENT CONTINUED

they interact with is extraordinary. I would also like to thank our trustees and staff who volunteer their services, and our franchise partners who make valued contributions to community development initiatives. I am proud of all of you for making a meaningful and measurable difference where it is most needed.

The Foundation's report and the Group's CSI report on pages 93 and 100 respectively of this IAR provide detail on the projects undertaken during the review period.

Governance

In preparing this IAR, we referred to the JSE's Sustainability and Climate Disclosure Guidance documents as a benchmark for the business's reporting standards. The Board is satisfied that disclosures regarding governance, strategy, management, and metrics, targets and performance, as recommended by the guidelines have largely been adopted in this report.

BOARD COMPOSITION

This is my final report as Chairman of the Group. While I retired from this position on 30 June 2023, to coincide with my 80th year, I will remain on the Board as a non-executive director and intend to continue to contribute to the business. Preserving our organisational culture is important to me and I look forward to continuing to entrench that through my training and mentorship programmes.

My daughter, Luciana Ravazzotti Langenhoven, has been appointed as Chairman, after having served as my deputy since 2018. Luciana is suitably equipped for the position, having grown up with the business and worked across the organisation in various roles over the past 34 years. I am confident she will bring a fresh perspective to the business, while protecting our founding values.

REMUNERATION

We recognise that in an industry renowned for its dearth of specialist retail and manufacturing skills, our people are key to our competitive advantage, and hence we continue to invest in them and incentivise them. Notwithstanding that the results for the year failed to meet our expectations, the largely solid performance should be viewed in light of the very difficult trading conditions experienced, our demanding high-performance culture and stretch targets. Accordingly, the Remuneration Committee approved above-inflation increases for most staff. Partnership with our employees is a key philosophy, and 10% of the business's profits are paid to them through various schemes. This partnership ethos, fair remuneration and our steadfast company values, will assist us to remain an employer of choice for the high-calibre candidates that our business demands.

STAFF SHARE SCHEMES

The Group's equity-settled Staff Share Schemes are designed to incentivise employees to participate in the growth and profitability of the business. During the financial year, the Group implemented a new staff share scheme, to replace the previous scheme. The new scheme is similar in structure and the outcomes are largely the same; however, the new scheme is easier to administer and more tax efficient for the Group and the participants.

The seventh allotment of shares under the previous scheme, granted in 2018, vested on 31 August 2022. A total of 151 employees qualified and the after-tax value averaged R161 124 per individual (aggregate payments including income tax totalled R35,3 million). On 31 March 2023, in terms of the new scheme, awards were made to 535 qualifying employees of the Group and its franchisees. Awards vest after three years if the participant remains in the employ of the Group or its franchisees. As at 30 June 2023, there were 638 participants in the schemes, with awards linked to 5,5 million Italtile shares.

CAPITAL ALLOCATION

The Group's net cash reserves rose by 143% during the review period, reflecting the strong cash generating ability of the business, responsible cost leadership disciplines, and the conclusion of major expansionary capex projects. While a range of options is available in terms of optimal allocation of cash reserves, including special dividends, share buy-backs and possible acquisitions, we have resolved to adopt a cautious stance for the period ahead. In light of the recent pandemic, uncertainty in the socio-political environment leading up to national elections in 2024, the generally weak economy and subdued growth forecasts, our intention is to monitor the evolving landscape and evaluate the options available, in the interests of our stakeholders.

DIVIDEND AND DIVIDEND POLICY

The dividend cover is two-and-a-half times. The Board is satisfied that this level affords attractive returns for shareholders, while providing for an ongoing capital investment programme across our operations.

A final gross ordinary dividend of 21,0 cents per ordinary share (2022: 27,0 cents per share) was declared for the period. This final dividend, together with the interim gross ordinary cash dividend of 32,0 cents per share (2022: 34,0 cents per share), produces a total gross ordinary cash dividend declared of 53,0 cents per share (2022: 61,0 cents per share), a decrease of 13%.

CURRENT TRADING

in line with the prior year comparative, sales value for the two months subsequent to year-end was marginally higher, although volumes were slightly down.

OUTLOOK

Prevailing conditions are likely to persist for the year ahead. High interest rates and inflationary pressure will continue to constrain household income and reduce the affordability of new-build and renovation projects. Unstable energy and water supply will also impact discretionary spend as consumers reallocate funds to provide for these basic services. In light of increased manufacturing capacity (both Group and competitors), and subdued international and local demand, competition will remain intense and margin pressure is expected to increase as operators contest for share of wallet and market.

Our investment in industry-leading technology will continue to give the Group a competitive advantage in the marketplace. Following the restructuring implemented in the manufacturing division, the Board is confident that we have the right teams in place to achieve our growth targets. The business will focus on consolidating and optimising the recent major capital expenditure projects, which will improve performance in the period ahead and position the Group to

capitalise on opportunities for growth as they arise. In this regard, we remain optimistic that the long-term dynamics of the local market are favourable: there is growing urbanisation, a dire housing shortage and an upwardly mobile young population, desirous of becoming homeowners.

VALEDICTION

Since founding this business 54 years ago, I have been privileged to witness the evolution of an industry, which today is one of the most innovative and competitive in the world. Hard work, determination, and courage in the face of adversity are values that are as relevant today as they were in 1969 when I first started selling imported tiles to a market that was entirely unfamiliar with the product.

While cutting-edge technologies will continue to be pioneered and ground-breaking fashion will change ever more frequently, there will always be one constant – the *raison d'être* for all of us who work in this industry – the customer and their desire for an exceptional shopping experience.

Across our business, our mantra is to fight for the right of our customers to have beautiful homes. Our corporate culture is centred on the goal to deliver the right product, beautifully presented at the right time, place and price. I am confident that if we focus on these basic values and capitalise on our array of retail and manufacturing assets, we will continue to deliver an unsurpassed customer experience and further entrench our leadership in the industry.

APPRECIATION

Our customers are at the core of our business, and it is thanks to the unwavering efforts of our store operators and franchisees that we continue to retain and grow their loyalty to our brands.

In the year under review, the management team faced a variety of challenges, both external and internal, which tested their mettle. I am satisfied that the learnings they gained have strengthened the business and position us to meet the expectations of our stakeholders.

The Group enjoys long-standing, constructive relationships with our private and institutional shareholders. Management's engagements with them during the year confirmed their recognition of the business's investment proposition and our ongoing efforts to reward their support through improvement in performance.

Our business partners and advisers afford a valuable service to the Group and I extend my appreciation to them.

Finally, I would like to thank my Board colleagues for their support and counsel during my tenure as Chairman. Together we have successfully navigated a remarkable, and at times, testing journey. I am confident that the new Chairman will benefit from their wisdom and extensive experience.



G A M Ravazzotti

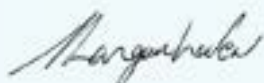
Chairman, effective until 30 June 2023

MESSAGE FROM THE INCOMING CHAIRMAN

I would like to pay tribute to Giovanni Ravazzotti, the outgoing Chairman – and my father. It is an honour to succeed him and I am mindful that he leaves an inimitable legacy. He has been an excellent mentor to me and I am confident that as he hands me the baton, I have the benefit of decades of professional and personal experience in a business we are both passionate about. I know I will have his continued support and guidance, together with the counsel of my fellow Board members.

Having served on the Board as Deputy Chairman since 2018, I am well versed in the Group's growth plans, driving forces and ambitious targets. Italtile is renowned for its consistent strategy, robust business model and resilient track record, and they will remain the key components of the blueprint going forward.

I believe that my collective 34 years of experience in various roles in the local and Australian operation will add value to the Group. I also hope to bring intensified focus to developing our human capital and technological competencies to enhance our efficiencies and deliver the unrivalled customer shopping experience we strive for. I look forward to the challenges and opportunities that the future holds and to continuing to support our goal to be the best manufacturer and retailer in our sector, an employer of choice, and a business that makes a meaningful difference to all our stakeholders.



Luciana Ravazzotti Langenhoven

Chairman, effective 1 July 2023

STRATEGIC FOCUS AREAS

STRATEGY AND KEY IMPERATIVES

Strategic clarity is key to the Group's goal to deliver sustainable value for all stakeholders.

The Group's five-year strategy is developed and implemented through an effective decision making framework and is reviewed annually in terms of its relevance to evolving external and internal conditions. The Board is responsible for setting clear strategic direction, while management is held accountable for delivering measurable results.

Strategic priority 1: OPERATIONAL EXCELLENCE

Imperative	Progress achieved in 2023
Grow sales volumes and improve manufacturing efficiency	Subdued demand and increased competition resulted in a decrease in sales volumes, which impacted the ability of manufacturing to operate efficiently without full loading.
Cost leadership and productivity improvements	Costs remained well controlled.

Strategic priority 2: FASHION LEADERSHIP

Imperative	Progress achieved in 2023
Maintain investment in our strong brands and new product development	Commissioned Ezee Tile's new flagship factory. Introduced new products across several merchandise categories. Our priority is to expand new product development as well as improve marketing initiatives to ensure customers are aware of the fashion offering and benefits of new products.

Strategic priority 3: LEADERSHIP EFFECTIVENESS AND PRESERVATION OF CORPORATE CULTURE

Imperative	Progress achieved in 2023
Introduce outcomes-based training programmes that are better aligned to meet the Group's personnel requirements and enhance the state of readiness of candidates to fulfil successful leadership roles	Graduates from the CTM Future Leader Programme and TopT's Management Training have performed well in operations. The programmes will continue to be run and improved.
Instil high-performance culture	Entrenched culture of setting, measuring and performance monitoring of KPIs.
Optimise employee engagement	The engagement score of 74% remained at a high level. We are satisfied with this score, given the prevailing low levels of confidence in the country at present and the Group's weaker results.

Strategic priority 4: OMNI-CHANNEL

Imperative	Progress achieved in 2023
Grow the contribution of the webstores and ensure that Italtile remains at the forefront of technological innovation to the benefit of customers	Webstore sales contribution increased in 2023. We completed initiatives to improve the mobile and web experience as well as end-to-end customer satisfaction, particularly improving last-mile delivery. Integration of digital marketing focus to drive webstore visits has been improved with a dedicated resource.

Strategic priority 5: ORGANIC GROWTH

Imperative	Progress achieved in 2023
Expand retail footprint	Net increase of five stores in 2023, including one store opened in Kenya.
Expand capacity of Centaurus Australia	Delayed due to current backlog in building completion and interest rate cycle slowdown.
Expand manufacturing footprint	Feasibility study for additional production facilities underway.
Explore new international geographies	On hold until investment conditions improve in global markets.

Strategic priority 6: ENERGY SECURITY AND TRANSITION TO RENEWABLE RESOURCES

Imperative	Progress achieved in 2023
Migrate to electricity generated by renewables	2,7 MW installed at Gryphon and 0,6 MW at Samca Wall. Opportunities are being explored to expand this capacity by a further 2 MW in 2024.
Alternative gas supply	Suitable contracts and alternates to replace Sasol gas under consideration with IGUA-SA. Gas delivery from the Renergen partnership in place and process operating successfully on gas. Implementation of a biogas solution is being actively investigated
Combined heat and power solution	Currently investigating viability of creating a power island at one site to self-generate enough electricity to be independent from the electricity grid. Currently on hold pending clarity from Sasol/ National Energy Regulator of South Africa ("NERSA") on gas pricing.

Strategic priority 7: ACQUISITIONS

Imperative	Progress achieved in 2023
Investigate acquisitions of businesses with complementary products which have attractive returns on capital	No suitable acquisition targets were identified in the year under review.

PERFORMANCE REVIEW

Notwithstanding that the results for the year failed to meet our expectations, the largely solid performance should be viewed in light of the very difficult trading conditions experienced, our demanding high-performance culture and stretch targets.



CHIEF EXECUTIVE OFFICER'S REPORT

Lance Foxcroft,
Chief Executive Officer



The Group reported a largely solid performance in the retail division, despite the challenging trading environment. In our manufacturing business, the industry-wide decline in consumer demand resulted in sub-optimal capacity utilisation in our factories. Absorption of some inflationary pressure, compounded by manufacturing inefficiencies, impacted significantly on margin. Remedial measures are being implemented in the division to improve performance.

OPERATING ENVIRONMENT

The challenging trading conditions reported in the first half of the year deteriorated in the second half as basic living costs and interest rates continued to rise, putting further pressure on homeowners experiencing low wage inflation and high levels of unemployment. In addition, the depreciation of the currency and inflation-driven input cost increases drove up product and building costs, reducing affordability for consumers in the new build and renovation markets.

Consumer and investor sentiment also declined further in light of record power cuts; deteriorating infrastructure and service delivery failure; endemic crime and corruption; and uncertain foreign policy. The FNB/BER Consumer Confidence Index of -25 in the second quarter of 2023 was the second-lowest reading on record since 1994 and indicative of concerns about economic prospects in South Africa and household finances.

Competition in the sector intensified with new operators emerging in both the retail and manufacturing segments, while reduced global demand and depressed shipping rates have resulted in some imported product pricing becoming more appealing.

Availability and pricing of energy are critical considerations in our business, specifically for the manufacturing division. Our retail operations can largely function without disruption during load shedding, albeit that shoppers tend to avoid those periods. The impact on the manufacturing operations is far more severe, and we employ extensive measures to mitigate against the downtime, waste, and damage to equipment resulting from power outages.

Concerns regarding crime in our operating environment continued to grow, and the general costs of securing the safety of customers, employees and properties is increasing ahead of inflation.

CONSUMER TRENDS

In general, unfavourable economic conditions and the large-scale unwinding of the pandemic-related home improvement boom have resulted in a widespread decline in foot traffic and transaction numbers. The impact of constrained disposable income was evident in consumers' cost-conscious behaviour of buying-down in most product categories; their heightened responsiveness to sales promotions; and increased online research and quote-sourcing. Increasingly, consumers are also diverting disposable income to electricity back-up and generation alternatives, adding further pressure on discretionary spend in the home improvement sector.

In the fight for share of wallet in this competitive market place, the Group continued to be recognised for its long-standing, high-profile brands and reputation for quality and affordable fashion. Margin was absorbed across all business units to support our price conscious customers.

RESULTS

 A detailed analysis of the Group's results is contained in the CFO's report on page 52.

Notwithstanding the weak economy, our goal was to match the production and sales volumes of the prior year, gain market share and improve profits.



We continued to invest in people and technology across the business to deliver an unrivalled shopping experience and a one-stop solution to customers. Disappointingly, we failed to achieve our goals in the South African businesses, although our East African and Australian operations reported good results.

Total system-wide turnover grew by 1,0% to R11,5 billion (2022: R11,3 billion). Average selling price inflation of 6,7% across the Group for the period partially offset weaker sales volumes.

Like-for-like sales value declined by 0,3% in the retail division. Volumes also decreased slightly in the division, resulting in lower margins.

In the manufacturing division, Ceramic and Ezee Tile's combined sales grew by 3,7%. In the integrated supply chain import businesses, combined sales of Cedar Point, ITD and DC declined by 4,6%. Both manufacturers and importers employed a deliberate strategy to withhold passing on the full effects of inflationary input costs to customers in light of softer demand and the competitive landscape. As a result, margins declined across the division to support affordability for customers.

Cost leadership is a key discipline and particularly critical in the current inflationary environment. Like-for-like cost growth was 8,4%, driven mainly by increases in fuel and electricity.

Inventory volumes declined from the high levels built up as cover during pandemic-related supply chain delays and pricing volatility, although the Rand value of R1,3 billion remained the same due to currency weakness and increase in inventory in manufacturing.

The Group's trading profit declined by 14,9% to R2,3 billion (2022: R2,7 billion), heavily impacted by the poor performance of the manufacturing entities, which contributed 34% to profits, down from 40% in 2022. Our manufacturing businesses thrive at full capacity utilisation, and while weak demand was an adverse factor, production volumes also declined due to internal inefficiencies.

OUR STRATEGIC RESPONSE

In response to the poor performance in the manufacturing business, remedial strategies have been developed and are being executed. These plans include an organisational restructure; actions to capacitate management and the operational team with competencies and skilled individuals; and a back-to-basics plan to refocus on improving systems and management of efficiencies, quality and costs. The Group's Chief Financial Officer has been seconded to Ezee Tile until June 2024 to oversee operations and bed down improvements in the business. A new Chief Executive Officer has been appointed at Ceramic Industries and, together with the senior executive team, is driving improvement in that business.

While our results failed to meet our expectations, we are cognisant that the largely solid performance was achieved under very difficult circumstances. Contributing positively to this performance are our integrated business model, ethos of partnership and profit-sharing with our people, improved outcomes-based training and overriding drive to deliver an unrivalled shopping experience.

PERFORMANCE SCORECARD

We identified the following performance levers for the review period and have outlined our progress achieved in that regard.

Retail

- **Continue to recruit, develop and retain store managers, assistant store managers, warehouse managers and the operations team.** Identifying, developing and retaining skilled retail-specialist personnel remains one of our biggest challenges. While natural attrition, including emigration, remained a constant feature, it is pleasing to report that we strengthened our teams in Namibia and Botswana and have started to build the pipeline of local candidates. We recognise that there is room for continued improvement and this will remain a key imperative.

Our improved outcomes-based training continued to build our pipeline and enhance the expertise of our teams and align their understanding and actions with our high-performance culture and service expectations.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

- **Gain market share by continuously improving the shopping experience and differentiating our offering from our peers by maximising added value.** While we competed vigorously through our key focus areas of people, service, range, presentation, fashion, quality and value, little market share was gained.

With the reopening of global travel, our design team was able to attend international trade events, while our procurement specialists were able to connect with existing and new suppliers in Europe and South East Asia, to drive our goal to deliver competitively priced, innovative and fashionable products for our customers.

- **Instil retail excellence disciplines at all customer touchpoints.** Good progress was made in strengthening our visual merchandising and procurement competencies, which is reflected in an enhanced in-store shopping experience. The surveys that we conduct to measure customer satisfaction delivered a consistent improvement in sentiment, which is rewarding recognition of our ongoing efforts to delight our customers at all touchpoints.
- **Drive brand awareness through extensive promotions and improved marketing** to retain loyal customers and attract new customers. We continued to improve our digital marketing capability given that more customers initiate their purchases with online research.
- **Improve efficiencies in light of input cost pressure.** Productivity, which is benchmarked against an increase in sales per person in the retail operation increased, but at a lower rate than product cost-price inflation, primarily due to weaker demand. During the period, we intensified our focus on reducing stock control costs and logistics costs across the business.
- **Continued expansion and enhancement of the retail footprint.** During the review period, we opened two CTMs and five TopTs and closed two TopTs. We also incorporated new Easy Life Kitchens ("ELK") stores at three of our existing sites in Gauteng. Thirteen stores were revamped in the year under review, and following the conversion of the final nine stores in the forthcoming period, the Millennial-look format will have been rolled out across the Group.

Following protracted local municipal delays, the multi-brand retail node in Walmer, Gqeberha, which comprises Italtile Retail, CTM and ELK stores, commenced trading on 1 July 2023. The node will expand our national footprint and offers an exciting new shopping experience for local customers as well as those relocating to the northern Garden Route.

Our East Africa operations, specifically Kenya and Tanzania, delivered a good performance, despite disruption in Kenya during the elections and subsequent flooding in both countries. The stores have been renovated to align with the New Generation layout of our South African stores, and benefitted from improvements in retail excellence disciplines, staff restructuring, enhancements to the supply chain (which affords improved supply and exclusivity of products), and growing brand recognition in the region. During the period, our new store opened in Nakuru, Kenya, and is reporting positive results.

Integrated Supply Chain: Manufacturers

- **Improve sales volumes.** Despite the current adverse economic, social and political environment, we achieved growth in net sales, underpinned by new product launches and margin reduction as costs were absorbed to maintain pricing.
- **Improve capacity utilisation and efficiencies across the business units.** The manufacturing businesses, specifically Ceramic, benefit from optimal capacity utilisation to achieve maximum efficiencies. Disappointingly, soft market demand and internal inefficiencies resulted in poor capacity utilisation, which had a negative impact on profits.
- **Launch additional import replacement products at Gryphon and Samca+.** The launch of new categories of products was delayed by technical challenges in bedding down final processes. Following initial difficulties in commissioning the new technology, our team gained better understanding and improved their competencies. It is anticipated that these challenges will be resolved in the first quarter of the new financial year.
- **As operations at Samca+ are bedded down, efficiencies are expected to improve.** Achievement of installed capacity and expected yields is becoming more consistent as the production team builds competence on the new technology.
- **Invest in additional free-standing production capacity at Betta Baths.** We temporarily postponed adding capacity at Betta Baths until the new Betta Sanitaryware warehouse is fully operational, as discussed below.
- **Full operation of Betta warehouse.** Our state-of-the-art Betta warehouse will be fully operational by the end of the first quarter of the new financial year. Commissioning of this bespoke, automated facility was delayed due to the challenges of designing the unique and complex software required for the five-storey facility that will operate 12 robotic vehicles.
- **Ezee Tile: completion of the Vulcania plant commissioning and organisational restructure.** The commissioning of our new factory in Vulcania and subsequent relocation from Germiston has been more disruptive than anticipated. While several production lines have been commissioned, final commissioning of the full plant and closure of the Germiston facility will only be completed at the end of the first quarter. The organisational structure was revisited and the management team capacitated accordingly. Improvements at the business's satellite branches is expected as a result of improved delivery from Vulcania.

Integrated Supply Chain: Importers

- **Maintain margins through enhanced product procurement and internal efficiencies.** Optimising our stock levels, product mix and price ladders are important sales and profit drivers. Current market conditions and fierce competition have left most other importers unable or unwilling to pass on the full effects of cost inflation and exchange rate deterioration to consumers. The reopening of global markets afforded our teams the opportunity to enhance our procurement efforts through leveraging the Group's buying power and its established supplier relationships to source new fashion and collaborate on improved pricing.
- **Improve stock turn of Cedar Point and ITD products.** As international supply chains have normalised, the surplus inventory in our import businesses has been sold through and stock levels have returned to normal. Opportunity exists to improve stock turn in the stores through improvement of the vendor managed inventory model and parameters in use at Cedar Point and ITD.
- **Distribution Centre to complement local production with imported fashion.** The import of fashionable product at improved prices has been facilitated by several factors, including the drastic decrease in shipping rates and product costs from some international markets; improved access to global travel; and changing market dynamics. Accordingly, we have increased the stock holding at our Distribution Centre, complementing our local tile production with imported fashionable ranges.

Group-wide

- **Prioritise the key performance indicators that drive growth, including productivity, efficiency, cost leadership and inventory management.** There are still opportunities to improve on all our key performance indicators, notwithstanding the weak demand which impacted productivity, efficiency and stock turn metrics in the businesses.
- **Leverage and invest in cutting-edge technology and innovations to entrench our competitive advantage across all our trading platforms and in all our operations.** Recognising the importance of an omni-channel presence, we continued to invest in web development. We opened a new webstore for the Botswana operation and implemented wide-ranging improvements to the online shopping experience locally.

Across our operations we strive to implement state-of-the-art technology to promote efficiencies, produce world-class products, enhance customer service and reduce our impact on the planet. Most recently, in our manufacturing operations we have introduced leading-edge technology at Samca+ and will be implementing technology innovations in the new Ezee Tile paint plant and Vitro kiln upgrade.

- **Improve synergies in the integrated supply chain.** The Group's Transport Management System ("TMS") is now operational in Cedar Point, ITD and DC and was rolled out to Ezee Tile towards the end of the review period. This innovation has afforded more flexibility in inbound and outbound transport logistics and enhanced efficiencies. A vendor managed system is now also in place in all our integrated supply chain businesses, which has resulted in better in-stocks in the stores and improved customer service.
- **Pursue our ESG journey to enhance our sound credentials as a responsible, safe and sustainable business. Aggressively pursue energy projects that will facilitate reduced reliance on the national grid.** Our environmental report on page 84 outlines in detail our energy journey. In addition to our ongoing programme, we are currently converting 38 stores to hybrid power through a bridging battery solution that will store solar power and reduce reliance on generators during load shedding and infrastructure failure. The solution will decrease our carbon emissions at an affordable pay-back.
- **Build our people pipeline to ensure adequate cover of key positions and leverage our outcomes-based training initiatives to enhance depth of leadership.** Following a Board strategy session in late 2022, we revisited the organisational structure, with specific focus on succession in all business units. The new human capital programme is designed to achieve sustainable performance through having the required skills in the business and well-defined processes for recruiting and developing new skills. During the review period our focus was on capacitating this programme at Ezee Tile and Ceramic, given the shortage of skills and recent poor performance of those businesses. In this regard, we have recruited key individuals across the business.

OPERATIONAL REVIEW

This report is followed by a comprehensive evaluation of the performance of the individual business units, with the exception of our investment in associate company, ELK, and the U-Light business, which are discussed below.

 Divisional reports on page 40 to 50.

ELK

The Group holds a 30% stake in ELK, a leading manufacturer and installer of kitchen, bathroom, vanity, built-in-cupboards, bar and storage design. This investment is aligned with our goal to provide customers with complete specialist solutions in home finishing. There are good synergies between our businesses, with ELK manufacturing furniture for our integrated supply chain, while benefitting from cross-selling opportunities where ELK stores are situated on Group sites.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

During the period, margins came under pressure due to increased input costs, including imported components.

The business has a strong pipeline of projects for the first half of the new financial year.

We will continue to explore opportunities to open further ELK stores on our properties; identification and training of suitable franchisees is key to expanding the national footprint.

U-Light

U-Light's performance remained disappointing and two stores were closed in the period. Further steps are being implemented to reduce losses by this business, which comprises two Company-owned stores, three franchised stores, a webstore and a distribution centre.

PROSPECTS

Opportunities for growth lie in our strategic focus areas for the forthcoming year.

Improved sales

- Improve execution of our sales strategy including improved brand awareness, complemented by improved ranges and supply from our integrated import and manufacturing businesses.

Operational excellence

- Improve efficiencies in Ezee Tile and Ceramic.
- Enhance the shopping experience for our customers by continuing to improve our ranges, presentation, service and affordable quality.
- Continue to invest in the digital experience.
- Capitalise on opportunities to substitute imported product.

Develop teams

- Recruit for and develop our depth of talent, leadership pipeline and competencies.
- Recruitment and development must continue to address disparities in under-represented groups in the business to meet our transformation goals.

Resource security

- Mitigate against risks associated with power, gas and water supply; set consumption reduction targets; and transition to renewable resources.

Entrench our purpose-driven approach to responsible citizenship

- Continue to contribute positively to our stakeholders and the various communities in which we operate by creating good quality employment; reducing our carbon footprint through our products, practices, properties and plants; and actively participating in constructive stakeholder engagements.

Despite this clear programme and our confidence that operational improvements can be made, we are mindful that the economic environment will determine the financial health of the consumer and the demand in the market. We anticipate continued subdued demand, and this will likely result in our factories not being fully loaded. Without strong volumes and optimal use of capacity, our cost base and profitability will be negatively affected. Furthermore, local inflation is expected to outpace that in competitor markets of India, China, Zambia and Tanzania, which will serve to intensify margin pressure.





OUTLOOK

We will continue to focus on the growth levers within our control and influence; however, a range of adverse external factors are cause for concern in the period ahead.

- While training and development are key drivers in our business, the persistent lack of specialist skills and the small human capital pool in our market segment are troubling.
- Continued instability of energy supply, deteriorating infrastructure, and increasing levels of crime, corruption and poor government performance are likely to continue to constrain gross domestic product growth and dampen consumer sentiment.
- Sasol has indicated that it could stop supplying liquefied natural gas from Mozambique as early as 2026. The present lack of development of alternative LNG imports is concerning, and the repercussions for Ceramic are serious if alternative bulk gas supply is not commercially available at a viable price. Management is vigorously exploring alternatives, both in the IGUA-SA forum and independently.
- The stagnating economy and socio-political volatility are unlikely to improve in the months leading up to the national elections in 2024, and with central banks forecasting a higher-for-longer interest rate cycle, consumers are likely to remain under pressure.

Despite this adverse outlook, our solid 54-year track record of trading through various turbulent periods, our leading brands, our factories' latest technology, and our high-performance culture provide opportunities to improve our performance in the year ahead. The long-term dynamics of the housing market remain favourable, and the Board has confidence in the Group's proven business model and experienced teams.

APPRECIATION

I would like to thank our team for their commitment and enthusiasm to deliver on our pledge to offer an unrivalled shopping experience for our customers. Despite the challenging operating environment, our people continue to demonstrate their resilience and resourcefulness, which we applaud.

Mr Ravazzotti retired as Chairman on 30 June this year, but remains keenly involved in the business, his mentorship programmes, and preserving our organisational culture. We are privileged to be able to continue to draw on his extensive experience and wisdom in his non-executive role.

I would like to welcome Luciana Ravazzotti Langenhoven as Chairman. We have worked well together over many years, and I look forward to her contribution in her new position.

I would also like to thank my Board colleagues for their counsel and continued support for our strategies to grow the business sustainably.

L A Foxcroft
Chief Executive Officer



REVIEW OF OPERATIONS

ITALTILE

LIVE BEAUTIFULLY

RETAIL BRANDS

OVERVIEW AND PERFORMANCE MATRIX

Italtile Retail

Nature of business

Leading retailer of exclusive fashionable ranges of tiles, bathware and related products.

Strategic positioning	Target market	Footprint
Live beautifully.	<ul style="list-style-type: none"> • LSM 8 – 10. • Discerning consumers in the upper-middle and premium-end segment and Commercial Projects market. 	15 stores (2022: 15), including one webstore.

KPIs	Trends 2023	Trends 2022
Sales	▲	▲
Average basket growth	▲	▲
Average selling price	▲	▲
Margins	◄►	◄►
Net profit	▲	▲
Stock turn	▼	▼
Average store inventory	▲	▲

Key differentiators

- Trend-setter and leading buyer of exclusive high-quality fashionable international and local products.
- Widely recognised as industry front-runner in environmentally sensitive products.
- Well-established specialist expertise and nationwide network.

2022/23 priorities	Scorecard
• Continue to build the next level of our leadership.	✓
• Improve overall cost leadership, with specific focus on transport costs.	✓
• Intensify product and service training to enhance our current commendable customer survey scores.	✓
• Increase stock turn and productivity levels and optimise management of slow-moving inventory.	Ongoing

2022/23 major achievements	2023/24 priorities and prospects
<ul style="list-style-type: none"> • Successful launch of the revamped Umhlanga store in September 2022. • Opened the new Gqeberha store in the first week of the new financial year (2024). • Competent resource secured and trained for a centralised warehouse facility in Gauteng. Central warehousing for sanitaryware optimised. • Initiated and commissioned a new transport solution. • Appointed a Motswana citizen to manage our Gaborone operation. • Increased productivity per employee. • Projects division experienced a significant improvement in activity. 	<ul style="list-style-type: none"> • Continue procurement of quality, fashionable product. • Improve market share, specifically in the commercial projects market. • Establish and grow the new Gqeberha store. • Develop management depth for future growth. • Improve stock turn and enhance stock management.



Big savings. More style.

RETAIL BRANDS

OVERVIEW AND PERFORMANCE MATRIX

CTM

Nature of business

Leading specialist retailer of tiles, laminate and vinyl flooring, taps, sanitaryware, shower enclosures, bathroom furniture and accessories.

Strategic positioning	Target market	Footprint
Big savings. More style.	<ul style="list-style-type: none"> LSM 5 – 8. Middle income DIY customers and small builders. 	<p>74* stores (2022: 73*) in South Africa and 27* (2022: 25*) in the rest of Africa.</p> <p>Corporate: 66* (2022: 66*) Franchised: 35 (2022: 32).</p> <p>Three stores opened, one in South Africa and two in rest of Africa.</p> <p><i>* Includes four webstores.</i></p>

KPIs	Trends 2023	Trends 2022
Sales	▼	▲
Average basket growth	▲	▲
Average selling price	▲	▲
Margins	▼	▼
Net profit	▼	▲
Stock turn	▼	▼
Average store inventory	▼	▲

Key differentiators

- Local and international buying power.
- Quality products with strong fashion component.
- Integrated supply chain ensuring consistent availability of stock.
- Outstanding customer experience in brick-and-mortar and online stores.

2022/23 priorities	Scorecard
Improve the product offering through our Good, Better, Best model.	✓
Ensure consistent in-stock levels through improved implementation of vendor managed procurement system.	✓
Continue to instil retail excellence as our core discipline through KPI performance management, and entrench our corporate values and culture through the CTM Way booklet.	✓
Continue to develop our people pipeline.	✓

2022/23 major achievements	2023/24 priorities and prospects
<ul style="list-style-type: none"> Opened three new stores, one in South Africa and two in the rest of Africa. Improved our range, presentation and merchandising to continue to delight customers. Improved the customer-centric retail excellence focus and operational efficiencies through innovation, technology, enhanced productivity and better cost control. Strong promotional activity to celebrate the brand's 40th birthday. Maintained our high employee engagement score. 	<ul style="list-style-type: none"> Develop our people and depth of talent across the business. Maintain our employee engagement score to ensure performance of our teams. Grow market share by prioritising our customer-centric retail excellence disciplines to delight our customers with an unparalleled shopping experience. Continue to focus on the product offering aligned to our market segments. Improve operational efficiencies and consistent in-stock levels of business-critical products.

REVIEW OF OPERATIONS



RETAIL BRANDS

OVERVIEW AND PERFORMANCE MATRIX

TopT

Nature of business

Retailer of home-finishing products including tiles, paint, ceiling décor, taps, sanitaryware, lighting, laminate flooring, window blinds, tile adhesives and accessories.

Strategic positioning	Target market	Footprint
Every price a LOW price.	<ul style="list-style-type: none"> LSM 4 – 7. Entry-level value offering strategically situated in underserved rural areas and outlying markets in close proximity to urban townships. 	<p>93* stores (2022: 90*) in South Africa.</p> <p>Corporate: 53* (2022: 53*) Franchised: 40 (2022: 37). * Includes one webstore.</p> <p>5 stores opened (2022: 3); 2 stores closed (2022: 3).</p> <p>3 stores relocated (2022: 2).</p>

KPIs	Trends 2023	Trends 2022
Sales	▲	▲
Average basket growth	▲	▲
Average selling price	▲	▲
Margins	▼	◀▶
Net profit	▲	▲
Stock turn	▼	▼
Average store inventory	▲	▲

Key differentiators

- Low-cost model.
- Flexible, opportunistic home-finishing product range.
- Affordability and availability of stock and accessibility to market.
- Strong community relationships and local marketing.

2022/23 priorities	Scorecard
Develop a leadership pipeline at regional and store operator levels.	✓
Drive the core range and business critical in-stocks consistently with the latest fashion at affordable prices, and provide customer value through well-priced products.	Ongoing
Drive sales with specific focus on the tile category.	✓
Roll out the new TopT look-and-feel in various formats to our store network.	Ongoing
Manage inventories to improve stock turn.	✓

2022/23 major achievements	2023/24 priorities and prospects
<ul style="list-style-type: none"> System-wide sales growth and tile volume sales growth. Profit growth through improved cost leadership. Like-for-like operating expenses reduced. Progress in establishing TopT as a sanitaryware destination in our market segment. Assessed nine Store Operators with potential development for future regional leaders and successfully completed a Trainee Store Operator Programme with 15 trainees. Contributed to job creation for unemployed youth: 60 W&RSETA learners started a one-year work experience programme. Sixteen learners from the prior year intake were absorbed in the business. Successful execution of the third Woza Ekhaya Competition, awarding the winner a new custom-made home in the Eastern Cape. 	<ul style="list-style-type: none"> Gain market share in our segment. Open five new stores and close non-performing stores. Improve core range and business critical in-stocks. Continue to build the leadership pipeline at regional and store operator levels. Grow contribution of sanitaryware sales to total sales. Roll out the new look-and-feel in targeted merchandise categories. Each store to adopt a bespoke community project, which will enhance our reputation for strong local community relationships and build customer goodwill.



SUPPLY CHAIN MANUFACTURERS

OVERVIEW AND PERFORMANCE MATRIX

Ceramic Industries

Nature of business

Manufacturer of tiles (South Africa and Australia) and bathroomware (South Africa).

Strategic positioning	Target market
Preferred supplier of tiles and bathroomware. One out of every two tiles, baths and toilets purchased in South Africa is manufactured by Ceramic.	<ul style="list-style-type: none"> Retailers and wholesalers of fashionable and affordable tiles and bathroomware in South Africa, Australia and selected export markets.

Key differentiators

- Leader in design and fashion, creating desirable products.
- Low-cost manufacturing ensures products are affordable.
- Local supply ensures an understanding of customer requirements and a short, reliable supply chain. This supports our 'always in stock' policy, with consistent volume supply of fashionable well-priced product.
- Complementary products for bathroom and complete home tiling solutions.
- Ceramic's factories rank among the most energy-efficient in the world.
- Ceramic's low-carbon footprint EcoTec tile range is recognised as a leader in the manufacture of ecologically-sensitive products.

TILE DIVISION

South Africa: Samca Wall (monoporosa wall tiles); Samca+ (hardbody rectified floor tiles); Pegasus (ceramic floor tiles); Vitro (extruded fully vitrified tiles) and Gryphon (glazed porcelain tiles).
Australia: Centaurus (glazed porcelain tiles).

KPIs	South Africa		Australia	
	Trends 2023	Trends 2022	Trends 2023	Trends 2022
Sales	▲	▲	▲	▼
Production volumes	▼	▼	▼	▼
Average selling price	▲	▲	▲	▲
Margins	▼	◀▶	▲	▼
Net profit	▼	▲	▲	▼
Closing inventory	▲	▲	▲	◀▶

2022/23 priorities	Scorecard
• Progressed towards but did not yet consistently achieve benchmark production efficiencies and yields at Samca+.	✗
• Poor performance on productivity improvement and unit cost competitiveness.	✗
• Vitro's expansion project started. Commissioning scheduled for 2024.	✓
• Continue to invest in training, new technology and equipment to ensure our products are differentiated by quality and fashion and our factories remain relevant to changing market dynamics.	✓
• Polished production capacity at Gryphon commissioned but not running at design capacity.	✓
• Margins declined on poor efficiency in manufacturing processes and failure to pass on price increases.	✗
• While sales value increased, volumes sold decreased.	✗

2022/23 major achievements	2023/24 priorities and prospects
<ul style="list-style-type: none"> Improved performance from the Australian factory as energy pricing stabilised. Stabilised production at Samca+ and improved yields. Increased volumes of rectified planks from Gryphon and bedded down polishing technology and process. Commissioned an additional 2,2 MW solar power purchasing agreement at Gryphon. Successfully completed a new spray dryer installation at Samca Wall. 	<ul style="list-style-type: none"> Increase market share. Improve manufacturing efficiency to reduce costs and improve margin. Enhance the management team. Improve Samca+ volumes and yields. Increase the polished production capacity at Gryphon and expand the range. Commission Vitro's third production line upgrade. Commission 0,6MW solar power purchasing agreement at Samca+.

REVIEW OF OPERATIONS



SUPPLY CHAIN MANUFACTURERS

OVERVIEW AND PERFORMANCE MATRIX

Ceramic Industries

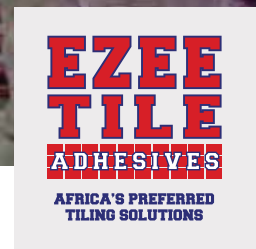
BATHROOMWARE DIVISION

Betta Sanitaryware (Betta) and Betta Baths.

KPIs	Trends 2023	Trends 2022
Sales	▲	▲
Production volumes	▲	▼
Average selling price	◀▶	▲
Margins	▼	▼
Net profit	▼	▼
Closing inventory	▲	▲

2022/23 priorities	Scorecard
• Improve volumes sold through improved range and distribution.	✓
• Systematic development and upgrade of equipment and process parameters to improve throughput yields.	✗
• Stabilise and improve process capability through best practice implementation and continuous improvement.	✓
• Erect racking and commission automation system in the new Betta warehouse.	Underway
• Increase capacity to manufacture freestanding baths through additional plant space and specialised paint section.	Underway
• Gain market share through import replacement products and increased production of fashionable in-demand products.	✓
• Improve margins through cost leadership, and focusing on efficiencies, yields and product mix.	✗

2022/23 major achievements	2023/24 priorities and prospects
<ul style="list-style-type: none"> • Multiple import substitution products developed and launched to market. • Contained the manufacturing cost increase at Betta below 2% in inflationary environment. • Grew Betta’s market share in a subdued market. • Introduced Betta-branded sanitaryware. 	<ul style="list-style-type: none"> • Continue to grow market share through import replacement products and increased production of fashionable, popular products. • Improve manufacturing efficiency to contain cost increases below inflation and recover margin. • Complete commissioning of the new Betta warehouse and significantly reduce product lead times to customers. • Increase capacity to manufacture free-standing baths.



SUPPLY CHAIN MANUFACTURERS

OVERVIEW AND PERFORMANCE MATRIX

Ezee Tile

Nature of business

Manufacturer of cement-based adhesives, grouts, water-based paints and related products. Comprises 10 manufacturing facilities in Johannesburg, Durban, Gqeberha, Cape Town, Bloemfontein, Mokopane, Windhoek, Mombasa, Lusaka and Harare.

Strategic positioning	Target market	
Africa's preferred tiling solutions.	<ul style="list-style-type: none"> Primarily the Group's retail networks, Italtile Retail, CTM and TopT, as well as select open market customers, including speciality tile retailers and big-box hardware stores. 	
KPIs	Trends 2023	Trends 2022
Sales	▲	▲
Average selling price	▲	▲
Margins	▼	▼
Net profit	▼	▼
Stock turn	▲	▼
Closing inventory	▼	▲

Key differentiators

- A national footprint of manufacturing plants which underpins Ezee Tile's 'always in stock' policy with consistent supply of products.
- Strong strategic partnerships with key raw material suppliers who provide access to the latest technologies to improve quality while reducing costs.
- Largest producer affords economies of scale.

2022/23 priorities	Scorecard
Commission new Vulcania factory to realise operational efficiencies and cost benefits.	Underway
Purchase sand quarry to ensure long-term security of supply to Gauteng operations.	Underway
Enhance forecasting models to ensure optimal stock levels and improve service to customers.	✓
Reduce inventories and implement vendor managed supply.	✓
Progress integration into the Group's TMS.	Underway
Improve performance of the Zambian and Kenyan factories.	✗
Grow market share in the paint segment.	✗
Accelerate the upskilling of staff to align with the Group's high-performance culture.	Ongoing
Continue to build market share in the specifications market.	✓

2022/23 major achievements	2023/24 priorities and prospects
<ul style="list-style-type: none"> Multiple production lines were commissioned at the new Vulcania facility. Improved product procurement planning resulted in reduced stock holding and improved stock turns on raw materials. Robust growth was achieved in the specifications market, facilitated by an improved projects team and enhanced coordination with the Italtile Retail Commercial Projects division. 	<ul style="list-style-type: none"> Realise efficiencies in the new Vulcania factory. Recruit critical skills into the business and continue upskilling staff. Entrench core elements of the Group's culture into the business. Complete the sand quarry purchase to secure long-term supply for the Vulcania factory. Complete integration of the business into the Group's TMS during the first quarter of the new financial year to improve on-time-in-full deliveries ("OTIF") and reduce costs. Opportunities exist to continue to build market share in the specifications market and with independent/open market customers.

REVIEW OF OPERATIONS



SUPPLY CHAIN IMPORTERS

OVERVIEW AND PERFORMANCE MATRIX

International Tap Distributors ("ITD")

Nature of business

Importer and distributor of brassware and accessories.

Strategic positioning	Target market	
Experience water's inspiration.	<ul style="list-style-type: none"> • Italtile Retail, CTM and TopT store networks. 	
KPIs	Trends 2023	Trends 2022
Sales	▼	▲
Average selling price	▲	▲
Margins	▼	▲
Net profit	▼	▲
Stock turn	▼	▼
Closing inventory	▼	▲

Key differentiators

- Key component of the Group's vertically integrated supply chain.
- Long-standing relationships with international suppliers and extensive import experience.
- Efficient, state-of-the-art robotic warehouse facility.
- Leading product quality including the Tivoli range, the only major Italian brassware brand available in South Africa.

2022/23 priorities	Scorecard
• Focus on refreshing the range and introducing new fashion.	✓
• Grow market share through increased sales to existing customers.	✗
• Leverage progress made in the commercial projects segment in 2021/22 to attain sales targets.	✗
• Continue to closely manage total investment and composition of inventory in the context of erratic lead times.	✓
• Continued improvements in productivity and cost-containment measures will be imperative to achieve profit growth targets.	✓

2022/23 major achievements	2023/24 priorities and prospects
<ul style="list-style-type: none"> • Maintained high levels of business-critical stock to support the retail operations. • Limited the impact of higher overhead costs through improved rigorous cost-containment measures. • Maintained wholesale and retail pricing despite increased pressure on margins as a result of local currency weakness and an increase in input costs. • Reduced inventory significantly following improved supply chain reliability. 	<ul style="list-style-type: none"> • Volume growth through gains in market share is imperative in the context of constrained consumer spending and subdued investment sentiment. • Grow sales in the commercial projects segment to achieve meaningful and sustainable turnover improvement. • In light of stable supply lead times, drive improvement in retail stock turn. • Despite a stabilisation of raw material costs, margins will remain under pressure due to local currency weakness and cost inflation.



SUPPLY CHAIN IMPORTERS

OVERVIEW AND PERFORMANCE MATRIX

Cedar Point

Nature of business

Importer and distributor of laminate and vinyl flooring, bathroom furniture, shower enclosures, sanitaryware, décor and other home-finishing products.

Strategic positioning	Target market	
Where service is the point. Ensure competitiveness of the Group's retail stores by consistent supply of quality, fashionable home-improvement products at attractive prices.	<ul style="list-style-type: none"> • Italtile Retail, CTM and TopT store networks. 	
KPIs	Trends 2023	Trends 2022
Sales	▲	▼
Average selling price	▲	▲
Margins	▼	▼
Net profit	▼	▲
Stock turn	▼	▼
Closing inventory	▼	▲
Key differentiators		
<ul style="list-style-type: none"> • An integral component of the Group's supply chain across merchandise categories. • Strong relationships with international and local stakeholders. • Buying power from Group volumes and common-site synergies. • Efficient warehousing and consolidated deliveries. 		
2022/23 priorities	Scorecard	
<ul style="list-style-type: none"> • Grow sales through the store network. 	✓	
<ul style="list-style-type: none"> • Monitor supply pricing and investigate alternate supply as inflation affects regions and economies differently. 	✓	
<ul style="list-style-type: none"> • Optimise use of road freight from Durban port to significantly reduce landside costs. 	✓	
<ul style="list-style-type: none"> • Maintain optimal in-stock levels of business-critical products and reduce inventory as global supply chain stability returns. 	✓	
<ul style="list-style-type: none"> • Introduce additional merchandise categories to the Group's retail brands and continue to enhance the integrated retail stores' competitive offering. 	✓	
<ul style="list-style-type: none"> • Improve stock demand forecasting and planning with CTM and TopT stores. 	✓	
<ul style="list-style-type: none"> • Plan a new site for the Cape Town warehouse facility. 	✓	
<ul style="list-style-type: none"> • Improve visibility of all imported stock from manufacturer to the customer. 	Underway	
2022/23 major achievements	2023/24 priorities and prospects	
<ul style="list-style-type: none"> • Grew sales of product through the store network. • Reduced stock control costs. • Expanded managed inventory at Company-owned CTM and TopT stores. • Improved stock demand forecasting and planning with the retail stores. 	<ul style="list-style-type: none"> • Grow sales. • Revise product merchandise categories and introduce new fashion. • Improve stock turns and reduce inventory. • Improve visibility of all imported stock from manufacturer to the customer. 	

REVIEW OF OPERATIONS



SUPPLY CHAIN IMPORTERS

OVERVIEW AND PERFORMANCE MATRIX

Distribution Centre

Nature of business

Procures stock for the Group and is one of the largest importers of tiles in South Africa. Provides warehousing, distribution and logistics services to the Group.

Target market

- The Group's retail store networks and integrated suppliers.

KPIs	Trends 2023	Trends 2022
Sales	▼	▼
Average selling price	▲	▲
Margins	▲	▼
Net profit	▲	▼
Stock turn	▲	▼
Closing inventory	▲	▼

Key differentiators

- Long-standing relationships with international suppliers and transport agents.
- Extensive multi-decade import experience.
- Bulk warehousing and efficient operations integrated into the Group's TMS.
- Strong financial position facilitates optimal investment in inventory.

2022/23 priorities	Scorecard
Continue to closely manage inventory and prioritise improved stock turn.	✓
Maintain the in-stock position for CTM and TopT.	✓
Continue to achieve savings on sea freight costs.	✓
Leverage off the control tower solution to manage lead times, and redesign the shipping front-end process to synchronise with the control tower solution to gain better visibility of the shipping front-end.	✓
Improve sales through stores by procuring fashionable product at attractive prices.	✓
Capitalise on the opportunity to achieve continuous improvements in productivity and efficiency.	✓
Source alternative supply of competitively priced product from various countries.	✓

2022/23 major achievements	2023/24 priorities and prospects
<ul style="list-style-type: none"> Improved the stock turn rate and achieved the net profit budget. The control tower solution was effectively implemented, which enables us to manage lead times and gain better visibility of the shipping process. Improvement in the vehicle utilisation rate achieved. Our team completed training courses, which contributed to improved productivity and efficiency. 	<ul style="list-style-type: none"> Continue to improve sales through stores by procuring fashionable product at attractive prices. Improve OTIF and retail in-stocks. Further improve the average vehicle utilisation rate on the TMS.



SUPPORT SERVICES

OVERVIEW AND PERFORMANCE MATRIX

Property investment portfolio

Retail properties	Manufacturing properties	Environmental sustainability
<ul style="list-style-type: none"> This portfolio affords strategic advantage to the retail brand operations by ensuring stores are well located, well-presented and maintained, and contribute to an inspirational shopping experience. The portfolio is continuously evaluated and enhanced to ensure optimal returns. 	<ul style="list-style-type: none"> The Group's manufacturing operations comprise well-maintained state-of-the-art factories that are supplied with high-quality raw materials sourced from productive quarries in close proximity to the plants. 	<ul style="list-style-type: none"> The Group's sustainability agenda is promoted through the use of cost-effective, energy-efficient practices in the construction of new buildings and the renovation of older buildings. Optimal use of natural light, solar technology, new-generation lighting, water-saving taps, rain water harvesting, boreholes and environmentally sensitive building materials is prioritised.

Target market

- Italtile Retail, CTM, TopT and U-Light store networks.

Key statistics	2023	2022
Total number of stores	209*	206*
– Italtile Retail	14*	14*
– CTM	97*	95*
– TopT	92*	89*
– U-Light	6*	7*
– ELK [#]	6	3
Ceramic Industries		
Number of factories	8	8
Number of quarries	6	10
Retail property capex incurred (new and refurbishments)	R338 million	R398 million
Portfolio changes		
– Properties acquired	7	6
– Properties sold	2	1
New stores opened		
– Italtile Retail	0	1
– CTM	2	4
– TopT	5	3
– U-Light	0	2
– ELK [#]	3	1
Stores closed		
– TopT	2	3
– U-Light	1	2

* Excludes webstores.

[#] Lease in Group-owned property.

REVIEW OF OPERATIONS

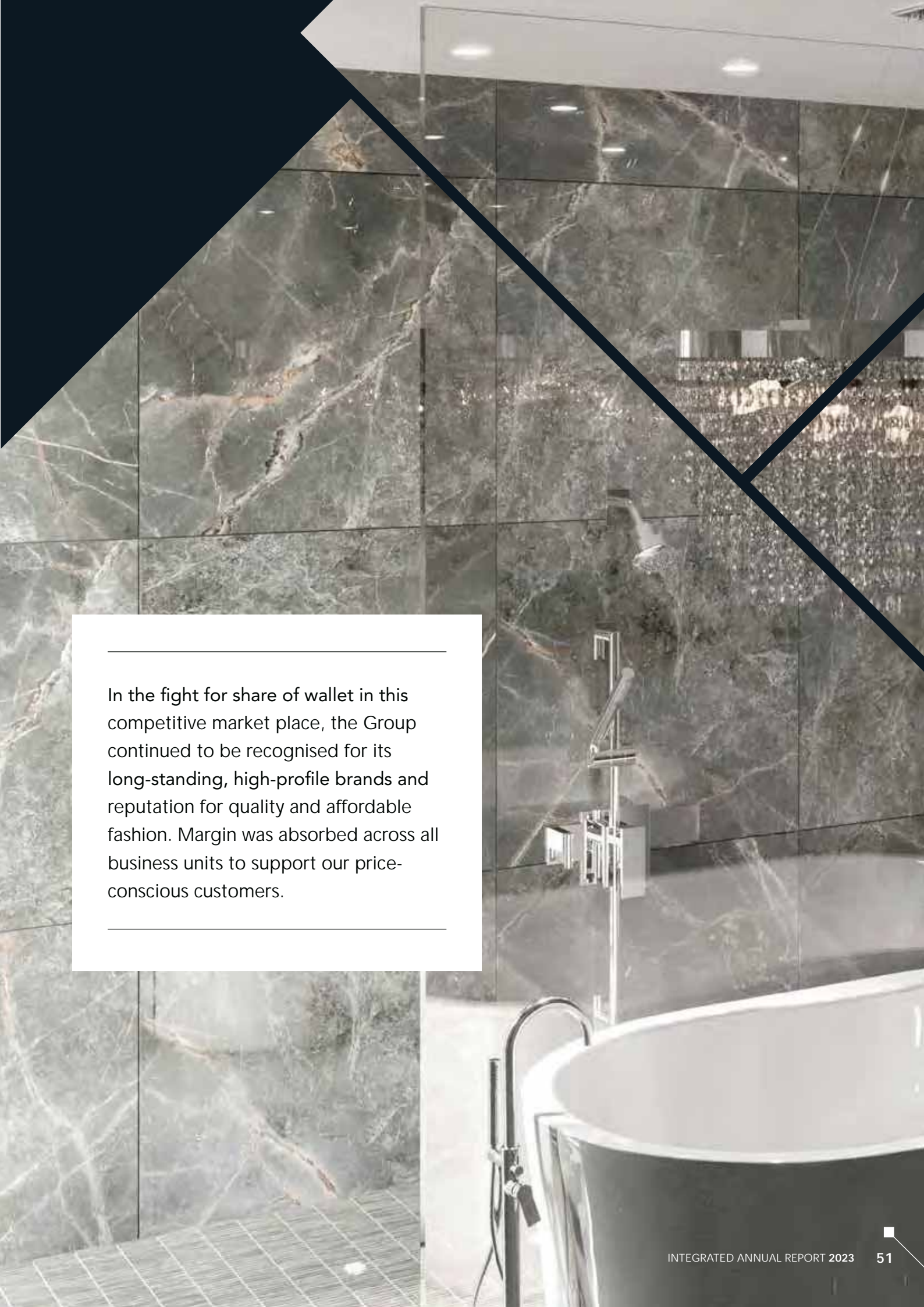


SUPPORT SERVICES

OVERVIEW AND PERFORMANCE MATRIX

Property investment portfolio

2022/23 priorities	Scorecard
<ul style="list-style-type: none"> Continue roll out of stores to gain market share and service new markets (10 – 15 new stores). 	✓
<ul style="list-style-type: none"> Sell unproductive sites to ensure the portfolio remains healthy and retains optimal value. 	✓
<ul style="list-style-type: none"> Review opportunities to convert leased sites to owned properties for high-performing TopT stores in proven markets. 	✓
<ul style="list-style-type: none"> In the context of materially higher land and construction costs, improve returns through optimising store size and construction costs. <i>Inflation remained very high on materials and building costs, providing significant challenges.</i> 	✗
<ul style="list-style-type: none"> Continue to maintain and refurbish older properties in the portfolio to ensure relevant market value and support customer experience. 	✓
<ul style="list-style-type: none"> Drive green initiatives to improve environmental sustainability and reduce dependency on municipal services. 	✓
<ul style="list-style-type: none"> Continue to source and develop new suitable sites in Southern and East Africa to facilitate the Group’s expansion programme. 	✓
<ul style="list-style-type: none"> Continue to support the Group’s expansion programme by incorporating ELK offerings into our existing properties where appropriate. 	✓
2022/23 major achievements	2023/24 priorities and prospects
<ul style="list-style-type: none"> Goal to sell unproductive sites was achieved with the sale of two properties and the lodging of transfer of another. Expanded the Group’s footprint in East Africa with the opening of CTM Nakuru in Kenya. Goal to convert leased sites to owned properties for high-performing TopT stores was achieved with the successful sourcing of three new sites. Opened ELK stores in Westgate, Bryanston and Southgate in Gauteng. We have commenced installing smart electricity and water meters in our stores. Thus far installations in Gauteng and the Eastern and Western Cape have been completed. 	<ul style="list-style-type: none"> Increase returns by optimising store size and input costs; relocating non-performing stores; and ensuring keen negotiations on rental renewals. Sell non-profitable/non-viable sites. Drive green initiatives to ensure environmental sustainability and reduced dependency on municipal services through our programmes to implement solar and battery back-up, rain water harvesting and boreholes. Continue to source and develop new suitable sites. Continue to support the Group’s expansion programme by incorporating ELK offerings into our current properties.



In the fight for share of wallet in this competitive market place, the Group continued to be recognised for its long-standing, high-profile brands and reputation for quality and affordable fashion. Margin was absorbed across all business units to support our price-conscious customers.

CHIEF FINANCIAL OFFICER'S REPORT

Brandon Wood,
Chief Financial Officer



A challenging operating environment and internal shortcomings resulted in a decrease in volumes and earnings during the year, with margins and profitability in the manufacturing businesses being most impacted.

It is my privilege to report on the Group's results for the 2023 financial year.

The analysis that follows focuses on the key elements of the Group's financial performance and statement of financial position, which

management believes is important for the understanding of the Group's results. The review should be read together with the annual financial statements on pages 152 to 207.

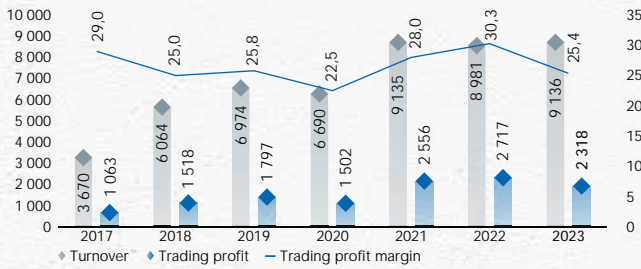
FINANCIAL RESULTS

Group financial results summary

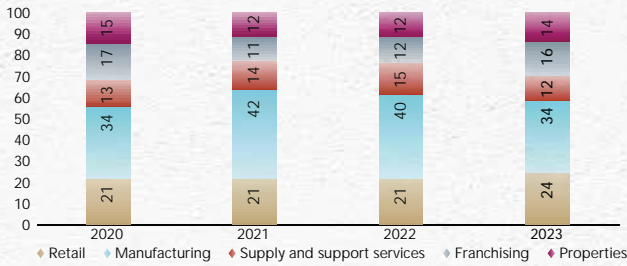
	2023	% change from 2022	2022
Group and franchise results			
Turnover (Rm)			
– by Group-owned stores and entities	9 136	2	8 981
– by franchise-owned stores	2 366	–	2 364
System-wide turnover (Rm)	11 502	1	11 345
Number of stores*	216	2	211
Group results			
Turnover (Rm)	9 136	2	8 981
Trading profit (Rm)	2 318	(15)	2 717
Total assets (Rm)	9 769	12	8 749
Cash and cash equivalents (Rm)	1 049	143	431
Number of shares in issue ('000)	1 321 654	–	1 321 654
Headline earnings per share (cents)	132.3	(13)	152.1
Ordinary dividends declared per share (cents)	53.0	(13)	61.0
Net asset value per share (cents)	642	12	575
Number of employees	2 477	(7)	2 652

* Includes webstores.

Turnover, trading profit and trading profit margin (Rm)



Profit contribution per segment (%)



Turnover

System-wide turnover for the financial year increased marginally, by 1%, due to muted sales growth resulting from difficult macro-economic conditions, increased competition and internal inefficiencies.

Consolidated turnover was 2% higher when compared to the prior year (R9 136 million versus R8 981 million).

Retail

Gross retail store turnover increased 1,2% versus the prior year, and on a like-for-like basis, decreased by 0,3%. Overall, average selling prices increased 6,7% in the retail businesses, with decreases in volumes on the prior year being reported for all merchandise categories except shower enclosures (of which sales increased by 3,5% versus the prior year).

Company-owned stores' sales growth for the year was 1,7%, while franchise stores' sales increased 0,2% year-on-year. Italtile Retail Projects achieved commendable results, growing 36% on the prior year. The Group's online sales grew by 13,2% on the prior year, increasing the overall contribution to retail sales from 1,69% to 1,89%.

Integrated supply chain – import businesses

Collectively, supply chain business (Cedar Point, ITD and DC) sales were 4% lower than the prior year; low double-digit average selling price increases were implemented. It became necessary to increase prices due to exchange rate fluctuations, increased shipping costs in the first half of the year, and higher pricing from suppliers. These increases were delayed as long as possible to support competitive pricing at the retail level and were staggered throughout the prior and current financial year, which had a mixed impact on margins from a timing perspective. Average selling price inflation was slightly offset by changes in the sales basket (a move to lower-priced products, as customers shopped-down).

Integrated supply chain – manufacturing

Manufacturing sales (aggregation of Ceramic Industries, Ezee Tile and PiViCal Panels), increased by 3.7% on the prior year to R5,3 billion. Comparability of year-on-year sales growth is impacted by the timing in the prior year of price increases passed, as well as the commissioning of Samca+.

Similar to the supply chain businesses, the muted sales performance of the Group's retail brands impacted the sales of both Ceramic and Ezee Tile.

Gross margin

On a consolidated level, achieved gross margin for the year decreased to 43,2% from 45,8% in the prior year.

The manufacturing businesses collectively recorded a gross margin percentage decrease of 4,1% from the prior year, which had a significant impact on the overall Group gross margin. Factors which impacted the gross margin include input cost pressures (price inflation imported raw materials, fuel and electricity, and equipment spare parts), a deterioration in factory yields due to internal inefficiencies, and a decrease in production volumes (including as a result of reduced demand).

Collectively, the supply chain businesses' gross margin percentage decreased by 0,2%, due to the increased cost of goods purchased resulting from higher prices from suppliers, elevated shipping costs in the first half of the year, and the weakening of the Rand. Increased logistics costs, due to fuel price increases, also impacted negatively on gross margins. The 1,4% decrease in margin for the first half of



CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

the financial year improved during the second half, as benefits were realised from some of the price increases passed and the lower cost of purchase in the second half (due to shipping cost decreases and improved buying prices/ranges).

While the manufacturing and supply chain businesses continued to limit and delay price increases to retailers in order to support competitive pricing, retail margins nonetheless decreased by 0,5% given the competitive environment and customers shopping down.

At a Group level, a decrease in the total inventory provision income statement charges for the year from R20 million in the prior year to R7 million in the current year, slightly offset the decrease in achieved gross margin percentages. In addition, changes in the store mix (movements in sales volumes between Company-owned and franchised stores) resulted in mix changes in the inter-company sales elimination on consolidation which may increase/decrease the margin, depending on the nature of store sales mix change.

Other operating income

Other operating income comprises various income received from franchised stores (rental, royalties, IT, and other service fees). The decrease, notwithstanding muted retail sales growth, is attributable to:

- a decrease in franchise renewals versus the prior year (timing differences);

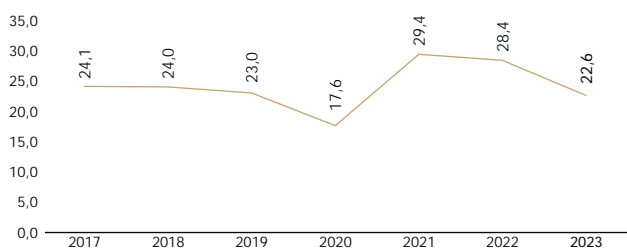
- duty refunds recorded by Cedar Point in the prior year (due to a tariff heading reclassification on vinyl flooring and shower enclosures);
- a reduction in clawback income charged to franchisees; and
- a decrease in foreign exchange gains from the prior year.

Operating expenses

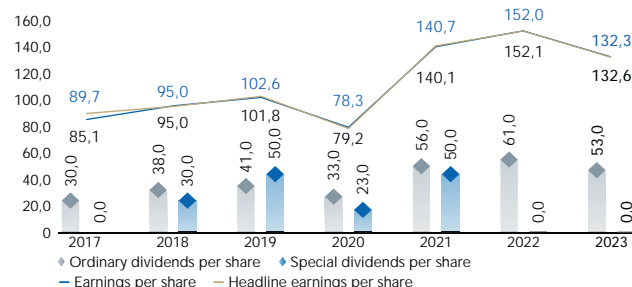
Operating expenses increased by 8,9% on the prior year (on a like-for-like basis, the increase was 8,4%). Notable movements for the year versus the prior year were recorded on the following expense items:

- manpower costs (including share-based payments and profit share) included in operating expenses increased 4,7%, mainly as a result of annual salary increases (approximately 6%) which was offset by an 8,8% decrease in share-based payment expenses. On a like-for-like basis, manpower costs included in operating expenses increased by 4,0%. The focus on productivity has assisted with containing costs;
- manpower costs including profit share related to the manufacturing businesses (included in the cost of sales line) decreased 1,7%. Excluding profit share and share-based payment expenses, an increase of 8,6% was recorded;
- JV profit share decreased 9,5% from the prior year due to a decrease in the number of JV partner retail stores and lower profitability in these stores;

Return on shareholders' interest (%)

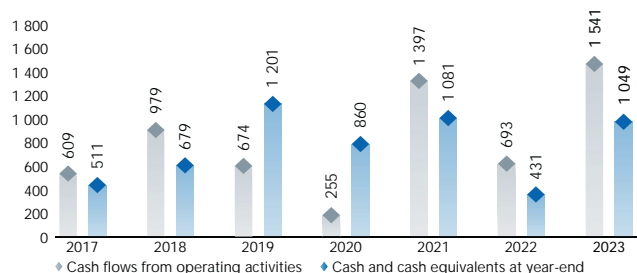


Per share figures (cents)



- stock control costs increased by 7,5% from the prior year in the retail stores and distribution business. Elevated average stock levels during the year placed upward pressure on stock control costs, particularly breakages. Encouragingly, count variance costs decreased 16,8% from the prior year, although they remain disappointingly high. Sample and display costs increased by 7,3% on the prior year as a result of ongoing store revamps and higher product costs;
- property costs included in operating expenses (excluding IFRS 16) increased 8,9% on the prior year on a like-for-like basis;
- depreciation (excluding IFRS 16) included in operating expenses increased by 6,1% from the prior year, while depreciation included in cost of sales (manufacturing businesses) increased by 10,7%, as a result of capital expenditure in both the prior and current year. Return on recent capital spend has thus not been adequate. The total depreciation charge (excluding IFRS 16) across all businesses increased by 9,9% versus the prior year;
- net retail marketing costs decreased by 15,5% from the prior year as spend was more focused and savings extracted where possible;
- total donations by the Foundation Trust and Group companies increased 5,8% on the prior year to R37 million;
- travel and related expenses increased 23,2% for the year, as lockdowns and travel restrictions were eased and/or lifted in the prior financial year, and due to increased fuel prices;
- information technology costs increased by 24,8% from the prior year, as cost savings related to early settlement of subscriptions in the prior year were not repeated in the current year. Excluding the impact of the prior year benefit, costs increased 6,9% on the prior year; and
- due to significant increases in fuel prices, net distribution costs of Ceramic Industries and Ezee Tile (included in operating expenses) increased by 14,2%. Net distribution costs in the retail and supply chain businesses increased by 2,2% as a result of reduced sales volumes, coupled with improved control of distribution costs and recovery of fees from customers in the retail businesses. Total net distribution costs for the Group increased by 11,9% on the prior year.

Cash flows (Rm)



Trading profit

Trading profit decreased by 15% on the prior year as the impact of low sales growth and decrease in gross margin percentage was compounded by the decrease in other operating income and increased operating costs. These movements were slightly offset by the net impact of an increase in profit on disposal of assets from the prior year.

Finance income

Finance income increased by 67% from the prior year, which is largely attributable to an increase in the average cash holdings for the year and escalations in deposit/investment rates (following increases in the prime rate).

Finance costs

Finance costs increased by 30% from the prior year. Although the average debt balances and leasing arrangements remained fairly consistent versus the prior year, escalations in lending rates as a result of increases in the prime rate have increased finance costs. The figure includes finance costs of R31 million relating to the IFRS 16 accounting of leases (2022: R30 million).

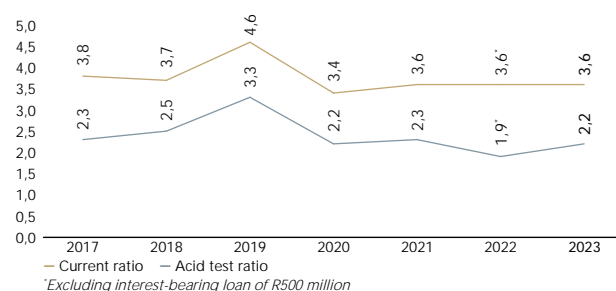
Taxation

The taxation expense decreased by 15% from the prior year as net profit before tax decreased. Despite the decrease in the corporate income tax rate in the current year to 27% from 28%, the effective rate remains above 28% as a result of non-deductible expenses, derecognition of certain deferred tax assets and prior year under-provisions.

Non-controlling interest

Earnings attributable to non-controlling interests decreased from the prior year as a result of the decrease in profits of businesses with minority partners.

Liquidity ratios (times)



CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Earnings per share

Earnings per share ("EPS") and headline earnings per share ("HEPS") decreased to 132,6 cents and 132,3 cents respectively from the prior year.

A 0,5% decrease in the weighted number of shares from 1 217 million to 1 210 million shares (as a result of own share purchases during the previous and current financial years) resulted in the slightly lower decrease in earnings per share compared to the decrease in attributable profits after tax.

The HEPS decline is slightly higher, given after-tax profits on asset disposals of R4 million in the current year versus R1 million in the prior year.

Property, plant and equipment

Capital expenditure of R671 million was incurred during the year, with significant capital spend being as follows:

- new Ezee Tile factory: R74 million;
- Beta Robotic warehouse: R48 million;
- Vitro Poppi Kiln replacement (including building): R37 million;
- other Ceramic Industries' factory upgrades and capital expenditure: R226 million;
- new property build (including East Africa): R86 million;

- other retail buildings spend (extensions and renovations): R106 million; and
- retail store revamps: R53 million.

Inventory

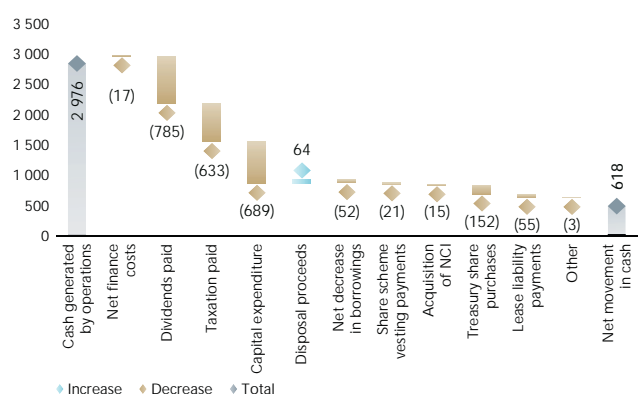
The inventory balance of the Group, net of provisions and including goods on the water, has increased marginally to R1 315 million from R1 286 million at 30 June 2022. On a gross basis, prior to provisions and the goods in transit balance, total inventory holdings increased by 5% versus the prior year-end (R1 530 million versus R1 464 million).

This increase is predominantly attributable to high levels of raw materials and finished goods at Ceramic Industries. Stock balances at the other divisions remained largely consistent year-on-year, despite price inflation on purchased goods, with those divisions recording decreases in stock volume levels from the financial half year.

Total inventory provisions increased slightly by 7% from the prior financial year-end to R259 million (2022 year-end: R243 million). The obsolescence provision increased by R16 million as the inventory provisions at U-Light, Ezee Tile and Ceramic Industries were conservatively increased to cater for aged stock and potential write-offs/clearance losses. The unrealised profit provision at year-end remained at R129 million (2022 year-end: R129 million) because although the overall inventory balance increased, the decrease in supply chain and manufacturing gross margins resulted in less unrealised profit to be reversed on consolidation.

The 12-month average financial stock turn of most businesses decreased from the prior financial year average as a result of increased average inventory holdings and lower sales growth. The average Group turn reduced by 4,9% to 6,2 times from 6,5 times in the previous financial year.

Cash flow waterfall (Rm)



Cash and cash equivalents

The Group's cash balance increased to R1 049 million from R431 million as at 30 June 2022, with cash generated by operations being offset by the following outflows during the year:

- capital expenditure of R671 million;
- dividend payments of R785 million;
- taxation payments of R633 million;
- repayment of the US\$3,5 million East Africa loan facility; and
- treasury share purchases of R104 million.

Trade and other receivables

The 7% increase in net trade and other receivables from the prior financial year-end is attributable to timing differences on receipt of payments from debtors and year-end sales cut-off entries. Overall, there has not been any noticeable deterioration in the average collection period on trade receivable balances.

The doubtful debt provision increased to R101 million from the prior financial year-end (30 June 2022: R61 million) as a result of the provision raised on the Ezee Tile Zambia and U-Light inter-company balances.

Trade and other payables

The 56% increase in net trade and other payables from the prior financial year-end is attributable to:

- timing differences on trade payable payments;
- lower prepayments for imports; and
- recognition of an accrual for potential retrospective price charges from Sasol.

Provisions

The 4% increase in the provision balance is attributable to an increase in the rehabilitation provision following the acquisition of a sand quarry, and an increase in the leave pay provision of 17%. These increases have been offset by a decrease of 12% in the

incentive bonus/profit share provision given the lower profitability year-on-year, and thus a lower level of provisioning for profit share.

Interest-bearing loans

The decrease in interest-bearing loans to R500 million from the previous financial year-end balance of R552 million is attributable to the settlement of the US\$3,5 million facility for the East Africa operation at the end of June 2023. The facility was settled early given increased interest and foreign exchange rate exposures related to the facility.

EVENTS AFTER THE REPORTING DATE

The directors are not aware of any matters or circumstances arising since the end of the reporting period which will significantly affect the Group's financial position at 30 June 2023 or the results of its operations or cash flow for the year then ended.

INTERNAL CONTROL ENVIRONMENT

The general control environment remains robust and I have no knowledge of any fraud or suspected fraud which could have a material effect on the results of the Group.

INFORMATION TECHNOLOGY

Value delivery is an integral part of our IT journey to ensure a memorable customer experience from a technology perspective, and to ensure operational efficiencies throughout our business. The role of the Group's IT department is to create a vision and roadmap of strategic projects that support the Group's business strategy and operations. Tangible benefits such as data and information security, cost reduction, process improvement, automation, improved data acquisition and overall business efficiency are critical to all projects undertaken by the Group's IT department.

During the 2023 financial year, we improved the general control environment of our IT systems, renegotiated key service agreements to extract savings, and contracted with new service providers to enhance our access to industry-leading skills and expertise. Over the next financial year, we will continue to invest in strengthening our team, advance our innovation journey, which provides us with competitive advantage in various operational areas, and improve on the security of our IT systems.



CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

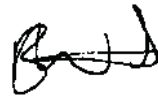
APPRECIATION

The Group's performance in the year under review was disappointing, with internal shortcomings compounding the challenges presented by a difficult external environment. Over the next year, we will continue to focus on the internal levers and opportunities within our control in order to extract market share gains and growth. The year ahead will also serve as a period of consolidation for the Group – we will work to optimise the full benefit of recent capital expenditure and improve returns which have fallen short of expectations. This will not be possible without the efforts of the dedicated teams throughout our business.

I would like to extend my sincere appreciation to:

- our shareholders for their constructive engagements and support over the year;
- our customers for their continued support for our business and brands;

- our management and staff for their determination and commitment to ultimately deliver a world-class shopping experience and manufacturing process;
- our finance teams for delivery of sound financial information and reports;
- our CEO, Lance Foxcroft, for his leadership and mentorship;
- our non-executive directors for their sound guidance and support;
- Mr Ravazzotti for his inspirational leadership and consistent passion to improve the business; and
- our new Chairman, Luciana Ravazzotti Langenhoven, whom we are excited to work with to continue to develop our exceptional company.



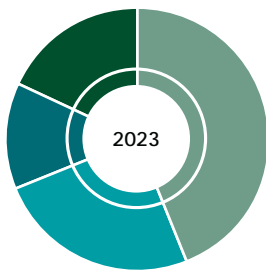
B G Wood
Chief Financial Officer



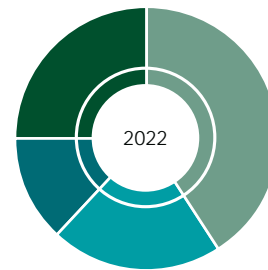
VALUE ADDED STATEMENT

	Group			
	2023 Rm	%	2022 Rm	%
Turnover and other income	9 532		9 452	
Net cost of goods and services	(4 723)		(3 777)	
	4 809		5 675	
Income from investments and interest received	65		39	
Value added	4 744		5 636	
Value distributed and retained				
Employees				
– Salaries, incentives and benefits	1 167	25	1 160	21
Providers of capital	867	18	1 433	25
– Outside equity holders	55	1	55	1
– Finance costs	82	2	29	0
– Ordinary and special dividend	730	15	1 349	24
Taxation	633	13	755	13
Reinvested in Group activities	2 077	44	2 288	41
– Depreciation	472	10	438	8
– Retained income	1 605	34	1 850	33
	4 744	100	5 636	100

Value distributed and retained (%)



- Reinvested in Group activities: 44 (2022: 41)
- Employees: 25 (2022: 21)
- Taxation: 13 (2022: 13)
- Providers of capital: 18 (2022: 25)



INDIRECT IMPACTS

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

- The Group spent a net amount of R4 723 million (2022: R3 777 million) during the year purchasing raw materials and inventory as well as other products and services from suppliers. This in turn creates opportunities for suppliers to employ more staff to keep pace with the Group's demands.
- During the year the Group paid R633 million (2022: R755 million) in taxation, for the ultimate benefit of all citizens in the territories in which it operates.
- The Group paid R1 167 million (2022: R1 160 million) during the year to employees in the form of salaries, incentives and benefits. These employees in turn supported their families, contributing to the economic activity of their communities and the overall economies.

SUSTAINABILITY

Across our operations we strive to implement state-of-the-art technology to promote efficiencies, produce world-class products, enhance customer service and reduce our impact on the planet.



CHIEF EXECUTIVE OFFICER'S LETTER TO STAKEHOLDERS

Italtile's ESG journey: Embedded sustainability

Dear stakeholder

WHY SUSTAINABILITY MATTERS

Sustainability is embedded as a core value in the Italtile business and is a key consideration in our strategic planning and decision-making process. Our Group philosophy is that a well-structured, efficiently implemented ESG strategy makes a significant contribution to the strength of the corporate brands and positions the business to create and unlock sustainable value for all stakeholders. Our products and businesses are increasingly recognised by our customers and other stakeholders for their leading ESG benefits and growing competitive advantage in this regard.

In the year under review, the Group developed a new ESG strategy underpinned by a range of KPIs, which will improve alignment and focus across the business in order to achieve our ESG ambitions.

In the 2024 financial year, we will continue to enhance our positive environmental and social impact and conduct our business to the highest ESG standards while striving to make a meaningful difference to our customers, communities and employees.

HISTORY OF SUSTAINABILITY

Established more than five decades ago, and represented by a national footprint, we are a proudly South African company that strives to play a constructive role in the communities where we operate. We recognise that the Group's longevity is based on the commitment of the people we employ across the business, the positive involvement of our key stakeholders, and the natural environment we operate in – all of which contribute to and support the continued growth of the Group. In this light, we take our responsibility seriously to progress the sustainability of our business and the well-being of the stakeholders who depend on us.

We have a history of environmental and social responsibility leadership. We pride ourselves on reducing our operational impact on the environment through reduced consumption, recycling and waste management. We design and manufacture products that create returns but also generate savings for customers on energy costs, carbon footprint and water consumption.

COMMITMENT TO KEY UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS ("SDGs")

Our core values are partnership, empowerment, fairness, human dignity, integrity, excellence, honesty and servant leadership. These values underpin our approach to sustainability and are supported by rigorous ethics, sound governance and exacting risk management processes and structures.

Our efforts to address ESG challenges and contribute to transformation in our business align with the United Nations SDGs to promote sustainability by eliminating extreme poverty, protecting the planet and ensuring prosperity for all. We recognise these SDGs are of vital importance to driving economic growth, addressing social and economic inequality and promoting short, medium and long-term sustainability.



Although not a signatory to the UN Global Compact, we have identified SDGs to which we believe we can contribute the most and have the most impact on. Our contribution to these SDGs is largely determined by the evolving landscape in our operating markets, as well as the interests and issues raised by our stakeholders.



GOAL
End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

ZERO HUNGER



GOAL
Ensure healthy lives and promote well-being for all ages.

GOOD HEALTH AND WELL-BEING



GOAL
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

QUALITY EDUCATION



GOAL
Achieve gender equality and empower all women and girls.

GENDER EQUALITY



GOAL
Ensure availability and sustainable management of water and sanitation for all.

CLEAN WATER AND SANITATION



GOAL
Ensure access to affordable, reliable, sustainable and modern energy for all.

AFFORDABLE AND CLEAN ENERGY



DECENT WORK AND ECONOMIC GROWTH

GOAL
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



INDUSTRY, INNOVATION AND INFRASTRUCTURE

GOAL
Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation.



REDUCED INEQUALITIES

GOAL
Reduce inequality within and among countries.



SUSTAINABLE CITIES AND COMMUNITIES

GOAL
Make cities and human settlements inclusive, safe, resilient and sustainable.



RESPONSIBLE CONSUMPTION AND PRODUCTION

GOAL
Ensure sustainable consumption and production patterns.



CLIMATE ACTION

GOAL
Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy.



LIFE BELOW WATER

GOAL
Conserve and sustainably use the oceans, seas and marine resources for sustainable development.



LIFE ON LAND

GOAL
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and biodiversity loss.



PARTNERSHIPS FOR THE GOALS

GOAL
Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development.

CHIEF EXECUTIVE OFFICER'S LETTER TO STAKEHOLDERS CONTINUED

JSE SUSTAINABILITY DISCLOSURE GUIDANCE AND CLIMATE DISCLOSURE GUIDANCE

The Board supports the philosophy and intent of the JSE Sustainability and Climate Disclosure Guidance documents that serve as voluntary guidance tools to improve the quality of ESG reporting, and accordingly, has incorporated them in the disclosure gap analysis which is conducted on a regular basis to benchmark the business's reporting standards against best practice.

The Board is satisfied that the following disclosures, as recommended by the guidelines, are being adopted in this report.

1. Governance – the Board's oversight of sustainability and climate-related impacts, risks and opportunities, and its process for integrating sustainability issues into the overall governance approach.
2. Strategy – how an assessment of sustainability and climate-related impacts, risks and opportunities has influenced the organisation's strategy, and what impact this has had on the organisation's overall performance, both positive and negative.
3. Management – how sustainability and climate-related impacts, risks and opportunities are identified, assessed, and integrated into the organisation's management processes.
4. Metrics, targets, and performance – the performance metrics and targets used by the organisation to measure, monitor, and manage its sustainability and climate impacts, risks and opportunities, and its performance against these metrics and targets.

Reference: information extracted from the JSE Sustainability Disclosure Guidance and Climate Disclosure Guidance.

Note: the reports in this IAR on corporate governance, the environment, remuneration and material risks and opportunities elaborate on our ESG endeavours in terms of governance, strategy, management, metrics and performance.

CONTINUED JOURNEY TO IMPROVED DISCLOSURE AND ENHANCED REPORTING

The Integrated Reporting and Assurance Services provider ("IRAS") conducts an annual review of ESG reporting by JSE-listed companies. Employing their Sustainability Data Transparency Index ("SDTI"), their 2022 methodology rated companies according to 203 key indicators ("disclosures"), including: standard disclosures; economic; governance; labour; health and safety; environmental and CSI/SED.

The Group's results of the 2022 IRAS assessment are summarised below.

Note: the scoring for the 2021 financial year data was adjusted due to the inclusion of 60 new indicators within the 2022 financial year survey (eight scored), and the elimination of scoring for three prior year indicators. All of the new indicators resulted from stakeholder engagement with multiple ESG/Sustainability experts, including 33 that came directly from the JSE's Sustainability Disclosure Guidance launched in the first half of 2022.

IRAS SDTI GAP ANALYSIS: ITALTILE LTD – PERFORMANCE AS A PERCENTAGE

	FY2022 %	FY2021 %
OVERALL SCORE	61,54	63,46
Standard disclosures	37,5	25,0
Economic	80,0	86,7
Governance	77,3	77,3
Labour	42,9	50,0
Health and safety	10,0	40,0
Environment	55,0	55,0
CSI/SED	93,3	80,0

Although the score of 61,54% declined from 63,46% in 2021, the result qualifies as 'good' as defined by IRAS and substantially exceeds the JSE average score of 50,68%.

In light of the weaker score received on the revised health and safety and labour indicators, effort has been made to expand our disclosure in this regard. The Human Resources and Training report in this document contains substantially more information than in previous years. This enhanced disclosure should result in an improved score in the 2023 assessment.

 Human Resources and Training report page 78.

In order to ensure consistent improvement in reporting standards, management will continue to use the SDTI checklist as an internal gap analysis, in conjunction with other ESG best practice frameworks, as well as the JSE's recently launched disclosure guidelines.

COMMUNICATING OUR ESG MESSAGES

We aim to provide a transparent and consistent message on our performance, our plans to create value, and our ESG progress across our communication channels. We engage with stakeholders to ensure our strategy remains relevant and are cognisant of their changing needs and interests.

We hold regular formal engagements with our largest local and international institutional and private shareholders. We welcome feedback from stakeholders, which can be directed to our **Citizenship Manager at: ngubol@italtile.co.za**.

PEOPLE

Our stakeholders are interested in how we manage our human capital relationships to achieve mutually beneficial rewards for all parties.

OUR EMPLOYEES

Our policy is to attract the best calibre of people by being the employer of choice in our industry through ensuring our employees are appropriately remunerated, incentivised through profit share, treated with respect and as partners, provided with a safe and rewarding working environment, and are able to grow and develop through training and skills development.

We strive to engage better with our team to address key issues and identify areas for improvement. The engagement scores over the recent years are as follows:

	%
2023	74
2022	75
2021	76
2020	77
2019	74
2018	73

We are satisfied with the 74% engagement score achieved in the year under review, given the prevailing low levels of confidence in the country at present and the Group's weaker results.

In our working environments, we strive to comply with the Occupational Health and Safety Act No 85 of 1993 and other relevant legislation, regulations and codes of practice in South Africa and other jurisdictions in which we operate. We conduct regular health and safety audits across all retail stores and supply chain businesses. The independent external safety, health and environment audit that was conducted in the year under review confirmed that improvement was made across the business.

In terms of Ceramic Industries, most of the South African factories undergo the Sedex Member Ethical Trade Audit ("SMETA") – a global social auditing methodology. The SMETA audit process comprises four pillars: labour standards; health and safety; business ethics; and the environment. The audited factories all achieved green status in their audits.

OUR PARTNERS








The management team engages with franchisees on a regular and frequent basis through regional forums; personal contact; call-in and online support; regular store visits; quarterly reviews and annual brand conferences. We regard our franchisees as valued partners, and the low franchisee churn is a clear reflection of the good relationship with them. We have a strong demand for our brands from existing and prospective franchise partners.

OUR LOCAL COMMUNITIES

The Group's CSI programme is conducted through well-planned, structured and well-funded initiatives undertaken by our retail brands and manufacturing businesses. Our franchisees also participate in local community initiatives at their own discretion.

OUR CUSTOMERS

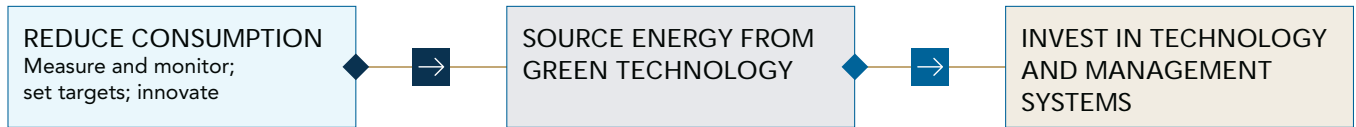
Management is extremely mindful of retaining the loyalty and goodwill of our customers. Our flat organisational structure ensures that line management is hands-on, and also supported by executive management, who frequently conduct site visits to ensure we remain abreast of customer trends and expectations. The Group operates call-in and online support and conducts a range of measures to evaluate customer satisfaction sentiment, including Mystery Shops, in-store Voice of the Customer surveys, Net Promoter Score and *ad hoc* independent brand health monitoring. Complaints and credits are measured and KPIs aligned to improving the customer experience are in place.

-  Human Resources and Training report page 78.
-  Social and Ethics Committee report page 67.
-  Remuneration report page 125.
-  Transformation report page 80.
-  Our stakeholders report page 69.
-  Foundation Trust report page 93.
-  Corporate social responsibility report page 100.

CHIEF EXECUTIVE OFFICER'S LETTER TO STAKEHOLDERS CONTINUED

ENVIRONMENT

Our environmental risk reduction plan



Environmental sustainability is core to all our strategies. The Group is committed to minimising the environmental impact of operations for our customers, our staff and all other stakeholders and remains committed to developing and sourcing products that not only require fewer resources to produce, but enable our customers to save water, electricity and waste. We continue to innovate and invest in technology to use our resources more efficiently.

The Group continuously develops its overarching environmental sustainability framework including metrics, targets and reporting. Sustainability forums have been established to monitor progress, innovate and work towards achieving the targets. Improved tracking of relevant metrics against targets is ongoing.

The Group is committed to reducing, reusing, recycling and recovering as a key principle to limit our waste and minimise our contribution to emissions, effluents and landfill.

As in all our business processes, continuous improvement will be required to develop the capabilities we need to deliver on our targets.

- Environmental report page 84.
- Property portfolio report page 49.

ETHICS AND GOVERNANCE

Our investors' primary interests in the realm of governance relate to our conduct and risk management policies, the role of the Board, and remuneration issues related to KPIs and pay for performance.

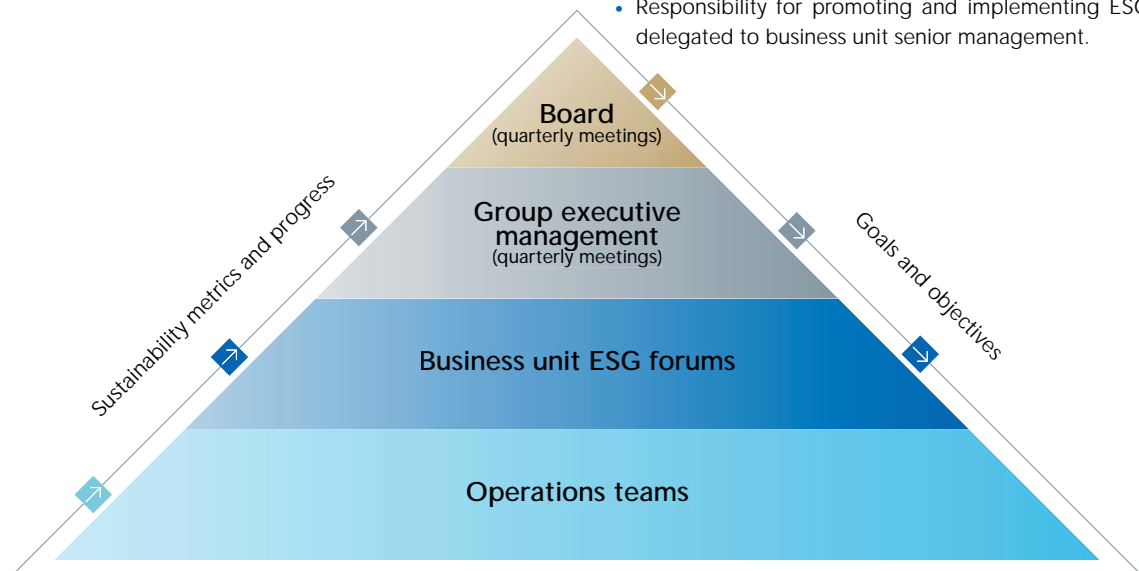
The Group is committed to honesty, integrity and transparency in all its activities and operations. We believe that a productive workplace is characterised by an environment in which service, efficiency and harmonious teamwork relationships are of primary concern to all.

The Group's Code of Conduct outlines our policies regarding, among others, our human rights stance and management of conflicts of interest. The Group has adopted a formal Code of Business and Ethics, and we strive to ensure our business partners share the same philosophy in terms of ESG matters.

- Corporate governance report page 110.
- Remuneration Committee report page 125.
- Strategic management of material risks report page 72.
- Social and Ethics Committee report page 67.

ESG ACCOUNTABILITY STRUCTURE

- The Board is accountable for ensuring key sustainability policies, including the Codes of Conduct and Business and Ethics are communicated, understood and complied with by all Group businesses, employees and associates.
- The Social and Ethics Committee oversees ESG matters on behalf of the Board.
- Responsibility for promoting and implementing ESG policies is delegated to business unit senior management.



SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee (“the Committee”) is pleased to present its report for the financial year ended 30 June 2023.

The Social and Ethics Committee, together with the executive management team, is pleased to report on the positive strides that the Italtile Group has made in its retail and manufacturing businesses. Our combined teams have ensured that knowledge and best practice is applied and shared across all areas of the business. These areas are covered below.

The Committee is a sub-committee of the Board and comprises two non-executive directors and the relevant executive management representatives. The Committee met three times this year and has ensured that our deliverables are in line with our charter as required by the Companies Act. The CEO, CFO, Group Company Secretary and Citizenship Manager continue to ensure that the Group remains compliant with all key legislation and that our reporting is accessible, accurate and systematic.

ROLES AND RESPONSIBILITIES

The Committee's role and responsibilities cover all statutory duties under the Companies Act and King IV, spearheading ongoing oversight, maintenance and monitoring of the Group's:

- ethical standards, ensuring that the Group takes measures to achieve adherence to these in all aspects of the business, thus achieving a sustainable ethical corporate culture within the Group;
- environmental compliance, ensuring that the Group's carbon footprint is contained within the required legislated levels;
- employee relations, with a specific focus on our employment equity statistics, labour and industrial relations and employee wellness;
- corporate citizenship and socio-economic development, ensuring the Group's promotion of equality, prevention of unfair discrimination, reduction of corruption, contribution to the development of the communities in which our activities are predominantly conducted or within which our products are predominantly marketed, including sponsorship, donations and charitable giving;
- commitment and adherence to statutory health and public safety standards;
- stakeholder relations and interaction, ensuring that our interactions are guided by sound principles as encapsulated in the Constitution, Bill of Rights, UN Global Compact Principles and UN SDGs;
- consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws; and
- effective leadership, ensuring a solid and ethical corporate foundation and responsible corporate citizenship.

ENVIRONMENTAL REPORTING – SUSTAINABLE DEVELOPMENT STRATEGY AND UN GLOBAL COMPACT COMPLIANCE

The sustainable development principles remain top of mind and the Group endeavours to report on the environmental impact of the retail and manufacturing divisions aligned with relevant UN SDGs to ensure optimal ESG practices. Our carbon footprint for the 2023 financial year showed a slight reduction in total emissions compared to the previous year. The reduction is attributed to a decrease in emissions linked to upstream logistics (scope 3) whereas emissions from the direct combustion of fossil fuels (scope 1) remained relatively flat and overall emissions linked to electricity consumption (scope 2) also remained relatively consistent. In the same year the Group also saw a reduction in our final carbon tax liability down to R6,09 million through the effective utilisation of several carbon tax allowances.

The Group is expanding the implementation of water management solutions and its use of solar power to ensure that we save water and diversify our energy sources in light of the country's ongoing load shedding challenges. Ceramic Industries is currently implementing an IoT project, which includes the installation and maintenance of sensors at water treatment facilities, boreholes and municipal meters. The project will improve the quality of water consumption data and reporting in line with the requirements of water-use licences for the factories.

The Group also embarked on waste management practices that will ensure the reduction, reuse and recycling of waste generated from our retail stores. This has been achieved through collaborating with our existing waste management suppliers to start a recycling programme that tracks the weight of waste generated in stores. To date, six stores have implemented the programme to track the amount of waste generated and recycled.

STAFF DEVELOPMENT, TRAINING AND EMPLOYMENT EQUITY

Our Human Resources team has been fully engaged with our industrial relations matters and is implementing the relevant training to manage employee compliance with required deliverables, procedures and standards. Training in this area is ongoing, especially at factory level.

Our retail business continued to focus on coaching and mentoring in line with our goal to ensure successful retention and succession planning. Our female store operator training is one of the key strategies to move closer to our three-year employment equity (“EE”) plan. In order to align recruitment processes to the EEP/sector targets, goals and objectives, other initiatives include:

- holding our managers accountable for delivering on EE targets;
- building our artisan pipeline through the millwright training programme;
- developing and implementing specific learnerships and formal qualifications for ceramic and tile technology;
- increasing our retail pipeline through the graduate learnership intake;
- building our junior management and store operator pipeline through our bursary programme, Future Leaders Programme for CTM, and the TopT Trainee Manager Programme.

SOCIAL AND ETHICS COMMITTEE REPORT CONTINUED

STAFF WELLNESS AND SAFETY

Our manufacturing business continues to focus on health and safety training, and our disabling injury frequency rate for Ceramic Industries has improved significantly and remains under our target of less than 1%, with all other areas working towards the target of as close to a zero injury-on-duty record. All safety checks are measured stringently via our online reporting platform and our representatives in each area are trained regularly, including legal liability training. The Group's health and safety audit was completed in 2023 and the results show remarkable improvements across the Group, from a score of 89% to 93%. A handful of recommendations will be implemented to improve this result even further, covering increased practical training on the implementation of the health and safety system requirements for Store Operators, carrying out inspections as a form of continuous risk assessment, training on the practical completion of relevant registers and on legal liability.

Our Employee Wellness Programme is now fully entrenched across the Group and an ongoing awareness campaign is in place through roadshows, multi-lingual posters and wellness days to encourage usage by our employees.

B-BBEE STATUS

The Group has retained its level 2 rating and focus remains on skills development and preferential procurement.

LEGISLATIVE COMPLIANCE

A high-level Group risk compliance review has been completed by our legal advisory team and no material adverse findings were noted.

ENGAGEMENT WITH STAKEHOLDERS

In line with the Listings Requirements of the JSE, all key shareholders were engaged with on the Company's performance, governance, compliance and ethical standards, and conduct during the past financial year. Our CEO has been consistent in maintaining open and transparent engagement with shareholders, investors, media, analysts and the general public. Our CEO has ensured that the Company's performance is communicated effectively and all areas of concern have been addressed coherently together with our financial and legislated reports.

Our customer complaints-handling process is effective and ensured that all complaints received were responded to comprehensively within the requisite turnaround times. Systems to streamline these processes and improve responsiveness to customers are continuously reviewed and improved and the use of various online platform monitoring technologies has enriched this area of the business.

Marketing and public relations are ongoing throughout the year. All content is updated and available via our websites and social media platforms. Our comprehensive marketing communication strategy is proving to be effective based on the increased real-time digital feedback and engagement reporting that is in place and continuously monitored.

ACCOUNTABILITY OF THE COMMITTEE

The Committee is accountable to the Board and provides feedback regarding its meetings to the Board. The Committee makes those recommendations to the Board that it deems appropriate on any area within the ambit of its terms of reference where action or improvement is required.

AUTHORITY

The Committee conducts its affairs in compliance with its charter and has reasonable access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities. The Committee is authorised to take such independent professional advice as it considers necessary, the costs of which shall be for the account of the Company. Save for its duties provided for in the Companies Act, the Committee shall have no executive powers with regard to its findings and recommendations.

CONCLUSION

The Committee believes the Group has continued to maintain an acceptable balance between its financial performance and its social, economic, governance, employment and environmental responsibilities.

Based on all available detailed reporting and registers, the Committee is satisfied that it has, in all material respects, achieved its objectives for the financial year ended 30 June 2023.


N P Khoza

Social and Ethics Committee Chairman

22 September 2023

OUR STAKEHOLDERS

Our stakeholders influence and are affected by our policies, strategies and activities. The table below provides a summary of how value is derived for stakeholders, how we engaged with them, which of our material risks impact them and which information provided in our IAR is of importance to them.

1 SHAREHOLDERS AND FINANCIAL COMMUNITY

We strive to provide a sound investment case for the Company

Concerns and value derived	How we engage with our shareholders and financial community	Material risks*	Further information	
<ul style="list-style-type: none"> Sustainable earnings growth Acceptable return on investment and dividends Competent and ethical leadership Sound and responsible ESG practices and policies 	<ul style="list-style-type: none"> JSE SENS announcements IARs Annual general meetings Group website Results presentations One-on-one interactions with investors Annual and interim results 	1	Page 26	Chairman's statement
		2	Page 34	CEO's report
		3	Page 40	Review of operations
		4	Page 52	CFO's report
		6	Page 72	Strategic management of material risks
		7	Page 110	Corporate governance
		8	Page 140	Financial statements

2 EMPLOYEES

With our high-performance culture, we build strong, accountable teams and offer career growth and development

Concerns and value derived	How we engage with our employees	Material risks*	Further information	
<ul style="list-style-type: none"> Job security Career development Remuneration and recognition Equal opportunities Training and skills advancement Conducive working environment Economic and social support to their communities 	<ul style="list-style-type: none"> Employee surveys Performance reviews Training and skills development opportunities Newsletters Roadshows and conferences Regular meetings, extensive operational visits and other interactions 	2	Page 34	CEO's report
		4	Page 40	Review of operations
		6	Page 52	CFO's report
		7	Page 72	Strategic management of material risks
		8	Page 110	Corporate governance
			Page 140	Financial statements

3 FRANCHISEES

Our profitable and sustainable franchise model supports the Group's growth and provides opportunity for entrepreneurs

Concerns and value derived	How we engage with our franchisees	Material risks*	Further information	
<ul style="list-style-type: none"> Strong brands Product quality Efficient and effective supply chain Marketing spend Good store location Franchise and business management support Profitable operations 	<ul style="list-style-type: none"> Annual brand conferences Franchisee forums Personal contact Call-in and online support Roadshows Regular meetings, extensive operational visits and other interactions 	1	Page 26	Chairman's statement
		2	Page 34	CEO's report
		3	Page 40	Review of operations
		4	Page 72	Strategic management of material risks
		5	Page 80	Transformation report
		6	Page 140	Financial statements
		7		
		8		

* Refer to pages 72 to 76.

OUR STAKEHOLDERS CONTINUED

4 SUPPLIERS AND BUSINESS PARTNERS

Our operations are supported by various suppliers and business partners

Concerns and value derived	How we engage with suppliers and business partners	Material risks*	Further information	
<ul style="list-style-type: none"> Continuity of support Timely payment Fair treatment B-BBEE compliance Profitable operations Volume growth 	<ul style="list-style-type: none"> Annual brand conferences Franchisee forums Personal contact Call-in and online support Roadshows Regular meetings, extensive operational visits and other interactions 	<ul style="list-style-type: none"> 2 4 5 6 	Page 26	Chairman's statement
			Page 34	CEO's report
			Page 40	Review of operations
			Page 72	Strategic management of material risks
			Page 80	Transformation report
			Page 140	Financial statements

5 GOVERNMENT AND REGULATORS

We strive to comply with all legislative and regulatory requirements

Concerns and value derived	How we engage with government and regulators	Material risks*	Further information	
<ul style="list-style-type: none"> Compliance with legislation and regulatory frameworks Tax revenues Transformation and employment equity Support for communities Responsible consumption of natural resources 	<ul style="list-style-type: none"> Regular interactions and submissions to relevant government institutions and regulatory bodies 	<ul style="list-style-type: none"> 1 3 4 5 6 7 	Page 59	Value added statement
			Page 80	Transformation report
			Page 84	Environmental report
			Page 110	Corporate governance
			Page 140	Financial statements

6 COMMUNITIES

Our success is dependent on the well-being and advancement of the communities in which we operate

Concerns and value derived	How we engage with our communities	Material risks*	Further information	
<ul style="list-style-type: none"> Economic and social support 	<ul style="list-style-type: none"> Local job creation opportunities Corporate social investment programmes 	<ul style="list-style-type: none"> 1 4 6 7 	Page 80	Transformation report
			Page 84	Environmental report
			Page 93	Italtile and Ceramic Foundation Trust report
			Page 100	Corporate social responsibility
			Page 110	Corporate governance

7 CUSTOMERS

Our customers are central to all that we do and we strive to exceed their expectations


Concerns and value derived	How we engage with our customers	Material risks*	Further information	
<ul style="list-style-type: none"> Strong brands Value and quality offering Location accessibility Positive customer shopping experience Safe shopping environment Responsible sourcing 	<ul style="list-style-type: none"> Call-in and online support Print, digital and social media IARs Surveys and Net Promoter Score In-store interactions Annual and interim results 	<ul style="list-style-type: none"> 1 4 6 7 8 	Page 84	Environmental report
			Page 93	Italtile and Ceramic Foundation Trust report
			Page 100	Corporate social responsibility report
			Page 110	Corporate governance

* Refer to pages 72 to 76.

THE ENVIRONMENT WE OPERATE IN

The general context in which we operate impacts on our ability to achieve our strategic goal to create sustainable value for all stakeholders.

This report discusses the emerging as well as existing trends which prevail in our industry and market, the effect they have on our business, and our strategic response – which is aimed at mitigating or managing any negative impact, and wherever possible, capitalising on opportunities presented.

 Refer to Our stakeholders' report on page 69 and Strategic management of material risks report on page 72.

Increasingly, disruption (industry reconfiguration, social change, technology or other factors) and diversity (cross-cultural, gender, intergenerational), are becoming commonplace, alongside volatility, uncertainty, complexity and ambiguity.

Economy impacting our industry and customers

Global economy

- shipping constraints, freight rates and international supply chain disruptions have normalised
- subdued global demand is driving suppliers to new markets and intensifying margin pressure locally

Local economy features

- high inflation (affecting basic living costs and product and building costs)
- high interest rates
- high unemployment, indebtedness and low wage inflation
- negative consumer and investor sentiment evidenced by weak demand
- country-specific risks: energy instability; deteriorating infrastructure; social unrest; government mismanagement; endemic crime and corruption – worsening in the construction industry
- strained consumers purchasing lower-cost alternatives, affecting production mix
- disposable income diverted to electricity replacement alternatives to mitigate power interruptions

Competitive landscape

- reduced freight costs and low product pricing due to weaker global demand has improved feasibility of importing product, which declined during the pandemic
- expansion of offerings and production capacity by existing local competitors
- proliferation of new entrants in the retail and manufacturing segments
- SADC-based ceramic competitors exporting at low prices to South Africa
- increased global competition with market dynamics favouring low-margin imports

Human capital and skills

- shortage of retail and manufacturing-specialist skills. Causes include: emigration, poor standard of education and historical inequities
- the Group's demanding high-performance culture proves challenging for certain recruits
- poor productivity of local labour (cost vs output)

Climate change and carbon footprint

- key components of ESG considerations for investors and customers
- carbon tax increasing in line with government's drive to reduce emissions
- growing impact is driving awareness and responsiveness of appropriate policies and practices

Disruptive technology and digital adoption

- online sales as a proportion of total sales rising globally
- IT risk management and cybersecurity are global concerns
- higher levels of digital adoption and changing consumer behaviour require more focus on data analytics and business intelligence
- artificial intelligence ("AI") and machine learning ("ML") will become increasingly commonplace and demand investment to keep pace
- digital marketing increasingly important and complex

Inequality and transformation

- social imbalances, income inequality and poverty prevail
- disparity in gender and race representation
- historical inequities and slow pace of government reforms continue to cause socio-political instability
- transformation (diversity, equity and inclusion) is a key business imperative, but hampered by the small pool of employable skills due to underperforming education system
- widespread and growing dissatisfaction with the state's poor basic service delivery record

Regulation and governance

- carbon tax
- shareholder and legislative pressures on remuneration
- legislative pressure on transformation

STRATEGIC MANAGEMENT OF MATERIAL RISKS

Framework and model

The Group has in place an Enterprise Risk Management framework which is based on a combined assurance model comprising: management, external audit and internal audit. This model and its related activities are structured to ensure that the Group’s risks are adequately managed by formulating the Group’s strategic responses on such.

IDENTIFICATION OF RISKS

Identification of risks is based on:

- the Group’s risk-bearing capacity (the capacity to absorb losses arising from risks without an immediate threat to the Group’s continued existence based on its current business model);
- risk appetite (the amount and type of risk the Group is willing to accept in pursuit of its business objectives); and
- risk tolerance (the acceptable levels of variation relative to the achievement of the Group’s objectives).

QUANTIFICATION OF RISKS

Certain financial measures form the basis on which these risks are quantified.

CATEGORISATION OF RISKS

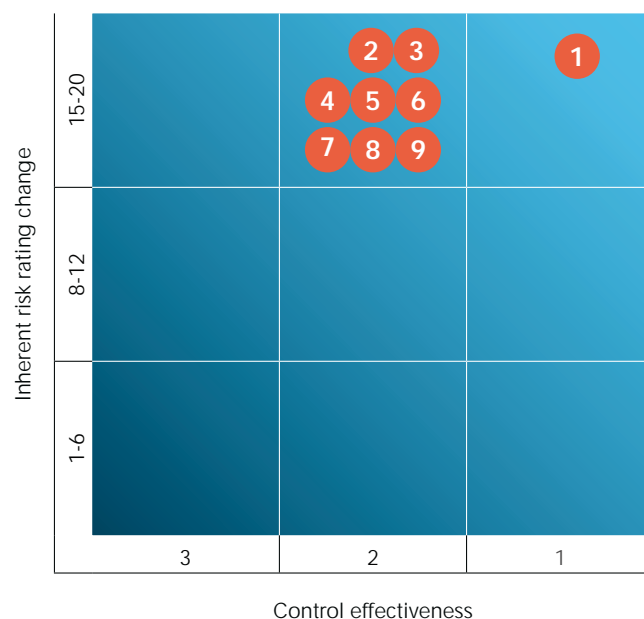
Identified risks are categorised according to:

- inherent risk (a function of their potential impact and probability); and
- residual risk (based on the effectiveness of mitigating controls or responses to address the inherent risk).

The identified risks are encompassed in the following risk categories:

- supply chain disruptions;
- IT infrastructure and network vulnerability;
- loss of quality earnings/revenue/profitability/future growth;
- talent attraction/development/retention;
- brand identity and corporate image;
- regulatory compliance;
- manufacturing related; and
- occupational health and safety.

Residual risk combined



On pages 73 to 76 is a summary of the Group’s top risks and/or material issues based on their residual risk ratings. A summary of the strategic responses related to each risk is provided.

Risk category

Manufacturing related	Loss of quality earnings/revenue/profitability/future growth					IT infrastructure and network vulnerability	Manufacturing related	Talent attraction/development/retention
Interruption of energy supply due to unstable electricity supply and gas shortages	Social unrest impacting operations	Loss of revenue, quality earnings and growth due to deteriorating political, social and macro-economic factors (country risk). Increased capacity and competition from factories in Africa and locally, resulting in loss of market share, decreases in volume and capacity utilisation, and reduced margins and profitability	Loss of earnings and future growth due to external market forces	Loss of profitability and/or market share if products do not remain fashionable	Loss of profitability and revenue due to increased input costs (gas price increases and inflation)	Network penetration	Increased capacity and competition from factories in Africa and locally, resulting in loss of market share, decreases in volume and capacity utilisation, and reduced margins and profitability	Staff inadequately trained
1	3	5	6	7	8	4	2	9

1 INTERRUPTION OF ENERGY SUPPLY DUE TO UNSTABLE ELECTRICITY SUPPLY AND GAS SHORTAGES

Risk description	Mitigating controls	Strategic responses
<ul style="list-style-type: none"> The supply of gas for the Group's factories (tiles and sanitaryware) is at risk as current Mozambique pipeline gas reserves may be depleted by 2029 and supply could end as early as 2026. There are currently few other economically viable alternatives. Ongoing load shedding and disruption of electricity supply adversely impacts manufacturing operations. 	<ul style="list-style-type: none"> The Group is an active participant in the Industrial Gas Users Group ("IGUA-SA") which is advocating for alternative gas supply solutions for the industry. Continuous manufacturing improvements are made to reduce gas and electricity consumption. Contracted a small portion of gas supply from Renergen, an alternative gas supplier. Load shedding schedules are monitored and production is planned accordingly. Solar panels and back-up generators are used for alternative energy. Load shedding curtailment agreements in place with Eskom and municipalities to mitigate impact on tile and sanitaryware factories up to stage 3 load shedding. 	<ul style="list-style-type: none"> Explore alternative gas supply. A combined heat and power plant project is being explored. A project to install 2 MW solar power at the Centaurus tile factory is underway.

2 RISK OF NEW ENTRANTS

Risk description	Mitigating controls	Strategic responses
<ul style="list-style-type: none"> Increased competitor activity due to new factories in Africa and increased capacity at local manufacturers resulting in loss of market share, decreases in volume and capacity utilisation, and reduced margins and profitability. Availability of tiles at wholesale increasing number of retail competitors. 	<ul style="list-style-type: none"> Constant monitoring of the basket of products purchased by each customer group. Diversification within the customer base to ensure no significant exposure to a single external customer group. 	<ul style="list-style-type: none"> Undertake actions to stimulate growth in tile volumes in South Africa. Enhance shopping experience. Continuously introduce new products into the offering and retain position as a fashion leader. Continuous improvement in manufacturing efficiencies and technologies to lower waste, improve yields and reduce production costs.

3 SOCIAL UNREST IMPACTING OPERATIONS

Risk description	Mitigating controls	Strategic responses
<ul style="list-style-type: none"> Social unrest in the areas in which the Group operates impacts retail and manufacturing activities. The risk is particularly relevant for Ceramic Industries' factories and TopT retail stores. Impacts safety of Group employees and customers. Risk of social unrest is elevated given the current, social, political and economic conditions. 	<ul style="list-style-type: none"> Business interruption insurance cover is in place. The portfolio and marketplace are analysed on an ongoing basis to ensure risk is mitigated and targeted property returns are achieved. The Group has a social unrest policy in place primarily focused on the safety of Group employees and customers. Ongoing community engagement and social economic development activities are conducted in communities in which we operate. 	<ul style="list-style-type: none"> Continuous investment in and management of relationships with communities in which we operate.

STRATEGIC MANAGEMENT OF MATERIAL RISKS CONTINUED

4 NETWORK PENETRATION

Risk description	Mitigating controls	Strategic responses
<ul style="list-style-type: none"> External penetration of our networks (including hacking, phishing, etc.). Probability intensified due to increased web traffic to webstores which are integrated into SAP, ongoing high-profile hacking incidents internationally and increased remote access of our networks by employees. Website cloning and rerouting of online payments gateway via webstores and handheld scanners with integrated payment pebble. External penetration of Android-based handheld scanners used in the stores. Increased usage and access points with roll-out of new local stores, East Africa stores and webstores. 	<ul style="list-style-type: none"> Prevented with use of firewalls, segmentation of network landscape, implementation of secure socket layer certificates to encrypt end-to-end data and antivirus solution with additional patch management controls. Quarterly penetration testing performed by external service providers. Handheld scanners hosted on hidden network with secure sockets layer ("SSL") encryption enabled. Cyber insurance in place through reputable provider. Regular updates of passwords with complexity. Multi-factor authentication and mail filtering measures in place. Central patch management for end-user computers. Data loss protection enabled on cashier desktops. Quarterly review of all network policies and procedures and network and router configurations to assess risks to mitigate them. Heat mapping of internal and external networks, reviewed on a monthly basis with senior management. 	<ul style="list-style-type: none"> Cyber security and penetration testing outsourced to third-party service provider. IT servers operate from secure cloud environment with redundancies. Upgrade firewall and related security hardware.

5 LOSS OF REVENUE, QUALITY OF EARNINGS AND GROWTH DUE TO DETERIORATING MACRO-ECONOMIC FACTORS

Risk description	Mitigating controls	Strategic responses
<ul style="list-style-type: none"> The deteriorating macro-economic conditions in South Africa may have an adverse impact on the ability of the Group to generate revenue growth and impacts the quality of earnings. 	<ul style="list-style-type: none"> Continuous close monitoring of circumstances with particular focus on further investments in South Africa. Adjustment of costing and pricing to support weak/price-sensitive consumer demand (enabled by integrated supply chain and continuous focus on cost reduction, which provides flexibility on gross margin and pricing). Integrated supply chain allows for consistent stock supply, with approximately 80% of product procured locally. Comprehensive e-commerce offering expands retail reach. Continuous monitoring of socio-economic developments and its impact on business sustainability and operations. 	<ul style="list-style-type: none"> The Group's high standing among customers is to be maintained by continuing to deliver an offering in line with customer demand. In this regard, continuous improvements in range, pricing, and customer experience are crucial. Expand retail and manufacturing footprint. Explore expansion in new international markets.

6 LOSS OF EARNINGS AND FUTURE GROWTH DUE TO EXTERNAL MARKET FORCES

Risk description	Mitigating controls	Strategic responses
<p>Loss of earnings and future growth due to:</p> <ul style="list-style-type: none"> external market forces such as worldwide trends (e.g. product substitution) and economic conditions (e.g. exchange rates); competitor activity and/or an increase in competitors in the retail market; convenience of alternate retail channels such as e-commerce and boutique offerings; challenges in obtaining SABS or similar approval; and inability to keep pace with rapidly changing customer expectations. 	<ul style="list-style-type: none"> Regular regional meetings are held to source insight into markets, receive product feedback and communicate fashion trends, product innovation, merchandise and store improvements, market analysis and opportunities for growth. There are experienced brand/divisional/supply chain managers in the business, who focus on key products and areas. Ongoing cost/pricing adjustments (enabled by integrated supply chain and continuous focus on cost reduction, enabling flexibility on gross margin and pricing) and expansion of distribution channels (e.g. e-commerce). Store displays and trading space are continually refreshed, and ideas shared across the Group via various mediums. Ongoing 'competitor shopping' undertaken and necessary responses implemented. Inventory provisioning process in stores ensures improved product lifecycles. Business optimisation programme ("BOP") utilised to improve in-stock levels of business-critical items, and management/exit of slow-moving inventory. Expansion of product categories and foreign operations (rest of Africa). 	<ul style="list-style-type: none"> The Group's stated intent is to be a world-class, low-cost retailer through alignment of customer satisfaction and profitability. By providing an unparalleled shopping experience and implementing best practice business principles across its operations the Group will continue to advance its achievements of this goal. Work with suppliers and leading experts to ensure 'wow' factor maintained for products and merchandising. Reduce operating costs and improve productivity across the business. Maintain investment in our strong brands and new product development. Grow turnover contribution of the webstores.

7 LOSS OF PROFITABILITY AND/OR MARKET SHARE IF PRODUCTS DO NOT REMAIN FASHIONABLE

Risk description	Mitigating controls	Strategic responses
<ul style="list-style-type: none"> Not remaining fashionable is a major risk and has significant influence on the market share enjoyed by the business. The risk is especially pertinent for age group 35 and below. Customer expectations not satisfied with product offering. 	<ul style="list-style-type: none"> Regular regional meetings are held to source insight into markets, receive product feedback and communicate fashion trends, product innovation, merchandise and store improvements, market analysis and opportunities for growth. There are experienced brand/divisional/supply chain managers in the business, who focus on key products and areas. Attendance at international trade fairs. Ongoing cost/pricing adjustments and expansion of distribution channels (e.g. e-commerce). Store displays and trading space are continually refreshed, and ideas shared across the Group via various mediums (e.g. operations newsletter). Ongoing 'competitor shopping' undertaken and necessary responses implemented. Inventory provisioning process in stores ensures improved product lifecycles. BOP utilised to improve in-stock levels of business-critical items, and management/exit of slow-moving inventory. 	<ul style="list-style-type: none"> Work with suppliers and leading experts to ensure 'wow' factor of products and merchandising. Optimal range/pricing structures will remain a priority. The Group's high standing among customers is to be maintained by continuing to deliver an offering in line with customer demand. In this regard, continuous improvement in the approach to product research and development is crucial.

STRATEGIC MANAGEMENT OF MATERIAL RISKS CONTINUED

8 LOSS OF PROFITABILITY AND/OR REVENUE DUE TO SIGNIFICANTLY INCREASED INPUT COSTS

Risk description	Mitigating controls	Strategic responses
<ul style="list-style-type: none"> Increased input costs (including local inflationary pressures or a significant gas price increase) will negatively affect gross margins. Margins could be managed through sales price adjustments, but this will impact product affordability, and sales volumes may decline as consumers with restrained discretionary spend defer or reduce home improvement spend. 	<ul style="list-style-type: none"> Ongoing cost/pricing adjustment through continuous focus on cost reduction. Consistent focus on ensuring our brands remain top of mind and are the first choice in the market will drive sales. Local integrated supply provides a high-quality affordable import substitute offering. 	<ul style="list-style-type: none"> Effective management of internal costs. Optimise price laddering, product mix and promotional activity. Long-standing industry experience and cutting-edge technology position the business as a high-fashion low-cost producer. Evaluate alternative geographics/territories for manufacturing.

9 STAFF INADEQUATELY TRAINED

Risk description	Mitigating controls	Strategic responses
<ul style="list-style-type: none"> Individuals are not adequately trained/developed, and succession planning may be inadequate. Shrinking talent pool in South Africa. 	<ul style="list-style-type: none"> The Group conducts various training courses and operates an established Tiling and Plumbing Academy. Training spend is significant. Divisional management and the executive directors of the Group are closely involved in the operations of the business and regular regional meetings are held, as well as other regular interactions. The business implements career advancement training which comprises its Future Leaders Programme ("FLP") and other university-affiliated courses. Senior management and executive directors partake in executive development programmes run by reputable institutions with relevant expertise. The Group has a culture of developing and promoting from within, and various initiatives and programmes are in place to foster this. Employee engagement surveys are conducted and reviewed by Group management. E-learning platforms are in place with Group and retail-specific content. International expertise is sought for manufacturing where necessary, with key focus being transfer of skills. 	<ul style="list-style-type: none"> Instil greater retail-specific focus in training and development programmes; attract and retain key talent through promoting business partnerships; and encourage commitment to business success through development programmes and remuneration and reward strategies. FLP will continue to serve as an important mechanism to build leadership capacity in the Group. Instil high-performance culture.

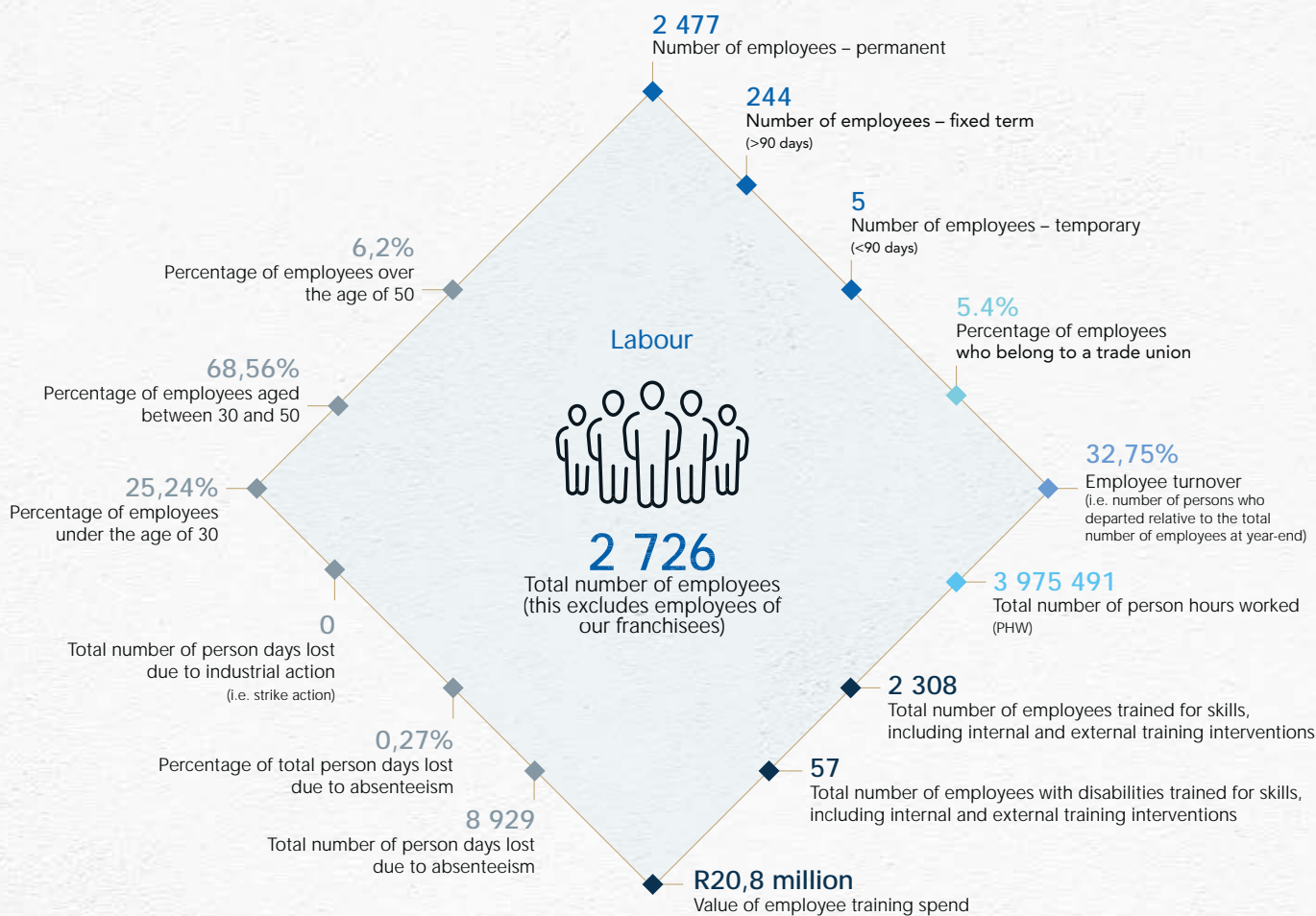


As a proudly South African company, we strive to play a constructive role in the communities where we operate. We recognise that the Group's longevity is based on the commitment of the people we employ across the business, the positive involvement of our key stakeholders, and the natural environment we operate in – all of which contribute to and support the continued growth of the Group.

HUMAN RESOURCES AND TRAINING

Our Human Resources (“HR”) and Training division adds value to the business through recruiting and retaining fit-for-purpose personnel and developing and empowering the Group’s human capital resource through relevant training and support.

This report contains key information regarding the Group’s people profile, including our labour and health and safety statistics. In addition, it provides an overview and performance appraisal of the HR and Training division’s activities, achievements and priorities across the business.



Health and safety



Note: The information presented above has not been reported on previously, and hence there are no published comparatives. Our goal is to continue to improve our disclosure in this regard.

ITALTILE GROUP

Key performance indicators	Trends 2023	Trends 2022
• Recruitment and retention of fit-for-purpose personnel.	◄►	▲
• Engagement with employees across the Group.	▲	▲
• Development of appropriate skills training, learnerships and competencies.	▲	▲
• Support the Group's growth objectives and overriding strategy to deliver an incomparable customer experience.	◄►	◄►
• Improve productivity and performance to achieve best practice benchmarks.	◄►	▲
• Develop leadership capability and capacity.	◄►	▲
• Number of training programmes conducted.	▲	▲
2022/23 priorities	Scorecard	
• Accelerate the drive for appropriate pipeline cover for key roles, especially to reduce gender disparity in the business.	x	
• Develop high-performing, engaged store leaders.	Ongoing	
• Improve initiatives to entrench values and culture.	Partial	
• Identify initiatives to achieve maximum value for the Skills Development element of the B-BBEE scorecard.	✓	
• Focus initiatives to drive employee engagement.	✓	
• Cascade KPI setting from Factory Manager and Deputy Factory Manager levels to lower levels.	Ongoing	
• Develop a framework for career path guidelines from Trainee Factory Manager to Factory Manager.	✓	
• Enhance the robustness of the recruitment and selection process to attract and retain talent fit for Ceramic Industries' culture.	Continuous improvement	
• Conduct salary survey and benchmarking to establish a robust benefits structure to attract talent and to retain high performers and key critical and scarce skills.	✓	
• Develop and implement a framework and platform for the transfer and preservation of institutional knowledge.	Ongoing	
2022/23 major achievements	2023/24 priorities and prospects	
<ul style="list-style-type: none"> Recruited a new executive team at Ezee Tile. Developed improved competency with revised hybrid training initiatives and interventions for the store pipeline. Graduate learner programme delivered on the pipeline (21% achieved). Unemployed youth initiatives were implemented through the learning academy. 195 learners were recruited in the programme. Improvement in workforce upskilling and succession planning through internal training and development interventions. Re-accreditation of the Tiling, Plumbing, and Laminating academy. Samca Wall Engineering Centre has been approved for NQF 2 qualification (National Certificate: Mechanical Engineering and Fitting: Manufacturing and Engineering). 20 employees achieved an NQF 2 through the centre. Continued implementation of the Trainee Process Artisan Programme to build the pipeline and improve gender disparity. 	<ul style="list-style-type: none"> Recruit senior executives to strengthen team at Ceramic Industries. Completion of the Ceramic Technology learnership for sanitaryware and tiles at NQF 2. Partner with a disabled service provider to develop employment opportunities. Provide work opportunities for high-performing bursary recipients as a potential feed into pipeline. Train and develop the pipeline for Joint Venture partnerships in CTM. Implement an organisational restructure to improve expertise and effectiveness. Develop and build the pipeline of Factory Managers through a robust and fast-tracked trainee manager programme. Build and improve team cohesiveness through mentoring and coaching programmes. 	

EMPLOYEE ENGAGEMENT AND SENTIMENT

The Group conducts a voluntary independent evaluation survey annually to assess the quality of engagement with employees.

Italtile

In the 2023 assessment, a score of 74% (2022: 75%) was achieved, notwithstanding the testing retail operating environment. In accordance with the scoring methodology implemented, this score is classified in the category 'striving to be world class'. Year-on-year, the scores for individual elements declined by 1% and Reward and Recognition by 3%. The employee response rate was 81% (2022: 69%). Ezee Tile was included in the survey for the first time this year. Our goal for the year ahead is to address the areas of concern. Specific focus will be on locations with lower scores, which will be managed with the respective business unit leaders.

Ceramic Industries

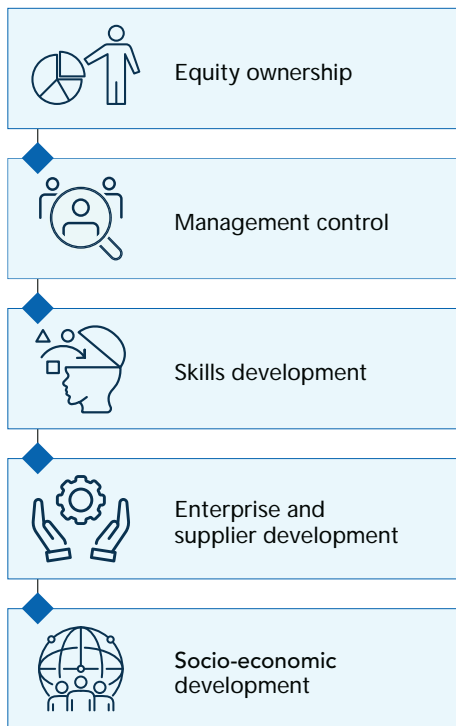
In the 2023 assessment, Ceramic attained a score of 70% (2022: 70%). In accordance with the methodology implemented, this classifies the business as 'striving to be world class'. The employee response rate was 70% (2022: 51%). The increase in the participation rate is encouraging. The goal for the year ahead is to focus on the lower scores around team building and the work environment.

TRANSFORMATION

TRANSFORMATION

The Group regards transformation as a social, moral and strategic business imperative. Management recognises that as a responsible corporate citizen, the Group has an obligation to contribute to bringing about a more equal and inclusive society – starting within our own business. Our transformation strategy is closely aligned to the objective of the B-BBEE Codes and we employ an integrated approach to accelerate transformation across the Code’s five criteria.

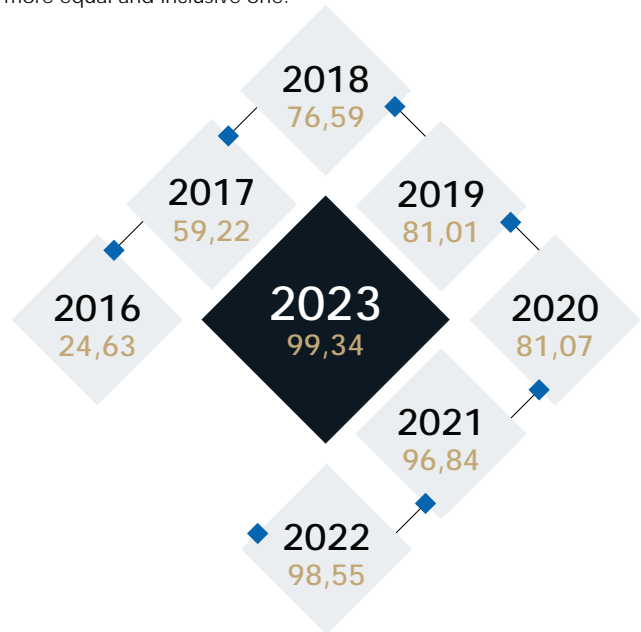
B-BBEE CODES



As a consequence of sustained management focus and implementing a range of meaningful interventions over recent years, the Group is pleased to have consistently improved its B-BBEE status from non-compliant in 2016 to level 2 in 2023.

At the end of the 2022 financial year, we committed to striving to maintain our level 2 B-BBEE rating.

The level 2 rating attained in 2023 and the improved score depicted below reflects our ongoing efforts to transform the business into a more equal and inclusive one.



Our B-BBEE verification certificate is published on page 83.

B-BBEE SCORE ANALYSIS

Italtile Ltd B-BBEE 2023	
Level 2 99,34	Ownership 21,67 Level 4
Management control 12,81 Level 7	Skills development 20,62 Level 1
Enterprise and supplier development 39,25 Level 3	Socio-economic development 5 Level 1

Our qualifying and recognised spend on the B-BBEE scorecard totalled R142 million (R2022: R149 million), allocated primarily to:

- skills development, including bursary spend of R58 million (2022: R57 million);
- supplier and enterprise development grants of R4 million (2022: R4 million); and
- donations to the Italtile and Ceramic Foundation Trust ("Foundation") of R25 million (2022: R25 million).

Skills development

The Group continued to invest in a range of skills development programmes focused on employees from previously disadvantaged groups. These included:

- sponsored partnerships with academic institutions to further the education and develop the leadership competencies of 35 employees (2022: 11);
- 78 employees were sponsored with bursaries (2022: 63);
- a total of 31 bursaries (2022: 22) were sponsored for children of our employees studying at higher educational institutions;
- 128 bursaries (2022: 177) were awarded to external students studying at higher educational institutions;
- in total we provided eight internships (2022: 23) and 247 learnerships (2022: 175) for both qualified students and inexperienced job seekers, with 27 of those learners (2022: 32) ultimately being employed in the Group; and
- we operate accredited training academies, and offer local and international courses and e-learning tuition across our brands for our employees, our franchisees and their employees. These training interventions reached 3 397 Group employees and franchisees (2022: 3 750) during the year.

Enterprise and supplier development

In addition to spend with suppliers with improved B-BBEE credentials (including black ownership), the Group recognises the importance of meaningful Enterprise Development and Supplier Development initiatives to create jobs and grow a sustainable resource of successful black-owned businesses.

In this regard, the Group supports a number of black-owned businesses with grants and/or preferential rate funding. Beneficiaries of such include the black partners in the TopT franchise network, suppliers of finished goods, service providers, and funds focused on investing and growing black-owned businesses.

Recognised weighted B-BBEE procurement spend on our B-BBEE scorecard was as follows:

Category	2023 Rm	2022 Rm	2021 Rm	2020 Rm	2019 Rm
Qualifying small enterprises	759	733	709	389	198
Exempted micro-enterprises	121	732	467	301	258
51%+ black-owned suppliers	1 476	1 533	1 202	894	535
30% black female-owned suppliers	902	898	580	417	339

The qualifying and recognised annual value of contributions (made up predominantly of grants and loans) for supplier development and enterprise development for 2023 totalled R62 million (2022: R67 million).

Socio-economic development

The Group's spend on socio-economic development exceeded 1% of net profit after tax. Contributions of product and/or cash were also made to eligible schools and charities, with the largest donation made to the Foundation. The Foundation is the Group's broad-based black ownership scheme, whose goal is the transformation and upliftment of previously disadvantaged communities through distributions made to public benefit activities related to education, sport and conservation.

The Foundation's spend of R33 million for 2023 (2022: R35 million) was allocated to the following categories:

- Education: 40% (2022: 40%)
- Sport: 40% (2022: 40%)
- Conservation: 10% (2022: 10%)
- Other: 10% (2022: 10%)

 Refer to the Foundation's report on page 93.



TRANSFORMATION CONTINUED

PEOPLE PROFILE

Through our employment equity initiatives, we strive to align to the national economically active population statistics where possible. Equal gender representation is a focus in recruitment and appointments across the Group, especially at management level. Maternity benefits were also recently revised in order to attract more females into the business.

The Group's employment demographic is as follows:

2023	
1 735	Male
741	Female
1 470	African male
580	African female
63	Coloured male
36	Coloured female
29	Indian male
17	Indian female
134	White male
88	White female
59	Disabled

OUTLOOK

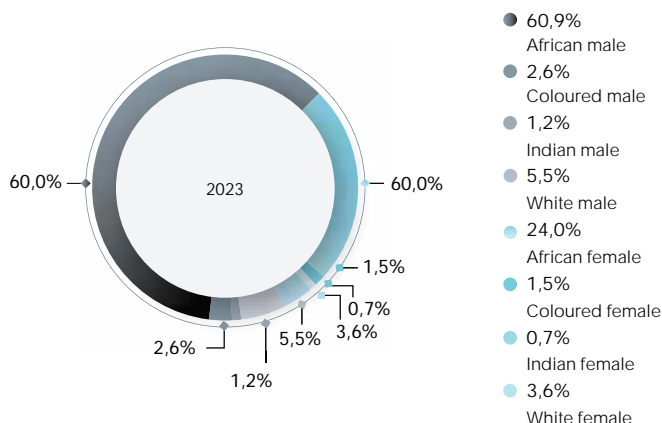
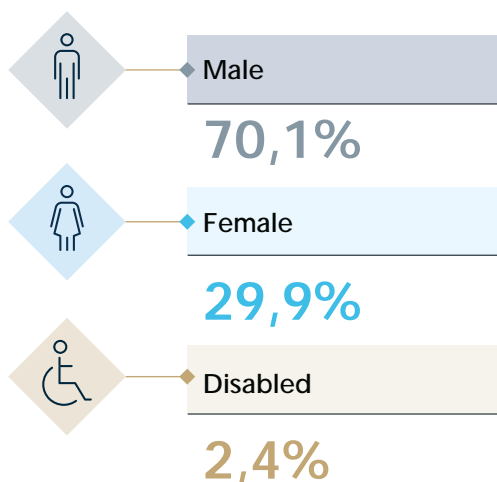
The Group will strive to maintain its current B-BBEE status level in the year ahead, through the following key initiatives:

Management control:

- advance and/or appoint black females for management positions at all levels; and
- employ black disabled individuals.

Skills development:

- invest in learning programmes and bursaries for individuals from under-represented demographic groups;
- invest in learning programmes for disabled individuals from under-represented demographic groups;
- place previously unemployed individuals from under-represented demographic groups in learnerships (both internally and in hosted external programmes); and
- retain individuals from under-represented demographic groups on a permanent basis post-learnerships.



Enterprise and supplier development:

- where possible, divert spend to exempt micro-enterprises ("EMEs") or qualifying small enterprises ("QSEs"), with a particular focus on 51%+ black-owned and/or 31%+ black women-owned businesses;
- continue to encourage and support suppliers with their own transformation and empowerment initiatives (there has been pleasing progress in this regard in the 2022 financial year);
- fund qualifying EME and QSE suppliers;
- fund a majority black-owned property company (in which the Group will have a minority stake);
- contribute to incubator or similar initiatives; and
- extend favourable settlement trading terms for empowered suppliers.

EMPOWERLOGIC

Broad Based Black Economic Empowerment Verification Certificate

A Consolidated Verification Certificate Issued to

Italtile Limited

Level 2 Contributor

Measured Entity

Company Name	Italtile Limited
Registration Number	1955/000558/06
VAT Number	Refer to second page of certificate
Address	The Italtile Building, Corner of William Nicol and Peter Place, Bryanston, Gauteng 2021

B-BBEE Status

B-BBEE Status Level Level 2

Total Points Obtained	99.34	EO: 21.67 points; MC: 12.81 points; SD: 20.62 points; ESD: 39.25 points; SED: 5 points			
Discounting Principle Applied	No	Procurement Recognition	125.00%	Participated in Y.E.S Initiative	No
Empowering Supplier	Yes	Measurement Period Year End	30/06/2023		
Black Voting Rights	22.20%	Black Women Voting Rights	8.27%	Black Designated Groups	0.83%
Black Economic Interest	21.19%	Black Women Economic Interest	8.60%	Black Youth	0.80%
51% Black Owned	No	30% Black Women Owned	No	Black Disabled	0.01%
Normal Flow Through Applied	Yes	Black New Entrants	9.27%	Black Unemployed	0.01%
Modified Flow Through Applied	No	Mandated Investment Exclusion Applied	No	Black People Living in Rural Areas	0.04%
				Black Military Veterans	0.02%

Issue Date	12/09/2023
Expiry Date	11/09/2024
Certificate Number	ELC11623RGENBB
Version	Final
Applicable Scorecard	Amended Codes - Generic
Applicable BBEE Codes	Amended Generic Codes Gazetted on 11 October 2013 and Amendments Gazetted on 31 May 2019

EmpowerLogic (Pty) Ltd

Reg. No. : 1995/000523/07

BBEE Verification Agency



Gianna Le Roux

Per Gianna Le Roux

Member - Verification Committee



SANAS Accredited

BVA018

This certificate is the result of an independent and impartial verification of the BBEE status of the measured entity measured against the Codes of Good Practice on Broad Based Black Economic Empowerment and has been issued in accordance with the EmpowerLogic Verification Certificate Policy. This certificate supersedes any previous certificates issued to the Measured entity. For enquiries please contact EmpowerLogic at 086 111 4003.

ENVIRONMENTAL REPORT

OVERVIEW

As a business, we have a moral obligation to protect our planet for future generations. In this light, we are committed to fighting for the rights of our customers to have a beautiful home – both in their places of residence, and also in the communities and natural environments we operate in.

The Group strives for sustainability by addressing the impact it has on the environment, improving its eco-efficiency, and developing or procuring products that help our customers to live sustainably. We are committed to the Sustainable Development Goals (SDGs) of the United Nations, which urge businesses to contribute to a more sustainable future for all. The Group complies with the UN Global Compact principles and obtains confirmation of compliance from significant external suppliers. This report demonstrates how we strive to advance sustainable development in our business in South Africa, by minimising negative impacts and maximising positive impacts on people and the planet.

In the year under review, a range of initiatives were implemented to advance our ongoing endeavour to reduce the Group's environmental impact.

Retail and integrated supply chain operations

AWARENESS

Our retail and supply chain businesses are constantly considering ways to operate more sustainably. This includes encouraging eco-friendly behaviour such as recycling, efficient use of water and energy, implementation of green technologies and eco-sensitive construction practices. Responsibly sourcing our products is also a key priority.

IMPROVED MONITORING THROUGH SMART METERS



The Group has initiated a Smart Meter project that records the consumption of water and electricity in real time. The meters provide greater clarity on consumption behaviour in stores and assist with early detection of resource waste. This project minimises reliance on municipal readings and mitigates against billing errors due to incorrect meter readings. To date, meters have been installed in 47 stores.

Energy management



The Group is actively working to reduce its reliance on electricity from the national grid and increase its use of clean energy sources:

- a total of 43 retail stores have been fitted with solar PV systems since the commencement of the programme in 2021. The Group has three entirely off-grid properties that the Properties division is using as test cases to determine the feasibility of rolling out similar systems. The most recent installation is CTM Protea Glen, which was completed in the review period;
- 12,32% of the total energy consumed by our retail stores is now supplied by solar energy, a 1,32% improvement from the prior year; and
- the Properties division is implementing a recently developed solar PV strategy for the Group and rolling out battery backup technology to the retail division. This will include the conversion of grid-tied solar systems to a hybrid system in an effort to reduce scope 1 carbon emissions from generator usage.

Water management



- Climate change, deteriorating infrastructure and poor municipal service delivery levels in the country are increasingly impacting on our business's access to water. The Group continues to investigate and implement measures to mitigate this potential risk to our operations. Boreholes are installed on all new-build sites in an effort to reduce dependence on the municipal supply; the water is tested with each installation to determine the quality, but usage is restricted to irrigation and sanitation to alleviate any safety concerns. Water meters are used to measure and encourage responsible consumption.
- We will continue to install boreholes on our owned properties to supplement flushing of toilets, fulfil irrigation requirements and connect to evaporative coolers.

Waste management



The Group recognises the importance of a circular economy and continues to expand efforts to reduce, reuse or recycle all waste generated by the business. Our existing waste management suppliers have been contracted to establish a recycling programme in our stores. During the period, six additional Gauteng stores received installations and are now able to track their waste generated and recycled. Those Gauteng stores with established recycling systems generated 7,04 tonnes of waste, 67% of which was recycled.

Where feasible, the recycling programme will continue to be rolled out to Gauteng stores. In addition, the Properties division actively manages building waste during construction.



Green buildings



INDUSTRY, INNOVATION AND INFRASTRUCTURE

We are constantly exploring alternative eco-friendly building materials, energy efficient equipment, and optimal waste management practices in our construction projects. A recent innovation is the installation of external sensor lights in all new-builds.

Manufacturing operations CERAMIC INDUSTRIES

Water management



CLEAN WATER AND SANITATION

- Ceramic uses borehole water for production purposes. In the year under review, we started to intensify consumption tracking, ensuring that all flow meters on our sites are operating efficiently. The Betta Baths factory has successfully converted from municipal to borehole water. Customised filters to recycle the water will be commissioned in the new financial year and a reduction of 20% in water consumption is anticipated with effect from August 2023. Ceramic's existing water treatment facilities at its other factories in Vereeniging and Hammanskraal have operated using recycled water for several years. Regular maintenance is performed to ensure efficiency of the systems.
- Samca Wall and the factories at Hammanskraal will further reduce their consumption of municipal water by redirecting water from their Reverse Osmosis (RO) tanks for domestic use in the factories. The filtered water in the tanks is not suitable for manufacturing purposes and will therefore supply other water requirements in the factories.

Energy management



AFFORDABLE AND CLEAN ENERGY

- Ceramic has invested in solar power to reduce consumption from the grid. The following solar systems were installed and commissioned in this reporting period: Gryphon factory, Vereeniging (2 200 kWp); Samca Wall factory, Hammanskraal (0,6 mWH); Samca+ factory, Hammanskraal (1 mWH) and Betta warehouse, Krugersdorp (750 kWp).

- Ceramic employs heat-recovery systems that capture heat from the kiln for use in the dryers, thereby substituting consumption of natural gas. To optimise efficiency of the system, an IoT-based platform was recently introduced to monitor heat recovery uptime and downtime.
- In the year ahead, solar projects will be rolled out to Samca+ (596 kWp) and Samca Wall (1 450 kWp).

Environmentally sensitive products



INDUSTRY, INNOVATION AND INFRASTRUCTURE



RESPONSIBLE CONSUMPTION AND PRODUCTION

Ceramic launched its EcoTec product range in 2020. These tiles are produced using recycled heat and water in the manufacturing process; they are made using 10% fewer resources; consume less packaging materials and cost less to transport. The Vitro, Samca Wall, Samca+ and Gryphon factories all employ EcoTec technology.

Quarry rehabilitation



LIFE ON LAND

Ceramic's policy is to minimise its disruption to the environment through concurrent rehabilitation during mining activities. During the year, three quarries in Gauteng were concurrently rehabilitated. The intention is also to rehabilitate end-of-life quarries for other suitable purposes.

Green buildings and production efficiency



AFFORDABLE AND CLEAN ENERGY



INDUSTRY, INNOVATION AND INFRASTRUCTURE



RESPONSIBLE CONSUMPTION AND PRODUCTION

Ceramic is currently replacing the original Vitro NCI kiln with a new kiln, which will assist with waste reduction and achieve efficiency on gas and electricity consumption. The construction of the new section at the factory will encompass clear roof sheets for penetration of natural light and energy saving lights.

ENVIRONMENTAL REPORT CONTINUED

EZEE TILE

Vulcania plant

The construction of the new primary plant in Vulcania, Gauteng factored in energy efficient environmentally sensitive practices, equipment and processes where feasible.

Vulcania energy and water management



- A 1 140 kWp solar system was installed on the roof of the factory to reduce dependence on the electricity grid.
- A water recycling plant will be fully commissioned, which will reduce the municipal water consumption in the paint production process.

Ezee Tile factories



- Waste recycling processes at the Ezee Tile factories will be formalised.
- Product innovation will be central to reformulating the composition of our paint products to reduce reliance on ammonia.
- Air quality will be a focus, with improved dust suppression practices being targeted at all manufacturing sites.
- A TMS will be implemented at all branches to improve route planning and load optimisation, thereby reducing downstream emission intensity on transport of goods to customers.

CARBON FOOTPRINT



The 2023 financial year carbon footprint analysis focused on the main emitters within the Group, being the manufacturing and retail entities. The reported footprint results consist of the following emissions:

- direct emissions from fossil fuels and manufacturing processes (scope 1);
- indirect emissions from purchased electricity (scope 2); and
- indirect emissions associated with activities supporting the business entities (scope 3) which includes contractor logistics, business travel, water and paper usage.

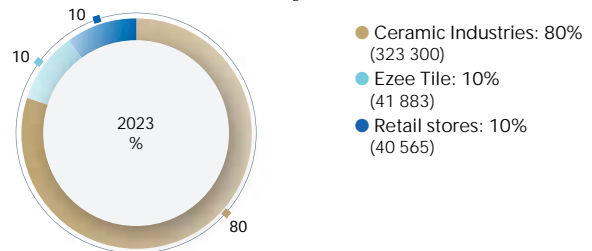
The emissions associated with the Group's activities were calculated to align with South African legislative requirements. Scope 1 emissions are determined according to the National GHG Emissions Reporting Regulations as issued by the Department of Forestry, Fisheries and the Environment ("DFFE") and the Carbon Tax Act. Scope 2 emissions are based on Eskom's latest grid emission factor. The scope 3 emissions are determined in accordance with the UK's Department for Environment, Food and Rural Affairs ("DEFRA") guidelines. Generally, all calculations align with The Greenhouse Gas Protocol and ISO 14064 standards.

OVERVIEW OF THE 2023 CARBON FOOTPRINT ASSESSMENT

Results and observations

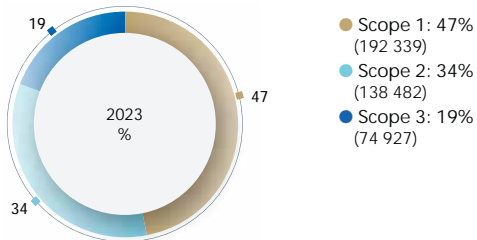
The carbon footprint assessment categorised results into three main entities: Ceramic Industries, Ezee Tile and Retail stores (consisting of the CTM, Italtile Retail, U-Light and TopT stores and retail distribution centres owned by the Group). The images below and overleaf illustrate each entity's contribution to the overall footprint of 405 749 tCO₂e which consists of scope 1, scope 2 and selected scope 3 emissions.

2023 emissions per entity (tCO₂e and percentage of total)



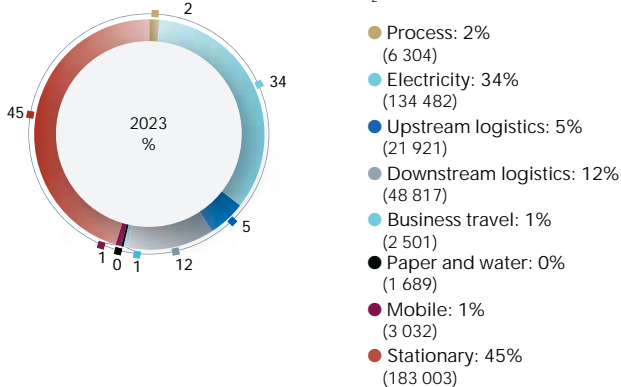


2023 emissions per scope (tCO₂e and percentage of total)



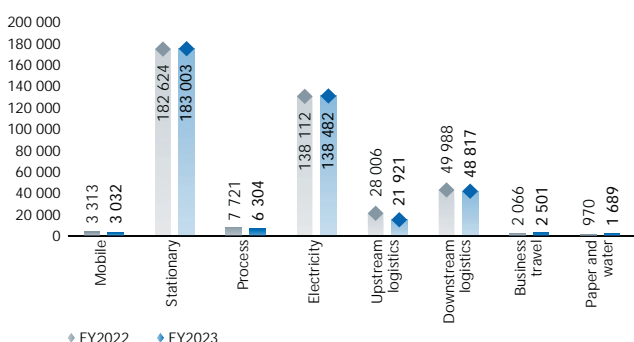
The image below gives a breakdown of the Group's emissions based on the various source categories. In this example 'Mobile' represents sources such as forklifts and fleet vehicles. The specified fuels (i.e., Burner, Diesel, Paraffin, Petrol and Sasol Gas) all fall under the classification 'Stationary combustion' emission. These are all scope 1 emission sources while electricity is a scope 2 emissions source. The selected scope 3 emissions sources are 'Upstream logistics' representing emissions from service providers transporting goods from source to facility and 'Downstream logistics' which represent the transport of goods to customers as well as the movement of goods between different retail stores. The remaining categories represent indirect emissions resulting from business travel, paper and water use.

Breakdown of FY2023 emissions (tCO₂e and percentage of total)



The figures below present a comparison of results for the 2022 and 2023 financial years.

Group annual carbon footprint – emissions (tCO₂e)



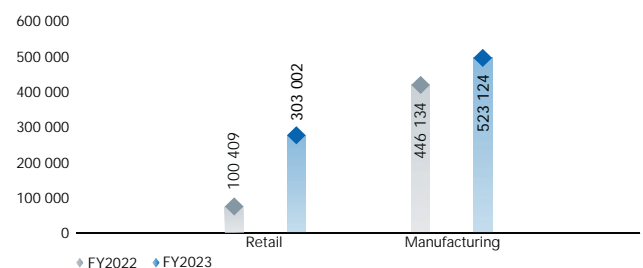
SIGNIFICANT RESULTS

Stationary fuel (scope 1) and Electricity (scope 2)

Emissions from electricity use is 34% of the Group's overall footprint. Year-on-year changes in emissions associated with electricity consumption contributed 0,1% towards the overall movement in the Group's carbon footprint. The specific year-on-year change of electricity-related emissions (isolated from the rest of the footprint) amounts to a 0,3% increase. This change is the result of various positive and negative impacts. The most significant contributing items being:

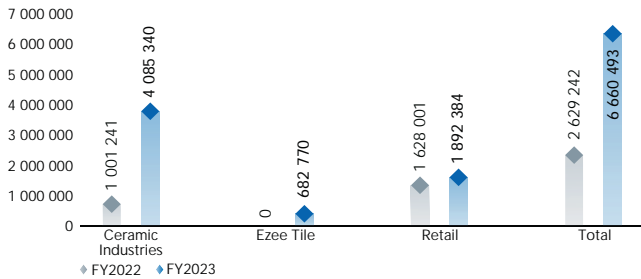
- Eskom's grid emission factor increased by 1,28% which in turn increased the emissions associated with every kWh of electricity the Group purchased from Eskom and local municipalities;
- load shedding increased from an estimated 93 days in 2022 to 324 days in 2023. This impact can be observed in the significant increase in onsite diesel consumption (see figure below). The increase in diesel usage manifests as an increase in the scope 1 Stationary category;
- Ezee Tile increased its electricity consumption by 7,29% through the addition of the new Vulcania factory which is more automated than the predecessor Germiston plant. Delays were experienced in commissioning of its 1 140 kWp solar system; and
- as a whole the Group managed to increase its use of solar-generated electricity by 153% (year-on-year) to the extent that 4,76% (prior year: 1,88%) of its electricity consumption is covered by renewable energy. This increase in electricity from solar generation is illustrated in the image overleaf.

Diesel consumption (litres)



ENVIRONMENTAL REPORT CONTINUED

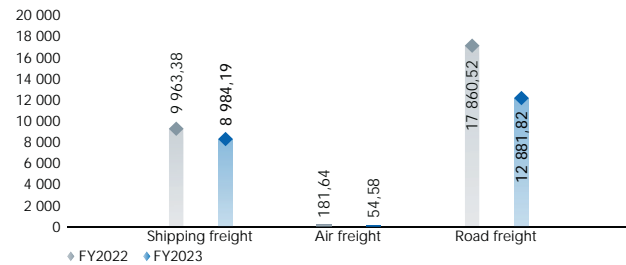
Electricity from solar generation (kWh)



Upstream logistics (scope 3)

The emissions associated with this activity contribute 5% to the overall footprint and contributed 1,5% (out of the total 1,7%) reduction in the footprint. The observed reduction is largely linked to a reduction in emissions from road freight (down by 18% compared to its specific 2022 value) as well as a slight reduction of imported goods (via shipping and air freight). The reductions occurred at Ezee Tile (down 6,5%) and the Retail stores (down 14,5%). The reduction is due to a reduction in imports and production/sales activities; however, a portion of the reduction can also be attributed to revised DEFRA emissions factors.

Emissions (tCO₂e) per upstream logistics activities

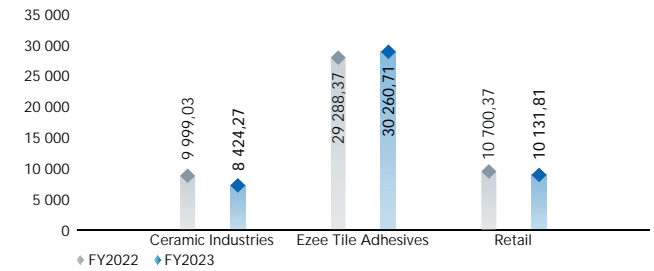


Logistics (scope 3)

The emissions associated with this activity contribute 12% to the overall footprint and contributed 0,3% (out of the total 1,7%) reduction in the footprint. The biggest contributors to downstream logistics linked emissions are Ceramic Industries (down by 3,15%) and the Retail stores (down by 1,14%). The reduction can be attributed to a reduction in production and sales volume outputs. The use of new DEFRA emission factors for the 2023 results produced a slightly higher tCO₂e emission per tonne.km compared

to 2022's emission factor. The implication is that, for example, Ezee Tile's downstream freight activity (tonne per kilometre) for 2023 was slightly less than 2022, but the use of a new (and higher) emission factor resulted in a slightly higher emission being reported.

Emissions (tCO₂e) per downstream road freight activities

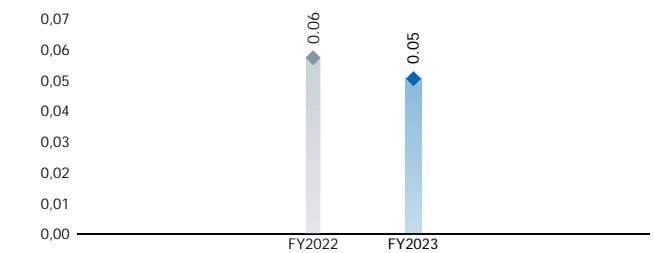


PERFORMANCE ASSESSMENT OF SPECIFIC ENTITIES

Retail stores

The scope 1 and 2 emissions associated with the Italtile, CTM, TopT and U-Light stores are responsible for 3,8% of the Group's overall footprint. Effectively all these emissions are linked to electricity consumption with backup generators and forklifts adding to the overall emissions. Comparing the emissions intensity of 2023 to 2022 shows a decrease of 11,4% in tCO₂e/m² (gross leasable area) which can be linked to the impact of load shedding and an increase in solar generated power. In total the stores generated 1,89 GWh of electricity from solar thereby reducing Eskom linked emissions by 1 968 tCO₂e.

Owned retail stores: emissions (tCO₂e) per square metre



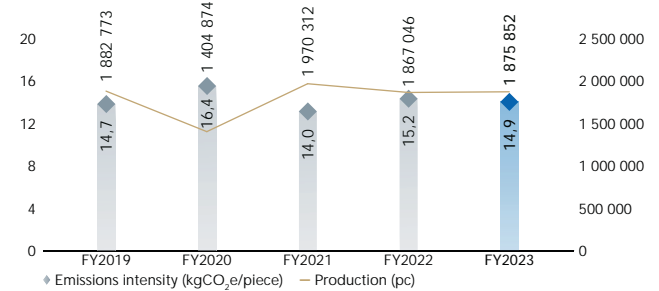


Ceramics Industries

The scope 1 and 2 emissions associated with Ceramic's factories are responsible for 76% of the Group's overall footprint. Regular investment in new technologies, energy efficiency and new products (for example the EcoTec tile range) ensured that these factories reported a continued year-on-year improvement in consumption efficiency. Independent assessments from 2016 up to 2021 have enabled the Group to claim a total of R195 million in income tax deductions under the Section 12L tax incentive.

A detailed assessment of the tile factories reflects a decrease in production combined with minimal movements in facility level electricity and natural gas consumption (combined energy consumption increased by 0,3%). Production and energy consumption at the sanitaryware and bath factories increased by 0,5% and 1,6% respectively. In the tile factories, the disproportionate change in production versus energy indicates a slight reduction in overall manufacturing efficiency, while the sanitaryware factories showed a slight improvement. The figures below and adjacent illustrate the year-on-year production-related emissions intensity. The operations also generated more energy from solar in 2023 than ever previously (almost 300% higher than the prior year), which helped to reduce reliance on the Eskom grid and effectively prevented 4 249t CO₂e from being emitted.

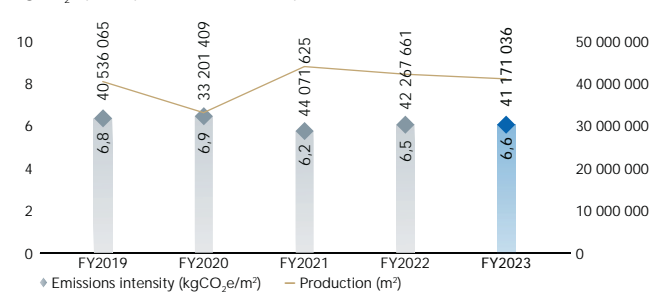
Ceramic Industries: emissions intensity (kgCO₂e per piece of sanitaryware produced)



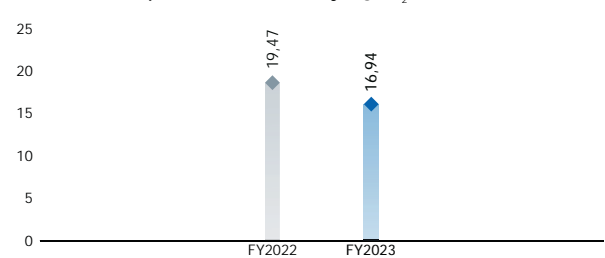
Ezee Tile

The scope 1 and 2 emissions associated with the Ezee Tile factories are responsible for 1,4% of the Group's overall footprint. The overall production of the factories decreased by 4,9% while total energy-related emissions reduced by 17%. It must be noted that these results are influenced by the relocation of the largest manufacturing facility (from Germiston to Vulcania). During this time not all sand was dried at the factory as per normal operations. The purchase of dried sand reduced energy-related emissions significantly.

Ceramic Industries: emissions intensity (kgCO₂e per square metre of tiles produced)



Ezee Tile: overall production intensity (kgCO₂e/tonne)



ENVIRONMENTAL REPORT CONTINUED

	2023				2022	2021
CARBON FOOTPRINT ANALYSIS	Ceramic Industries	Ezee Tile	Retail stores	Total	Total	Total
Total direct energy consumption (gigajoules) – non-renewables	3 215 835	48 266	18 243	3 282 344	3 100 000	3 243 887
Total direct energy consumption (gigajoules) – renewables	1 134,82	189,66	525,66	1 850	1 194	#
Total direct energy consumption (gigajoules) – all fuels	3 216 970	48 456	18 768	3 284 194	3 101 194	3 243 887
Percentage of direct energy consumption from renewable fuels	-	-	-	0,0563%	0,0385%	#
Direct energy efficiency: total direct energy consumed per person hour worked (kJ/PHW)	1 361	115	6	564	641	681
Total volume of electricity purchased (MWh) – excluding self-generated from solar, wind or other sources	117 571	2 122	13 464	133 156	132 502	129 794
Total volume of electricity self-generated (MWh) – i.e., from solar, wind or other sources	4 085	683	1 892	6 660	2 536	506
Total volume of electricity consumed (MWh) – purchased + self-generated – calculated	121 656	2 804	15 356	139 817	135 038	130 300
Percentage of electricity consumed that was self-generated (%)	3,36	24,35	12,32	4,76	1,88	0,39
Electricity efficiency: average electricity consumed per person hour worked (kWh/PHW)	51,48	6,64	5,06	24,03	27,92	27,34
Total indirect energy consumption (i.e., electricity) in gigajoules – calculated	437 962	10 095	55 283	503 340	477 007	467 258
Total direct and indirect (i.e., electricity) energy consumption in gigajoules – calculated	3 654 931	58 552	74 051	3 787 534	3 578 201	3 711 145
Total energy efficiency: total direct energy and indirect energy consumed per person hour worked (kJ/PHW)	1 546	139	24	651	740	779
Total carbon emissions (tonnes CO ₂ e) – scope 1	187 374	3 565	1 400	192 339	193 658	195 470
Total carbon emissions (tonnes CO ₂ e) – scope 2	122 274	2 206	14 003	138 482	138 112	130 307
Total carbon emissions (tonnes CO ₂ e) – scope 3	13 653	36 112	25 163	74 927	118 684	109 501
Total carbon emissions (tonnes of carbon dioxide equivalents, CO ₂ e)	323 300	41 883	40 565	405 749	450 453	435 279
Carbon intensity: average volume of carbon emissions per person hour worked (tonnes CO ₂ e /PHW)	0,14	0,10	0,01	0,07	0,09	0,09

Not measured.

Compliance

ENVIRONMENTAL INCIDENTS

Over the past year, no material environmental complaints were received and no environmental incidents took place in the manufacturing, retail or supply chain operations.

CARBON TAX

An independent expert was engaged to assess the Group's carbon tax liability and GHG Emissions Reporting requirements. The recent 2022 carbon tax payments (due annually in July) made to SARS covered the emissions from 1 January 2022 to 31 December 2022. All activity classifications, thresholds, emission factors, energy contents and calculations are based on the guidance provided by the National Greenhouse Gas Emissions Reporting Regulations and the Carbon Tax Act No 15 of 2019.

Presently the carbon tax applies to selected activities covering scope 1 emissions and only directly affects the Group's manufacturing entities, resulting in an overall exposure of R27,6 million (based on 191 857 tCO₂e of taxable emissions) for the 2022 tax period. Note that this is the full liability determined at R144/tCO₂e – the final tax liability for the Group was reduced to R6,09 million through the effective utilisation of several carbon tax allowances (including the Basic, Trade Exposure, Performance Benchmark and Carbon Budget allowances).

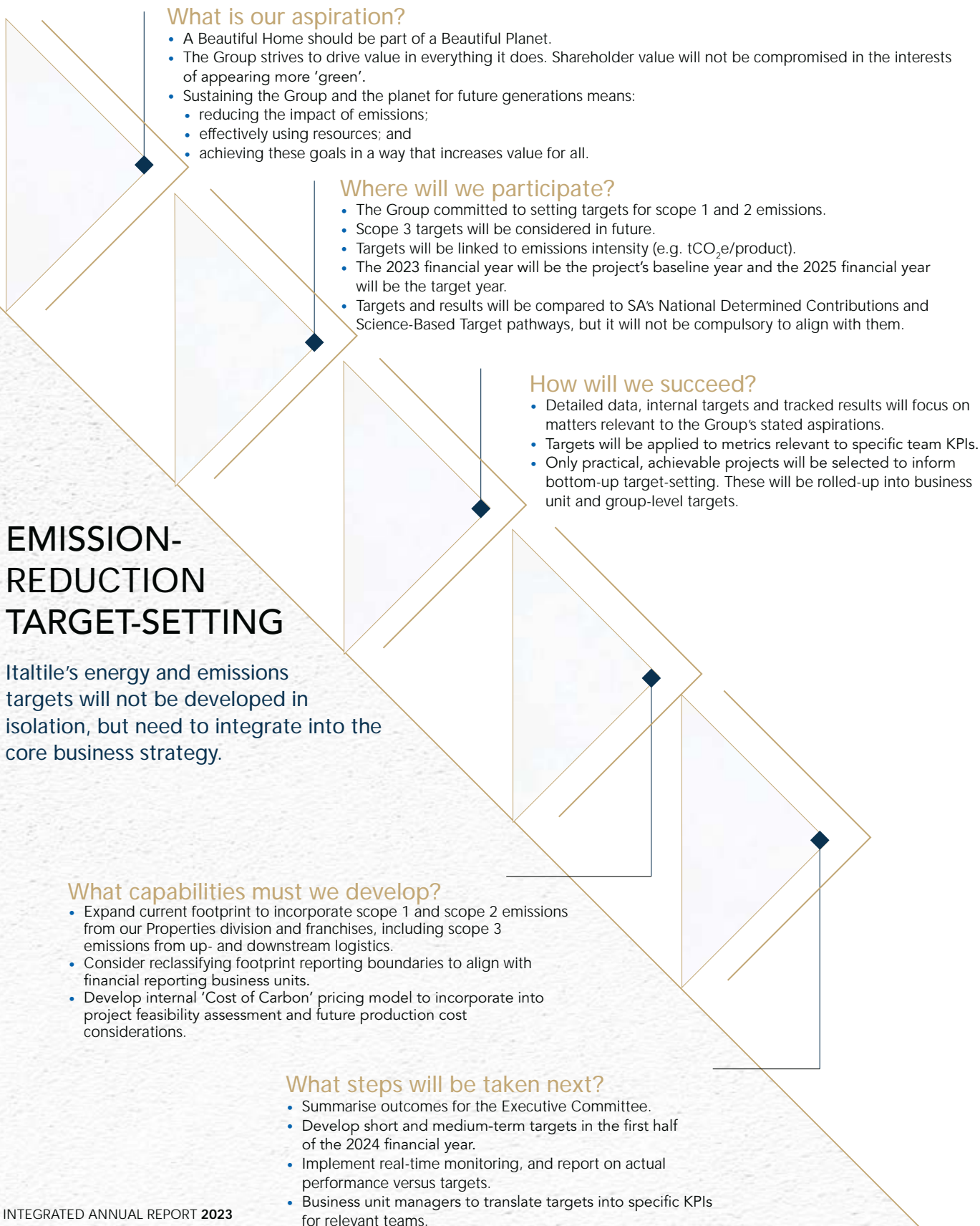
Carbon tax also presents an indirect exposure risk through increasing the costs of purchased fuels, electricity and general services. The headline rate of the carbon tax is set to increase to R462/tCO₂e by 2030. In addition to the rate increase, a reduction in available allowances and the implementation of mandatory carbon budgets (with potential penalties for exceeding given budgets) will come into effect soon. These increased costs associated with fossil fuel use continue to motivate the uptake of energy efficiency and alternative energy projects in the Group.

EXTENDED PRODUCER RESPONSIBILITY

The South African Extended Producer Responsibility ("EPR") Regulations form part of the National Environmental Management: Waste Act of 2008 (Act No. 59 of 2008) and affects entities within the value chain of the following sectors: electrical and electronic equipment, lighting, paper, packaging, and some single use products. Producers, brands and importers of specified products exceeding prescribed thresholds are required to comply with the requirements set out by the EPR Regulations. As part of this compliance process, a detailed review of the Group's structure was conducted to identify entities with potential EPR liability. The granular operational data was collected to determine reportable results and to calculate payable fees/levies. The Group registered with the Department of Environment, Forestry and Fisheries as a producer for each of the producer categories and selected a producer responsibility organisation ("PRO") where ongoing fees for qualifying items will be paid on a bi-annual basis.



In the year under review, the Executive Committee adopted the following process to set emission-reduction targets:



ITALTILE AND CERAMIC FOUNDATION TRUST REPORT

Dear stakeholder

I am pleased to present the Italtile and Ceramic Foundation Trust (“Foundation”) report for the 2023 financial year.

BACKGROUND

The Foundation is a broad-based black ownership scheme, with the objective of conducting public benefit activities (public benefit organisation (“PBO”) ref No 930044728) in a non-profit manner and with an altruistic and philanthropic intent, working towards the transformation and upliftment of previously disadvantaged communities.

The Foundation accepts and deploys socio-economic development and skills development donations in terms of the B-BBEE legislation and is authorised to issue 18A certificates.

The Foundation’s distributions are made to public benefit activities relating to education, sport and conservation, as outlined in the following narrative.



Education

The Foundation aims to invest in young people from their earliest years in early childhood development (“ECD”), through to schooling and post-schooling. Education is one of our strategic priorities and we strive to contribute to supporting learner outcomes in the communities in which we have a footprint.

Current projects

Bursaries

The bursary programme provides financial support for students with acute financial needs and strong academic potential in both high school and tertiary education institutions.



There are currently **45** active bursary students, of whom **77%** are females. **Thirteen** of the bursary recipients are high school learners and **four** are students living with a disability. The students, from various tertiary academic institutions, study courses including engineering, accounting and marketing, among other subjects.



ITALTILE AND CERAMIC FOUNDATION TRUST REPORT CONTINUED

Salvazione Christian School, Mayfair West, Gauteng

Salvazione Christian School is a registered independent school that operates out of a former church building in Mayfair West. The school aims to offer cost-effective quality education to the children from Slovo Park Informal Settlement and surrounding areas such as Brixton, Langlaagte and Roodepoort.



The Foundation assisted Salvazione with the construction of a new foundation-phase building in 2020. In the year under review, a contribution was made to improving the school building that serves Grades 4 to 7. The school currently has a total of 248 learners.



Forte High School, Soweto, Gauteng and One School at a Time ("OSAAT")

Forte High School is ranked as the leading township school in Gauteng and achieved a 95,3% matric pass rate in 2022 (94% in 2021), of which 57% were Bachelor's passes. The school currently has a total of 2 145 students, of which 301 are matriculants.



Forte High is partnered with the non-profit CSI initiative, OSAAT, which is focused on 'creating a proper solution for education in South Africa'. Its goal at Forte High is to elevate the matric pass rate to 100% with a 60% university exemption rate. In 2008, when OSAAT first started working with Forte High, the pass rate was 52% with only 18% Bachelor's passes. The school's results for the year under review reflect the success of the partnership and are a testament to the excellent work done by OSAAT.

During the reporting period, the Foundation's funding for Forte High continued to be directed to:

- Project Top Class – rewarding the top-performing matric class with an outing of their choice every term to encourage dedication and team work;
- Project 100% – provision of extra lessons for matric students;
- academic achievement awards to top students, top teachers and support staff of the school; and
- motivational guest speakers and presentations.

In addition to this funding, we purchased sports equipment for the school and funded the repainting of the school hall and the administration block.

Foundation Phase Teacher and Learner Development (READ Educational Trust)

READ is a South African educational trust that operates broadly in the education and literacy sectors, specifically in educator training and the provision of school resources. In 2013, the Foundation partnered with READ to improve literacy through providing a homework support programme at Setlabotjha Primary School in Sebokeng, Gauteng. In 2020, a teacher-support programme was introduced to strengthen the programme.



The programme now works with **four** primary schools in Sebokeng and **four** primary schools in Hammanskraal. The total number of beneficiaries in this project is **14 462 learners**.



Mathematics and Science support in Kagiso High Schools (TRAC)

The TRAC programme for high schools in Kagiso, Gauteng, was launched in 2020 and consists of three pillars, namely academic intervention, assistance with tertiary education applications, and bursary applications.



In terms of the academic intervention, TRAC offers a Mathematics and Physical Science programme, whereby the learning facilitators visit each school once a week, conducting interactive Mathematics and Physical Science classes for Grades 11 and 12.

The **TRAC intervention** in the **five targeted** Kagiso high schools has made **good progress** since inception, having recorded an increase in numbers of learners taking **Mathematics and Physical Science**. All **five** of the participant schools outperformed the Department of Basic Education's ("DBE") **national and district pass rate** during the review period.

ITALTILE AND CERAMIC FOUNDATION TRUST REPORT CONTINUED

The collective pass rate for the TRAC schools was **83,55%** in Physical Science and **61,47%** in Mathematics, while the DBE's was **74,6%** in Physical Science and **55%** in Mathematics.

During the reporting period, the Foundation held a roadshow with TRAC and Ceramic Industries' Beta Sanitaryware division. The purpose of the roadshow was to highlight the importance of the disciplines of Science, Technology, Engineering and Mathematics. The Foundation also used the opportunity to provide additional support in the form of Mathematics and Physical Science study guides and scientific calculators. The total number of students in the TRAC programme is 520.

Field Band Foundation ("FBF")

In the year under review, the FBF continued to work with Setlabotjha Primary School and the Tshirela Group in Sharpeville, Gauteng.



The FBF provides young people with a **constructive recreational outlet** while teaching them important life skills.

During the reporting period, the Setlabotjha Field Band leadership, in partnership with community stakeholders, formed a Steering Committee in each community with the objective of optimising the value of all Field Band initiatives and activities for band members, their families and the community.

The following activities were conducted in addition to the weekly band practice:

- 53 stakeholder engagements, of which eight were with parents. These engagements ensure clear communication and procedures are in place to facilitate swift action and support to members when required in emergency situations.
- 124 life skills lessons were facilitated.
- 12 one-on-one child-centred interviews were conducted by the Social Officer and followed by 48 home visits.

FBF has 309 band members.

Italtile and Ceramic Foundation Classroom in Soweto, Gauteng

During the reporting period, a classroom tutor, appointed by the Foundation, continued to assist primary scholars of all grades with homework classes



three days a week at the CTM Sports Field facility in Soweto, Gauteng. Each class is attended by approximately 60 learners.

We recently opened a library next to the classroom for the use of learners who attend homework classes.



The Foundation purchased most of the books, while others were donated by the Group's members of staff. The reading material includes primary school books that will help the children to improve their spelling, grammar, visual learning and general knowledge. The library is managed by the classroom tutor.

Dignity Drive in Sebokeng, Gauteng

In 2020, the Foundation launched the Dignity Drive campaign in communities around Ceramic Industries' factories, aimed at improving ablution facilities in local schools. In the year under review, Mabu-a-Tlou Primary School in Hammanskraal was selected for this year's intervention. The school is also a participant in the Dreamfields programme (discussed further under Sport).



Materials required for the refurbishment project were sourced from within the Italtile Group, including **tiles and sanitaryware** from Ceramic Industries, **taps** from ITD, and **lighting** from U-Light. The total number of students at the school is **1 085**.



Kagiso and Soweto crèche forum in conjunction with Participate Empower Navigate ("PEN")

In partnership with the PEN organisation, the Foundation continues to invest in reducing the problem of poor quality ECD centres by offering owners and caregivers holistic support and a realistic opportunity to improve their centres themselves, thereby implementing changes that will be sustainable post-NPO interventions. Areas identified for improvement and support include facilities; health and safety; administration; and education and learning.



The Kagiso programme was established in 2019, while the Soweto programme started in 2022. There are currently **30** crèches in the Kagiso forum and **14** crèches in the Soweto forum, catering for a total of **1 192** pre-primary learners in Kagiso and **777** in Soweto.

During the year, a second prefabricated classroom was purchased by the Foundation to enable the PEN team to operate from our CTM Sports Field in Soweto, Gauteng, where the teachers from the various centres meet weekly with the PEN coaches.

In addition to the aforementioned formal education-related programmes, we also assisted with funding renovations of two crèches in Vrededorp and Soweto. The Soweto crèche is part of the PEN programme. Materials for the renovations were sourced from Group companies.



ITALTILE AND CERAMIC FOUNDATION TRUST REPORT CONTINUED

Sport

Sports fields for local communities

In the period under review, the Foundation continued to support the Italtile Group in maintaining its community-centred sports fields in Meadowlands and Steelpark, Vereeniging, in Gauteng, Thohoyandou in Limpopo and Acornhoek in Mpumalanga. In addition, in partnership with the brands and business units in the Italtile Group, annual soccer and netball tournaments are hosted for schools situated in the respective communities where the sports fields are located.



GOOD HEALTH AND WELL-BEING

Partnership with Dreamfields

The Foundation continued to provide support to the Dreamfields organisation, which conducts soccer and netball clinics for schools in Mpumalanga (52 schools), Thohoyandou (16 schools), Vereeniging (12 schools), Hammanskraal, Kagiso and Soweto (eight schools each respectively).



GOOD HEALTH AND WELL-BEING



PARTNERSHIPS FOR THE GOALS

We currently have a reach of **32 964** students through the Dreamfields' initiatives.

During the year, we added eight new schools from the Empangeni area in KwaZulu-Natal to the programme.

Combi-courts in Sebokeng, Gauteng

The Foundation also funded the erection of four combi-courts in the reporting period – two at Rethabile Primary School in Hammanskraal, Gauteng (1 498 learners), one at Fadimeha Primary School in Vereeniging (696 learners) and one at Lefika Primary School in Vereeniging (700 learners). The schools are members of the Dreamfields programme and will therefore also benefit from sports development training provided by the organisation. The combi-courts are designed to be used for netball, basketball, and volleyball.



GOOD HEALTH AND WELL-BEING

Other sports-related projects undertaken during the year include the purchase of **wheelchairs for Hope School**. The wheelchairs are specifically designed to be used when playing basketball and tennis.

Conservation

Lapalala Wilderness School ("LWS")

Students from schools that are sponsored by the Foundation, namely Forte High School, Salvazione Christian School, Mahareng Secondary School, and Setlabotjha Primary School, attend the LWS for one week every year to learn about the importance of the environment, how to take care of it and preserve it.



QUALITY EDUCATION



LIFE ON LAND



PARTNERSHIPS FOR THE GOALS

A new school building, which houses classrooms, accommodation, offices and a kitchen, was completed and officially opened in November 2022 at Lapalala; the Foundation contributed to its funding, while Group companies supplied the materials for the project.

In addition, the Foundation contributed to the World Environment Day and World Rhino Day programmes held by LWS during the year.

The total number of LWS beneficiaries is **3 220**.



BirdLife South Africa

The Foundation continues to partner with BirdLife South Africa to support the facilitation and development of community conservation projects via the Empowering People Programme in Mpumalanga and KwaZulu-Natal.



This project aims to promote education about **conservation issues** and thereby engender a positive attitude among communities to the **protection of their local ecosystems**.

Goals include supporting local livelihoods by protecting species, securing ecosystem services, promoting resilience, and fostering the equitable use of natural resources through community-led conservation and education initiatives. Key activities include upskilling BirdLife South Africa community bird guides, training environmental monitors/education officers, and investing in school and community education projects.

South African Wildlife College ("SAWC")

SAWC conducts nature conservation training that covers the full spectrum of skills needed in the conservation industry. The practical hands-on training focuses on providing courses that will open up career opportunities for people already employed in the conservation sector and for those seeking to enter the sector. The courses are also designed to help transform the biodiversity economy of the region and develop Southern Africa's existing protected area network and broader trans-frontier conservation areas.



In the reporting period, the Foundation contributed to funding the following:

- three students for the Foundational learning competency certificate;
- one student for Field Ranger armed training;
- one student for the Conservation Security Officer course;
- one student for the Responsible Resource-use Module; and
- four students received stipends in the workplace.

Project 80 trees

The Group's Chairman, Mr Giovanni Ravazzotti, is passionate about conservation and personally involved in many of the Group's conservation projects. In celebration of his 80th birthday in 2023, the Foundation planted 80 trees in the following areas:

- 40 trees at the TopT Sports Field in Acornhoek, Mpumalanga;
- 15 trees at the CTM Sports Field in Soweto, Gauteng;
- 10 trees at the CTM Sports Field in Thohoyandou, Limpopo;
- 10 trees at Athlolang Primary School in Kagiso; and
- Five trees at the Steelpark Sports Field in Vereeniging.



Other ad hoc donations

Donation to the Nelson Mandela Children's Hospital

The Foundation contributed to the implementation of a healthcare technology platform, Epione.net, designed and developed to create a seamless flow of patients across the healthcare value chain by connecting all stakeholders.

The platform was implemented in June 2023 and aims to reduce administrative challenges faced by the hospital staff when executing their duties.



APPRECIATION

We are privileged to work with partners who are passionate about enhancing the lives of disadvantaged South Africans and conserving the natural environment. We would like to thank and pay tribute to them for their continued dedication to making our country a better place for its people, fauna and flora.

Thoko Phakathi
Project Manager



GROUP CSI AND FOUNDATION SPEND FOR THE 2023 FINANCIAL YEAR

Total spend including donations, grants and loans	R141,6 million
Percentage of spend in South Africa	100%
ITEMISED SPEND	Rm
Sports	13,2
Education and bursaries (excluding B-BBEE skills development)	13,3
Environment and conservation	3,5
Other CSI initiatives	3,3
B-BBEE skills development (excluding employees)	55,1
Supplier and enterprise development grants to black-owned entities	4,1
Supplier and enterprise development loans to black-owned entities	56,4

CORPORATE SOCIAL INVESTMENT REPORT

OVERVIEW

Our retail brands and manufacturing businesses support the Group's commitment to working towards achieving the United Nations' Sustainable Development Goals ("SDGs") in order to realise a better and more sustainable future for all. The Company has designed an inclusive Environment, Social and Governance ("ESG") strategy, focusing on our commitment to addressing ESG matters in all aspects of our business.

Our Socio-Economic Development ("SED") projects are aligned to the Group's purpose and mission, Company strategy and material issues, and are a combination of structured strategic and *ad hoc* projects that arise from community needs in the areas in which we conduct our business. The common thread is to achieve shared value for the Group and the communities in which we operate. Most of our projects fall within the spheres of education, sports and environment and are centred on a number of the priority areas listed in the National Development Plan ("NDP"). These include providing quality basic education, creating decent employment and a skilled workforce to support inclusive sustainable economic growth – particularly in areas of socio-economic difficulties where many of our factories and stores are situated – protecting our environmental resources, building social cohesion and contributing to food security.

CERAMIC INDUSTRIES

Ceramic is cognisant of the collective challenges our nation faces and is intentional in its approach to create meaningful and sustainable interventions that promote the social and economic development of previously disadvantaged individuals. In our endeavours to support and actively participate in our local communities, we have established strong partnerships with community organisations, youth and women's groups, schools and higher institutions, municipalities, and SMMEs. All SED projects

have had a direct impact on black beneficiaries from disadvantaged communities. Ceramic's education activations are aligned with the NDP through our established relationship with the Gauteng Department of Education and Youth Development's Strategic Partnerships Department. Ceramic is in the process of preparing a memorandum of understanding with the department aimed at ensuring continued alignment to achieving the goal to grow Gauteng together by 2030.

The activations embarked on over the past year are outlined below.

Ceramic Industries TRAC Physical Science and Mathematics Programme



TRAC South Africa is the national, non-profit Mathematics and Physical Science intervention programme of Stellenbosch University. The programme's objective is to support and uplift Mathematics and Physical Science education in South African secondary schools, and enable and inspire learners to take ownership of a successful future. The programme, which is aimed at encouraging young people to consider and prepare for careers in science, engineering and technology, has had tremendous success for TRAC's 10 partner high schools in Hammanskraal and the Vaal Triangle.

Through TRAC, Ceramic assists the schools with highly experienced facilitators who are integrated into each school. In addition to academic support, the programme ensures each matric learner is assisted with applying to three higher learning institutions, and aided with accessing bursaries as well as the National Student Financial Aid Scheme ("NSFAS"). Over the past five years, this intervention has led to more than 1 000 of the TRAC Mathematics and Science learners being admitted to higher learning institutions throughout the country, with 20 learners having been absorbed into Ceramic's apprentice programmes. In 2023, a total of 19 learners from the Hammanskraal and Vaal Triangle successfully registered at Stellenbosch University. Seventeen of these learners are from Hammanskraal. This is an increase from the 13 Hammanskraal students who enrolled at Stellenbosch University in 2022.

Hammanskraal TRAC Point performance

Both the Physical Science and Mathematics TRAC Points (schools) outperformed the Department of Basic Education ("DBE") on a national, provincial and district level in terms of pass rate percentage. Physical Science: the TRAC pass rate percentage increased by 4,2%, while that of the Tshwane North district increased by 1,7%. The TRAC average percentage maintained its over 50% level. When comparing the final results of students in Grade 11 with the results of the same students in Grade 12, it is noteworthy that the number of first-class passes (60% and above) increased from 38 to 68.

Mathematics: the TRAC pass rate improved from 70,25% in 2021 (pre-TRAC intervention) to 81,36% in 2022.





Vaal Triangle Point performance

Physical Science: three of the five schools outperformed the DBE on a national, provincial and district level in terms of pass rate percentage. Three learners obtained pass rates above 88%. The TRAC pass rate percentage increased by 17,89%, while that of the combined Sedibeng (East and West) district increased by 10,20%. The TRAC average percentage increased by 3,56%, while that of the district increased by 1,08%.

Mathematics: two of the five schools outperformed the DBE on a national, provincial and district level in terms of pass rate percentage in Mathematics. The TRAC pass rate improved from 61,40% in 2021 (pre-TRAC intervention) to 67,15% in 2022.

Ceramic's TRAC annual Maths and Science roadshows and Maths and Science Top Achiever Awards



The annual Mathematics and Physical Science roadshow is one of the most important activations executed by the Company. The programme is implemented in Hammanskraal and the Vaal Triangle and is designed to inform learners in Grades 11 and 12 about a career in science, engineering and technology and the requirements in terms of scholastic performance. The roadshow provides assurance regarding the support that is available in order to achieve good results, gain access to higher learning institutions, as well as Ceramic's apprentice programmes. Part of the programme is dedicated to exposing the learners to the opportunities available to them across the business. The roadshow affords an opportunity to engage with Ceramic's leaders from across the business units, together with the University of Stellenbosch's TRAC partners and representatives of the Department of Education. Ceramic also provided the learners with calculators and study guides.

In the year under review, Ceramic introduced the annual Top Achiever Awards ceremony to complement their TRAC programme support. The Awards recognise and honour the top learners, schools and facilitators each year. The prestigious event was held at The Forum Auditorium in Boksburg and was attended by learners, teachers, parents and representatives of the Department of Education. The prizes included laptops and portable power stations. Our future goal is to award bursaries to top achievers through our Training and Development department.

Ceramic's Uniform Equality Programme



We believe that school uniforms have the power to level the unequal socio-economic status of students and help to create an environment where the learners have a sense of belonging at school. Setlabotjha Primary School in Vereeniging and Boiketlong Primary School in the Vaal, are both situated in areas with high unemployment levels, and as a result, many parents cannot afford to purchase new uniforms for their children. Ceramic has pledged to provide all the learners of these schools with new uniforms on an annual basis. In November 2022 and February 2023, the Company handed over 1 200 sets of school uniforms to learners from the two schools.

ECD Infrastructure Project



Ceramic donates tiles to crèches close to its tile factories on an ongoing basis. Since inception of this project, tiles have been donated to more than 700 crèches and primary schools in the Vaal area. Recently, Ceramic partnered with the Sedibeng Department of Social Development to provide infrastructure development to crèches that are developing and preparing children for Grade 1. Bona Lesedi Day Care Centre in Sharpeville, Gauteng was identified as one such ECD centre that will receive assistance from Ceramic. In the year under review, playground equipment was donated, and the next goal is to provide plants and grass for the front area of the centre. The food garden that the Company donated last year has expanded and the crèche has been able to sell some produce to the community. Ceramic also donated learning materials and conducted a teacher training course at Bona Lesedi, as well as at the Vaal's Boiketlong ECD.

CORPORATE SOCIAL INVESTMENT REPORT CONTINUED

Read for meaning: Building Better Futures Primary School Initiative



Literacy is a crucial component of SDG 4's mission to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. Recognising this, Ceramic has established a two-part Building Better Futures Primary School Initiative that aims to end illiteracy and help children from lower-income households at the ECD level to build positive futures. To work towards this, Ceramic will donate mini-libraries of English, Maths and Science textbooks to primary schools catering for Grades 1 to 7. This year Boiketlong Primary School, adjacent to Ceramic's factories and situated at the heart of an informal settlement, was the beneficiary, receiving more than 1 200 textbooks. The teachers and Principal received training from a play therapist who demonstrated how to use educational toys as part of their daily activities, reinforcing the concept that children learn from play; they were also presented with therapeutic toys to assist them to develop their learners' logic and reasoning skills. At the launch, the children were entertained by a local youth theatre group, who taught them the importance of books, the reasons for school uniforms, and why one should take care of books and one's appearance. The play also demonstrated how good discipline in school can lead to endless rewarding opportunities, through providing a fun introduction to Ceramic's work environment and the possibility of work opportunities in the learners' 'grown-up' futures.

Annual Mandela Month Ablution Dignity Project



Our business has committed to fight for the rights of South Africans to have beautiful homes, and one specific goal is to bring dignity to our communities. The annual Ablution Dignity Project is a significant one for Ceramic, because all the tiles, toilets and basins used in the project are manufactured by our factories. This year we partnered with Itirileng Primary School in Hammanskraal and revamped their bathrooms, as well as their ECD class bathrooms and playground.

The final touches were added by Ceramic's employees, the school's management and community members, on Mandela Day. Samca Wall, Samca+ and Ceramic's factory shop employees, led by Samca Wall Factory Manager, Hendrikus Nel, rolled up their sleeves and made a stellar contribution. The project was warmly received by the school. In attendance at the Mandela Day activities were the Infrastructure SA team led by its head, Dr Kgosientsho Ramokgopa. In his handover speech to the Principal, our CEO reiterated the Company's commitment to assisting our local communities where possible. He emphasised the importance of schools in the advancement of our economy and encouraged Itirileng Primary School to continue safeguarding and nurturing the education and well-being of its learners.

My Green Space Campaign



In and around Ward 17 of the Vaal are numerous illegal dumping sites that pose serious health risks to residents, including children who play near these sites. Many of the sites are filled with large amounts of waste and overgrown vegetation, which makes them hiding places for criminals. Through a local cooperative, the factories in the Vaal which fall under Ward 17 have committed to support a clean-up campaign that is targeted at Sebokeng, Golden Gardens, Sebokeng Hostel and Masiza Hostel. Some of the land identified by the cooperative for the clean-up campaign is proposed to be converted into food gardens. In October 2022, Ceramic formed part of the team that officially launched this campaign alongside the My Green Space cooperative and the local ward councillor, supported by Emfuleni Municipality. Ceramic donated materials to assist with the launch project and future campaigns, and our staff supported community members from Golden Gardens in clearing and cleaning two sites.





Ending period poverty and saving the planet



Approximately seven million menstruating students in South Africa miss school on average three to five days every month. This is caused by period poverty, which is defined as a lack of access to menstrual hygiene products or period stigma due to prejudice and ignorance. The Group has played a significant role in addressing period inequality over the years by distributing new reusable sanitary pads on an annual basis.

Ceramic has combined these efforts with a confidence-building programme for girls who have started menstruating. The programme educates them regarding menstruation from a logistical, psychosocial and emotional point of view. At this year's two-day roadshow, students from the TRAC Mathematics and Physical Science schools in the Vaal and Hammanskraal participated in a fully immersive, internationally recognised workshop with instructors who accompanied the students on their journey to menstrual empowerment. To enable the learners to rethink their period experience on their own terms, a personal writing exercise was used as the culmination of a mindfulness practice. In addition, students received care packs which included new reusable sanitary pads, sports bras, and informative material on menstrual product options available to them.

ITALTILE RETAIL

The Italtile-University of Pretoria Student Programme



2022 was the fifth successful year of collaboration between Italtile and the University of Pretoria's Marketing Department, with a student programme that involved third year students participating in a series of modules developed to test their marketing, branding and sales promotion knowledge through practical challenges – by immersing them in projects that reflect current retail trends. It was a year of readjustment as students gradually transitioned from remote learning caused by the pandemic back to the classroom. While much of the year was conducted online, the students did manage to collaborate face to face for the final challenges, which included a team project to respond to a promotional campaign brief centred around the Biophilic Design macrotrend, and to present it to the adjudicators. The board of adjudicators included Italtile's Marketing Manager and two senior creative members of her marketing team, together with the professors from the university's Marketing Department – all of whom firmly believe in the value of bringing the

hands-on 'world of work' into the classroom. The competition was intense, and all students had their eye on the ultimate prize – internships at Italtile. The prizegiving event signalled the end of the programme for 2022, with prizes awarded for Best Groups (decided by Italtile), Best Groups (from the University of Pretoria's perspective), Top Student and Highest Marks. The loudest applause was for the four students who won internships at Italtile showrooms. Once again, Italtile and the University of Pretoria witnessed the rich rewards of collaboration between the world of work and the domain of academic study, and look forward to the continued journey.

The Little Optimist Boat Race



Italtile Retail has been a proud sponsor of the Little Optimist Boat Race since 2018, and we were enthusiastic to once again support the boat race in 2022. Fifty at-risk youths attended the event and enjoyed an opportunity to experience the Waterfront, the Two Oceans Aquarium and learn how to sail. The sailing competition aims to raise much needed funds for the Little Optimist Trust, which identifies key renovation projects aimed at creating safe spaces for children. By renovating or painting places of healing they strive to create a lasting positive effect on the children's lives. The Trust also provides sailing therapy, in which sailing is used as a means to facilitate mental and physical healing. The sailing experiences include environmental education, covering topics such as ocean health and water pollution.

SharkWise Project



Two years ago, Italtile Retail and ITD, the Group's import brassware business, partnered with marine biologist, Dr Sara Andreotti of Stellenbosch University, to develop the Italtile SharkWise Project. Italtile supports the Doctor's extraordinary work, helps to fund her students and raises awareness of the importance of a working ocean ecosystem. Our valued customers make a meaningful contribution when they purchase an ITD Tivoli tap, because for every Tivoli tap purchased, R2 is donated to the fund. In August 2022, Italtile handed over a cheque of R150 000 to Stellenbosch University's Department of Botany and Zoology. The donated funds helped to purchase high tech laboratory equipment and a specialised computer for data analysis, and pay for field work equipment and travel expenses.

CORPORATE SOCIAL INVESTMENT REPORT CONTINUED

The SharkWise Project also assisted three Masters students and two PhD students to enrol at Stellenbosch University; their projects will cover studies in environmental DNA, population genetics and shark behaviour.

Water Week activation with The Wildlife and Environment Society of South Africa (“WESSA”)



Italtile’s sustainable LiveGreen mandate has been responsible for forging partnerships with likeminded eco-conscious businesses and sustainability pioneers, and we continue to deliver on our commitment to a greener future – for our customers and the communities and environments in which Italtile operates. In this regard, Italtile was proud to partner with WESSA during their immersive learner education programme days. All of the activities were designed to contribute to National Water Week – encouraging children to put water conservation at the heart of their everyday lives – thereby collectively #AcceleratingChange (the 2023 National Water Week theme). In March 2023, together with WESSA and our marketing partners, the team spent the day with the learners of Cosmo City West Primary School, where guided by WESSA, the learners and volunteers took part in a number of activities, including a thorough clean-up of the river that runs past the school property. The groups then participated in immersive waterwise mini-tutorials that explained the concept of water wheels (for sustainable water collection and local power generation) and introduced us to water turbidity testing, which measures the clarity and sanitary quality of water. Teachers were also given pointers on how to teach about this subject in an innovative manner. All participants learnt that water is a precious, limited natural resource and that it is our duty as citizens to get involved in the protection of our rivers and water sources. In preparation for the day, the learners of Cosmo City West Primary had worked for three weeks prior, to produce an impressive and deeply moving collection of waterwise art, poetry, drama and music, that was showcased after the activities. The days events were rounded off with a pledge; both children and team leaders made a commitment to conserve water by adjusting their daily habits in small but meaningful ways.

Arbour Week with Food and Trees



To further Italtile’s LiveGreen Mandate, we partnered with the organisation Food and Trees for Arbour Week to plant indigenous and fruit trees in schools or community centres. In September 2022, a volunteer day was held at the Thoughtful Path Community Centre. The day started with a Climate Hero workshop with the 40 children who attend the Centre after school, at which they learnt about trees and their importance, how trees fit into the ecosystem, the different species in the ecosystem and how they interact with each other. The children created a spectacular showcase of their learnings and presented them to the Italtile volunteers. The day ended with 50 fruit trees being planted by the children and Italtile volunteers at the Centre’s food garden to assist with improving their food security. Italtile also sponsored a similar programme at Cosmo City Junior Primary School where the learners completed a Climate Hero workshop and were assisted with planting 50 indigenous trees on the school grounds.

TOPT

School shoe drive at Mofongodi Primary School



TopT strives to foster a culture of giving back to the community and supporting those in need. With a deep understanding of the barriers faced by underprivileged learners in accessing quality education, TopT embarked on a community initiative to donate school shoes to Mofongodi Primary School in Vhembe near TopT Elim and Louis Trichardt in Limpopo province. In close collaboration with the school, TopT made a meaningful difference in the children’s lives by donating a total of 262 pairs of school shoes. Witnessing the joy and gratitude on the faces of these young learners served as a powerful reminder of the positive impact businesses can have when they align their corporate social responsibility programmes with their communities’ needs.





Karabelo Day Care renovation project



TopT is passionate about investing in the well-being and growth of our community's youngest members. The TopT team undertook an inspiring community initiative by renovating a local child-development centre in Botshabelo, Free State. Recognising the crucial role that early childhood education plays in shaping the future, our goal was to provide a nurturing environment for the young minds in our community. Through dedicated teamwork and a shared commitment to making a difference, staff from TopT Botshabelo transformed the centre into a vibrant and stimulating space. The classrooms were refurbished with new floor and wall tiles, new ceilings, and lights, the centre was painted inside and out, and the veranda was tiled. Sharing in the children's delight as they explored their newly renovated surroundings was extremely rewarding.

Elim Annual Youth Dance Competition



TopT Elim in Limpopo proudly sponsored a local youth dance competition aimed at raising funds for primary school awards that celebrate the achievements of the best-performing students in the Elim community. Recognising the importance of education and the need to encourage academic excellence, TopT Elim wholeheartedly supported this initiative, through sponsorship that provided financial assistance and resources to ensure the success of the competition and the subsequent awards ceremony. Witnessing the remarkable talent and dedication of the young dancers was truly inspiring. Moreover, knowing that the funds raised would go towards recognising and rewarding the hard work of outstanding students further reinforced our commitment to supporting education and fostering a culture of excellence within our community.

TopT Cosmo City, TopT Spruitview and TopT Mamelodi ECD projects



Understanding the importance of providing a stimulating and cheerful environment for young children to learn in, our TopT stores in Cosmo City, Spruitview and Mamelodi initiated community projects to renovate local ECD centres. In Cosmo City, our staff repainted the local centre, creating vibrant and engaging spaces for the children, while in Spruitview and Mamelodi our staff undertook full renovations of local ECDs, which included painting, repairing ceilings and bathrooms, and tiling. The stores also purchased learning materials and educational toys for the crèches. The joy and excitement on the faces of the children when they entered their newly renovated learning environments was heartwarming.

Lupus Awareness Fun Walk in Mamelodi



Lupus is an inflammatory disease caused when the immune system attacks its own tissues. Having tragic personal experience of the condition motivated a group of Mamelodi citizens to contact our TopT Mamelodi store in Tshwane to ask for assistance to help raise awareness of Lupus in the wider community. The staff of the store joined hands with other participants in the Lupus Awareness Fun Walk hosted by the store. Sporting our Company shirts, the team walked side by side with individuals and families affected by Lupus, showing our solidarity and support. We provided gift packs filled with healthy snacks as well as energy drinks for the 15-kilometre walk. With over 430 participants, the walk was a great way to promote awareness about Lupus but also served as a platform to connect with the local community, show our commitment to making a positive impact on those affected by this condition, and foster a sense of unity.

CORPORATE SOCIAL INVESTMENT REPORT CONTINUED

TopT Champions Cup



Sport plays a major role in helping to build happier, healthy and safer communities. Research shows that physical activity enhances cognitive function, improving memory, behaviour, concentration and academic achievement. Additionally, it brings people together, providing opportunities for social interaction. This encapsulates TopT's rationale for supporting sports in schools. Each year TopT hosts an annual tournament at the TopT Sports Field in Acornhoek, Mpumalanga. In March 2023, six primary and four high school teams from the neighbouring community participated in this tournament. The day was filled with exciting netball and soccer matches, motivational speeches and entertainment. Each team received a new sports kit and either soccer or netball equipment for use in their respective schools. Phendulani Secondary and Sokisi High came out tops in the high school division, each winning R15 000 to address a critical need in their respective schools. Munyamana and Sihlekisi were the winners in the primary school division, each receiving R20 000 for their schools.

CTM

Pad Dignity Drive



CTM implemented a Pad Dignity Drive project whereby it distributed 2 500 new reusable sanitary pads to girls in seven different schools close to our stores across five different provinces. The girls also received a talk on menstrual health, the reproductive system, puberty and the different menstrual products available, but most importantly, were given an opportunity to ask questions and explore the topic of menstruation and puberty in a safe non-judgemental space. The handovers were done on specific observance days such as Youth Day, Women's Day and International Day of the Girl Child, and encouraged the girls to respect their bodies, recognise what violation might look like and how to report it, and to refrain from bullying. The initiative also serves as the Group's contribution to minimising the environmental impact of disposable pads, which are often not biodegradable.

Bathroom Dignity Drive



Research confirms that the poor state of sanitation facilities in many schools nationwide is a serious problem, not only posing a health and safety risk, but often negatively impacting students' ability to learn and receive a quality education. As a leading retailer of tiles and sanitaryware, our business is passionate about restoring dignity and enhancing learning conditions through improved sanitation for schools in need. Rebongwe Primary School in Meadowlands and Itemogele Primary School in Soweto were selected as the recipients of the 2022/3 CTM Dignity Drive project. Their bathroom blocks were fully renovated, which included replacing the sanitaryware and lighting, painting and retiling the bathrooms. At both schools, the initial goal to renovate the ablution facilities was expanded to attend to other additional infrastructural needs identified by the schools, including painting and repairing the schools' learning blocks and renovating their kitchens. CTM is committed to improving sanitation and hygiene in schools, one school at a time.

World Environment Day in partnership with WESSA



CTM and WESSA partnered to celebrate World Environment Day and raise awareness of the environmental problems caused by plastic pollution. In this specific project, the WESSA team aimed to help students at Umthambeka Primary School in Tembisa to understand their role in reducing plastic pollution and the importance of protecting the environment for current and future generations.

A month prior to the event, WESSA facilitated an education session with the eco-committee (learners from various grades who were identified as environmental champions at the school as well as some teachers), providing them with background information about World Environment Day and the plastics showcase. The session centred around this year's theme 'Solutions to Plastic Pollution'. Students learnt about different types of pollution (water, air and land),





microplastics, the causes and impacts of pollution, and potential solutions such as the 7Rs (rethink, refuse, reduce, reuse, recycle, refurbish and rot). The students made a commendable effort to demonstrate their newfound knowledge about the harmful impacts of pollution on our environment and humans through an arts and crafts showcase. In assisting the school to manage and recycle its plastic waste, students and participants in the event collaborated to create recycling bins using plastic bottles and wire. Over 100 plastic bottles were used for each bin, and a total of 2 000 plastic bottles were collected during this initiative. These bottles will support our upcoming waste events and activities throughout the year.

CTM Champions Cup



In October 2022, CTM hosted the third annual Champions Cup at the CTM Sports Field in Thohoyandou after a two-year break due to the Covid pandemic. The aim of this tournament is to promote health and fitness among the youth and raise awareness of the availability of the CTM Sports Field for use by the community. Equally importantly, the event is centred around the opportunity for the victorious schools to win a R20 000 donation to address a critical need in their respective schools. Sixteen schools from Thohoyandou participated in this year's tournament. Participants from all schools received new sports kits, shoes and related equipment. Mulamuli Primary School (netball) and Tshidumbi Primary School (soccer) were the overall winners on the day.

Rhino Conservation



CTM and Ceramic Industries are proud supporters of the fight against rhino poaching and have partnered with the organisation Stop Rhino Poaching, to protect rhinos in South Africa. In demonstrating our commitment to rhino conservation, for every box of selected Kilimanjaro tiles, R5 is donated to Stop Rhino Poaching. Over R4 million has been donated to the organisation since the inception of the partnership. Stop Rhino Poaching has channelled the funds donated by CTM and Ceramic Industries to specialised training courses, purchasing operational equipment; providing specialised psychological support for anti-poaching rangers; buying top quality tactical trauma kits for rangers in hot spots; and up-skilling rangers who are at the front lines of the fight against poaching every day.

National Sea Rescue Institute



The National Sea Rescue Institute (NSRI) is a voluntary non-profit organisation in South Africa whose mission is to save lives through drowning prevention. The NSRI relies on the support of donors, partners and sponsors to educate and empower children and adults through its water safety programme, survival swimming and lifeguard initiatives. The Group has supported the NSRI for over 10 years and has been a Platinum Partner since 2014. Through its annual contributions, Italtile has assisted the NSRI with rebuilding and equipping several bases around the country and donated materials for the renovation of others.

— OUR GOVERNANCE

Our partnership ethos, fair remuneration and steadfast company values will assist us to remain an employer of choice for the high-calibre candidates that our business demands.

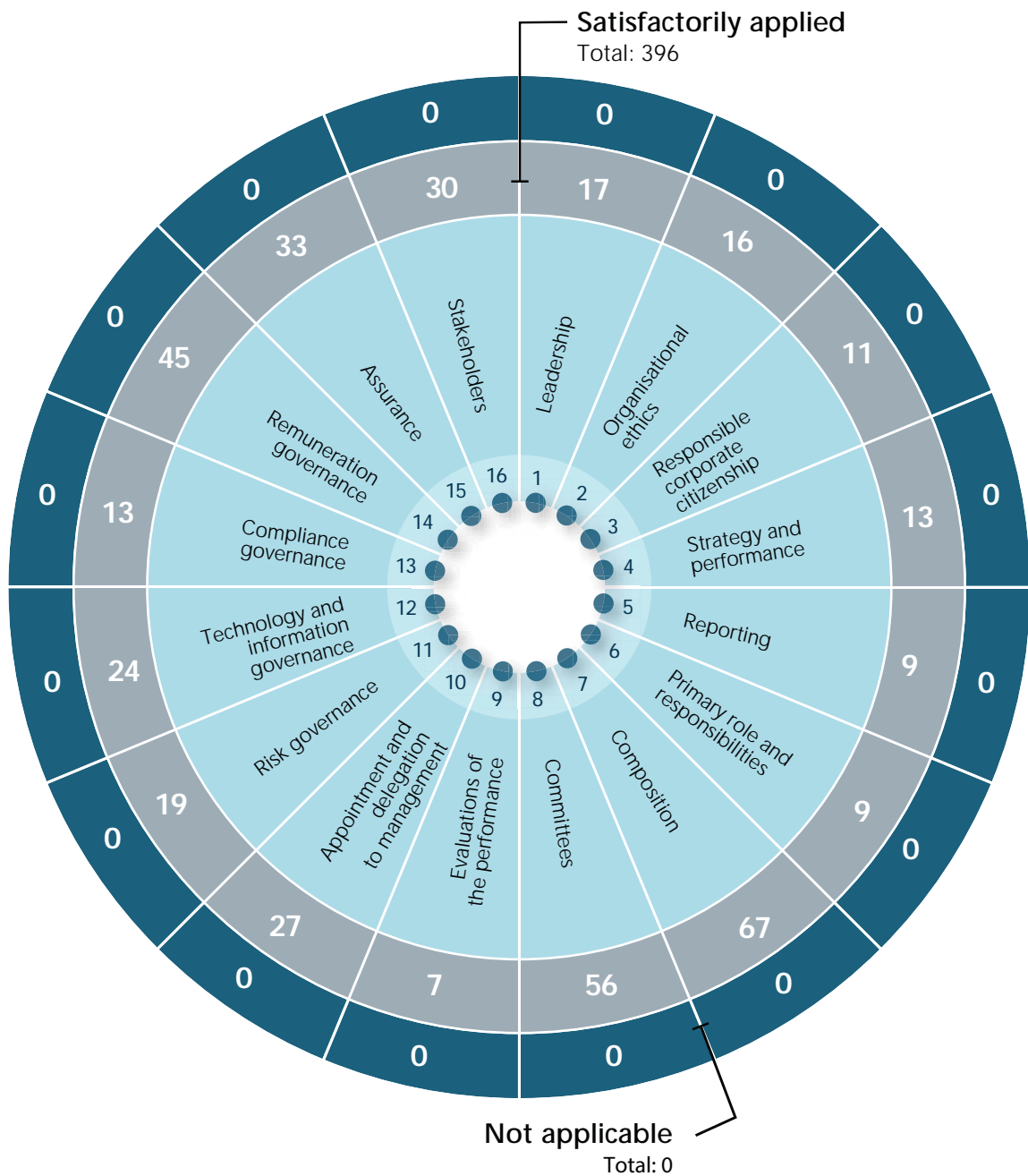


CORPORATE GOVERNANCE

KING IV

Italtile believes that the application of effective governance is essential to establishing an ethical and successful organisation which creates sustainable value for its stakeholders, and embraces the principles set out in King IV. King IV's outcomes-driven approach to corporate governance aligns with Italtile's existing governance framework and commitment to sustainable value creation and continuous improvement.

The Group subscribes to the Institute of Directors' Governance Assessment Instrument ("IoDSA GAI"), and the following summary report on the application of King IV is extracted from the IoDSA GAI, with the full assessment of all principles of King IV included on the Italtile website, www.italtile.com.



In accordance with the JSE Listings Requirements and King IV, the table below provides further detail on assessment of Italtile's application of the governance principles as recommend by King IV. This table should be read in conjunction with additional corporate governance and other disclosures provided in this IAR. The Italtile Board supports the various principles of King IV and commits to continuous improvement in this regard.

King IV principle	Affirmation statement	Application
LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP		
Leadership		
Principle 1: Leadership	The Italtile Board leads ethically and effectively.	<ul style="list-style-type: none"> • The Board is committed to high standards of corporate governance and ethics, and is the primary custodian of the Group's values and culture. • The Board's roles and responsibilities are set out in its Charter which include, <i>inter alia</i>, providing effective leadership that stands on an ethical foundation, oversight of the Group's ethics policies, and ensuring that the Group's ethics are managed effectively. • In fulfilling its duties, the Board ensures that all its members act with integrity and competence, are transparent and fair, and are individually and collectively responsible and accountable. • The Board completes an annual self-evaluation which is reviewed by the Chairman, with no areas of concern being noted during the most recent evaluation. • No external Board evaluation is performed. • Declaration of interests is a standing agenda item for each Board meeting. • The Group's stakeholder engagement processes are well established, with the assistance of the Group's investor relations expert. • The Board completes an annual attestation relating to the roles and responsibilities set out in the Board Charter. • The Board has a formal induction process.
Organisational ethics		
Principle 2: Organisational ethics	The Italtile Board governs the ethics of Italtile in a way that supports the establishment of an ethical culture.	<ul style="list-style-type: none"> • The Board Charter mandates the Board to review, approve, monitor and evaluate the strategy proposed by management, while simultaneously monitoring the Group policies in place. • The Group's corporate culture and values, and Business Conduct Policy form an integral part of its strategy and success. • Reports from the Group's whistle-blowing line as well as the annual employee engagement survey are reviewed by the Board. Such reports detail concerns, allegations and findings, and management's response to or remediation thereof. • The Board is assisted in the execution of these duties by its Social and Ethics Committee, as well as its Audit and Risk Committee. • The promotion and preservation of the corporate culture and values, which is underpinned by high ethical standards, is delegated by the Board to its executive directors. • Employees of the Group undergo ethics-related and diversity training. • Significant suppliers outside of the integrated supply chain sign declarations confirming compliance with the UN Global Compact.

CORPORATE GOVERNANCE CONTINUED

King IV principle	Affirmation statement	Application
LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP continued		
Responsible corporate citizenship		
<p>Principle 3: Responsible corporate citizenship</p>	<p>The Italtile Board ensures that Italtile is, and is seen to be, a responsible corporate citizen.</p>	<ul style="list-style-type: none"> • Italtile is committed to being a responsible corporate citizen and the Board ensures that the Company pursues its activities within the confines of social, environmental and governance responsibilities as legislated or otherwise. In establishing its strategy, the Board considers the impact of its activities on the business, communities, stakeholders and the environment. • The Board has tasked the Social and Ethics Committee with overseeing responsible corporate citizenship, which also monitors compliance with the UN Global Compact principles, and UN Sustainable Development Goals. • The Group has a full-time Corporate Citizenship Manager who oversees projects related to environmental initiatives (such as water preservation and renewable energy), community upliftment (including renovation of ablution facilities at schools) and other charitable activities. • The Group has further established the Italtile and Ceramic Foundation Trust, which is a broad-based black ownership scheme, with the objective of carrying on public benefit activities in a non-profit manner and with an altruistic and philanthropic intent, focusing primarily on education, sport and conservation. • The Social and Ethics Committee receives reports on the work of the Corporate Citizenship Manager and that of the Italtile and Ceramic Foundation Trust to ensure Italtile's commitment to being a responsible corporate citizen is carried out.
STRATEGY, PERFORMANCE AND REPORTING		
Strategy and performance		
<p>Principle 4: Strategy and performance</p>	<p>The Italtile Board appreciates that Italtile's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.</p>	<ul style="list-style-type: none"> • The Board delegates the detailed formulation and implementation of the Group's strategy to management. • The Board reviews, approves, monitors and evaluates the implementation of the Group's strategy. The strategy is revisited and debated annually in detail at a two-day breakaway session attended by the Board and members of the Group's Executive Committee and senior management. • In approving the strategy, the Board ensures a sustainable alignment of the Group's business model, strengths, weaknesses and opportunities. • The Board evaluates performance of strategy implementation with reference to both financial and non-financial outcomes, to ensure that sustainable value creation is achieved. • Progress against the key strategic imperatives is reported on by the CEO quarterly.

King IV principle	Affirmation statement	Application
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STRATEGY, PERFORMANCE AND REPORTING continued

Reporting

<p>Principle 5: Reporting</p>	<p>The Italtile Board ensures that reports issued by Italtile enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.</p>	<ul style="list-style-type: none"> • The Board, assisted by the Audit and Risk Committee, ensures that reports are compliant with legal reporting requirements and timeously meet the reasonable and legitimate needs of the Group's stakeholders. Further, the Board, again assisted by the Audit and Risk Committee, ensures that the necessary controls are in place to verify the integrity of disclosed reports, and makes use of the Group's enterprise risk matrix as a basis for determining material items for disclosure. • Reports prepared by the Group, all of which are reviewed and approved by the Board prior to publication, include the: <ul style="list-style-type: none"> – IAR and annual financial statements; – King IV corporate governance disclosures; – interim financial reports; and – trading updates (including voluntary statements) and other announcements on SENS as required by the JSE Listings Requirements. • The Board ensures that all relevant stakeholders have access to its published reports, with this responsibility being delegated to management. • The CEO and CFO engage with shareholders on a one-on-one basis semi-annually (when interim and final results are announced).
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GOVERNING STRUCTURES AND DELEGATION

Primary role and responsibilities of the Board

<p>Principle 6: Primary role and responsibilities</p>	<p>The Italtile Board serves as the focal point and custodian of the organisation's corporate governance.</p>	<ul style="list-style-type: none"> • The Board has overall responsibility for corporate governance across the Group. • The Board is supported by its four sub-committees (Audit and Risk Committee, Social and Ethics Committee, Nominations Committee and Remuneration Committee) whose chairpersons provide feedback at Board meetings. • The roles and responsibilities of the Board are contained in its Charter, with each sub-committee having its own charter which is reviewed annually. • Although the Board retains overall responsibility for the Group, it delegates the management of the day-to-day operations of the Group to the executive directors, who operate according to a delegation of authority framework. • The executive directors of the Board are either members of subsidiary boards or attend by invitation to ensure consistent application of the Group's overall strategy and governance. • The delegation of authority framework is regularly reviewed.
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CORPORATE GOVERNANCE CONTINUED

King IV principle	Affirmation statement	Application
GOVERNING STRUCTURES AND DELEGATION continued		
Composition of the Board		
<p>Principle 7: Composition</p>	<p>The Italtile Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance roles and responsibilities objectively and effectively.</p>	<ul style="list-style-type: none"> • The Board recognises that an appropriately balanced and diverse governance body is important for enhanced debate and decision making. • The Board believes that its current composition is appropriate for the current size and complexity of the Group, with half of the Board members being independent non-executive directors. The executives of the Group, including the CEO, are members of the Board, and members of the Group's Executive Committee and senior management attend Board meetings by invitation. • Given that the Chairman of the Board is not independent, a strong lead independent director has been appointed to the Board. • The Nominations Committee ensures that any Board candidates have the necessary skills, knowledge and experience to make a meaningful contribution to the Board, while ensuring that diversity and independence of the Board is preserved and all nominations are handled in a transparent manner. • Non-executive directors are subject to rotation and re-election after the Board satisfies itself that they remain fit and proper. • The Board completes an annual self-evaluation which is reviewed by the Chairman, with no areas of concern being noted during the most recent evaluation. • Declaration of interests is a standing agenda item for each Board meeting. • The Board diversity policy includes gender, race, culture, age, field of knowledge, skills and experience.
Committees of the Board		
<p>Principle 8: Committees</p>	<p>The Italtile Board ensures that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p>	<ul style="list-style-type: none"> • The Board is supported by its four sub-committees (Audit and Risk Committee, Social and Ethics Committee, Nominations Committee and Remuneration Committee) whose chairpersons provide feedback at Board meetings. • The responsibilities delegated to each sub-committee are formally documented in committee charters which are reviewed annually. • The Board ensures that the composition of the sub-committees is appropriate for delegated responsibilities and that there is effective collaboration through cross-membership (while maintaining a balanced distribution of power). • Any member of the Board is entitled to attend any Committee meeting as an observer, and members of management may also attend such meetings by invitation.

King IV principle	Affirmation statement	Application
GOVERNING STRUCTURES AND DELEGATION continued		
Evaluations of the performance of the Board		
Principle 9: Evaluations of performance	The Italtile Board evaluates its own performance and that of its committees, its chair and its individual members, and supports continued improvement in its performance and effectiveness.	<ul style="list-style-type: none"> • The Board completes an annual self-evaluation which is reviewed by the Chairman, with no areas of concern being noted during the most recent evaluation. • The Board is satisfied that each sub-committee is functioning effectively.
Appointment and delegation to management		
Principle 10: Management appointment and delegation	The Italtile Board ensures that the appointment of, and delegation to, management contributes to role clarity and effective exercise of authority and responsibility.	<ul style="list-style-type: none"> • Although the Board retains overall responsibility for the Group, it delegates the management of the day-to-day operations of the Group to the executive directors, who operate according to a delegation of authority framework. • The Group's CEO is held accountable for the performance of the Group and the implementation of the approved strategy. Progress against key strategic imperatives and a summary of Group performance is reported by the CEO quarterly. • The executive directors are appointed by the Board, and their performance is measured against KPIs (financial and non-financial) by the Remuneration Committee. • The executive directors are not members of the sub-committees (barring the Social and Ethics Committee) but do attend committee meetings by invitation. • The Board has formalised succession planning for executive directors. • The Board believes the Company Secretary has the requisite knowledge, experience and stature. • The executives operate according to a delegation of authority framework which is regularly reviewed.

CORPORATE GOVERNANCE CONTINUED

King IV principle	Affirmation statement	Application
GOVERNANCE FUNCTIONAL AREAS		
Risk governance		
<p>Principle 11: Risk governance</p>	<p>The Italtile Board governs risk in such a way that supports the organisation in setting and achieving its strategic objectives.</p>	<ul style="list-style-type: none"> • The Board is ultimately responsible for ensuring that risks are effectively managed and has delegated this responsibility to the Audit and Risk Committee, with the understanding that the overarching aim of effective risk management is preservation of sustainable value creation for stakeholders. • An enterprise risk framework has been approved by the Audit and Risk Committee and is used to identify material risks (in accordance with a defined risk appetite) to which the Group's strategy and controls are to be responsive. A top-down and bottom-up approach is used to identify risks. • Risks identified using the enterprise risk framework are regularly reviewed and debated and a combined assurance model is adopted for assessing the effectiveness of controls to address the risks. Providers of assurance include management, internal audit and external audit. • As part of the risk identification process, opportunities related to such risks are identified and leveraged where possible. • The Board has delegated the implementation and execution of effective risk management to the executive directors.
Technology and information governance		
<p>Principle 12: Technology and information governance</p>	<p>The Italtile Board governs technology and information in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<ul style="list-style-type: none"> • The Board understands that IT is a critical component of the business and is supported by the Audit and Risk Committee to oversee governance of technology and information. • The day-to-day management of the IT environment is delegated to management which includes a subject specialist Group IT Executive. Management reports at least quarterly to the Board on matters relating to IT, including security, governance and key projects. • Risks related to technology and information are incorporated into the Group's enterprise risk framework with particular focus on controls to prevent unauthorised access to IT systems and information and disaster recovery. • Incorporated in the Group's overall strategy is a dedicated focus on the IT strategy to ensure alignment and critical support with the overall strategy. • Independent assurance relating to IT controls is obtained on an annual basis. • IT governance and protection of personal information ("PoPI") compliance continues to be an area of focus, with third-party expertise and assistance sought where necessary.

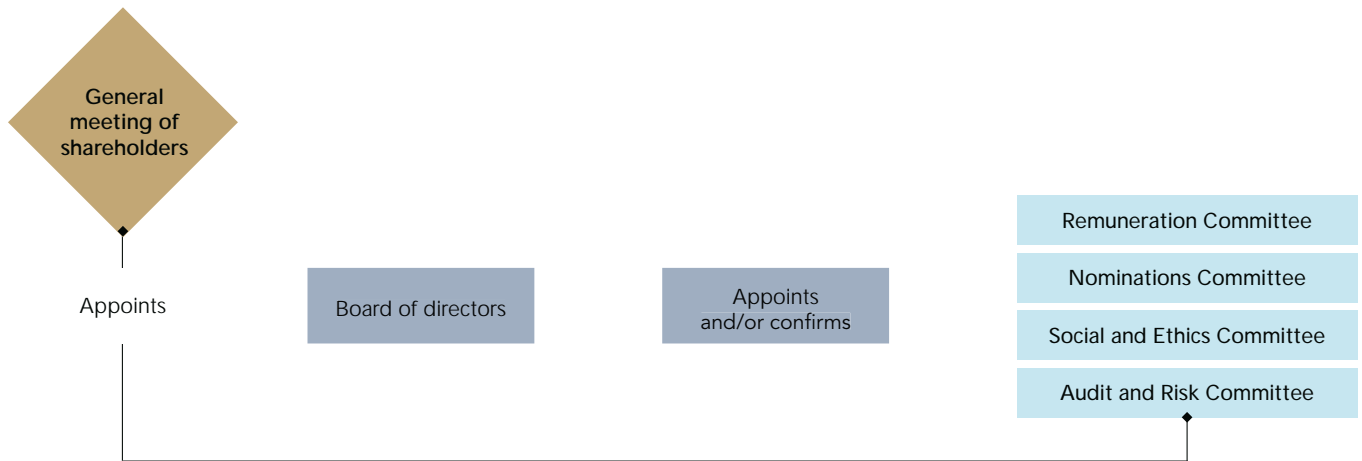
King IV principle	Affirmation statement	Application
GOVERNANCE FUNCTIONAL AREAS continued		
Compliance governance		
<p>Principle 13: Compliance governance</p>	<p>The Italtile Board governs compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<ul style="list-style-type: none"> • The Board is assisted by the Audit and Risk Committee and the Social and Ethics Committee to oversee compliance with applicable laws, regulations, codes and standards, including voluntary codes such as the UN Global Compact and UN Sustainable Development Goals. • The Board has delegated the responsibility for implementing compliance to management, who consult with subject matter experts where deemed necessary. • Management participates in training sessions facilitated by subject matter experts where necessary. • An independent review of compliance with laws and regulations is performed every three years with the assistance of a credible legal firm, and findings thereof are reported to the Board and addressed by management. No material findings were noted during the previous review. In addition to this review, further limited assurance is obtained annually from the Group's external auditor and taxation consultants with regard to adherence to relevant laws and regulations. • The Group was not subject to any material penalties, sanctions or fines for contravention of, or non-compliance with, regulatory obligations during the period under review. • Refer to principle 3 for further disclosure relating to the Company's governance of ethics and considerations for being a responsible corporate citizen.
Remuneration governance		
<p>Principle 14: Remuneration governance</p>	<p>The Italtile Board ensures that the organisation remunerates fairly, responsibly and transparently in order to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	<ul style="list-style-type: none"> • With the assistance of the Remuneration Committee, the Board ensures that executives, management and other staff are remunerated fairly and transparently, in order to support the Group's long-term sustainability and success. • The Group's remuneration policy is reviewed by the Remuneration Committee and approved by the Board. It is designed to attract and retain key personnel, promote the achievement of strategic objectives by establishing a high-performance culture, and preserve the corporate culture and ethics. • The Group's remuneration policy and Implementation report is subject to non-binding votes by shareholders and received significant support at the previous AGM.

CORPORATE GOVERNANCE CONTINUED

King IV principle	Affirmation statement	Application
GOVERNANCE FUNCTIONAL AREAS continued		
Assurance		
<p>Principle 15: Assurance</p>	<p>The Italtile Board ensures that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and external reporting purposes.</p>	<ul style="list-style-type: none"> • The Board, assisted by the Audit and Risk Committee, ensures adequate assurance is obtained over the internal control environment, integrity of information for management decision making and external reporting. • Italtile implements a combined assurance model comprising management, internal audit and external audit. • The Audit and Risk Committee reviews the internal and external audit approaches to ensure that significant risk areas and material matters are addressed. • The Internal Audit Charter and plan is approved by the Audit and Risk Committee, as it is responsible for overseeing this function. • The Head of Internal Audit has direct access to the Chairman of the Audit and Risk Committee and is not a member of executive management, thus preserving independence. • The Audit and Risk Committee receives regular reports related to assurance from the external auditor, Head of Internal Audit and management. • The Audit and Risk Committee recommends the appointment of the external auditor. • The Board is satisfied that the external auditor is independent.
Stakeholders		
<p>Principle 16: Stakeholders</p>	<p>In the execution of its governance roles and responsibilities, the Italtile Board has adopted a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interest of the organisation over time.</p>	<ul style="list-style-type: none"> • The material stakeholders of Italtile are its shareholders, employees, franchisees, suppliers and business partners, government and regulators, communities and customers. • The management of stakeholder relationships and interactions is overseen by the Board with the assistance of the Social and Ethics Committee, both well aware of the importance of maintaining sound stakeholder relationships. • Italtile adopts an inclusive approach and engages stakeholders on multiple levels and through various mediums, allowing the Group to be effectively responsive to their needs, interests and expectations. • Management proactively encourages engagement with stakeholders. • The AGM is attended by all directors and the external auditor, providing shareholders with an opportunity to engage with them.

King IV principle	Affirmation statement	Application
GOVERNANCE FUNCTIONAL AREAS continued		
Responsible investment		
Principle 17: Institutional investors	The Italtile Board does not apply this principle as the organisation is not an institutional investor.	

GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE CONTINUED

BOARD OF DIRECTORS

A formal Board Charter has been adopted and includes a code of ethics to which all directors subscribe. Procedures exist in terms of which unethical business practices can be brought to the attention of the Board by directors.

COMPOSITION OF THE BOARD

The Board comprises two executive directors, a non-executive Chairman and seven non-executive directors, five of whom are independent.

The directors are individuals of a high calibre with diverse backgrounds and expertise, facilitating independent judgement and broad deliberations in the decision-making process.

CLASSIFICATION OF DIRECTORS

The basis on which directors have been classified in terms of their independence in this report is as follows:

- executive directors are involved in the management of Italtile and/or its subsidiaries and are employed in a full-time capacity by Italtile;
- non-executive directors are those who have been nominated by a shareholder owning more than 20% of the Group, or who were in the employ of the Group in the preceding financial year. Non-executive directors are not involved in day-to-day management and are not in full-time salaried employment of Italtile and/or its subsidiaries; and
- independent non-executive directors are all other directors irrespective of the period during which they have been members of the Board and as defined in King IV and the JSE Listings Requirements.

No director has an automatic right to a position on the Board. All directors are required to be elected by the shareholders at an AGM on a rotational basis.

BOARD RESPONSIBILITIES

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

- approval of the Group's strategy and annual budget;
- overseeing Group operational performance and management;

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

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

DIVISION OF RESPONSIBILITY

The Company conducts an annual evaluation of its Board, Board Committees and individual directors, and is confident that there is an appropriate balance of power and authority on the Board to ensure that no one director has unfettered powers of decision making.

The division of responsibilities maintains a balance of power and authority on the Board.

TERM OF OFFICE

The two executive directors have employment contracts without fixed terms. In accordance with the Company's memorandum of incorporation ("MOI"), all non-executive directors are subject to retirement by rotation and re-election by shareholders at least every three years.

If requested to serve a further term, those retiring directors may offer themselves for re-election by shareholders. Any director appointed during the year must retire at the AGM held immediately after his or her appointment.

BOARD MEETINGS

The Board meets at least every quarter or more frequently if circumstances require. At the meetings, the Board considers both financial and non-financial qualitative information that might have an impact on the Group's stakeholders. Prior to every Board meeting, each director receives an information pack that provides background information on the performance of the Group for the year to date and any other matters for discussion at the meeting.

Board members have full and unrestricted access to relevant information, management, and the Company Secretary, and may, at the cost of the Group, seek independent professional advice in the fulfilment of their duties.

Details of attendance at Board meetings are set out below:

Board member	Attendance at meetings
G A M Ravazzotti	4/4
L R Langenhoven	4/4
L A Foxcroft	4/4
B G Wood	4/4
S G Pretorius	4/4
S M du Toit	4/4
N P Khoza	4/4
L C Prezens	4/4
J N Potgieter	4/4
A Mathole	4/4

BOARD APPOINTMENT POLICY

The Board evaluates its composition each year to ensure an appropriate mix of skills, experience, and professional and industry knowledge to meet the Company's strategic objectives. Demographic representation is also a consideration. New directors are subject to a 'fit-and-proper' test. An induction programme is available to incoming directors, providing guidance on their responsibilities. The appointment of the directors is approved at the AGM of shareholders.

None of the non-executive directors have entered into service contracts or standard letters of appointment with Italtile.

LEAD INDEPENDENT DIRECTOR

While the Board is led by a non-executive Chairman, Ms S M du Toit continues to serve as lead independent non-executive director of the Company's Board.

BOARD COMMITTEES

The Board has established four committees to which it has delegated specific responsibilities in meeting its corporate governance and fiduciary duties.

These committees operate within written terms of reference and charters approved by the Board. These are:

- Audit and Risk Committee;
- Remuneration Committee;
- Nominations Committee; and
- Social and Ethics Committee.

AUDIT AND RISK COMMITTEE

The Committee met five times during the period under review. Attendance at the meetings was as follows:

Members	Attendance at meetings
L R Langenhoven*	5/5
L A Foxcroft*	5/5
B G Wood*	5/5
S G Pretorius	5/5
S M du Toit	5/5
N P Khoza	5/5
L C Prezens	5/5

* *By invitation.*

For the full Audit and Risk Committee report refer to page 146.

REMUNERATION COMMITTEE

The Committee met three times during the period under review. Attendance at the meetings was as follows:

Members	Attendance at meetings
G A M Ravazzotti	3/3
S M du Toit	3/3
S G Pretorius	3/3
L A Foxcroft*	3/3
B G Wood*	3/3
L R Langenhoven*	3/3
A Mathole [#]	2/2

* *By invitation.*

[#] *A Mathole was appointed to the Committee on 1 January 2023.*

For the full Remuneration Committee report refer to page 125.

CORPORATE GOVERNANCE CONTINUED

NOMINATIONS COMMITTEE

The Nominations Committee is a sub-committee of the Board and meets on an *ad hoc* basis as required, but at least once a year. The Committee is chaired by the non-executive Chairman and comprises a majority of independent non-executive directors. The current members of the Committee are: Mr G A M Ravazzotti (Chairman), Mr S G Pretorius and Ms S M du Toit.

The Nominations Committee's key roles include the identification and evaluation of suitable candidates for appointment to the Board, as well as succession planning.

The Nominations Committee considers gender, race, culture, age, field of knowledge, skills and experience when nominating appointments of directors to the Board. The current Board composition is diverse in terms of both race and gender.

The Committee met once during the period under review. Attendance at the meetings was as follows:

Members	Attendance at meetings
G A M Ravazzotti	1/1
L R Langenhoven*	1/1
S G Pretorius	1/1
S M du Toit	1/1

* *By invitation.*

The Board considers the composition of the Nominations Committee to be appropriate for the needs of the Group at this time, and believes that the members are suitably equipped with the necessary knowledge, skills and experience.

SOCIAL AND ETHICS COMMITTEE

The Committee met three times during the year. Attendance at the meetings was as follows:

Members	Attendance at meetings
L A Foxcroft*	3/3
B G Wood*	3/3
S G Pretorius^	2/2
N P Khoza	3/3
A Mathole#	1/1

* *By invitation.*

^ *Stepped down from the Committee on 1 January 2023.*

Joined the Committee on 1 January 2023.

For the full Social and Ethics Committee report refer to page 67.

The Board considers the Committee's composition appropriate in terms of the necessary skills and experience of the members.

COMPANY SECRETARY

The Company Secretary is Ms E J Willis and she is neither a director nor a shareholder of Italtile or any of its subsidiaries. On that basis, the Board believes that Ms E J Willis maintains an arm's length relationship with the executives, the Board and the individual directors.

The Company Secretary is responsible for administering the proceedings and affairs of the directorate, the Company and, where appropriate, owners of securities in the Company, in accordance with the relevant laws. The Company Secretary is available to assist all directors with advice on their responsibilities, their professional development and any other relevant assistance they may require.

The Nominations Committee has considered the skills and experience of the Company Secretary and the level of competence she has demonstrated as Italtile's Group Company Secretary since 2009, and in her role as a Company secretarial consultant since 2001. The Board, on the recommendation of the Nominations Committee, is satisfied with the level of competence of the Company Secretary. It requires a decision of the Board as a whole to remove the Company Secretary, should this become necessary.

CODE OF BUSINESS AND ETHICS

The Group has adopted a formal code of business ethics and conduct ("the Code") which requires all directors and employees to act with honesty and integrity and maintain the highest ethical standards. The Code deals with compliance with laws and regulations through a system of values and standards.

The Board oversees and ensures that management throughout the Group assumes responsibility for training and mentoring staff on the Group's values and standards and ensuring compliance.

STAKEHOLDER COMMUNICATION

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

The AGM provides an opportunity to communicate directly with shareholders. The meeting provides a forum for shareholders to question and express their views about the Company's business. The Chairmen of the Audit and Risk and Remuneration Committees are available at the meetings to answer questions from shareholders.

Notice of the AGM ("Notice") and related documents are mailed to shareholders at least 15 business days before the meeting. Separate resolutions are proposed on each substantially different issue. The Notice is contained in the IAR.

The Group's executive management team meets with investors after the publication of interim and annual results.

SHARE DEALINGS

All directors of the Company are required to comply with the requirements of the JSE regarding inside information, transactions and disclosure of transactions.

In line with the Financial Markets Act, No 19 of 2012, the Board enforces a restricted period for dealing in Italtile shares, in terms of which any dealings in shares by all directors and senior personnel is disallowed from the time that the reporting period has elapsed to the time that results are released and at any time that such individuals are aware of unpublished price-sensitive information, whether the Company is trading under cautionary announcement as a result of such information or not.

RISK MANAGEMENT AND INTERNAL CONTROLS

Italtile recognises that managing risk and compliance is an integral part of generating sustainable shareholder value and enhancing stakeholder interests.

The Group has in place an enterprise risk management framework which is based on a combined assurance model comprising: management (divisional and executive directors); external auditor (PricewaterhouseCoopers Inc.); and support centre oversight (including the internal audit function). The structure of this model and its activities are designed to ensure that the Group's risks are adequately addressed.

The Board, assisted by the Audit and Risk Committee, is responsible for risk, risk tolerance determination, risk management within the Group, performance of risk assessments, the use of acceptable risk methodologies and the monitoring of risk on a continual basis.

The Board ensures there is regular assessment of financial and non-financial risks in the context of the Group's business environment, with a view to mitigating and/or eliminating risk through the Group's strategies and processes.

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

The Strategic management of material risks report on page 72 of this report discusses the Group's top risks and the management thereof in detail.

SUSTAINABILITY

Italtile is committed to good corporate citizenship practices and organisational integrity in the direction, control and stewardship of the Group's affairs.

The Group recognises the imperative to balance returns for shareholders with the long-term needs of the business, its employees, the broader society and the environment.

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

The Group philosophy is that a well-structured, efficiently implemented ESG strategy makes a significant contribution to the strength of the corporate brand and positions the business to create and unlock sustainable value for all stakeholders.

Shareholders, customers, employees, suppliers and business partners, franchisees, regulators and the communities in which the Group operates are regarded as key stakeholders.

King IV places emphasis on the principles of strategy, sustainability and governance and provides for greater integration of those elements. Accordingly, Italtile continues to strive to align the Group's practices with the recommendations of King IV.

Refer to pages 62 to 107 for further disclosures relating to sustainability.

TRANSFORMATION

Italtile is committed to empowerment in its business and is supportive of transformation in the country. The Group endorses the principles in the Employment Equity Act and aligns its HR policies accordingly. Refer to page 80 for the detailed Transformation report.

EMPLOYMENT EQUITY STATISTICS

As at 30 June 2023

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Skilled to top management	247	21	20	94	117	12	12	57	580
Semi-skilled and unskilled	1 289	42	10	37	465	24	5	25	1 897
Total	1 536	63	30	131	582	36	17	82	2 477

The above statistics apply to South African operations only and do not include the franchised stores. The Group submits its employment equity reports to the Department of Labour on an annual basis and has substantially met relevant targets in recent prior years.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to uplifting the communities in which it operates through following sound employment practices and meeting the real needs of those communities. Refer to pages 100 to 107 in this regard.

OCCUPATIONAL HEALTH AND SAFETY

Italtile complies with the Occupational Health and Safety Act, No 85 of 1993 and other relevant legislation, regulations and codes of practice for South Africa and other territories in which it operates. The aim of the Group's Health and Safety policies are to prevent and minimise work-related injuries and health impairments by ensuring that all employees are provided with adequate training and supervision to undertake their roles.

ENVIRONMENTAL MANAGEMENT

The Group's Citizenship Manager oversees the implementation of Italtile's long-standing environmental consciousness values across the business. Programmes are aimed at measuring, managing and reducing the Group's impact on the environment and promoting its long-term sustainability. This Citizenship Manager operates in conjunction with executive management, with a view to aligning and integrating the green agenda into the day-to-day processes and functioning of the business.

The Group's Environmental report is on page 84.

HUMAN CAPITAL DEVELOPMENT

Italtile strives to be the employer of choice in its industry. The Group's strategy is to recruit and retain the best people from the diverse communities in which it operates, and to ensure they are empowered, accountable for their actions and rewarded accordingly. Refer to page 78 in this regard.

SKILLS DEVELOPMENT

Training and development initiatives are formulated and conducted in-house, ensuring relevance to the Group's culture, values and strategy.

Training courses are designed for students ranging from beginners to intermediate and advanced levels. Training courses include an induction course for all new employees, as well as focused business, technical, management and corporate governance programmes. Training competencies have been mapped for all job titles to support consistent standards across the Group.

Over the past year, training and bursary spend on employees of the Group and franchisees amounted to R55 million (2022: R40 million).

ECONOMIC IMPACTS

Italtile is committed to satisfying the needs of its customers while delivering acceptable profit growth. The Group endeavours to create wealth for the benefit of all stakeholders.

The value added statement on page 59 is a measurement of the wealth the Group created in its operations by adding value to the cost of raw materials, products and services purchased. The statement shows the total wealth created and how that was distributed.

The statement also takes into account the amounts retained and reinvested in the Group for the replacement of assets and development of future operations.

REMUNERATION COMMITTEE REPORT

This report sets out Italtile's remuneration philosophy and policy for non-executive directors, executive directors and prescribed officers. It also provides a description as to how the policy has been implemented and discloses payments made to non-executive and executive directors and prescribed officers during the year under review.

The report focuses on the fixed and variable elements of executive remuneration, as well as fees paid to non-executive directors and uses the single-figure disclosure format. Assessed against King IV and the amended JSE Listings Requirements, the Remuneration Committee is satisfied with the Company's compliance.

In line with leading practice as prescribed by King IV, this report is divided into three sections:



SECTION 1

Background statement with feedback from the Chairperson of the Remuneration Committee

Dear stakeholder

Background statement

I am pleased to present the Remuneration report of Italtile for the year ended 30 June 2023.

The Committee has oversight of the remuneration practices and policies of the Group. It focuses on responsible remuneration practices across the Company and strives for fair, competitive and transparent remuneration.

The Committee is committed to:

- the principles of merit and 'pay for performance';
- ensuring that remuneration policies and practices effect alignment between the interests of executive management and shareholders;
- continuously monitoring pay levels to ensure market-related, competitive remuneration;
- ensuring fair pay and that there is no discrimination based on race or gender or any other factor; and
- narrowing the gap in compensation between executives and employees at lower levels to prevent unacceptable levels of inequality.

The Chairman of the Remuneration Committee engages extensively with a range of shareholders regarding the remuneration policy and packages.

The Company's remuneration policy was approved by 94,91% of shareholders and the Implementation report was approved by 93,46% of shareholders at the 2022 AGM.

REMUNERATION COMMITTEE AT A GLANCE

As tasked by the Board, the Committee assists in setting the Company's remuneration policy and reviews, recommends and approves the remuneration of executive and non-executive directors, prescribed officers and senior management (collectively referred to as 'the executive team').

A core responsibility of the Remuneration Committee is to ensure that the remuneration philosophy and policy support Italtile as follows:

- aligns the executive reward with the Group's commercial success and long-term sustainability; and
- supports the Group's strategic objectives and allows for the recruitment, motivation and retention of senior executives, ultimately maximising shareholder value while complying with relevant legislation and the requirements of King IV.

As per its terms of reference, the Committee's responsibilities are to:

- assist the Board in developing and setting the Group's remuneration policy;
- determine and approve the total remuneration of the executive team;
- review executive performance contracts;
- determine and approve the performance measures for the executive team;
- review the compensation basis and proposed average annual increases for the Group's employees;
- review remuneration and apply best practice and trends in order to ensure the appropriateness of the remuneration policy;
- review remuneration matters for executive team promotions, transfers and termination of employment;
- oversee any proposed major changes to employee benefit structures throughout the Group;
- review and recommend short and long-term incentive policies and targets for directors and executive management;
- set the participation principles for the various remuneration schemes;
- review and recommend performance management policies;
- ensure compliance with applicable laws and codes;
- advise on the fees for non-executive directors;
- review the Group's succession plan for the executive team; and
- review and evaluate the contribution of each member of the executive team and determine their salary adjustments on an annual basis, ensuring pay for performance and as a result, a high level of motivation, engagement and commitment.

Key decisions taken by the Remuneration Committee during the year under review include:

- approval of increases and adjustments for the executive team, as well as the framework for increases for all other employees;
- approval of short and long-term incentive structures and awards for the executive team, as well as the framework for all other employees;
- approval of the KPIs for the executive team; and
- recommendation of non-executive director fees for approval by the Board.

As required by the Companies Act and King IV, the following resolutions will be tabled for shareholder voting at the AGM, details of which can be found in the Notice:

- binding vote on non-executive directors' fees; and
- non-binding advisory vote on the Group's remuneration policy and Implementation report.

In the event that the remuneration policy or Implementation report is voted against by shareholders representing 25% or more of the voting rights, dissenting shareholders will be invited to engage with the Company. The manner and timing of such engagement will be communicated to these shareholders, if necessary.

The Committee Chairperson reports to the Board after each Committee meeting and attends the AGM to answer questions from shareholders on the Committee's area of responsibility.

The Committee is focused on responsible remuneration practices across the Company.

We recognise the need to retain top talent as it is a prerequisite to meet shareholder expectations. It is important that Italtile offers a competitive value proposition in remuneration and benefits.

REMUNERATION COMMITTEE COMPOSITION

The Remuneration Committee is a sub-committee of the Board and meets at least twice per annum. The Committee is chaired by an independent non-executive director and comprises four directors. The majority of directors on the Committee are independent.

Ms A M Mathole was appointed to the Committee on 1 January 2023.

The current members of the Committee are:

Mrs S M du Toit (Chairman), Mr G A M Ravazzotti, Ms A M Mathole and Mr S G Pretorius.

The Board considers the Committee's composition to be appropriate in terms of the necessary knowledge, skills and experience of its members.

The Italtile Group Company Secretary, E J Willis, attends all meetings of the Committee as secretary. The Chairman of the Board attends meetings by invitation. The CEO and CFO attend all meetings by invitation to provide input and guidance regarding executive team remuneration.

No attendee may participate in any discussion or decision regarding his or her own remuneration.

The Committee met three times during the year. Attendance at the meetings was as follows:

Members	Attendance at meetings
S M du Toit	3/3
G A M Ravazzotti	3/3
S G Pretorius	3/3
A M Mathole	2/3**
L R Langenhoven*	3/3
L A Foxcroft*	3/3
B G Wood*	3/3

* By invitation.

** Appointed on 1 January 2023.

We trust that this Remuneration report provides an accurate overview of the remuneration policy of the Company, its implementation and specifically an in-depth view on executive management remuneration in the past year.



Susan du Toit

Remuneration Committee Chairperson

22 September 2023

SECTION 2

Our remuneration philosophy, policy and framework

REMUNERATION PHILOSOPHY

Italtile is committed to maintaining pay levels that reflect an individual's worth to the Group. The Group's philosophy is to treat employees as business partners, developing their sense of ownership, and to pay for performance.

Our remuneration philosophy is governed by the principles of equity, fairness, pay for performance and affordability, ensuring alignment between management and shareholder requirements.

Remuneration policies are designed to attract, reward and retain the executive team and employees needed to deliver on the business strategy, as well as the key corporate objectives.

REMUNERATION POLICY

The remuneration policy subscribes to King IV recommendations and principles on which it is based including the following principles:

- remuneration practices are aligned with Company strategy;
- total rewards are set at competitive levels in the relevant market to ensure we attract, motivate and retain highly talented individuals;
- total rewards are managed to align to the principle of responsible and fair pay;
- total remuneration costs need to be affordable at an individual corporate entity level and justifiable to employees and stakeholders;
- incentive-based results are linked to achieving demanding performance conditions consistent with shareholder interest over the short, medium and long term; and
- performance measures and targets for incentive plans are structured to operate effectively throughout the business cycle and support the business strategy.

ELEMENTS OF REMUNERATION

Italtile has an integrated remuneration and reward model which includes guaranteed remuneration, and short and long-term incentives ("LTIs"). The components of total remuneration for permanent employees, prescribed officers and executives are fixed and variable remuneration.

Fixed remuneration comprises a basic salary and benefits, aligned to roles and performance. Variable remuneration comprises short and LTIs, aimed at retention of critical employees. Performance is measured against set performance indicators.

All employees share in Group profits, based on an individual's contribution to the Group. The Group has a minimum annual cost-to-company target of R134 000 per employee (2022: R125 000).

A new Staff Share Scheme for all employees of the Group and its franchisees was approved by shareholders in November 2022. The first awards under this new scheme were made to qualifying employees in March 2023. Awards to participants are in the form of units linked to shares held by a trust, and dividends accruing to participants from the date of issue of awards are retained by the trust to offset the future income tax liability of participants on vesting of the awards. Awards vest after three years if the participant remains in the employ of the Group or its franchisees.

The various elements of remuneration are outlined below.

Guaranteed salary for employees

Guaranteed salary is reviewed annually and positioned competitively against peers that are comparable in size, sector and business. Company performance, affordability, individual performance and average industry and sector increases are considered in determining any annual adjustment. Increases are generally inflation-linked and, where affordable, additional budget is allocated for adjusting remuneration levels that are not appropriately aligned to internal pay ranges and/or market rates for a specific job.

Benefits

Benefits offered to employees include medical aid, provident fund and other benefits relevant to Italtile.

Fair and responsible remuneration

Steps that have been taken to improve the lives of the most junior employees are as follows:

- the minimum monthly basic wage levels were increased to R7 700 for CTM (10%), R6 900 for TopT (11,3%) and R7 900 (9,7%) at Ceramic Industries with effect from 1 July 2023;
- assistance to buy property: pension-backed housing loans are offered through FNB;
- programmes helping employees manage their finances are available through our Employee Wellness Programme: Ask Nelson. Employees have access to qualified financial consultants who can assist with budgeting, saving, investments, debt counselling, wills and estate planning, home loans, insurance, personal tax, garnishee orders and vehicle finance;
- training programmes are run for incoming employees. CTM and TopT incoming employees are placed on a six-week induction programme, consisting of factory visits, practical plumbing and tiling courses, as well as sales training. In addition, they go through a four-week NQF 4 qualification in retail management over 12 months; and
- primary healthcare cover (medical assistance or insurance) has been introduced for full-time permanent employees, fully funded by the Company.

Incentives

The Italtile Group administers incentive schemes to encourage and reward delivery of its strategic priorities over the short, medium and long term. The short-term incentive focuses on achieving business targets in that financial year, while the long-term incentive closely aligns the interests of executives with shareholders over the longer term. It is also a retention mechanism.

Short-term incentives

All employees in the Group share in profit. Performance targets are not set for profit share, as the profit share is directly impacted by the profitability of the business, thereby ensuring a clear alignment between performance and pay. This is consistent for all levels of employees across the business and demonstrates the core principle of partnership.

The profit pool range is determined as a percentage of profits per business unit.

Executives take part in the Executive Profit Share Scheme. The Executive Profit Pool is 0,25% of Group profit before tax shared between the CEO and CFO on a shared unit basis:

- CEO: 60 units
- CFO: 40 units

The prescribed officer (the CEO of Ceramic Industries) shares in a percentage of Ceramic's profit. The profit pool at Ceramic for senior management is calculated as 0,89% of profit before tax, shared by five individuals. The CEO of Ceramic is allocated 31,7% (100/315 units) of the pool.

Long-term incentives

As per the policy on LTIs, there are three long-term incentive schemes within the Italtile Group, each rewarding performance in an appropriate manner, designed to reward and retain key personnel. The LTIs include:

- the Italtile Share Appreciation Rights Scheme ("SARS");
- the Italtile Retention Scheme; and
- the Ceramic Industries Share Retention Scheme.

Qualifying criteria for the LTIs are as per the executive scorecards.

- SARS
 - In accordance with the SARS, selected directors and employees of the Group are awarded a conditional share award linked to the value of notional Italtile Limited shares ("shares"). A total of 25% of the awards vest after three years from grant date, and the balance (75%) after five years. The value of an award is equal to the increase in the value of the shares between grant date and vesting date (the value at the latter date is defined as the volume-weighted average price of Italtile Limited shares as traded on the JSE over the 10 trading days preceding and including the vesting date).
 - The qualifying criteria specific to SARS awards are the short-term strategic initiatives and operational KPIs per the executive scorecards.
- The Italtile Retention Scheme
 - In line with the Group's remuneration philosophy of partnership and in accordance with the Group's recognition of the importance of efficient and transparent succession planning, Italtile established the scheme to retain and incentivise selected high-performing employees, identified by the Remuneration Committee from time to time, with a proven track record of their contribution to the growth and sustainability of the Group.

REMUNERATION COMMITTEE REPORT CONTINUED

- Performance targets for each award are set by the Remuneration Committee. The targets include HEPS, return on invested capital (“ROIC”) and individual performance targets as appropriate, considering the role of the employee, and are weighted at the time of the award.
 - Awards to participants are in the form of units linked to shares held by a trust, and participants receive dividends from the date of issue of units.
 - To the extent that the performance targets have been attained at the end of the five-year retention period, awards are automatically redeemable and shares are transferred to participants.
 - The number of shares allocated for all share schemes (“SARS”, existing Executive Retention Scheme and the new Retention Scheme) cannot exceed 154 999 923 shares, being 11,7% of issued shares.
 - The number of shares linked to units that may be acquired by any participant in terms of the scheme, when added to the number of Italtile shares which are issued and/or transferred to the same participant under the SARS, Italtile Retention Scheme and the former Executive Retention Plan, may not exceed 20 666 656 Italtile shares, being 1,6% of issued shares.
- Ceramic Industries Share Retention Scheme
 - This scheme is a mechanism to retain and reward selected high-performing Ceramic executives and senior management in line with the Group’s values and philosophy of partnership. Shares are held in escrow for participants without monetary payment being made for such shares. The consideration of the shares is the rendering of services by the participant over the retention period. Participants receive dividends from the date of issue of awards. The shares are held in escrow until the end of the retention period of five years, at which time the shares are transferred out of escrow to the participant if performance targets are achieved.

Executives and prescribed officers are encouraged to build a meaningful shareholding in the Company over time. The guideline from the Remuneration Committee is for executives to hold between 0,5% and 1,5% of issued shares.

Malus and clawback

The Committee has the discretion to clawback the pre-tax proceeds of variable pay including any short-term incentives, discretionary payments or share awards received by employees and/or directors in the case of a trigger event.

A trigger event would include, *inter alia*:

- the discovery of material misstatement of the financial statements, in terms of which the discretionary payment was made, to which the Board is satisfied that the employee has contributed or is responsible for;
- the discovery that the assessment of any metrics upon which the award was made was based on erroneous, inaccurate or misleading information;
- any action or conduct which, in the reasonable opinion of the Board, amounts to dishonesty, misbehaviour, fraud or misconduct;
- the discovery of a material failure in risk management to which the employee had contributed to or is responsible for; and/or
- the discovery that performance related to financial and non-financial targets was misrepresented and such misstatement led to the over-payment of incentives.

The clawback applies for three years after the discretionary payment is made, or in the case of share schemes, three years after the awards have vested.

EXECUTIVE AND KEY MANAGEMENT PERFORMANCE MANAGEMENT

Executive and key management’s performance is measured in the following categories, with specific performance targets/indicators per category, namely:

- financial performance (growth in trading profit and HEPS, and return on shareholders’ interest (“ROSI”));
- strategic plan objectives per five-year plan;
- operations;
- human capital;
- B-BBEE;
- customer satisfaction and operational excellence;
- cultural fit/values;
- stakeholder relations; and
- ESG.

Targets are set per each individual scorecard. Financial targets carry a weighting of 70% (HEPS, operating profit and ROSI). The other KPIs carry a weighting of 30%.

The Remuneration Committee believes that the set of KPIs as per the executive scorecard agreed with the CEO, is suitably challenging.

ESG matters have become more prominent globally. Given the appreciation of material sustainability issues facing our business and the strategic importance of building a sustainable business, additional tangible KPIs related to ESG matters have been included in the year-end scorecards from 2021, in order to improve the link between ESG and remuneration.

The outcome of the performance evaluation of the CEO is disclosed in the Implementation report to follow.

SERVICE CONTRACTS OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

Executive directors and prescribed officers have permanent contracts, and the notice period prescribed by the contracts is one calendar month. Contracts are regularly reviewed to ensure they remain aligned with governance and legislative requirements.

NON-EXECUTIVE DIRECTOR FEES

- Non-executive director appointments are made in terms of the Company's MOI and confirmed at the AGM of shareholders after the appointment.
- Fees reflect the directors' role and Committee membership and are not linked to Italtile's share price. A fee applies to any additional *ad hoc* work but not exceeding 100 hours a year above Board and Committee meetings.
- Fees are reviewed by the Committee annually and require approval from shareholders at the AGM.
- Non-executive directors do not participate in any of the Company's short or long-term incentive plans and they are not employees of the Company.
- The recommendation of the Remuneration Committee on the proposed fees is submitted to the Board for consideration before being proposed to shareholders for consideration and approval at the AGM.

Non-executive director fees for 2023 are tabulated in the Implementation report overleaf.

USE AND JUSTIFICATION OF REMUNERATION BENCHMARKS

The Remuneration Committee reviews remuneration and Board-leading practice and remuneration trends to assess competitiveness in the market. External remuneration benchmark reviews published by PwC, EY and the Institute of Directors in South Africa are reviewed and taken into account when determining pay levels and structures.

NON-BINDING ADVISORY VOTE

Shareholders are requested to cast a non-binding advisory vote on section 2 of this Remuneration report (remuneration policy).

REMUNERATION COMMITTEE REPORT CONTINUED

SECTION 3

Implementation report and remuneration disclosure of executive directors and prescribed officers

The Implementation report details the outcomes of implementing the approved policy in section 2 of this report.

The financial performance in the last year has been disappointing as sales volumes declined and profits did not grow at anticipated levels. Total system-wide turnover grew by 1% to R11,5 billion (2022: R11,3 billion).

Input cost inflation and decreased volumes contributed to lower profits. The Group's trading profit declined by 15% to R2,3 billion (2022: R2,7 billion).

While the results failed to meet expectations, the largely solid performance was achieved under very difficult trading conditions.

Despite the performance, the Group considered the current economic conditions, and our competitiveness and the following salary increases were approved effective 1 July 2023:

- Under-achievers 0 – 3%;
- Achievers 6 – 7%; and
- Superior achievers 8%.

In accordance with the Group's commitment to fair pay and being cognisant not to increase the wage gap, the following minimum basic adjustments will be implemented as from 1 July 2023:

Minimum basic salary	1/7/2023 – 30/6/2024	1/7/2022 – 30/6/2023	% increase
CTM	R7 700	R7 000	10%
TopT	R6 900	R6 200	11,3%
Ceramic Industries	R7 900	R7 200	9,7%

PERFORMANCE ASSESSMENT OUTCOME FOR THE CEO

The key performance areas for the CEO for the year under review were as per KPIs set for each category of the scorecard, as done in prior years. Below is an extract of some key KPIs and an assessment of performance against targets set.

	Notes and targets	Assessment
Financial (70%)	<p>Group-wide trading profit declined by 15% and HEPS declined by 13%, compared to growth targets of CPI +5%.</p> <p>Group working capital decreased by R101 million compared to a target of R40 million.</p> <p>ROSI of 22,6% was achieved compared to a target of 23%.</p>	Under-achieved
Strategic (5%)	<p>Retail tile sales volumes declined.</p> <p>Online sales contribution grew by 12%, target achieved.</p> <p>The target of 10 new stores in SA and Africa was met.</p> <p>Non-productive assets as per target were sold.</p> <p>Proposal for power island in Vereeniging was presented to the Board.</p> <p>The expansion plan for NCI was finalised.</p>	Achieved

	Notes and targets	Assessment
Operations (5%)	<p>Performance culture and productivity measures for the retail business improved.</p> <p>Sales per person for the retail division improved.</p> <p>Units per person for the manufacturing division declined.</p> <p>Various cost leadership and productivity initiatives were successful and showed improvements.</p>	Achieved for the retail business but under-achieved for manufacturing
Human capital (5%)	<p>Health and safety scores and employee engagement scores improved.</p> <p>Factory manager and store operator pipeline targets were not achieved.</p>	Under-achieved
B-BBEE (2,5%)	Level 3 B-BBEE, transformation targets and skills development spend targets were achieved.	Achieved
Customer experience (2,5%)	<p>A new CRM platform was implemented. In-store customer experience was improved. Net promoter score was maintained or improved across all three retail brands.</p> <p>Online experience and content were improved.</p>	Achieved
Cultural fit/values (5%)	Core values of partnership, hands-on approach, performance driven, entrepreneurial flair, high work ethic, transparency in communication, dignity, empowerment, integrity, and customer first were instilled and upheld.	Achieved
ESG (5%)	<p>Solar power infrastructure was expanded.</p> <p>Carbon emissions per unit produced was not reduced.</p> <p>ESG reporting framework was developed.</p> <p>Social investments through the Italtile and Ceramic Foundation and corporate social initiatives made meaningful impact.</p> <p>Supplier and enterprise development initiatives were supported and local products sold by local people were prioritised.</p>	Achieved

Given the financial results compared to targets for the year, the executives' and prescribed officer's performance is considered as 'under-achieved' for the year. Financial targets weigh 70% of the overall scorecard, and the balance of the KPIs 30%. Good progress was made in other areas and management are commended for their resilience and focused approach under difficult trading conditions.

Although key performance indicators can be further improved, the following successes are noteworthy:

- Group-wide working capital reduced by R101 million year on year;
- Online sales as a percentage of Group sales improved;
- Productivity measures for the retail businesses improved;
- Like-on-like cost growth was contained through cost leadership disciplines; and
- B-BBEE and transformation targets were achieved.

Areas for improvement include increasing tile sales volumes, improving manufacturing productivity measures and growing the factory manager and store operator pipelines.

REMUNERATION COMMITTEE REPORT CONTINUED

EXECUTIVE PERFORMANCE IMPACT ON REMUNERATION

The outcome of the performance assessment directly impacts decisions on guaranteed pay, short-term incentives and LTIs, as illustrated in the table below.

Description	Assessment of performance	Impact on executive remuneration
Guaranteed basic salary	<p>The rating for the CEO and CFO was 'under-achieved' due to the non-achievement of the financial targets.</p> <p>Good progress was made in other areas as noted above.</p>	<p>Performance-based increases approved:</p> <ul style="list-style-type: none"> • CEO: 3% • CFO: 3% <p>Adjustment to guaranteed pay: 7%. See note on benchmarking on page 135.</p> <p>The prescribed officer resigned effective 30 June 2023 and his successor was appointed with effect from 1 July 2023, hence no increase applicable.</p>
Short-term incentives (STIs)	<p>0,25% of Group profit before tax is shared between the CEO and CFO on a shared unit basis:</p> <ul style="list-style-type: none"> • CEO: 60 units • CFO: 40 units <p>The prescribed officer shares in a percentage of Ceramic's profit. The Ceramic's profit share pool for senior management is 0,89% of profit before tax and the CEO is allocated 31,7% of the pool.</p>	<p>Executives and the prescribed officer shared in profit as disclosed in the table below.</p> <p>Profit share across the Group is a core remuneration principle. As profits decrease, so does profit share, linking pay to performance. The pool remains constant unless the number of participants change.</p> <p>Group profit before tax decreased by 15%, and the direct impact on executive STIs can be seen:</p> <p>Like-on-like STI pool*:</p> <ul style="list-style-type: none"> • 2023: R6,1 million • 2022: R7,1 million <p>* Excludes the payments made to J N Potgieter in the prior year.</p>
Long-term incentives (LTIs)	<p>Awarded to high-performing, high-potential employees, and executives in line with the Group's philosophy of partnership. LTIs are subject to performance conditions.</p> <p>Performance targets for each award are set by the Remuneration Committee. The targets include HEPS, ROIC and individual performance targets as appropriate, considering the role of the employee, and are weighted at the time of the award.</p>	<p>Both executives and the prescribed officer share in LTIs as disclosed in this section of the report.</p> <p>No new retention awards were made to executives. A retention award was made to the newly appointed prescribed officer.</p>

BENCHMARKING OF GUARANTEED PAY AND SHORT AND LTIs

On review of industry and JSE benchmarks, it became evident that the historic basic salaries were low compared to the market.

The required adjustment to the basic salaries of the executives was further highlighted by recent appointments to senior management at basic salaries equal/higher than the historic guaranteed pay of the CFO.

The August 2022 executive directors' practices and remuneration trends report, published by PwC, shows the following Total guaranteed package ("TGP") for medium cap companies:

- CEOs: R6,22 million for the lower quartile and R11,15 million for the upper quartile; and
- CFOs: R3,56 million for the lower quartile and R6,36 million for the upper quartile.

Further internal sector benchmark reviews confirmed that the executives' guaranteed pay was low compared to the market.

The Remuneration Committee approved an adjustment of 7% to the basic salary of the CEO and CFO, in addition to the 3% performance-based increase.

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' PARTICIPATION IN SHARE INCENTIVE SCHEMES

Executive directors' holdings under the SARS are set out in the table below.

Changes in directors' interest in the stated share capital of the Company after financial year-end, as well as participation in share incentive schemes, were announced on SENS on 6 September 2023.

Directors' participation in share incentive schemes

Directors' holdings under the Share Appreciation Rights Scheme are set out in the table below:

Director	Awards held at 1 July 2022	Awarded during the year	Vested and exercised during the year	Forfeited during the year	Awards held at 30 June 2023
B G Wood	1 350 000	-	-	-	1 350 000

Note: Directors no longer participate in new awards under the Share Appreciation Rights Scheme but rather only in the Italtile Retention Scheme.

Directors' and prescribed officers' holdings under the Italtile Retention Scheme are set out in the table below:

Executive director/ Prescribed officer	Awards held at 1 July 2022	Awarded during the year	Vested and exercised during the year	Forfeited during the year	Awards held at 30 June 2023
B G Wood	1 500 000	-	-	-	1 500 000
L A Foxcroft	4 500 000	-	-	-	4 500 000

REMUNERATION COMMITTEE REPORT CONTINUED

Directors' participation in share incentive schemes continued

Prescribed officers' holdings under the Ceramic Industries Retention Scheme are set out in the table below:

Executive director/ Prescribed officer	Awards held at 1 July 2022	Awarded during the year	Vested and exercised during the year	Forfeited during the year	Awards held at 30 June 2023
T Molefakgotla*	50 000	–	–	(50 000)	–
G Maartens**	25 000	–	(4 839)	–	20 161

* Resigned on 28 April 2023.

** Appointed on 24 May 2023 as a prescribed officer.

Refer to note 6 for further details pertaining to these schemes.

Directors' remuneration

All figures in R'000	Salary	Short-term incentives	Provident fund and medical aid contributions	Gain on share scheme awards	Other	Total 2023	Total 2022
Executive directors							
L A Foxcroft	4 087	3 645	685	13 374	1 610	23 401	21 824
B G Wood	2 732	2 430	451	4 458	368	10 439	12 548
J N Potgieter*	–	–	–	–	–	–	11 937
2023	6 819	6 075	1 136	17 832	1 978	33 840	
2022	9 271	9 369	1 420	25 194	1 055		46 309

* Retired on 31 December 2021.

All figures in R'000	Salary	Short-term incentives	Provident fund and medical aid contributions	Gain on share scheme awards [†]	Other	Total 2023	Total 2022
Prescribed officers							
T Molefakgotla*	2 719	2 908	654	–	359	6 640	10 785
G Maartens**	160	1 027	49	44	29	1 309	–
2023	2 879	3 935	703	44	388	7 949	
2022	3 123	3 665	726	2 860	411		10 785

[†] IFRS 2 expense recognised for the Ceramic Industries Schemes.

* Resigned on 28 April 2023.

** Appointed on 24 May 2023 as a prescribed officer.

NON-EXECUTIVE DIRECTORS' FEES

Payments to non-executive directors

All figures in R'000	Board fees	Other	Total 2023	Total 2022
Non-executive directors				
G A M Ravazzotti	2 050	–	2 050	1 933
L R Langenhoven	416	–	416	400
S M du Toit	960	–	960	920
S G Pretorius	763	–	763	697
N P Khoza	501	–	501	435
I N Malevu [#]	–	–	–	391
L C Prezens	608	–	608	279
J N Potgieter	370	–	370	151
A M Mathole ^{##}	473	–	473	–
2023	6 141	–	6 141	
2022	5 206	–		5 206

[#] Resigned 31 July 2022.

^{##} Appointed 1 June 2022.

The following fixed fees excluding VAT were in place for the year under review:

Basic annual fee	R126 000
Board meeting fee	R30 450
Committee fee	R25 515
Chairman of Committee	R31 605
Strategy session	R36 540
Chairman of the Board	R1 522 500

Hourly rate for *ad hoc* work, not exceeding 100 hours a year: R4 335 per hour.

BOARD MEETING ATTENDANCE OF EXECUTIVE DIRECTORS

Executive directors and prescribed officers do not draw any additional remuneration for attending the main Board or Committee meetings.

NON-BINDING ADVISORY VOTE

Shareholders are requested to cast a non-binding advisory vote on section 3 of this Remuneration report.

STAKEHOLDER ENGAGEMENT

We value our continued engagement with various stakeholders, and we endeavour to maintain our relationships with all in the hope that we will continue to receive their valued input.

APPROVAL

This Remuneration report was approved by the Board of directors of the Company on 22 September 2023.

FINANCIAL STATEMENTS

We continued to invest in people, technology and capital expenditure projects across the business to deliver an unrivalled shopping experience and a one-stop solution to customers. Disappointingly, we failed to achieve our performance targets in the South African businesses, although our East African and Australian operations reported good results.



DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for both the preparation and integrity of the consolidated and separate financial statements and related financial information contained in the IAR. In their opinion, the consolidated and separate financial statements fairly represent the Group's financial position and results of operations. It is the responsibility of the independent auditor to report on the consolidated and separate financial statements. Their report to the members of the Company is set out on pages 148 to 151. In order for the directors to discharge their responsibility, the Group maintains adequate accounting systems, risk control procedures and accounting records. A system of internal control, focused on critical risk areas and designed to provide reasonable assurance that assets are safeguarded, and that the risk of error, fraud or loss is reduced in a cost-effective manner, has been implemented. All controls are frequently monitored and subject to review and audit. There was no material breakdown in the system of internal control during the year under review.

The Group adopts appropriate accounting policies and the consolidated and separate annual financial statements are prepared in accordance with IFRS and the requirements of the Companies Act 71 of 2008 of South Africa ("Companies Act"). The consolidated and separate financial statements incorporate full and meaningful disclosure, and have been prepared using reasonable and proven judgements and estimates.

The consolidated and separate financial statements have been prepared under the supervision of the CFO, Mr B G Wood CA(SA), and have been audited in terms of the Companies Act.

WEBSITE AND ELECTRONIC DISTRIBUTION

The directors of the Company are responsible for the controls over, and the security of the website and, where applicable, establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders and the Companies and Intellectual Property Commission.

GOING CONCERN

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

CODE OF ETHICS

The directors have complied with the Group's Code of Ethics.

COMPLIANCE

The directors confirm that the Company is compliant with the provisions of the Companies Act, specifically relating to its incorporation, and is operating in conformity with the MOI.

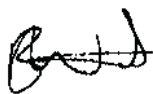
APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the Company and the Group set out on pages 152 to 207 were approved by the Board on 22 September 2023 and signed on its behalf by:



L A Foxcroft
Chief Executive Officer

22 September 2023



B G Wood
Chief Financial Officer

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

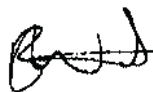
Each of the directors, whose names are stated below, hereby confirm that:

- the annual financial statements set out on pages 152 to 207, fairly present in all material respects the financial position, financial performance and cash flows of the Company and Group in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the Company and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the Company and Group;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.



L A Foxcroft
Chief Executive Officer

22 September 2023



B G Wood
Chief Financial Officer

COMPANY SECRETARY'S CERTIFICATE

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



E J Willis
Company Secretary

22 September 2023

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES OF THE COMPANY

Retail

Italtile Limited ("Italtile" or "the Company" or "the Group"), headquartered in Bryanston, Johannesburg, is a leading manufacturer, retailer and franchisor of tiles, bathroomware and related products in South Africa.

Franchising

The Group operates as a franchisor, featuring a streamlined parent operation focused on growing market share and fostering entrepreneurial opportunities through its franchise and joint-venture programmes.

The Group is represented via its high-profile branded retail outlets, Italtile Retail, CTM and TopT, which cater to homeowners across the income spectrum, holding appeal for market segments ranging from the premium upper-end to entry-level consumers. These stores are situated on high-visibility sites and/or close to underserved markets, and their comprehensive offerings position them as one-stop solution destinations. The Group also has an online presence, with webstores operating for all retail brands and across multiple territories. Ranges include ceramic and porcelain wall and floor tiles, sanitaryware, bathroom furniture, brassware, fittings, accessories, laminate and vinyl flooring, shower enclosures, paint, home-finishing products, lighting, décor and tools.

As at 30 June 2023, the store network comprised 216 stores, including seven webstores (2022: 211 stores including six webstores), situated in Southern and East Africa. Direct webstore sales continue to represent a minor component within overall retail sales.

Property investment

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 enhance Italtile's positioning as a destination retailer. The Group's manufacturing operations comprise well-maintained state-of-the-art factories which are supplied with high-quality raw materials sourced from productive quarries.

Supply chain

The Group's vertically integrated supply chain includes International Tap Distributors ("ITD"), an importer and distributor of brassware and accessories, and Cedar Point, an importer and distributor of sanitaryware, laminated and vinyl boards, shower enclosures, bathroom furniture and décor. The Group holds a controlling interest in both of these businesses. ITD and Cedar Point service the Italtile Retail, CTM and TopT retail network.

The Group's Distribution Centre, which has facilities in KwaZulu-Natal and the Western Cape, sources imported products and provides warehousing and distribution facilities to CTM, Italtile Retail and TopT. It is also responsible for arranging import services, logistics and foreign exchange for the Group's retail brands as well as ITD and Cedar Point.

Manufacturing

Ceramic Industries (Pty) Ltd ("Ceramic")

The Group holds an effective 98,06% stake in Ceramic, its largest supplier of tiles, sanitaryware and baths. Ceramic delivers tactical advantages by supporting the Group's growth programme through supply of local high-quality, affordable products.

Ezee Tile Adhesive Manufacturers (Pty) Ltd ("Ezee Tile")

The Group holds an effective 98,06% stake in this business, a national manufacturer of grout, paint, adhesive and related products.

STATEMENTS OF RESPONSIBILITY

The responsibilities of the Group's directors are detailed on page 140 of this report.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee report which discusses the responsibilities of this Committee and how these were discharged during the year appears on page 146.

FINANCIAL REVIEW

The challenging trading conditions reported in the first half of the year worsened in the second half as living costs and interest rates continued to rise, putting further pressure on homeowners experiencing high levels of unemployment and real wage decreases.

Difficult trading conditions and internal inefficiencies impacted negatively on the Group's performance, with disappointing results in the South African businesses, although our East African and Australian operations reported better results. While our resilient business model and high-performance culture stood us in good stead, we regret that opportunities for growth were missed, specifically in the manufacturing operations.

System-wide turnover

System-wide turnover across the Group increased by 1% to R11,5 billion (2022: R11,3 billion). Like-for-like retail store turnover (excluding sales of stores opened and closed during the period) decreased by 0,3% and manufacturing sales for the year under review increased by 3,7% compared to the previous corresponding period.

Trading profit

Reported trading profit decreased by 15% to R2,3 billion (2022: R2,7 billion). Like-for-like operating cost growth increased by 8,4%, with stock control costs, property costs and manpower costs being well-managed.

Earnings per share

The Group's basic earnings per share decreased by 13% to 132,6 cents (2022: 152,0 cents), while HEPS decreased by 13% to 132,3 cents (2022: 152,1 cents).

Property, plant and equipment

During the year under review, capital expenditure of R671 million was incurred including R74 million on the new Ezee Tile factory, R48 million on the Betta Robotic warehouse, R37 million on the Vitro Poppi Kiln replacement, with the balance of the spend being on retail property enhancement and factory upgrades.

Cash and cash equivalents

At 30 June 2023, the cash balance was R1 049 million (2022: R431 million). Material cash outflows for the period include:

- capital expenditure of R671 million (2022: R1 024 million);
- tax payments of R633 million (2022: R755 million);
- repurchase of shares held by Four Arrows Investments 256 Proprietary Limited to the value of R77 million. Shareholders are referred to the detailed announcement published on the Stock Exchange News Services ("SENS") on 15 December 2022; and
- total dividend payments of R785 million (2022: R1 404 million).

The Group's net asset value per share at 30 June 2023 increased to 641,8 cents (2022: 575,0 cents).

PROSPECTS

The challenging socio-political and economic conditions are likely to persist.

Opportunities for growth lie in our focus areas for the forthcoming year. These include: growing sales and market share through leading products and service, improving execution of operational excellence and efficiency, and developing our teams and depth of leadership. We will pursue our purpose-driven approach to responsible citizenship and sustainability.

Despite our confidence that operational improvements can be made in the business, we are mindful that the economic environment will determine consumer demand in the market.

Notwithstanding this challenge, we will continue to focus on the growth levers within our control and influence. The Group has a 54-year track record of trading through turbulent periods and we believe our market leading brands, our factories' latest technology and high-performance culture provide opportunities to improve our performance. While market conditions remain uncertain in South Africa, the long-term dynamics of the housing market remain favourable, and the Board has confidence in the Group's proven business model and experienced teams.

STATED CAPITAL

The authorised share capital remains unchanged at 3 300 000 000 shares of no par value. Issued share capital remains unchanged at 1 321 654 148 shares of no par value (2022: 1 321 654 148).

ORDINARY CASH DIVIDEND ANNOUNCEMENT

The Board declared a final gross cash dividend (number 114) for the year ended 30 June 2023 of 21,0 cents per ordinary share to all shareholders recorded in the share register of Italtile as at the record date of Friday, 15 September 2023. The dividend cover remains at two-and-a-half times.

This final dividend, together with the interim gross ordinary cash dividend of 32,0 cents per share, produces a total gross ordinary cash dividend declared for the year ended 30 June 2023 of 53,0 cents per share (2022: 61,0 cents).

DIRECTORS' REPORT CONTINUED

DIRECTORATE

The details of the directors of the Company are set out on pages 4 and 5 of this report.

Changes in directorate

As announced on SENS on 13 February 2023, with effect from 30 June 2023 the Group's founder, Mr Giovanni Ravazzotti, retired from his position as non-executive Chairman of the Board and assumed the role of non-executive director. He remains active in the business in his new position. Ms Luciana Ravazzotti Langenhoven, who had served as non-executive Deputy Chairman since 2018, succeeded Mr Ravazzotti as non-executive Chairman of the Board. This transition is part of the Group's long-standing succession programme. Ms Ravazzotti Langenhoven has over 30 years of experience with the Group.

DIRECTORS' SHAREHOLDING AND OTHER INTERESTS

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

Other than disclosed in note 36, none of the directors or officers of the Company had any interest in any contracts which significantly affected the affairs or business of the Company or its subsidiaries during the year.

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

The directors' beneficial and non-beneficial interest in the stated share capital of the Company at the reporting date is set out in note 36.

DIRECTORS' PARTICIPATION IN SHARE INCENTIVE SCHEMES

Directors' holdings under the Share Appreciation Rights Scheme, Executive Retention Plan and Italtile Retention Scheme as at 30 June 2023 are set out in note 36.

DIRECTORS' EMOLUMENTS

All emoluments paid to directors are short term in nature, other than gains on long-term share incentive plans, and contributions to medical aid and provident fund.

The remuneration of both executive and non-executive directors is determined by the Remuneration Committee. Other benefits include once-off benefits paid and the fringe benefit value of company cars for executive directors, and fees for services rendered by non-executive directors or as otherwise noted. Refer to note 36 for detailed disclosure relating to directors' remuneration.

SUBSIDIARY COMPANIES

Details of the Company's interest in its subsidiaries are set out on pages 205 and 206.

The Company's interest in the profits or losses after taxation and the non-controlling shareholders' interest of its subsidiaries (direct and indirect) is:

	2023 Rm	2022 Rm
Profits	1 605	1 850

CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 110 to 124.

SHAREHOLDERS

An analysis of the shareholdings of the Company appears on page 208.

EMPLOYEES

As at 30 June 2023, the Group permanently employed 2 477 employees (2022: 2 652).

SPECIAL RESOLUTIONS

At the AGM of shareholders held on Friday, 11 November 2022, three special resolutions were approved by the requisite majority of votes, namely: authorising the Company to purchase its own shares; authorising the Company to provide financial assistance to related and inter-related entities; and approving the Company's non-executive directors' fees.

Full details of the special resolutions passed will be made available to shareholders on request.

SHARE SCHEMES

Details related to share schemes operated by the Group are disclosed in note 6. The schemes include:

- Italtile Staff Share Scheme, which replaces the previous staff share scheme, for all employees of the Group and its franchisees who meet certain qualifying criteria;
- Share Appreciation Rights Scheme ("SARS") in accordance with which selected directors and employees of the Group will receive a conditional right to receive a share award as determined by the rules of the plan and scheme;
- The Italtile Retention Scheme is an additional mechanism, over and above the SARS, to retain and reward selected employees and directors of the Group; and
- Ceramic Industries Share Retention Scheme is a mechanism to retain and reward selected high-performing Ceramic Industries executives and senior management.

BORROWING POWERS

In terms of the MOI, the Company has unlimited borrowing powers.

AUDITOR

At the AGM of 11 November 2022, shareholders approved the reappointment of PricewaterhouseCoopers Inc. as auditor for the 2023 financial year, with Mr T J Howatt being the individual registered auditor undertaking the audit.

COMPANY SECRETARY

The Company Secretary is Ms E J Willis, whose business and postal address is:

Registered office: The Italtile Building
Corner William Nicol Drive and
Peter Place
Bryanston 2021

Postal address: PO Box 1689
Randburg 2125

Telephone number: +27 (11) 510 9000
Fax number: +27 (11) 510 9060

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee ("Committee") presents its report for the year ended 30 June 2023. The report has been prepared in accordance with the requirements of the Companies Act, King IV and the JSE Listings Requirements.

OUR MANDATE

The Committee is constituted as an independent statutory committee in respect of its duties in terms of section 94(7) of the Companies Act and has been delegated the responsibility to provide meaningful oversight of the effectiveness of the internal and external audit functions and ensure that a sound risk management and system of internal controls is maintained.

A formal Audit and Risk Committee Charter ("Charter"), approved by the Board, guides the Committee in terms of its mandate (objectives, authority and responsibilities). The Charter is reviewed annually and, if necessary, amended to meet market, regulatory and statutory requirements.

OUR ROLE

The role of the Committee is, *inter alia*, to:

- review the effectiveness of the Group's systems of internal control, including internal financial control and risk management, and ensure that effective internal control systems are maintained;
- oversee the risk management process;
- review financial statements for proper and complete disclosure of timely, reliable and consistent information and confirm that the accounting policies used are appropriate;
- deal with concerns and complaints relating to accounting policies, internal audit, external audit or content of the IAR and internal financial controls;
- nominate the appointment of the external auditor as the registered independent auditor after satisfying itself through enquiry that the auditor is independent as defined in terms of the Companies Act;
- determine the fees to be paid to the external auditor and the terms of engagement;
- ensure that the appointment of the external auditor complies with the Companies Act, as well as the JSE Listings Requirements and any other legislation relating to the appointment of the auditor; and
- approve the scope of non-audit services, which the external auditor may provide to the Group and pre-approve any non-audit services to be provided by the external auditor.

ATTENDANCE AND COMPOSITION OF THE COMMITTEE

The Committee consists of four independent non-executive directors, with three forming a quorum. The members have the necessary financial literacy, skills and experience to execute their duties effectively. The management team is regularly engaged, and the Group's internal auditor and the external auditor have direct access to the Committee, including closed sessions without management, on any matters that they regard as relevant to the fulfilment of the Committee's responsibilities.

The Committee provides independent oversight of the effectiveness of the Group's assurance and compliance functions, with particular focus on a combined assurance model comprising

management, internal audit and external audit. The Committee ensures the integrity of the annual financial statements and, to the extent delegated by the Board, other governance matters, and external reports issued by the Group.

Non-executive directors	Attendance at meetings
Ms L C Prezens (Chairman)	5/5
Ms S M du Toit	5/5
Ms N P Khoza	5/5
Mr S G Pretorius	5/5
Ms L R Langenhoven*	5/5

* By invitation.

The Committee met five times during the year under review. The Chairman, CEO, CFO, external audit partner, the Head of Internal Audit and the Head of IT attend meetings by invitation. The Company Secretary, Ms E J Willis, attends and minutes all meetings of the Committee.

RISK MANAGEMENT AND COORDINATION OF ASSURANCE ACTIVITIES

The Committee oversees the risk management process. At least one Committee meeting a year is dedicated to the detailed review of the Group's risk assessment including IT risks. The Committee coordinates all assurance activities using the Group's combined assurance model.

Internal audit

The internal audit function provides assurance on the adequacy of the internal control environment across the Group's significant operations. The role of internal audit is contained in the internal audit Charter, which is reviewed annually by the Committee.

Independence and objectivity are maintained through the internal audit's appropriate organisational positioning, reporting functionally to the Committee and administratively to the CFO. Internal Audit regularly reports its findings and recommendations to the Committee and senior management and joins each Committee meeting as an invitee.

The Committee is responsible for the appointment and removal of the Head of Internal Audit and the assessment of his performance. The Head of Internal Audit has direct and unrestricted access to the Chairman of the Committee and regular meetings are held between both.

The Committee has considered the above and is satisfied with the effectiveness of the internal audit function. The Committee has also considered and is satisfied with the expertise and experience of the Head of Internal Audit.

External auditor

During the year under review, the Committee, in consultation with executive management, approved the external audit plan and fee proposal. The Committee was provided with the information detailed in paragraph 22.15(h) of the JSE Listings Requirements by PwC and Mr Thomas Howatt. This information was used by the Committee to assess audit quality and the suitability for appointment of both PwC and Mr Thomas Howatt.

The Committee is satisfied that PwC is independent of the Company whose review included the criteria for independence specified by the Independent Regulatory Board for Auditors and the Companies Act. The Chairman of the Committee has regular discussions and meetings with the external auditors, independently of management.

The Group has a clearly defined non-audit services policy, which is strictly followed. The extent of non-audit services is minimal and is continuously monitored, with no excessive, unusual or unnecessary engagements noted.

The Committee is of the view that the Group received a high-quality external audit considering the standard of audit planning and scope of activities performed. The Committee met with PwC prior to the approval of this report to discuss key audit matters, the Group's annual financial statements, commentary thereon and general matters.

The Committee has ensured that the appointment of PwC is presented and included as a resolution at the AGM pursuant to section 61(8) of the Companies Act.

Financial function

In accordance with the JSE Listings Requirements, the Committee must consider the appropriateness of the expertise and experience of the CFO of the Company on an annual basis.

The Committee is satisfied that Mr Brandon Wood possesses the appropriate expertise and experience to meet his responsibilities as the Group's CFO.

The Committee confirmed that the finance function meets the King IV requirements to fulfil all financial reporting and control functions. Further, we are satisfied that the composition, experience, and skill set of the finance function are adequate to fulfil all financial, control and reporting requirements of the Group.

Whistle-blowing

The independent external whistle-blowing lines operated effectively for the year under review. Instances of whistle-blowing are reported to the Chairman of the Committee. At the reporting date, the Committee is satisfied that there were no material matters reported.

Internal financial controls

Based on the results of work done by the internal audit function and external auditor on the Group's system of internal financial controls, and considering feedback and information from management, the Committee is of the view that the Group's system of internal financial control was effective for the period under review and that it formed a reliable basis for the preparation of the Group's financial statements.

Financial statements

The Committee reviewed the financial statements of the Company and the Group and is satisfied that they comply with IFRS and that the accounting policies applied are appropriate.

The Committee believes that the Company has, with consideration of all entities included in the consolidated Group IFRS financial statements, established appropriate financial reporting procedures and that those procedures are operating effectively.

IT governance

The Committee periodically reviews the Group's maturity in respect of IT governance by considering reports from the Group's Head of IT and assurance as provided by both the external and the internal audit function in accordance with the approved internal audit plan.

RECOMMENDATION OF THE IAR AND RELATED SUSTAINABILITY INFORMATION FOR APPROVAL BY THE BOARD

At its meeting held on 20 September 2023, the Committee reviewed and recommended the IAR and related sustainability information for the year ended 30 June 2023 for approval by the Board of directors.

The Committee reports that it has discharged its legal and other responsibilities and duties in compliance with its Charter.



L C Prezens CA(SA)

Audit and Risk Committee Chairman

22 September 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Italtile Limited

Report on the audit of the consolidated and separate financial statements

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Italtile Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

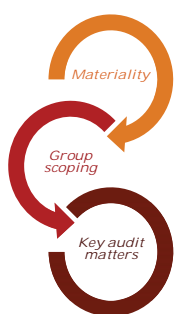
What we have audited

Italtile Limited's consolidated and separate financial statements set out on pages 152 to 207 comprise:

- the consolidated and separate statements of financial position as at 30 June 2023;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

OUR AUDIT APPROACH

Overview



Overall group materiality

- Overall group materiality: R115,5 million, which represents 5% of consolidated profit before taxation.

Group audit scope

- The Group audit scope has been tailored based on indicators such as the components contribution to consolidated profit before tax, revenue and other material financial statement line items in the consolidated financial statements.
- A combination of audits, reviews and audits of one or more significant account balances were performed.

Key audit matters

- Inventory provisions.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)*.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R115,5 million.
How we determined it	5% of consolidated profit before tax.
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping assessment included consideration of the financial significance of the Group's components as well as the sufficiency of work planned to be performed over material financial statement line items. We identified three financially significant components in the Group based on their contribution to consolidated profit before tax. We also included a number of other components in the scope of our Group audit, based on their contribution to financial statement line items. The remainder of the components were considered to be individually insignificant to the Group.

For the three financially significant components, we performed a full scope audit and for the other in-scope components we performed a combination of full scope audits, reviews and audits of one or more significant account balances, classes of transactions or disclosures. This, together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, gave us sufficient and appropriate audit evidence to form an opinion on the consolidated financial statements as a whole. Analytical review procedures were performed over the remaining components as they were deemed to be financially inconsequential for group scoping purposes.

In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team and by component auditors operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Detailed group audit instructions were communicated to all in-scope components and the group engagement team has been involved in determining the component team audit approach. Throughout the audit, various planning, execution and completion calls and discussions were held with the component audit teams.

INDEPENDENT AUDITOR’S REPORT CONTINUED

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report in respect of the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>Inventory provisions</p> <p><i>This key audit matter applies to the consolidated financial statements only. Refer to the following notes to the consolidated financial statements for detail:</i></p> <ul style="list-style-type: none"> • Note 1.4: Accounting policies – judgements and estimates; • Note 1.13: Accounting policies – inventory; and • Note 20: Inventories <p>Inventories held by the Group at year-end amounted to R1,315 million and were carried at the lower of cost and net realisable value on a weighted average cost basis after deducting provisions for obsolescence amounting to R130 million.</p> <p>The provision for inventory obsolescence is determined by management on a continuous basis and incorporates inputs and judgements relating to the expected future saleability of inventory items based on historical experience, analyses of market and fashion trends, and a review of the ageing of inventory items.</p> <p>We considered the valuation of this provision to be a matter of most significance to the audit of the consolidated financial statements due to the judgements applied by management in the determination thereof and the nature and quantum of the inventory balances to which the provision relates.</p>	<p>Our procedures relating to the inventory provision included the following:</p> <ul style="list-style-type: none"> • We obtained an understanding of management’s processes and controls in relation to the determination of accounting estimates, and specifically those relevant to inventories. • We evaluated management’s methodology in determining the inventory provision for consistency with prior periods and for reasonability through consideration of prior and current period write offs, industry benchmarking and analyses, and analyses of the inventory ageing categories. We noted no significant matters requiring further consideration. • We tested the accuracy of the inventory inputs into management’s provision calculation by comparing the inventory totals used for provisioning to the underlying subledgers and noted no material differences. • We tested the ageing of inventory on a sample basis by comparing the system ageing of purchases to purchase dates reflected on supporting third party documentation and noted no differences. • We recalculated the inventory impairment provision for mathematical accuracy and noted no material differences. • We attended and observed a sample of inventory counts performed by management and internal audit and physically inspected the condition of inventories to determine whether any additional physical indicators of obsolescence existed that could impact the provision. We noted no additional considerations in this regard. • We applied alternative input assumptions, based on our independent research and analyses of the industry, to the provision percentages used by management and noted no material sensitivities to the overall valuation of the provision.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled “Italtile Limited Integrated Annual Report 2023”, which includes the Directors’ Report, the Audit and Risk Committee Report and the Company Secretary’s Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor’s report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either

intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Italtile Limited for four years.



PricewaterhouseCoopers Inc.

Director: T J Howatt
Registered Auditor
Johannesburg, South Africa

22 September 2023

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2023

Company		Group			
2023 Rm	2022 Rm	Note	2023 Rm	2022 Rm	
801	1 449	Revenue	3	9 340	9 195
		Turnover	3	9 136	8 981
		Cost of sales	4	(5 185)	(4 867)
		Gross profit		3 951	4 114
		Other revenue and operating income		396	471
9	9	Management fees		-	-
(9)	(9)	Operating expenses		(2 034)	(1 867)
		Impairment of property, plant and equipment	13	-	(2)
		Profit on sale of property, plant and equipment		5	1
		Trading profit	5	2 318	2 717
792	1 440	Finance income	7	65	39
-	#	Finance cost	8	(82)	(63)
		Share of profit from associates after tax	16.2	9	7
792	1 440	Profit before taxation		2 310	2 700
(3)	(2)	Taxation	9	(654)	(765)
789	1 438	Profit for the year		1 656	1 935
		Other comprehensive income, net of taxation			
		Items that may be reclassified subsequently to profit or loss (net of taxation)			
		Foreign currency translation difference		(42)	17
789	1 438	Total comprehensive income for the year, net of taxation		1 614	1 952
		Profit attributable to:			
		Equity holders of the parent		1 605	1 850
		Non-controlling interests		51	85
789	1 438			1 656	1 935
		Total comprehensive income attributable to:			
		Equity holders of the parent		1 563	1 867
		Non-controlling interests		51	85
789	1 438			1 614	1 952
		Earnings per share (all figures in cents)			
		Earnings per share	10	132,6	152,0
		Diluted earnings per share	10	132,4	151,5

Less than R1 million.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2023

Rm	Stated capital	Non-distributable reserves	Treasury shares	Share option reserve	Retained earnings	Total	Non-controlling interests	Total equity
GROUP								
Balance at 30 June 2021	4 314	(12)	(904)	219	2 736	6 353	360	6 713
Profit for the year					1 850	1 850	85	1 935
Other comprehensive income for the year		17				17		17
Total comprehensive income for the year		17			1 850	1 867	85	1 952
Purchase of own shares			(67)			(67)		(67)
Dividends paid					(1 349)	(1 349)	(55)	(1 404)
Transactions with non-controlling interests					(32)	(32)	(88)	(120)
Share incentive costs (including vesting settlement)			36	23	(135)	(76)	-	(76)
Balance at 30 June 2022	4 314	5	(935)	242	3 070	6 696	302	6 998
Profit for the year					1 605	1 605	51	1 656
Other comprehensive income for the year		42				42		42
Total comprehensive income for the year		42			1 605	1 647	51	1 698
Issue of shares						-		-
Purchase of own shares	-	-	(104)	-	-	(104)		(104)
Dividends paid	-	-	-	-	(730)	(730)	(55)	(785)
Transactions with non-controlling interests	-	-	-	-	2	2	(13)	(11)
Share incentive costs (including vesting settlement)	-	-	(48)	(38)	58	(28)	-	(28)
Balance at 30 June 2023	4 314	47	(1 087)	204	4 005	7 483	285	7 768
Note	23	24	23	6				

Rm	Stated capital	Treasury share	Share option reserve	Retained earnings	Total equity
COMPANY					
Balance at 30 June 2021	4 314	(79)	136	(759)	3 612
Profit for the year				1 438	1 438
Dividends paid				(1 440)	(1 440)
Share incentive transactions (including vesting settlement)			1	18	1
Balance at 30 June 2022	4 314	(97)	137	(743)	3 611
Profit for the year				789	789
Dividends paid				(780)	(780)
Share incentive transactions (including vesting settlement)			11	24	35
Balance at 30 June 2023	4 314	(97)	148	(710)	3 655
Note	23	6	6		

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

1. ACCOUNTING POLICIES

1.1 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS"), 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 International Financial Reporting Standards and amendments effective for the first time for June 2023 year-end

Number	Effective date	Executive summary
Annual improvements cycle 2018 – 2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	<p>These amendments include minor changes to:</p> <ul style="list-style-type: none"> IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of 'the 10% test' for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value. <p>The impact is not material for the Group.</p>
Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	<p>The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.</p> <p>The impact is not material for the Group.</p>

1. ACCOUNTING POLICIES *continued*

1.3 Standards and interpretations *continued*

1.3.1 International Financial Reporting Standards and amendments effective for the first time for June 2023 year-end *continued*

Number	Effective date	Executive summary
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	<p>The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.</p> <p>The impact is not material for the Group.</p>
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity	Annual periods beginning on or after 1 January 2022 (Published May 2020)	<p>The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.</p> <p>In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.</p> <p>The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.</p> <p>The impact is not material for the Group.</p>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

1. ACCOUNTING POLICIES *continued*1.3 Standards and interpretations *continued*

1.3.2 International Financial Reporting Standards, interpretations and amendments issued but not effective

Number	Effective date	Executive summary
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (Published May 2017)	<p>The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.</p> <p>Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.</p> <p>Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.</p> <p>For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.</p> <p>The impact is not expected to be material for the Group as the Group is not an insurer who has entered into insurance contracts.</p>
IFRS 17, Insurance contracts amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	<p>In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.</p> <p>The impact is not expected to be material for the Group as the Group is not an insurer who has entered into insurance contracts.</p>
Amendments to IAS 1, Presentation of financial statements on Classification of Liabilities as Current or Non-current	Deferred until accounting periods starting not earlier than 1 January 2024 (Published January 2020)	<p>The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).</p> <p>The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>The impact is not expected to be material for the Group.</p>

1. ACCOUNTING POLICIES *continued*

1.3 Standards and interpretations *continued*

1.3.2 International Financial Reporting Standards, interpretations and amendments issued but not effective

continued

Number	Effective date	Executive summary
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The impact is not expected to be material for the Group.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published February 2021)	The amendments aim to improve accounting policy disclosures and help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates. The impact is not expected to be material for the Group.
Amendment to IFRS 16 – Leases on sale and leaseback	Annual periods beginning on or after 1 January 2024	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 expected to be material for the Group.
Amendment to IAS 12 – International tax reform – pillar two model rules	The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. The impact is not expected to be material for the Group.
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	Annual periods beginning on or after 1 January 2024 (with transitional reliefs in the first year)	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 expected to be material for the Group.

The financial statements are presented in South African Rand and all values are rounded to the nearest million (Rm), except where otherwise indicated, and have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

1. ACCOUNTING POLICIES *continued***1.4 Judgements and estimates**

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

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

The key assumptions concerning the future and key sources of estimation uncertainty at the 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 20.

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 use of trademarks, IT fees through 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 and 15) 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).

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 and the Foundation Trust.

Subsidiaries are those companies in which the Group has the power to exercise control over. 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 companies in the Group maintain consistent accounting policies and have the same year-ends.

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 cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation when determining the gain or loss on disposal of that operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

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 which are equity instruments:

- mandatorily at fair value through profit or loss.

Financial assets which are debt instruments:

- Amortised cost

This category 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 34 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 21.1).

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.

1. ACCOUNTING POLICIES *continued*

1.8 Financial instruments *continued*

a. Trade and other receivables *continued*

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.

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 expected credit losses 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 21.1) and the financial instruments and risk management note (note 34).

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

1. ACCOUNTING POLICIES *continued***1.8 Financial instruments** *continued***c. Amounts owing by subsidiary**

The amounts owing by 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 21.2.

d. Trade and other payables*Classification*

Trade and other payables (note 25) 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 34 for details of risk exposure and management thereof.

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. ACCOUNTING POLICIES *continued*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

1. ACCOUNTING POLICIES *continued***1.11 Property, plant and equipment** *continued*

Capital work in progress has 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 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.

1.13 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.

1.14 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.

1. ACCOUNTING POLICIES *continued*

1.14 Taxes *continued*

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.

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.

1.15 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 payables 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

1. ACCOUNTING POLICIES *continued***1.15 Leases** *continued*

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 and are 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.

1.16 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 to 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.

1.17 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 grants that will ultimately vest in the opinion of the directors of the Group, at that date. This is based on the best available estimate of the number of share 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.

1. ACCOUNTING POLICIES *continued*

1.17 Equity participation plans *continued*

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 award 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).

1.18 Dividends paid

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

1.19 Investment in associates

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

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate 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 associate in profit or loss. Any change in other comprehensive income of the associate is presented as part of the Group's other comprehensive income. Where there has been a change recognised directly in the equity of the associate, 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 associate are eliminated to the extent of the interest in the associate.

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

The financial statements of the associate 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 associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

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

1.20 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.

1.21 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

1. ACCOUNTING POLICIES *continued***1.21 Revenue from contracts with customers** *continued***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.

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.

Company**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.

1.22 Other income**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.

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.

Company		Group	
2023 Rm	2022 Rm	2023 Rm	2022 Rm
	3. REVENUE		
	Total revenue comprises:		
	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 revenue	60	61
792	Finance income	–	–
9	Management fee	–	–
801		9 340	9 195
	4. COST OF SALES		
	Cost of sales comprises:		
	Cost of product sold, net of rebates and discounts*,**	5 086	4 770
	Freight costs	66	63
	Other	33	34
		5 185	4 867
	5. TRADING PROFIT		
	Other income includes:		
	Property rental income	142	143
	Sundry income	50	93
	Auditor's remuneration		
	– Audit fee	13	11
	– Other fees	#	#
	– Expenses	#	#
		13	11
	Depreciation – owned*		
	– Buildings	82	75
	– Plant and machinery	202	176
	– Vehicles	14	14
	– Computer equipment	26	26
	– Furniture and fittings	72	78
		396	369
	Depreciation – right-of-use assets		
	– Buildings	54	53
	– Vehicles	16	16
		70	69
	Amortisation		
	– Computer software	6	–
		6	–
	Manpower costs		
	– Salaries and wages**	865	849
	– Profit share	231	244
	– Contributions to retirement benefits	71	67
		1 167	1 160
	Other		
	Share-based payment expense	49	75
	Freight costs	465	425

* Depreciation totalling R225 million (2022: R224 million) is included in cost of sales.

** Salaries and wages totalling R468 million (2022: R461 million) are included in cost of sales.

Less than R1 million.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

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 Proprietary Limited ("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 a 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 the 2020 financial year.

Share Appreciation Rights Scheme

During the 2011 financial year, 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 2017	31 August 2018	31 August 2019	31 August 2020	14 December 2020	31 August 2021	31 August 2022
Notional share award	1 600 000	2 800 000	1 325 000	4 312 500	500 000	3 300 000	650 000
Grant price	R14,12	R13,80	R13,27	R12,29	R14,58	R16,60	R14,77
Interest rate – zero yield curve*	6,73%	7,71%					
Dividend yield	-7,09%	-8,00%	6,85% [#]	5,28% [#]	5,05% [#]	5,83% [#]	8,10% [#]
Volatility**	2,20%	2,00%	2,04%	2,50%	2,43%	2,32%	2,45%
	29,45%	31,24%	31,81%	33,42%	34,52%	34,59%	35,48%

* 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	
	2023	2022
At 1 July	10 587 500	11 800 000
Awarded during the year	650 000	3 300 000
Vested and exercised during the year	(881 250)	(3 187 500)
Forfeited during the year	(737 500)	(1 325 000)
At 30 June	9 618 750	10 587 500

The weighted average vesting period of awards outstanding at year-end is 1,89 years (2022: 2,56 years).

The fair value of the unvested awards granted on 30 June 2023 was R26,8 million (2022: R23 million).

Included in the expenses in the profit and loss for the year is R10,6 million (2022: R19,5 million) relating to the current year share-based payment expense for this scheme.

6. SHARE-BASED PAYMENTS *continued*

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 the implementation date. As a result, 2,8 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 allotment is funded by the Group and the shares are restricted instruments which will vest with employees following a further three years of employment.

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 or which vested during the year:

Grant date	31 August 2019	31 August 2020
Vesting date	31 August 2022	31 August 2023
Share awards	5 192 649	4 232 150
Grant price per share	R4,57	R4,57
Share price at valuation date	R14,20	R13,20
Interest rate – zero yield curve*	6,99% – 7,58%	3,49% – 9,13%
Dividend yield	2,29%	2,47%
Volatility [#]	31,38%	36,70%

* Source: Standard Bank.

[#] Three-year ordinary share price historic volatility.

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

	Number of awards	
	2023	2022
At 1 July	6 752 738	9 915 248
Awarded during the year	-	22 012
Vested and exercised during the year	(3 394 329)	(2 289 248)
Forfeited during the year	(595 064)	(895 274)
At 30 June	2 763 345	6 752 738

The weighted average vesting period of awards outstanding at year-end is 0,17 years (2022: 0,66 years).

The fair value of the unvested awards granted on 30 June 2023 was R18,4 million (2022: R37,7 million).

Included in the expenses in the profit and loss for the year is R3 million (2022: R7 million) relating to the current year share-based payment expense for this scheme. No accelerated once-off charge was recorded in the current year as there were no new allotments made in 2023 (2022: nil).

The final vesting of this existing scheme will take place at the end of August 2023 and is replaced by the new scheme detailed below implemented at the end of March 2023.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

6. SHARE-BASED PAYMENTS *continued***Italtile Staff Share Scheme**

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

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. At 30 June 2023, 2,7 million of the Group's shares was utilised for purposes of the scheme. 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 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
Vesting date	31 March 2025	31 March 2026
Share awards	1 895 000	843 024
Grant price per share	R13,04	R13,04
Share price at valuation date	R12,42	R12,42
Interest rate yield curve*	7,55% – 11,53%	7,55% – 11,53%
Dividend yield	2,72%	2,72%
Volatility [#]	35,81%	35,81%
Expected forfeitures	18%	27%

* Source: JSE.

[#] Three-year ordinary share price historic volatility.

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

	Number of awards 2023
At 1 July	–
Awarded during the year	2 738 024
Vested and exercised during the year	–
Forfeited during the year	–
At 30 June	2 738 024

The weighted average vesting period of awards outstanding at year-end is 2,06 years.

The fair value of the unvested awards granted on 30 June 2023 was R6,8 million.

Included in the expenses in the profit and loss for the year is R6,8 million relating to the current year share-based payment expense for this scheme. An accelerated once-off charge of R3,8 million was recorded in the current year related to awards made to employees of franchisees.

6. SHARE-BASED PAYMENTS *continued*

Executive Retention Plan

The Executive Retention Plan is an additional mechanism, over and above the SARS, to retain and reward selected employees and directors. In terms of this scheme, retention payments are made to selected directors and employees to facilitate the purchase of Italtile Limited shares based on the share price at grant date. The payment of the retention award is subject to the director or employee remaining with the Group for a period of five years. The director or employee shall be the registered and beneficial holder of the shares acquired pursuant to the retention award from the date of transfer of such shares.

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

	Number of awards	
	2023	2022
At 1 July	1 000 000	4 650 000
Awarded during the year	-	-
Vested and exercised during the year	-	(3 650 000)
Forfeited during the year	-	-
At 30 June	1 000 000	1 000 000

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	
	2023	2022
At 1 July	6 500 000	6 000 000
Awarded during the year	-	2 500 000
Vested and exercised during the year	-	(533 333)
Forfeited during the year	-	(1 466 667)
At 30 June	6 500 000	6 500 000

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 prior year on grant date was R41 million. Included in expenses in the profit and loss for the year is R19,5 million (2022: R16,5 million) relating to the current year share-based payment expense for the scheme.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

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:

	2023	2022
At 1 July	6 000	6 000
Awarded during the year	-	6 500
Vested and exercised during the year	(1 500)	(6 500)
At 30 June	4 500	6 000

The liability raised for the awards outstanding at 30 June 2023 was R1,7 million (2022: R3,8 million). Included as an expense in profit or loss for the year was R1,1 million (2022: R3,1 million) 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.

The Ceramic Industries Equity Incentive Scheme

The Ceramic Industries Equity Incentive Scheme ("EIS") was implemented with effect from 1 July 2013. The purpose of the scheme is to incentivise selected employees by giving them the opportunity to acquire shares in Ceramic Industries.

The scheme also ensures that the goals of those employees are aligned with the goals of the other shareholders.

In terms of the rules of the EIS, grants will be made at the discretion of the Ceramic Industries Board on 1 July each year. Per the scheme rules, 20% of the grants will be unconditional, but the remaining 80% will be conditional on the achievement of performance targets set by the Board.

There will be two vesting dates, which will be on the second and fourth anniversary dates of the original grant date. Per the scheme rules, 25% of the grants will vest on the first vesting date and 75% will vest on the second vesting date. The second vesting date was on 30 June 2023.

Included as an expense in profit or loss for the year was R1,6 million (2022: R8,9 million) relating to the current year expense of the share awards granted.

Ceramic Industries Executive Share Scheme ("ESS")

On 24 March 2016 shareholders of Ceramic approved the issue of 414 139 ordinary shares to the three executive directors of the Company, the CEO (207 069 shares), the COO (165 656 shares) and the CFO (41 414 shares).

The shares are being held in trust by an escrow agent and will vest to the participants provided they remain in the full-time employment of the Company for the period 1 January 2016 to 31 December 2020. If the participants' full-time employment with the Company terminates prior to 31 December 2020, the participant shall forfeit all the shares issued to him irrespective of the date on which termination occurs.

The executive share award is similar to simply holding Ceramic ordinary shares from grant date on 1 January 2016.

The CFO retired on 30 November 2017 and forfeited all his shares.

A new issue of 30 000 shares was approved on 1 January 2018 and allocated on 1 July 2018 and the same rules apply as above. These awards vested on 30 June 2023. There were no awards made during the year.

Since the executive shares are an equity-settled award, the cost is fixed at grant date based on the fair value of Ceramic ordinary shares at that date and expensed over the vesting period. At each reporting period, the Company will adjust the cost for the service period by taking into account resignations, deaths and retirements during the vesting period.

Included as an expense in profit or loss for the year was Rnil (2022: R1,3 million) relating to the current year expense of the shares issued.

6. SHARE-BASED PAYMENTS *continued*

Ceramic Industries Share Schemes *continued*

Ceramic Industries Share Retention Scheme ("SRS")

A new share retention scheme for key members of management in Ceramic Industries was implemented in July 2021. In accordance with the rules of the scheme, share awards to participants are held in escrow and have a five-year vesting/retention period. Dividends related to the shares flow to participants during the retention period and the number of shares that eventually pass to participants at the end of the retention period is dependent on the attainment of certain performance criteria. The scheme has been accounted for in accordance with IFRS 2 Share-Based Payments, and a share-based payment expense of R12 million was recorded during the previous year for this scheme. The performance targets were not achieved and all shares were forfeited in the current year.

Share option reserve

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

Company		Group	
2023 Rm	2022 Rm	2023 Rm	2022 Rm
52	52	52	52
27	22	27	22
19	38	19	38
44	25	44	25
6	-	6	-
-	-	56	105
148	137	204	242

Treasury shares

The movements of the treasury shares are as follows:

Company		Group	
2023 Rm	2022 Rm	2023 Rm	2022 Rm
(97)	(79)	(935)	(904)
-	-	(104)	(67)
-	-	(26)	(67)
-	-	(78)	-
-	(18)	(48)	36
-	-	#	2*
-	(18)	(11)	(10)*
-	-	(37)	44*
(97)	(97)	(1 087)	(935)

* Non-cash movements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

Company			Group	
2023 Rm	2022 Rm		2023 Rm	2022 Rm
		7. FINANCE INCOME		
#	#	Bank interest received	51	32
792	1 440	Dividends received	14	7
792	1 440		65	39
		8. FINANCE COST		
-	#	Bank loans and overdraft	51	34
-		Lease liability finance costs	31	29
-	#	Total finance cost	82	63
		<i># Less than R1 million.</i>		
		9. TAXATION		
3	2	Current taxation through profit or loss		
		- Normal tax (South Africa) – current year	631	728
		- Normal tax (foreign) – current year	26	17
		- Normal tax – prior year adjustments	(5)	3
		- Deferred tax (South Africa) – current year	4	14
		- Deferred tax (foreign) – current year	-	3
		- Deferred tax (South Africa) – prior year adjustments	(3)	7
		- Effect of change in tax rate	-	(1)
		- Dividend withholding tax	1	(6)
3	2		654	765
		Reconciliation of tax rate		
27,0	28,0	Standard rate – South Africa*	27,0	28,0
(27,0)	(28,0)	Adjusted for:		
0,3	0,2	Non-taxable dividend income	(0,2)	(0,1)
		Expenses disallowed as a deduction**	0,8	0,2
		Other differences, including effect of foreign taxes, prior period over/underprovisions and donations tax	0,7	0,2
0,3	0,2	Effective tax rate	28,3	28,3
		* On 23 February 2022, a decrease in the South African corporate tax rate from 28% to 27% was announced, effective for years ended on or after 31 March 2023. The decrease in rate is considered to be substantively enacted.		
		** Includes non-deductible share-based payment expenses, expenses attributable to exempt and non-taxable income and expenditure which is capital in nature.		
		10. EARNINGS PER SHARE		
		Earnings per share and diluted earnings per share are based on the income attributable to ordinary shareholders of R 1 605 million (2022: R1 850 million).		
		The earnings per share calculations are based on 1 210 417 388 (2022: 1 216 813 860) weighted average number of shares in issue during the period, excluding weighted average treasury shares.		
		Reconciliation of shares in issue:		
		- Total number of shares issued	1 321 654 148	1 321 654 148
		- Shares held by Retention Trust	(7 966 667)	(7 966 667)
		- Shares held by Share Incentive Trust	(9 922 234)	(9 952 038)
		- B-BBEE treasury shares	(64 691 990)	(64 616 725)
		- Treasury shares held by subsidiaries	(32 317 530)	(25 309 356)
		Shares in issue to external parties	1 206 755 727	1 213 809 362

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

	Land and buildings Rm	Plant and machinery Rm	Vehicles Rm	Computer equipment Rm	Furniture and fittings Rm	Capital work-in- progress Rm	Total Rm
13. PROPERTY, PLANT AND EQUIPMENT							
2023							
Beginning of the year							
– assets at cost	4 030	2 887	86	163	711	530	8 407
– accumulated depreciation	(608)	(1 617)	(48)	(123)	(499)	–	(2 895)
Net book value	3 422	1 270	38	40	212	530	5 512
Current year movements							
– additions	132	119	26	12	69	344	703
– disposals	(47)	(2)	(8)	#	(1)	–	(59)
– depreciation	(82)	(202)	(14)	(25)	(74)	–	(396)
– transfers	174	127	#	2	4	(338)	(30)
– impairment	–	–	–	–	–	–	–
– translation	8	8	–	#	–	(7)	9
Balance at the end of the year	3 607	1 320	42	30	211	529	5 739
Made up as follows:							
– assets at cost	4 281	3 020	89	170	557	529	8 646
– accumulated depreciation and impairments	(674)	(1 700)	(47)	(140)	(346)	–	(2 907)
Net book value	3 607	1 320	42	30	211	529	5 739

Less than R1 million.

	Land and buildings Rm	Plant and machinery Rm	Vehicles Rm	Computer equipment Rm	Furniture and fittings Rm	Capital work-in- progress Rm	Total Rm
2022							
Beginning of the year							
– assets at cost	3 792	2 965	129	186	492	502	8 066
– accumulated depreciation	(665)	(1 975)	(93)	(152)	(315)	–	(3 200)
Net book value	3 127	990	36	34	177	502	4 866
Current year movements							
– additions	278	177	24	19	118	408	1 025
– disposals	(2)	–	(8)	(1)	(3)	(1)	(15)
– depreciation	(75)	(176)	(14)	(26)	(78)	–	(369)
– transfers	90	275	#	14	#	(379)	–
– impairment*	–	–	–	–	(2)	–	(2)
– translation	4	4	–	#	#	–	8
Balance at the end of the year	3 422	1 270	38	40	212	530	5 512
Made up as follows:							
– assets at cost	4 030	2 887	86	163	711	530	8 407
– accumulated depreciation and impairments	(608)	(1 617)	(48)	(123)	(499)	–	(2 895)
Net book value	3 422	1 270	38	40	212	530	5 512

* During the prior year, an impairment of R2 million was recorded for shopfitting assets of the U-Light business unit following closure of two stores and reduction of the retail footprint of two other stores (these assets could not be sold or repurposed).

Less than R1 million.

	Land and buildings Rm	Vehicles Rm	Total Rm
14. RIGHT-OF-USE ASSETS			
Beginning of year 2023			
– assets at cost	433	52	485
– accumulated depreciation	(106)	(25)	(131)
– net book value	327	27	354
Current year movements			
– additions	108	30	138
– disposals	(9)	(8)	(17)
cost	(36)	(24)	(60)
accumulated depreciation	27	16	43
– depreciation	(54)	(16)	(70)
Balance at the end of the year	372	33	405
Made up as follows:			
– assets at cost	505	58	563
– accumulated depreciation	(133)	(25)	(158)
Net book value	372	33	405
Beginning of year 2022			
– assets at cost	426	68	494
– accumulated depreciation	(82)	(31)	(113)
– net book value	344	37	381
Current year movements			
– additions	38	12	50
– disposals	(2)	(6)	(8)
cost	(31)	(28)	(59)
accumulated depreciation	29	22	51
– depreciation	(53)	(16)	(69)
Balance at the end of the year	327	27	354
Made up as follows:			
– assets at cost	433	52	485
– accumulated depreciation	(106)	(25)	(131)
Net book value	327	27	354
		Computer software Rm	Total Rm
15. INTANGIBLE ASSETS			
2023			
Beginning of the year			
– assets at cost		-	-
– accumulated depreciation		-	-
Net book value		-	-
Current year movements			
– additions		18	18
– amortisation		(6)	(6)
Balance at the end of the year		12	12
Made up as follows:			
– assets at cost		18	18
– accumulated amortisation		(6)	(6)
Net book value		12	12

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

Company		Group	
2023 Rm	2022 Rm	2023 Rm	2022 Rm
	16.	INVESTMENTS	
	16.1	Investments	
8	8	Investment in subsidiaries	
128	92	Equity instruments – at cost	
136	100	Directors' valuation of unlisted investments	
		Investments in subsidiaries are carried at cost less accumulated impairment. A list of subsidiaries appears in note 37.	
		Equity instruments in the Company's records relates to the notional investment cost as a result of the Group share-based payment schemes as disclosed in note 6.	
		These amounts are carried at cost less accumulated impairment.	
	16.2	Investments in associates and joint ventures	
		Easylife Kitchens Management (Pty) Ltd	
		The Group has a 30% investment in Easylife Kitchens Management (Pty) Ltd, which has a February year-end. Easylife Kitchens Management (Pty) Ltd is a leading installer and manufacturer of kitchen, bathroom and other storage design and is incorporated in South Africa.	
		Carrying value of investment in Easylife Kitchens Management (Pty) Ltd:	
		Cost	22
		Share of profit and reserve movements post commencement of equity accounting (net of dividends)	8
			5
		Total of carrying amount of investments in associate	30
			27
		The following tables illustrate the summarised financial information of the Group's investment in Easylife Kitchens Management (Pty) Ltd:	
		Statement of financial position:	
		Non-current assets	46
		Current assets	46
		Non-current liabilities	(4)
		Current liabilities	(10)
		Equity	78
			69
		Statement of comprehensive income since acquisition:	
		Turnover	117
		Profit for the year	14
			12
		Profit attributable to ordinary shareholders of Italtile Limited	4
		Less: Dividends	(2)
			(1)
		Share of associated company's income	2
			3

Company		Group	
2023 Rm	2022 Rm	2023 Rm	2022 Rm
	16. INVESTMENTS <i>continued</i>		
	16.2 Investments in associates and joint ventures <i>continued</i>		
	Advanced Tiling Techniques (Pty) Ltd		
	The Group has a 30% investment in Advanced Tiling Techniques Pty (Ltd), which has an April year-end. The Company whose principal activity is tiling, is incorporated in South Africa		
	Carrying value of investment in Advanced Tiling Techniques (Pty) Ltd:		
	Cost	3	3
	Share of loss and reserve movements post commencement of equity accounting (net of dividends)	(1)	#
	Total of carrying amount of investments in associates	2	2
	The following tables illustrate the summarised financial information of the Group's investment in Advanced Tiling Techniques:		
	Statement of financial position:		
	Non-current assets	#	#
	Current assets	#	#
	Non-current liabilities	#	#
	Current liabilities	#	#
	Equity	#	#
	Statement of comprehensive income:		
	Turnover	#	2
	Loss for the year	#	#
	Loss attributable to ordinary shareholders of Italtile Limited	#	#
	Less: Dividends	-	-
	Share of associated company's income	#	#
	SER-Export s.p.a.		
	The Group has a 30% investment in SER-Export, which has a December year-end. The Company is an exporter, incorporated in Italy.		
	Carrying value of investment in SER-Export s.p.a.:		
	Cost	19	19
	Share of profit and reserve movements post commencement of equity accounting (net of dividends)	16	14
	Total carrying amount of investments in associates	35	33

Less than R1 million.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

Company		Group	
2023 Rm	2022 Rm	2023 Rm	2022 Rm
	16. INVESTMENTS <i>continued</i>		
	16.2 Investments in associates and joint ventures <i>continued</i>		
	SER-Export s.p.a. <i>continued</i>		
	The following tables illustrate the summarised financial information of the Group's investment in SER-Export s.p.a.:		
	Statement of financial position:		
	Non-current assets	96	82
	Current assets	224	208
	Non-current liabilities	-	-
	Current liabilities	(104)	(124)
	Equity	216	166
	Statement of comprehensive income:		
	Turnover	161	262
	Profit for the year	7	10
	Profit attributable to ordinary shareholders of Italtile Limited	2	3
	<i>Less: Dividends</i>	-	-
	Share of associated company's income	2	3
	Ezee Zim (Pvt) Ltd		
	During the 2022 financial year, the Group entered into a joint venture agreement with Ezee Zim (Pvt) Ltd for a 50% interest in the business. The Company is incorporated in Zimbabwe and produces adhesives and grout.		
	Carrying value of investment in Ezee Zim (Pvt) Ltd:		
	Cost	7	7
	Share of profit and reserve movements post-commencement of equity accounting (net of dividends)	4	1
	Total carrying amount of investments in joint venture	11	8
	The following tables illustrate the summarised financial information of the Group's investment in Ezee Tile Zimbabwe*:		
	Statement of financial position:		
	Non-current assets	26	19
	Current assets	4	5
	Non-current liabilities	(24)	(20)
	Current liabilities	(3)	#
	Equity	3	4
	Statement of comprehensive income:		
	Turnover	26	28
	Profit for the year	4	#
	Profit attributable to ordinary shareholders of Italtile Limited	2	#
	<i>Less: Dividends</i>	-	-
	Share of associated company's income	2	#

Less than R1 million.

* The summarised financial information for the previous year has been restated.

Company		Group	
2023 Rm	2022 Rm	2023 Rm	2022 Rm
	16. INVESTMENTS <i>continued</i>		
	16.2 Investments in associates and joint ventures <i>continued</i>		
	Totals		
	Total associate and joint venture carrying amount:		
	Easylife Kitchens Management (Pty) Ltd	30	27
	Advanced Tiling Techniques (Pty) Ltd	2	2
	SER-Export s.p.a.	35	33
	Ezee Zim (Pvt) Ltd – Joint Venture	11	8
		78	70
	Total share of associated company income/(loss):		
	Easylife Kitchens Management (Pty) Ltd	4	3
	Advanced Tiling Techniques (Pty) Ltd	#	–
	SER-Export s.p.a.	2	3
	Ezee Zim (Pvt) Ltd	4	1
	<i># Less than R1 million.</i>	9	7
	17. LONG-TERM FINANCIAL ASSETS		
156	140		
	Loan to trusts		
	Non-current portion of property development loans	71	79
	Non-current portion of Executive Retention Plan payout	–	2
	Non-current portion of B-BBEE-related advances	55	46
	Other	19	14
156	140	145	141
	<p>In order to raise funds necessary to purchase B-BBEE shares (refer to note 6), the Company has funded the trusts by way of a loan. The loans to the trusts are interest-free. The loan to the Foundation Trust is fully repayable by 2032. Given the underlying value of the trusts' assets (Company shares), credit risk is minimal and no expected credit loss is provided for.</p> <p>The two property development loans funding are the long-term portion of funding provided for property development of stores to be used by the Group with one loan fully repayable by June 2028 and the other fully repayable by June 2031. As the funding is repaid using rental proceeds received from the Group, and adequate security is in place, credit risk is minimal and no expected credit loss is provided for.</p> <p>The Executive Retention Plan payout is the long-term portion of the unvested retention payments to facilitate the purchase of Italtile Limited shares. Refer to note 6 for details.</p> <p>The B-BBEE-related advances is the long-term portion of supplier and enterprise development loans advanced to black-owned businesses. Repayment terms vary and interest is charged at preferential rates. Short-term portions of these loans are included under sundry debtors in note 21.</p> <p>B-BBEE-related advances are secured by a combination of holding title on assets, security over shares, or guarantee structures, with residual credit risk being insignificant.</p>		

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

Company		Group	
2023 Rm	2022 Rm	2023 Rm	2022 Rm
	18. GOODWILL		
	Made up as follows:		
	Balance at the beginning of the year	19	19
	Additions through acquisitions	-	-
	Balance at the end of the year	19	19
	Management assesses goodwill for impairment on an annual basis. No impairment indicators were identified during the financial year.		
	19. DEFERRED TAXATION		
	Deferred tax assets	36	16
	Deferred tax liabilities	(204)	(183)
		(168)	(167)

	Opening balance Rm	Charged through other comprehensive income Rm	Charged through profit or loss Rm	Closing balance Rm
2023				
The deferred tax balance is made up as follows:				
Deferred tax asset:				
Accruals	117	-	14	131
Property, plant and equipment	4	-	5	9
Assessed loss	12	-	2	14
Deferred tax liability:				
Property, plant and equipment	(259)	-	#	(260)
Prepayments	(3)	-	(21)	(24)
Ceramic Industries – tax on deemed fair value	(38)	-	-	(38)
Net deferred tax liability	(167)	-	(1)	(168)
2022				
The deferred tax balance is made up as follows:				
Deferred tax asset:				
Accruals	80	-	37	117
Property, plant and equipment	5	-	#	4
Assessed loss	7	-	5	12
Deferred tax liability:				
Property, plant and equipment	(200)	-	(59)	(259)
Prepayments	(3)	-	-	(3)
Ceramic Industries – tax on deemed fair value	(40)	-	2	(38)
Net deferred tax liability	(151)	-	(16)	(167)

Less than R1 million.

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

The tax rate applied to South African entities is 27% (2022: 28%) for normal taxation.

Company		Group	
2023 Rm	2022 Rm	2023 Rm	2022 Rm
	20. INVENTORIES		
	Raw materials and packaging	291	180
	Semi-finished goods	6	9
	Finished goods and merchandise	1 018	1 097
		1 315	1 286
	Inventory at year-end is net of an obsolescence provision of R130 million (2022: R114 million), which is determined on an annual basis. The net movement of R16 million has been included in the cost of sales line item on the face of the statement of comprehensive income. The provision takes into account expected future sales ability of inventory items based on historical experience, analysis of market and fashion trends and a review of the ageing of the inventory items. Inventory losses recognised as an expense totalled R15 million (2022: R14 million).		
	21.1 TRADE AND OTHER RECEIVABLES		
#	Trade receivables – net of loss allowance	503	448
	Prepayments	126	162
	Franchisee receivables	46	55
	Current portion of B-BBEE advances	33	12
	Sundry debtors*	203	176
#		911	853
	* Includes deposits, rebates receivable, and short-term portions of loans per note 17. Due to the nature of the receivables and the security mechanisms, credit risk on these amounts is limited. The comparative amount was amended to align to that of the current year split disclosure.		
	21.2 AMOUNTS OWING FROM RELATED PARTIES		
3 345	3 371		
	Amounts owing by subsidiary		

* Less than R1 million.

The amounts owing by subsidiary represent amounts owing by Italtile Ceramics (Pty) Ltd. These amounts are unsecured, carry no interest and are payable on demand. As the subsidiary has material liquid assets and other significant assets, credit risk is minimal and no expected credit loss is provided for. Outstanding balances are settled from time to time based on the cash flow requirements of the various entities.

Trade receivables of the Group comprise amounts due from franchisees and other third-party customers, each of which has different credit risk characteristics. Credit risk relating to amounts due from franchisees is limited (recovery via underlying assets of the franchise business in the event of default is provided for in franchise agreements).

An expected credit loss model (simplified approach) is used to calculate the expected credit loss allowance for third-party customers. The expected credit loss model is based on historic payment profiles and credit losses. Macro-economic factors considered by the Group when determining expected loss rates include GDP annual growth, prime lending interest rate, inflation rate and unemployment. In addition, forecast macro-economic factors for 12 months from the calculation date are also considered. Refer to note 34 for further information related to expected credit loss.

As at 30 June 2023, a loss allowance of R101 million (2022: R61 million) has been recorded for trade receivables.

Movements in the loss allowance of trade receivables were as follows:

	Total Rm
At 30 June 2021	63
Utilised during the year	(7)
Raised during the year	5
At 30 June 2022	61
Utilised during the year	(4)
Raised during the year	44
At 30 June 2023	101

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

Company			Group	
2023 Rm	2022 Rm		2023 Rm	2022 Rm
		22. CASH AND CASH EQUIVALENTS		
18	#	Cash at bank and on hand	985	356
-	-	Cash equivalents	64	75
18	#		1 049	431
		Cash at banks earn interest at floating rates based on daily bank deposit rates. Cash equivalents are made for varying periods of between one day and three months, depending on immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value approximates the carrying value due to the short-term nature of these balances, with no expected credit loss recognised.		
		23. STATED CAPITAL		
		Authorised 3 300 000 000 ordinary shares of no par value		
		Issued 1 321 654 148 (2022: 1 321 654 148) ordinary shares of no par value	4 314	4 314
4 314	4 314	Aggregated treasury shares in issue	(1 087)	(935)
1 321 654 148	1 321 654 148	Number of shares in issue to external parties: Total number of shares in issue	1 321 654 148	1 321 654 148
		Treasury shares numbers: Share Incentive Trust	(9 922 234)	(9 952 038)
		B-BBEE treasury shares	(64 691 990)	(64 616 725)
		Held by subsidiaries	(32 317 530)	(25 309 356)
		Shares held by Retention Trust	(7 966 667)	(7 966 667)
1 321 654 148	1 321 654 148	Number of shares in issue to external parties	1 206 755 727	1 213 809 362
		A subsidiary of the Company, Italtile Ceramics (Pty) Ltd, acquired 6 869 280 of the Company's shares (2022: 3 738 544), 169 290 on the market and 6 700 000 from Four Arrows at a total cost of R80 million (2022: R57 million) during the year. The shares were acquired at an average cost of R11,59 (2022: R15,13). The Italtile Ceramic Foundation Trust acquired 1 768 400 of the Company's shares (2022: 1 094 195) on the market at a cost of R25 million (2022: R17 million) during the year. In the prior year, the Italtile Retention Trust acquired 2 500 000 of the Company's shares from Italtile Ceramics (Pty) Ltd following awards made in terms of the Italtile Retention Scheme as disclosed in note 6. The Italtile Staff Share Scheme Trust acquired 2 738 024 of the Company's shares for allotments to participants of the scheme (2022: 0). Other share movements relate to vesting on the Share Appreciation Rights Scheme and Staff Share Schemes as detailed in note 6. All unissued shares are under the control of the directors until the next AGM.		

Less than R1 million.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

Company			Group	
2023 Rm	2022 Rm		2023 Rm	2022 Rm
		27. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS		
		Cash flows from operating activities:		
792	1 440	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 payment	31	29
		Profit on sale of property, plant and equipment	(5)	(1)
		Impairment of plant and equipment	–	2
(792)	(1 440)	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:		
		Inventories	(29)	(122)
		Trade and other receivables	(109)	(42)
#	#	Trade and other payables (including provisions)	239	(183)
#	#	Cash generated by operations	2 976	2 876
		28. TAXATION PAID		
#	#	Net amount prepaid at the beginning of the year	57	(49)
(3)	(2)	Current tax for the year	(655)	(649)
#	#	Net amount (prepaid)/payable at the end of the year	(35)	(57)
(3)	(2)	Amounts paid	(633)	(755)

Less than R1 million.

Company		Group	
2023 Rm	2022 Rm	2023 Rm	2022 Rm
	29. INTEREST-BEARING LOANS		
	Interest-bearing loan		
	Current portion	-	52
	Non-current portion	500	500
		500	552
	Movements in interest-bearing loans for the year:		
	Opening balance	552	507
	Drawings on facilities	-	645
	Finance cost charges	48	31
	Payments	(100)	(631)
	Closing balance	500	552
	<p>An interest-bearing loan of R500 million bears interest at three-month JIBAR plus 1,3% and is repayable in full in November 2024. From June 2022, an interest rate swap was entered into to fix the variable interest rate at 6,85% on the loan amount of R500 million. The loan is a financial liability measured at amortised cost in terms of IFRS 9. A revolving credit facility of USD3,5 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.</p> <p>All debt covenants have been fulfilled. Covenants include:</p> <ul style="list-style-type: none"> • Net interest-bearing debt divided by EBITDA (not greater than 2:1); and • EBITDA dividend by finance charges (not less than 4:1). 		

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

Company		Group	
2023 Rm	2022 Rm	2023 Rm	2022 Rm
	30. LEASE LIABILITIES		
	Movements in lease liabilities for the year:		
	Opening balance	390	400
	Recognised during the year	132	77
	Derecognised during the year	(19)	(5)
	Finance costs paid	(31)	(29)
	Forex translation	-	2
	Lease liability payments	(55)	(55)
	Closing balance	417	390
	Refer to note 34 for the maturity analysis of the lease liabilities.		
	31. DIVIDENDS PAID		
(780)	(1 440)	(730)	(1 349)
	Charged per statement of changes in equity		
	Dividends paid to non-controlling interests	(55)	(55)
(780)	(1 440)	(785)	(1 404)
	32. COMMITMENTS AND CONTINGENCIES		
	Capital commitments		
	Capital expenditure for land and buildings, computer equipment and other fixed assets:		
	Contracted	275	256
	Authorised but not contracted for	220	229
		495	485

33. RETIREMENT BENEFIT INFORMATION

The Group participates in the Alexander Forbes Retirement Fund. This is an umbrella fund arrangement created for the provision of retirement benefits.

The Fund is a defined-contribution plan and is governed by the Pension Funds Act, No 24 of 1956.

The financial position of the Alexander Forbes Retirement Fund (Provident Section): Italtile Limited is currently reviewed on a monthly basis.

As at 30 June 2023 and 2022, the Fund was found to be in a sound financial position.

At 30 June 2023, 1 459 (2022: 1 458) employees of the Group and Franchisees were members of the Fund, to which the Group and Franchisees contributed R39 million (2022: R37 million) and the employees Rnil. The Fund is open to all permanent staff with their participation thereof being a condition of employment.

Their dependants are eligible for death benefits accruing from the Fund in the event of the member's death.

All permanent full-time employees of franchise stores are required to participate in the Fund.

Ceramic Industries

In South Africa, Ceramic contributes to two defined contribution retirement funds for its employees which are governed by the Pension Funds Act, No 24 of 1956.

The funds are administered by Alexander Forbes.

At 30 June 2023, 984 (2022: 1 020) employees of Ceramic were members of the funds, to which Ceramic contributed R23 million (2022: R23 million). All permanent employees are required to join one of the funds.

In Australia, Ceramic contributes the legislated defined contribution amounts in the various superannuation funds specified by its 82 (2022: 83) employees.

Ezee Tile

Ezee Tile contributes to three defined contribution retirement funds for its employees which are governed by the Pension Funds Act, No 24 of 1956.

The funds are administered by Alexander Forbes, Hospitality and General Provident Fund, and Old Mutual. Alexander Forbes is open to all new permanent staff with their participation thereof being a condition of employment. Their dependants are eligible for death benefits accruing from the funds in the event of the member's death.

As at 30 June 2023, 235 (2022: 229) employees of Ezee Tile were members of the funds, to which Ezee Tile contributed R3,2 million (2022: R2,8 million) and employees contributed R1,2 million (2022: R1,2 million).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Group

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

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. The Group's primary objective of risk management is to reduce the uncertainty over future cash flows.

Company

The Company's principal financial assets comprise loans given to a subsidiary company and trusts detailed in notes 16.1 and 21, and cash and short-term deposits, which arise directly from its investments. The main risks arising from the Company's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

The Company's primary objective of risk management is to reduce the uncertainty over future cash flows.

Interest rate risk

The Company and Group are not sensitive to fluctuations in interest rates.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued***Foreign currency risk****Group**

As the Group operates in various countries and undertakes transactions denominated in foreign currencies, exposures to foreign currency fluctuations arise.

Approximately 13% (2022: 10%) of cost of sales are short-term denominated in currencies other than the Group's functional currency.

The Group requires all of its operating units to use forward currency contracts to eliminate the currency exposures on any individual transaction for which payment is anticipated on terms after the Group has entered into a firm commitment for a purchase, for which no letter of credit has been issued. The forward currency contracts must be in the same currency as the purchased item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

It is the Group's policy not to apply hedge accounting, or to trade in derivatives for profit-making purposes.

Forward exchange contracts outstanding at the reporting date all fall due within two months (2022: two months), have a settlement value of R5 million (2022: R25 million) and are denominated in Euro, with an average exchange rate of R20,53:€1 (2022: R17,12:€1).

Exchange rates utilised to convert financial information are as follows:

	2023		2022	
	Weighted average rate for the year	Closing rate	Weighted average rate for the year	Closing rate
ZAR: Australian Dollar	11,95:1	12,42:1	11,03:1	11,18:1
ZAR: Botswana Pula	1,36:1	1,40:1	1,32:1	1,32:1
ZAR: Euro	18,63:1	20,39:1	17,12:1	16,94:1
ZAR: Kenyan Shilling	0,14:1	0,13:1	0,13:1	0,14:1
ZAR: Tanzanian Shilling	0,01:1	0,01:1	0,01:1	0,01:1
ZAR: Zambian Kwacha	1,01:1	1,08:1	0,86:1	0,95:1
ZAR: United States Dollar	17,77:1	18,92:1	15,23:1	16,22:1
ZAR: Rwandan Franc	0,02:1	0,02:1	0,02:1	0,02:1

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

Foreign currency risk *continued*

The exposure and concentration of the Group's foreign currency risk are included in the table below.

	South African Rand Rm	Australian Dollar Rm	Other* Rm	Total Rm
2023				
Financial assets				
Trade and other receivables – before loss allowance	784	151	76	1 011
Cash and cash equivalents	902	10	137	1 049
Financial liabilities				
Interest-bearing loans and borrowings	500	–	–	500
Trade and other payables	526	#	122	648
2022				
Financial assets				
Trade and other receivables – before loss allowance	671	155	27	853
Cash and cash equivalents	375	14	42	431
Financial liabilities				
Interest-bearing loans and borrowings	507	–	45	552
Trade and other payables	324	76	16	416

* Other includes the Botswana Pula, Kenyan Shilling, Tanzanian Shilling, Namibian Dollar, Lesotho Loti, Zambian Kwacha, Rwandan Franc and US Dollar.

Less than R1 million.

The following table illustrates the Group's sensitivity to a change in exchange rates with all other variables held constant:

	2023 Rm	2022 Rm
Net profit before tax		
+10%	11	7
–10%	(11)	(7)
Foreign currency translation reserve		
+10%	14	10
–10%	(14)	(10)

Company

The Company has no exposure to foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued***Credit risk**

Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously.

Group

The Group trades only with recognised, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and, where appropriate, credit guarantee insurance is purchased.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is contained.

The maximum exposure is the carrying amount as disclosed in note 21.1. There is no significant concentration of credit risk within the Group, and trade receivables have been grouped based on shared credit risk characteristics to measure expected credit losses as disclosed in note 21.1.

The expected loss allowance as disclosed in note 21.1 is management's best estimate of trade receivables at year-end which will not be recovered. Amounts which are considered irrecoverable, usually following an extensive process to attempt to recover overdue amounts including legal steps, are written off. Aggregate write-offs for the year are disclosed in note 21.1 (shown as a utilisation in the loss allowance movement reconciliation for the year). Trade receivables consist of a large number of customers spread across franchise and third party debtors.

	Gross trade receivables R'000	Balances specifically provided for R'000	Net balance subject to ECL loss model R'000
Trade receivables			
Third parties – 2023	604	(66)	538
Third parties – 2022	507	(46)	461

Details relating to the loss allowance split per ageing category of trade receivables as at 30 June is as follows:

	Current Rm	0 – 30 days Rm	31 – 60 days Rm	61+ days Rm	Total Rm
2023					
Trade receivables	409	57	48	24	538
Expected loss rate (%)	0,8 to 2,4	2,3 to 14,0	6,5 to 22,9	10,0 to 25,0	0,8 to 25,0
Expected loss allowance	10	8	11	6	35
Specific loss allowance	–	–	–	–	66
Total loss allowance					101
2022					
Trade receivables	306	44	41	70	461
Expected loss rate (%)	0,8 to 1,7	2,3 to 6,9	6,5 to 11,5	8 to 11,4	2,1 to 3,5
Expected loss allowance	3	3	3	6	15
Specific loss allowance	–	–	–	–	46
Total loss allowance					61

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, as disclosed in notes 17, 21.1 and 22.

In terms of the Group's treasury policy, surplus cash balances may only be invested in liquid money market instruments managed by predefined reputable counterparties.

The external credit rating of those counterparties holding material surplus cash balances is Ba1 (according to Moody's credit rating scale).

Company

With respect to credit risk arising from cash and cash equivalents, trade and other receivables and B-BBEE loans, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments, as disclosed in notes 17, 21.2 and 22. There is no loss allowance recorded for these balances and no write-offs have occurred. Cash and cash equivalents are deposited with financial institutions with credit ratings as detailed above for the Group.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Liquidity risk

Group

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

In terms of the Group's treasury policy, surplus cash balances may only be invested in liquid money market instruments managed by predefined reputable counterparties.

Adequate cash reserves are invested in a dividend income fund in order to match the repayment profile of the Rand loan. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts. In terms of the MOI, the Company's borrowing powers are unlimited.

The table below summarises the maturity profile of the Group's financial liabilities at year-end based on contractual undiscounted payments.

	On demand Rm	Less than 3 months Rm	3 to 12 months Rm	1 to 2 years Rm	3 to 5 years Rm	> 5 years Rm	Total Rm
Year ended 30 June 2023							
Interest-bearing loans and borrowings	-	12	37	519	-	-	568
Lease liabilities	-	21	60	141	110	274	606
Trade and other payables	-	647	-	-	-	-	647
	-	680	97	660	110	274	1 821
Year ended 30 June 2022*							
Interest-bearing loans and borrowings	-	8	32	568	-	-	608
Lease liabilities	-	18	48	110	90	298	564
Trade and other payables	-	416	-	-	-	-	416
	-	442	80	678	90	298	1 588

* The prior year amounts have been restated to show the undiscounted payments, which were previously shown on a discounted basis. Further splits in the maturity profile have also been included, to provide a better understanding of the maturity of financial liabilities.

The Group has cash and cash equivalents of R1 049 million (2022: R431 million), and unutilised credit facilities of R244 million (2022: R158 million) in respect of which all conditions precedent had been met. All covenants on borrowings have been met.

Company

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

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

The Company has cash and cash equivalents of R18 million (2022: R0,4 million), and no credit facilities. All liabilities are current.

Group

At the end of the financial year, the Group had cash and cash equivalents of R1 049 million (2022: R431 million) on its statement of financial position. The following table demonstrates the Group profit before tax sensitivity to a change in interest rates earned on cash and cash equivalents with all other variables held constant:

	2023 Rm	2022 Rm
+1%	7	8
-1%	(7)	(8)

At the end of the financial year, the Group had term funding liabilities of R500 million (2022: R552 million) on its statement of financial position. The following table demonstrates the Group's profit before tax sensitivity to a change in interest rates with all other variables held constant (through the impact of floating rate borrowings):

	2023 Rm	2022 Rm
+1%	(5)	(5)
-1%	5	5

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued***Capital management****Group**

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

The Group manages its capital structure (equity attributable to the equity holders) and makes adjustments to it in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the years ended 30 June 2023 and 2022.

The Group monitors capital using a gearing ratio which is defined as interest-bearing debt and borrowings as a percentage of equity attributable to the equity holders of the parent. (Refer to note 29 for further details on interest-bearing loans).

	2023 Rm	2022 Rm
Interest-bearing debt and borrowings	500	552
Equity attributable to the equity holders of the parent	7 483	6 696
Gearing ratio (%)	6,7	8,2

35. SEGMENT REPORT

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segments and to assess their performance.

The Chief Operating Decision Maker has been identified as the executive directors of the Group.

On this basis, the Group has five reportable segments:

Segment	Nature of business
Retail	– Retailers of tiles, brassware, laminated flooring, bathroomware, other home-finishing products and accessories.
Franchising	– Bearer of South African and non-South African trademarks.
Properties	– Property investments and leasing.
Supply and support services	– Distributor of tiles, shower enclosures, brassware, laminate and vinyl flooring, accessories, and tiling tools. – Group administration, marketing and management services. – Outsourced debtor solutions. – Procurement.
Manufacturing	– Manufacturers of tiles, sanitaryware, baths, adhesive and related products.

All intersegmental transactions are concluded at arm's length.

35. SEGMENT REPORT *continued*

The following measures, as included in the quarterly management report reviewed by the Chief Operating Decision Maker, are used to assess performance.

(Rand millions unless otherwise stated)	Retail	Manu- facturing*	Supply and support services*	Fran- chising	Properties	Associates	Con- solidation	Total
For the year ended								
30 June 2023								
Turnover	5 396	5 316	2 447	-	-	-	(4 023)	9 136
From external customers*	5 393	3 300	443	-	-	-	-	9 136
Intersegment	3	2 016	2 004	-	-	-	(4 023)	-
Turnover from franchise stores**	2 366	-	-	-	-	-	(2 366)	-
Achieved gross margin	1 948	1 405	283	#	-	-	263	3 899
Manpower costs	(336)	(586)	(225)	(12)	(8)	-	-	(1 167)
Depreciation	(81)	(260)	(30)	(3)	(98)	-	-	(472)
Impairment of plant and equipment	-	-	-	-	-	-	-	-
Profit on sale of property, plant and equipment	1	1	2	#	#	-	-	5
Trading profit	553	771	252##	356###	386	-	-	2 318
Finance income	14	22	52	-	33	-	(56)	65
Finance costs	(5)	(9)	(35)	#	(89)	-	56	(82)
Income from associates	-	-	-	-	-	9	-	9
Profit before taxation	562	784	269	356	330	9	-	2 310
For the year ended								
30 June 2022								
Turnover	5 349	5 128	2 548	-	-	-	(4 044)	8 981
From external customers*	5 349	3 052	580	-	-	-	-	8 981
Intersegment	-	2 076	1 968	-	-	-	(4 044)	-
Turnover from franchise stores**	2 364	-	-	-	-	-	(2 364)	-
Achieved gross margin	1 957	1 565	300	-	-	-	245	4 067
Manpower costs***	(331)	(597)	(223)	(4)	(5)	-	-	(1 160)
Depreciation	(81)	(231)	(21)	#	(105)	-	-	(438)
Impairment of plant and equipment	(2)	-	-	-	-	-	-	(2)
Profit on sale of property, plant and equipment	1	#	#	#	#	-	-	1
Trading profit	570	1 052	391##	331###	391	-	(18)	2 717
Finance income	6	18	28	#	13	-	(26)	39
Finance costs	(1)	(1)	(20)	#	(67)	-	26	(63)
Income from associates	-	-	-	-	-	7	-	7
Profit before taxation	575	1 069	399	331	337	7	(18)	2 700

* Turnover from external customers includes sales to franchise stores.

** Franchise stores are not controlled by the Group.

*** The 2022 Segmental Report has been amended to separately disclose manpower costs, which contribute a significant portion of the operating expenses.

Less than R1 million.

Includes franchise income of R60 million (2022: R61 million) disclosed in note 3.

Includes royalty income of R144 million (2022: R153 million) disclosed in note 3.

Geographical analysis

(Rand millions unless otherwise stated)	South Africa	Rest of Africa	Australia	Con- solidation	Group
Audited year to 30 June 2023					
Turnover	11 404	1 077	678	(4 023)	9 136
Non-current assets	7 461	514	235	(1 776)	6 434
Audited year to 30 June 2022					
Turnover	11 450	985	590	(4 044)	8 981
Non-current assets	7 549	359	219	(2 015)	6 112

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

36. RELATED-PARTY TRANSACTIONS**Group**

The Group is controlled by Rallen (Pty) Ltd which owns 56,46% (2022: 56,46%) of its issued share capital. Management fees totalling R6,2 million (2022: R6,1 million) were paid by the Group to Rallen (Pty) Ltd during the year. Various other transactions occur between companies within the Group, all of which are eliminated on consolidation. These transactions include rendering of services and supply of product.

Key management personnel and prescribed officers comprise only the Group executive directors and executive directors of Ceramic Industries. Remuneration paid to key management personnel of the Group is provided below. Executive directors' remuneration is paid by Italtile Ceramics (Pty) Ltd, a subsidiary of the Company. No balances were owing at year-end (2022: Rnil).

Directors' shareholding

The directors' interest in the stated share capital of the Company as at 30 June is as follows:

	Beneficial direct	Beneficial indirect	Total	% held	Non- beneficial direct	Non- beneficial indirect	Total	% held
At 30 June 2023								
Director								
G A M Ravazzotti	-	447 746 694	447 746 694	33,88	-	-	-	-
S M du Toit	-	29 125	29 125	-	-	-	-	-
J N Potgieter	4 200 000	-	4 200 000	0,32	-	-	-	-
L A Foxcroft	4 800 000	-	4 800 000	0,36	-	-	-	-
B G Wood	1 743 253	-	1 743 253	0,13	-	-	-	-
N P Khoza	-	-	-	-	-	697 322	697 322	0,05
At 30 June 2022								
Director								
G A M Ravazzotti	-	447 746 694	447 746 694	33,88	-	-	-	-
S M du Toit	-	29 125	29 125	-	-	-	-	-
J N Potgieter [#]	4 200 000	-	4 200 000	0,32	-	-	-	-
L A Foxcroft	4 800 000	-	4 800 000	0,36	-	-	-	-
B G Wood	1 743 253	-	1 743 253	0,13	-	-	-	-
N P Khoza	-	-	-	-	-	697 322	697 322	0,05

[#] Following his retirement in 2021, the shares held by J N Potgieter at year-end remained unchanged.

Changes in directors' interest in the stated share capital of the Company after financial year-end, as well as participation in share incentive schemes, were announced on SENS on 6 September 2023.

Directors' participation in share incentive schemes

Directors' holdings under the Share Appreciation Rights Scheme are set out in the table below:

Director	Awards held at 1 July 2022	Awarded during the year	Vested and exercised during the year	Forfeited during the year	Awards held at 30 June 2023
B G Wood	1 350 000	-	-	-	1 350 000

36. RELATED-PARTY TRANSACTIONS continued

Directors' participation in share incentive schemes continued

Directors' and prescribed officers' holdings under the Italtile Retention Scheme are set out in the table below:

Executive director/ Prescribed officer	Awards held at 1 July 2022	Awarded during the year	Vested and exercised during the year	Forfeited during the year	Awards held at 30 June 2023
B G Wood	1 500 000	-	-	-	1 500 000
L A Foxcroft	4 500 000	-	-	-	4 500 000

Prescribed officers' holdings under the Ceramic Industries Retention Scheme are set out in the table below:

Executive director/ Prescribed officer	Awards held at 1 July 2022	Awarded during the year	Vested and exercised during the year	Forfeited during the year	Awards held at 30 June 2023
T Molefakgotla*	50 000	-	-	(50 000)	-
G Maartens**	25 000	-	(4 839)	-	20 161

* Resigned on 28 April 2023.

** Appointed on 24 May 2023 as a prescribed officer.

Refer to note 6 for further details pertaining to these schemes.

Directors' remuneration

All figures in R'000	Salary	Short-term incentives	Provident fund and medical aid contributions	Gain on share scheme awards	Other	Total
Executive directors for the year ended 30 June 2023						
L A Foxcroft	4 087	3 645	685	13 374	1 610	23 401
B G Wood	2 732	2 430	451	4 458	368	10 439
2023	6 819	6 075	1 136	17 832	1 978	33 840
Executive directors for the year ended 30 June 2022						
J N Potgieter*	2 770	2 312	340	6 273	242	11 937
L A Foxcroft#	3 897	4 234	651	12 554	488	21 824
B G Wood	2 604	2 823	429	6 367	325	12 548
2022	9 271	9 369	1 420	25 194	1 055	46 309

* Retired on 31 December 2021.

Appointed as CEO on 1 January 2022. Remuneration reflected is that for a full financial year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

36. RELATED-PARTY TRANSACTIONS *continued*

Directors' remuneration *continued*

All figures in R'000	Salary	Short-term incentives	Provident fund and medical aid contributions	Gain on share scheme awards [†]	Other	Total 2023
Prescribed officers for the year ended 30 June 2023						
T Molefakgotla*	2 719	2 908	654	–	359	6 640
G Maartens**	160	1 027	49	44	29	1 309
2023	2 879	3 935	703	44	388	7 949
Prescribed officers for the year ended 30 June 2022						
T Molefakgotla*	3 123	3 665	726	2 860	411	10 785
2022	3 123	3 665	726	2 860	411	10 785

[†] IFRS 2 expense recognised for the Ceramic Industries Schemes.

* Resigned on 28 April 2023.

** Appointed on 24 May 2023 as a prescribed officer.

All figures in R'000	Board fees	Other	Total 2023	Total 2022
Non-executive directors				
G A M Ravazzotti	2 050	–	2 050	1 933
L R Langenhoven	416	–	416	400
S M du Toit	960	–	960	920
S G Pretorius	763	–	763	697
N P Khoza	501	–	501	435
I N Malevu [‡]	–	–	–	391
L C Prezens	608	–	608	279
J N Potgieter	370	–	370	151
A M Mathole ^{‡‡}	473	–	473	–
2023	6 141	–	6 141	
2022	5 206	–		5 206
Aggregate emoluments of directors and prescribed officers who served during the year			47 930	62 300

[‡] Resigned 31 July 2022.

^{‡‡} Appointed 1 June 2022.

36. RELATED-PARTY TRANSACTIONS continued

Company

Details of related-party transactions are as follows:

Related party	Nature of transactions	Aggregate value of transactions		Balances owing at year-end	
		2023 Rm	2022 Rm	2023 Rm	2022 Rm
Italtile Empowerment Trust	Interest-free loan	–	–	75	50
Italtile Ceramics (Pty) Ltd	Dividends	780	1 441	–	–
Italtile Share Incentive Trust	Dividends	12	–	–	–
Italtile Ceramics (Pty) Ltd	Management fees	9	9	3 345	3 371
Italtile and Ceramics Foundation Trust	Interest-free loan	–	–	81	91

Refer to notes 7, 16 and 21.2 for further disclosure relating to terms of balances owing at year-end.

Key management personnel and prescribed officers comprise only the Company Board members. Remuneration paid to key management personnel of the Company is provided above. No balances were owing at year-end (2022: Rnil).

37. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests in the current or prior year is provided below:

Proportion of equity interest held by non-controlling interests in ordinary shares

Name	Country of incorporation	2023 %	2022 %
Ceramic Industries Group	South Africa	1,9	1,9
Italtile Retail (Pty) Ltd	South Africa	45,0	45,0
International Tap Distributors (Pty) Ltd [#]	South Africa	12,0	12,0
Cedar Point Trading (Pty) Ltd ^{##}	South Africa	–	10,0
Ezee Tile Adhesive Manufacturers (Pty) Ltd	South Africa	1,9	1,7
TopT Ceramics (Pty) Ltd [#]	South Africa	5,0	5,0

	2023 Rm	2022 Rm
Profit allocated to material non-controlling interest:		
Ceramic Industries Group	6	14
Italtile Retail (Pty) Ltd	40	38
International Tap Distributors (Pty) Ltd [#]	–	7
Cedar Point Trading (Pty) Ltd ^{##}	–	7
Ezee Tile Adhesive Manufacturers (Pty) Ltd	–	1
TopT Ceramics (Pty) Ltd [#]	–	5

[#] The control of shares held by the minority partners are restricted by the loans provided for the purchase. The structure of the deal constitutes a share incentive transaction in terms of IFRS 2.

^{##} The minority partners have exited the business effective 1 May 2023 and 1 June 2023. The shares have been repurchased during the financial period.

The summarised financial information of these subsidiaries is provided overleaf. This information is based on amounts before inter-company eliminations.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

37. MATERIAL PARTLY-OWNED SUBSIDIARIES *continued*

Summarised statement of profit or loss for the year ended 30 June 2023

	Ceramic Industries Rm	Italtile Retail Rm	International Tap Distributors Rm	Ezee Tile Rm	TopT Rm	Cedar Point Trading* Rm
Revenue from contracts with customers	4 368	758	455	924	951	758
Cost of sales	(3 068)	(424)	(366)	(768)	(600)	(635)
Administrative expenses	(521)	(210)	(29)	(112)	(193)	(45)
Finance costs	-	-	-	-	-	-
Profit before tax	779	124	60	44	158	78
Income tax expense	(218)	(35)	(16)	(23)	(42)	(21)
Profit for the year	561	89	44	21	116	57
Attributable to non-controlling interests	6	40	-	-	-	-
Dividends paid to non-controlling interests	8	37	3	-	2	3

* The non-controlling interest was repurchased during the year.

Summarised statement of profit or loss for the year ended 30 June 2022

	Ceramic Industries Rm	Italtile Retail Rm	International Tap Distributors Rm	Ezee Tile Rm	TopT Rm	Cedar Point Trading Rm
Revenue from contracts with customers	4 207	702	469	886	947	749
Cost of sales	(2 800)	(387)	(365)	(726)	(591)	(620)
Administrative expenses	(405)	(198)	(26)	(68)	(206)	(32)
Finance costs	(1)	-	-	#	#	-
Profit before tax	1 001	117	78	92	150	97
Income tax expense	(282)	(33)	(22)	(26)	(42)	(27)
Profit for the year	719	84	56	66	108	70
Attributable to non-controlling interests	14	38	7	1	5	7
Dividends paid to non-controlling interests	8	37	3	-	2	3

Less than R1 million.

Summarised statement of financial position as at 30 June 2023

	Ceramic Industries Rm	Italtile Retail Rm	International Tap Distributors Rm	Ezee Tile Rm	TopT Rm	Cedar Point Trading* Rm
Non-current assets	2 527	37	13	357	27	5
Current assets	1 311	203	203	131	284	262
Non-current liabilities	(149)	-	(1)	(2)	-	-
Current liabilities	(557)	(48)	(23)	(61)	(98)	(55)
Total equity	3 132	192	192	425	213	212

* The non-controlling interest was repurchased during the year.

37. MATERIAL PARTLY-OWNED SUBSIDIARIES *continued*
Summarised statement of financial position as at 30 June 2022

	Ceramic Industries Rm	Italtile Retail Rm	International Tap Distributors Rm	Ezee Tile Rm	TopT Rm	Cedar Point Trading Rm
Non-current assets	2 256	17	12	238	24	4
Current assets	1 308	226	200	240	188	255
Non-current liabilities	(154)	-	-	(3)	-	-
Current liabilities	(430)	(56)	(37)	(72)	(71)	(73)
Total equity	2 980	187	175	403	141	186

Summarised cash flow information for the year ended 30 June 2023

	Ceramic Industries Rm	Italtile Retail Rm	International Tap Distributors Rm	Ezee Tile Rm	TopT Rm	Cedar Point Trading* Rm
Cash flow from operating activities	353	65	88	90	125	43
Cash flow from investing activities	(222)	(14)	(3)	(98)	(11)	-
Cash flow from financing activities	(30)	-	-	27	-	-
Net increase in cash and cash equivalents	101	51	85	19	114	43

* The non-controlling interests was repurchased during the year.

Summarised cash flow information for the year ended 30 June 2022

	Ceramic Industries Rm	Italtile Retail Rm	International Tap Distributors Rm	Ezee Tile Rm	TopT Rm	Cedar Point Trading Rm
Cash flow from operating activities	339	(65)	(57)	24	12	(21)
Cash flow from investing activities	(406)	(7)	(4)	(153)	(11)	-
Cash flow from financing activities	(229)	-	-	41	-	-
Net increase in cash and cash equivalents	(296)	(72)	(61)	(88)	1	(21)

38. GROUP ENTITIES

	Issued ordinary share capital R	% holding		Book value of interest Shares		Amounts due from	
		2023	2022	2023 Rm	2022 Rm	2023 Rm	2022 Rm
HELD BY ITALTILE LIMITED							
Retail							
Italtile Ceramics (Pty) Ltd	36 383 670	100	100	1	1	3 350	3 384

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

38. GROUP ENTITIES continued

	Issued share capital		Effective shareholding	
	2023 R	2022 R	2023 %	2022 %
HELD BY SUBSIDIARIES				
Franchising				
Italtile Franchising (Pty) Ltd	1 000	1 000	100	100
Property Investment				
Allmuss Properties (Pty) Ltd	1 500	1 500	100	100
Allmuss Properties Botswana (Pty) Ltd ¹	4 651	4 651	100	100
Allmuss Properties Namibia (Pty) Ltd ²	1 100	1 100	100	100
Allmuss Lesotho (Pty) Ltd ³	1 000	1 000	100	100
Allmuss Properties Kenya (Pty) Ltd ⁴	164 051 195	164 051 195	100	100
Emerald Sky Trading 736 (Pty) Ltd	100	100	100	100
F. B. Ashman (Pty) Ltd	100	100	100	100
Penates Logistics (Pty) Ltd [#]	100	100	90	90
Magnolia Ridge Properties 291 (Pty) Ltd	15 000 000	15 000 000	50*	50*
Allmuss Properties Tanzania Ltd ⁶	46 895 113	46 895 113	100	100
Allmuss Properties Zambia Limited ⁷	195 755	188 661	100	100
Allmuss Properties Rwanda (Pty) Ltd ⁸	20 341 394	22 243 907	100	100
Magaeng Properties (Pty) Ltd	100	-	49*	-
Support Services				
International Tap Distributors (Pty) Ltd [#]	210	210	88	88
Cedar Point Trading 326 (Pty) Ltd ^{##}	1 000	1 000	100	90
Italtile Foreign Holdings (Pty) Ltd	1 410	1 410	100	100
Retail				
CTM Kenya Ltd ⁴	25 737 379	25 737 379	100	100
Italtile Retail (Pty) Ltd	1 000	1 000	55	55
Orban Investments 375 (Pty) Ltd ²	175	175	100	100
TopT Ceramics (Pty) Ltd [#]	1 000	1 000	95	95
Braintree (Pty) Ltd ¹	1 302	1 302	100	100
Braintree Tanzania Ltd ⁶	32 404 620	32 404 620	100	100
U-Light (Pty) Ltd	1 000	1 000	75	75
Italtile Retail Botswana (Pty) Ltd	1 000	1 000	55	55
CTM Lesotho (Pty) Ltd	100	100	100	100
Italtile Zambia Ltd ⁶	29 418	29 418	100	100
Manufacturing				
Ceramic Industries (Pty) Ltd	64 816 360	64 816 360	98	98
Ceramic Holdings (Pty) Ltd ⁵	130 233 618	130 233 618	97	98
National Ceramic Industries Australia Pty Ltd ⁵	72 658 011	72 658 011	94	94
Namoi Valley Quarry (Pty) Ltd	1	1	94	94
Sphinx Acrylic Bathroomware (Pty) Ltd	102	102	98	98
National Ceramic Industries South Africa (Pty) Ltd	2 000	2 000	98	98
National Ceramic Industries (Pty) Ltd	100 000	100 000	98	98
CRM Brick and Associated Industries (Pty) Ltd	2 000	2 000	98	98
Aquarella Investments 389 (Pty) Ltd	100	100	73	73
Ezee Tile Adhesive Manufacturers (Pty) Ltd	556	556	98	98
Ezee Tile Adhesive Manufacturers (Free State) (Pty) Ltd	1 000	1 000	74	74
Ezee Tile Kenya Ltd	1 201 199	1 201 199	69	69
Namibia Adhesive Manufacturers (Pty) Ltd ²	100	100	98	98
Ezee Tile Adhesives Zambia Limited ⁷	7 108	7 108	49*	49*
Special purpose entities				
Italtile Foundation Trust				
Italtile Share Incentive Trust				
Italtile Empowerment Trust				
Italtile Share Retention Trust				
Italtile Staff Share Scheme Trust				

¹ Incorporated in Botswana.

² Incorporated in Namibia.

³ Incorporated in Lesotho.

⁴ Incorporated in Kenya.

⁵ Incorporated in Australia.

⁶ Incorporated in Tanzania.

⁷ Incorporated in Zambia.

⁸ Incorporated in Rwanda.

* The Company is consolidated as the Group exercises control over it.

[#] The control of shares held by the minority partners are restricted by the loans provided for the purchase. The structure of the deal constitutes a share incentive transaction in terms of IFRS 2.

^{##} The minority partners exited the business effective 1 May 2023 and 1 June 2023. The shares were repurchased during the financial period.

39. GOING CONCERN

The Group has a 54-year track record of trading through turbulent periods and we believe our market leading brands, our factories' latest technology and high-performance culture provide opportunities to improve our performance. While market conditions remain uncertain in South Africa, the long-term dynamics of the housing market remain favourable, and the Board has confidence in the Group's proven business model and experienced teams. The Group remains a robust going concern.

40. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year-end, we are awaiting an announcement from NERSA and Sasol regarding a potential increase in pipeline gas prices. A significant increase is likely to have an impact on affordability of product as well as on manufacturing margins.

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

ANALYSIS OF SHAREHOLDERS

SHAREHOLDER SPREAD	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	2 215	60,37	271 396	0,02
1 001 – 10 000 shares	717	19,54	2 948 581	0,22
10 001 – 100 000 shares	459	12,51	14 669 719	1,11
100 001 – 1 000 000 shares	204	5,56	62 782 485	4,75
1 000 001 shares and over	74	2,02	1 240 981 967	93,90
Totals	3 669	100,00	1 321 654 148	100,00

DISTRIBUTION OF SHAREHOLDERS	Number of shareholdings	%	Number of shares	%
Associates to directors	2	0,05	746 273 615	56,47
Companies and other corporate bodies	132	3,60	9 139 458	0,69
Directors and associates	3	0,08	4 743 253	0,36
Empowerment	7	0,19	37 857 789	2,86
Individuals	2 877	78,41	50 217 672	3,80
Italtile and Ceramic Foundation Trust	1	0,03	50 569 303	3,83
Italtile Ceramics (Pty) Ltd	1	0,03	32 317 530	2,45
Italtile Empowerment Trust	1	0,03	11 384 663	0,86
The Italtile Share Incentive Trust	1	0,03	9 922 234	0,75
Italtile Retention Scheme Trust	1	0,03	7 966 667	0,60
Italtile Staff Share Scheme Trust	1	0,03	2 738 024	0,21
Nominee shareholders	515	14,04	314 901 691	23,83
Trusts	127	3,46	43 622 249	3,30
Totals	3 669	100,00	1 321 654 148	100,00

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholdings	%	Number of shares	%
Non-public shareholders	18	0,53	903 773 078	68,38
Directors	3	0,08	4 743 253	0,36
Associates to directors	2	0,05	746 273 615	56,47
Italtile and Ceramic Foundation Trust	1	0,05	50 569 303	3,83
Italtile Ceramics (Pty) Ltd	1	0,05	32 317 530	2,45
Italtile Empowerment Trust	1	0,05	11 384 663	0,86
The Italtile Share Incentive Trust	1	0,05	9 922 234	0,75
Italtile Retention Scheme Trust	1	0,05	7 966 667	0,60
Italtile Staff Share Scheme Trust	1	0,05	2 738 024	0,21
Empowerment companies	7	0,08	37 857 789	2,86
Public shareholders	3 651	99,47	417 881 070	31,62
Totals	3 669	100,00	1 321 654 148	100,00

BENEFICIAL SHAREHOLDERS HOLDING 2% OR MORE	Number of shares	%
Rallen (Pty) Ltd	746 244 490	56,46
Old Mutual	64 912 223	4,91
Italtile and Ceramic Foundation Trust	50 569 303	3,83
Tommaso Altini Trust	41 797 269	3,16
Government Employees Pension Fund	38 742 577	2,93
Italtile Ceramics (Pty) Ltd	32 317 530	2,45
Foord	28 760 317	2,18
Totals	1 003 343 709	75,92

INFORMATION FOR SHAREHOLDERS

Our solid 54-year track record of trading through various turbulent periods, our leading brands, our factories' latest technology, and our high-performance culture provide opportunities to improve our performance in the year ahead. The long-term dynamics of the housing market remain favourable, and the Board has confidence in the Group's proven business model and experienced teams.

SHAREHOLDERS' DIARY

FINANCIAL YEAR-END

June

AGM

November

REPORTS

Interim half-year to December

February

Preliminary full-year profit announcement

August

Integrated Annual Report

September

DIVIDENDS

Interim dividend

Declared

February

Paid

March

Final dividend

Declared

August

Paid

September

CORPORATE INFORMATION

ITALTILE LIMITED

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

Registration number 1955/000558/06

JSE share ITE

ISIN ZAE000099123

Company Secretary E J Willis

Registered office The Italtile Building
Corner William Nicol Drive
and Peter Place
Bryanston, 2021

Postal address PO Box 1689, Randburg, 2125

Telephone number +27 (11) 510 9000

Fax number +27 (11) 510 9060

Transfer Secretaries

Computershare Investor
Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
Merchantec Capital

Sponsor

Corporate and Legal advisers

Rabin & Associates

Attorneys

Werksmans

Bankers

Nedbank Ltd

Auditor

PricewaterhouseCoopers Inc.

Website

<http://www.Italtile.com>

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING

ITALTILE LIMITED

Incorporated in the Republic of South Africa
(Registration number 1955/000558/06)
Share code: ITE ISIN: ZAE000099123
("Italtile" or "the Company" or "the Group")

This document is important and requires your immediate attention.

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

Notice is hereby given in terms of section 62(1) of the Companies Act, 71 of 2008, as amended ("the Companies Act") that the 33rd annual general meeting ("AGM") of shareholders of Italtile will be conducted entirely by electronic communication as permitted by section 63(2)(a) of the Companies Act ("electronic communication") on Thursday, 9 November 2023, at 10:00 to consider and, if deemed fit, to pass with or without modification, the ordinary and special resolutions set out below in the manner required by the Companies Act and the Listings Requirements of the JSE Limited ("JSE").

The Board of directors of the Company ("the Board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, the record date for the purposes of determining which Italtile shareholders are entitled to receive notice of the AGM ("Notice") is Friday, 22 September 2023.

The record date for determining which Italtile shareholders are entitled to participate in and vote at the AGM is Friday, 3 November 2023. Accordingly, the last day to trade in Italtile shares in order to be recorded in the securities register of the Company and thereby be entitled to attend, participate in and vote at the AGM is Tuesday, 31 October 2023.

In terms of section 63(1) of the Companies Act, before any person may attend or participate in the AGM, that person must present reasonably satisfactory identification and the person presiding at the AGM must be reasonably satisfied that the right of the person to participate in and vote at the AGM, either as a shareholder of Italtile, or as a proxy for a shareholder of Italtile, has been reasonably verified. Forms of identification that will be accepted include an original and valid identity document, driver's licence or a valid passport.

In terms of section 63(2) of the Companies Act, as read with clause 6.7(2) of the memorandum of incorporation ("MOI") of the Company, the AGM will be conducted entirely by electronic

communication and shareholders are referred to the shareholders' Virtual Meeting Guide ("Guide"), attached as Annexure 1 to this Notice, which Guide sets out the necessary information to enable shareholders or their proxies to access the available medium in order to participate in and vote at the AGM.

REPORT FROM THE SOCIAL AND ETHICS COMMITTEE

The attention of shareholders is drawn to the report from the Social and Ethics Committee, which is included on pages 67 and 68 of the IAR of which this Notice forms part.

ORDINARY BUSINESS

To receive the annual financial statements for the year ended 30 June 2023 of the Company and the Group, together with the reports of the directors and auditors.

Ordinary Resolution No 1 (comprising Ordinary Resolution numbers 1.1 to 1.4, all inclusive) – Re-election of directors

RESOLVED THAT by way of separate ordinary resolutions, each of:

- 1.1 Mr G A M Ravazzotti, who is retiring by rotation in terms of the Company's MOI and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.
- 1.2 Ms S M du Toit, who is retiring by rotation in terms of the Company's MOI and who, being eligible, offers herself for re-election, be and is hereby re-elected as a director of the Company.
- 1.3 Mr S G Pretorius, who is retiring by rotation in terms of the Company's MOI and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.
- 1.4 Ms L C Prezens, who is retiring by rotation in terms of the Company's MOI and who, being eligible, offers herself for re-election, be and is hereby re-elected as a director of the Company.

Explanatory note:

In terms of clause 7.2(1) as read with clause 7.2(2) of the MOI, one-third of the non-executive directors of the Company are required to retire from office at each AGM. The non-executive directors of the Company to retire in every year shall be those who have been longest in office since their last election, but as between persons who became or were last elected as non-executive directors of the Company on the same day, those to retire shall, unless otherwise agreed among themselves, be determined by lot. In terms of clause 7.2(3) of the MOI, any

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING CONTINUED

director who has been in office for longer than nine years shall retire annually at each AGM. A retiring director shall be eligible for re-election.

Mr G A M Ravazzotti, Ms S M du Toit, Mr S G Pretorius and Ms L C Prezens all retire in accordance with clause 7.2 of the MOI and, being eligible, offer themselves for re-election.

The reason for the proposed Ordinary Resolution numbers 1.1 to 1.4 (all inclusive) is to elect, in accordance with the MOI and by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required by section 68(1) of the Companies Act, Mr G A M Ravazzotti, Ms S M du Toit, Mr S G Pretorius and Ms L C Prezens as directors of the Company. The effect of Ordinary Resolution numbers 1.1 to 1.4 (all inclusive) is that Mr G A M Ravazzotti, Ms S M du Toit, Mr S G Pretorius and Ms L C Prezens will be re-elected as directors of the Company.

A brief curriculum vitae ("CV") in respect of each of these directors is contained on pages 4 and 5 of this IAR of which this Notice forms part.

Ordinary Resolution No 2 – Appointment of external auditors

RESOLVED THAT PricewaterhouseCoopers Inc. be and is hereby reappointed on the recommendation of the current Audit and Risk Committee as the independent external auditors of the Company, for the ensuing financial period, terminating at the conclusion of the next AGM of the Company, and Thomas Howatt, being a director of PricewaterhouseCoopers Inc., be and is hereby reappointed as the individual registered auditor who will undertake the audit of the Company for the financial year ending 30 June 2024.

Explanatory note:

In accordance with section 90(1) of the Companies Act, PricewaterhouseCoopers Inc. is proposed to be reappointed as the external auditors of the Company, as recommended by the Company's Audit and Risk Committee, until the conclusion of the Company's next AGM.

Ordinary Resolution No 3 (comprising Ordinary Resolution numbers 3.1 to 3.4, all inclusive) – Election of Audit and Risk Committee

RESOLVED THAT, by way of separate ordinary resolutions, each of:

- 3.1 Ms S M du Toit, who is an independent non-executive director of the Company, be and is hereby re-elected as a member of the Company's Audit and Risk Committee;
 - 3.2 Ms N P Khoza, who is an independent non-executive director of the Company, be and is hereby re-elected as a member of the Company's Audit and Risk Committee;
 - 3.3 Mr S G Pretorius, who is an independent non-executive director of the Company, be and is hereby re-elected as a member of the Company's Audit and Risk Committee;
 - 3.4 Ms L C Prezens, who is an independent non-executive director of the Company, be and is hereby elected as a member of the Company's Audit and Risk Committee;
- subject to Ms S M du Toit, Mr S G Pretorius and Ms L C Prezens being re-elected as directors of the Company in terms of Ordinary Resolution numbers 1.2, 1.3 and 1.4 respectively.

Explanatory note:

In terms of section 94(2) of the Companies Act, the Audit Committee is a committee elected by shareholders at each AGM. A brief CV of each of the aforementioned independent non-executive directors appears on pages 4 and 5 of this IAR of which this Notice forms part. In terms of the Regulations, 2011 promulgated under the Companies Act ("Companies Act Regulations"), at least one-third of the members of the Company's Audit Committee must have academic qualifications, or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. The Board is satisfied that the Company's Audit and Risk Committee members are suitably skilled and experienced as contemplated in Regulation 42 of the Companies Act Regulations and that collectively they have sufficient qualifications and experience to fulfil their duties as contemplated in section 94(7) of the Companies Act.

Ordinary Resolution No 4 (comprising Ordinary Resolution numbers 4.1 and 4.2) – Non-binding Advisory Endorsement of the Company's Remuneration Policy and Implementation Report

Ordinary Resolution 4.1 – Endorsement of the Company's Remuneration Policy

RESOLVED THAT the Company's Remuneration Policy, as detailed on pages 128 to 131 of the IAR, be and is hereby approved and adopted by way of a non-binding advisory vote, as recommended in the King IV Report on Corporate Governance for South Africa ("King IV").

Ordinary Resolution 4.2 – Endorsement of the Company's Implementation Report

RESOLVED THAT the Implementation Report of the Company, as set out on pages 132 to 137 of this IAR, be and is hereby approved and adopted by way of a non-binding advisory vote, as recommended in terms of King IV.

Explanatory note:

In terms of King IV and the Listings Requirements, the Company's Remuneration Policy and Implementation Report should be tabled to shareholders for separate non-binding advisory votes at the AGM. Failure to pass these resolutions will not have legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when assessing the Company's Remuneration Policy and Implementation Report.

Shareholders are accordingly requested to endorse the Company's Remuneration Policy and Implementation Report as set out on pages 132 to 137 respectively, of this IAR.

Ordinary Resolution No 5 – Unissued shares to be placed under the control of the directors

RESOLVED THAT the authorised but unissued ordinary shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company and that the directors be and are hereby authorised and empowered to allot and issue and grant options over all or any of such ordinary shares to such person or persons on such terms and conditions and at such times as the directors of the Company may from time to time in their discretion deem fit, subject to the proviso that the aggregate number of ordinary shares to be allotted and issued in terms of this resolution shall be limited to 5% (five percent) of the authorised share capital of the Company and subject to the provisions of the Companies Act and the Listings Requirements. Such authority shall be valid until the date of the next AGM or for 15 (fifteen) months from the date on which Ordinary Resolution No 5 is adopted, whichever period is shorter.

Explanatory note:

The reason for Ordinary Resolution No 5 is that in terms of the MOI and subject to the provisions of the Companies Act, as may be amended from time to time and the Listings Requirements, the shareholders of the Company may authorise the directors to allot and issue and grant options over, such shares, as the directors in their discretion deem fit. The effect of Ordinary Resolution No 5 is to ensure that the directors have the necessary flexibility to allot and issue shares as they deem fit. It is noted that an issue as contemplated in sections 41(1) and (3) of the Companies Act must first be approved by way of special resolution in terms of section 41 of the Companies Act and is not authorised in terms of this resolution.

Ordinary Resolution No 6 – General authority to issue shares, and to sell treasury shares, for cash

RESOLVED THAT the directors of the Company and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to:

- allot and issue shares or options in respect of any of the authorised but unissued ordinary shares in the capital of the Company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company, for cash, to such person/s on such terms and subject to such conditions and at such times as the directors in their discretion deem fit, subject to the provisions of the Companies Act, the MOI and the Listings Requirements as amended from time to time.

This resolution is subject to the following limitations:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to public shareholders as defined in the Listings Requirements and not to related parties;
- related parties may participate in a general issue for cash through a bookbuild process, provided that:
 - related parties only participate with a maximum bid price at which they are prepared to take up shares or at book close price. In the event of a maximum bid price and the book closes at a higher price, the relevant related party will be 'out of the book' and not be allocated shares; and
 - equity securities must be allocated equitably 'in the book' through the bookbuild process and the measures to be applied must be disclosed in the SENS announcement launching the bookbuild;
- in respect of securities which are the subject of the general issue of shares for cash, such issue may not exceed 60 690 468, representing 5% (five percent) of the number of listed equity securities in issue as at the date of this Notice, provided that:
 - the number of ordinary shares which may be issued will be deducted from the aforementioned 60 690 468 securities;
 - in the event of a subdivision or consolidation of issued equity securities during the period contemplated below, the existing authority must be adjusted accordingly to represent the same allocation ratio; and
 - the calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of the notice of the AGM, excluding treasury shares;
- this general authority is valid until the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date on which this Ordinary Resolution No 6 is adopted;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING CONTINUED

permitted will be 5% (five percent) of the weighted average traded price on the JSE of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the ordinary shares. The JSE should be consulted for a ruling if the Company's ordinary shares have not traded in such 30 (thirty) business day period;

- an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over 30 (thirty) business days prior to the date that the issue is agreed in writing between the Company and the parties subscribing for the securities and in respect of the issue of options and convertible securities the impact on the statement of financial position, net asset value per share, net tangible asset value per share, the statement of comprehensive income, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, or in respect of an issue of shares, an explanation, included supporting information (if any), of the intended use of the funds, will be published when the Company has issued securities representing, on a cumulative basis within the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date that this authority is given, 5% (five percent) or more of the number of securities in issue prior to the issue; and
- whenever the Company wishes to use ordinary shares, held as treasury stock by a subsidiary of the Company, such use must comply with the Listings Requirements as if such use was a fresh issue of ordinary shares.

In terms of the Listings Requirements a 75% (seventy-five percent) majority of the votes cast by shareholders present or represented by proxy and entitled to vote at the AGM must be cast in favour of Ordinary Resolution No 6 for it to be approved.

Explanatory note:

In accordance with the MOI, as well as the Listings Requirements, the shareholders of the Company have to approve a general issue of shares for cash. The existing authorities granted by the shareholders of the Company at the previous AGM held on 11 November 2022 expires at this AGM to be held on 9 November 2023, unless renewed. This authority will be subject to the MOI, the Companies Act and the Listings Requirements. The directors of the Company consider it

advantageous to renew this authority to enable the Company to take advantage of any business opportunity that may arise in the future.

The effect of Ordinary Resolution No 6 is that the directors will be able to issue the authorised but unissued ordinary shares in the share capital of the Company for cash, as and when suitable business opportunities arise, subject to the Listings Requirements, the restrictions/conditions set out in the authority and the MOI.

Special Resolution No 1 – Acquisition of own securities

RESOLVED THAT the mandate be given to the Company (or any of its subsidiaries) providing authorisation, by way of a general authority, to acquire the Company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the MOI, the Companies Act and the Listings Requirements and provided that:

- any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- at any point in time, the Company may only appoint one agent to effect any repurchase(s) on the Company's behalf;
- this general authority shall be valid until the Company's next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this Special Resolution No 1 (whichever period is shorter);
- an announcement will be published giving such details as may be required in terms of the Listings Requirements as soon as the Company has cumulatively repurchased 3% (three percent) of the initial number (the number of that class of share in issue at the time that the general authority from shareholders is granted) of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- repurchases by the Company, and/or its subsidiaries, in aggregate in any one financial year may not exceed 10% (ten percent) of the Company's issued share capital as at the date of passing this Special Resolution No 1;

- the Board passes a resolution that it has authorised the repurchase, that the Company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed there have been no material changes to the financial position of the Group;
- repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date on which the transaction is effected; and
- the Company or its subsidiary may not repurchase securities during a prohibited period, as defined in the Listings Requirements, unless:
 - the Company had a repurchase programme in place and the programme has been submitted to the JSE prior to the prohibited period commencing;
 - only one independent third party has been instructed to execute the repurchase programme prior to the prohibited period commencing; and
 - the repurchase programme includes the name and date of appointment of the independent third party instructed to execute the repurchase programme, the commencement and termination date of the repurchase programme and the fixed number of securities to be traded during the period.

Statement by the Board pursuant to and in terms of the Listings Requirements of the JSE:

The directors of the Company hereby state that:

- (a) the intention of the directors of the Company is to utilise the authority if, at some future date, the cash resources of the Company are in excess of its requirements. In this regard, the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and will ensure that any such utilisation is in the interests of the shareholders; and
- (b) the method by which the Company intends to repurchase its securities and the date on which such repurchase will take place, has not yet been determined.

At the time that the contemplated repurchase is to take place, the directors of the Company will ensure that:

- the Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date on which the repurchase is contemplated;
- the assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards,

will be in excess of the liabilities of the Company and its subsidiaries for a period of 12 (twelve) months after the date on which the repurchase is contemplated;

- the share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the business of the Company and its subsidiaries for a period of 12 (twelve) months after the date on which the repurchase is contemplated;
- the working capital available to the Company and its subsidiaries will be adequate for the Group's ordinary business purposes for a period of 12 (twelve) months after the date on which the repurchase is contemplated.

Explanatory note:

The reason for and effect of this Special Resolution No 1 is to grant the Board a general authority in terms of the Listings Requirements, to approve the acquisition by the Company or any of its subsidiaries of securities issued by the Company, which authority shall be valid until the earlier of the next AGM, or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company; provided that the general authority shall not extend beyond 15 (fifteen) months from the date that this Special Resolution No 1 is passed.

The following information, which is required by the Listings Requirements with regard to this Special Resolution No 1, appears on the pages of the financial statements to which this Notice is annexed, is indicated below:

Major shareholders	page 208
Share capital of the Company	page 188

Special Resolution No 2 – Financial assistance to related and inter-related entities

RESOLVED THAT the Board may at any time and from time to time during the period of two (2) years commencing on the date of adoption of this special resolution, authorise the provision by the Company of direct or indirect financial assistance, by way of a loan, guarantee of a loan or other obligation or the securing of a debt or other obligation (“financial assistance”) to any one or more related or inter-related companies or corporations of the Company and/or to any one or more members of any such related or inter-related corporation or to a person related to any such company, corporation or member as contemplated in section 2 of the Companies Act, on such terms and conditions as the Board may deem fit, provided that the Board may not authorise the provision by the Company of any financial assistance otherwise than in accordance with the requirements

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING CONTINUED

of the MOI and the Companies Act that stipulate, *inter alia*, that the Board must –

- acknowledge that it has applied the solvency and liquidity test set out in section 4 of the Companies Act (“Solvency and Liquidity Test”) and must conclude that the Company will satisfy the Solvency and Liquidity Test immediately after providing the financial assistance, in accordance with the provisions of section 45(3)(b)(i) of the Companies Act;
- be satisfied that the terms under which the Company will provide the financial assistance are fair and reasonable to the Company, in accordance with the provisions of section 45(3)(b)(ii) of the Companies Act; and
- be satisfied that all conditions and restrictions set out in the MOI regarding the provision of the financial assistance have been satisfied, in accordance with the provisions of section 45(4) of the Companies Act.

Explanatory note:

The reason for the passing of this Special Resolution No 2 is that, in terms of section 45 of the Companies Act, the Company may not provide the financial assistance contemplated in such section to related or inter-related companies and corporations, including, *inter alia*, its subsidiaries without a special resolution. The reason for Special Resolution No 2 is to obtain approval from the shareholders to give the Board the authority to allow the Company to provide direct or indirect financial assistance, by way of a loan, guaranteeing of a loan or other obligation or securing of a debt or other obligation, to the recipients contemplated in Special Resolution No 2. The effect of Special Resolution No 2 is that the Company will have the necessary authority to permit the Company to provide the financial assistance as and when required.

It is difficult to foresee the exact details of financial assistance that the Company may be required to provide over the next two years. It is essential, however, that the Company is able to effectively organise its internal financial administration. For these reasons and because it would be impractical and difficult to obtain shareholder approval every time the Company wishes to provide financial assistance as contemplated above, it is necessary to obtain the approval of shareholders, as set out in Special Resolution No 2.

It should be noted that this Special Resolution No 2 does not authorise the provision of financial assistance to a director or a prescribed officer of the Company or of a related or inter-related company.

Special Resolution No 3 – Approval of non-executive directors’ remuneration

RESOLVED THAT, in terms of section 66(9) of the Companies Act, payment of the remuneration for the non-executive directors of the Company for their services as directors of the Company for the financial year of the Company ending 30 June 2024, excluding VAT where applicable, be approved as follows:

- (i) A basic annual fee of R131 000 (one hundred and thirty-one thousand Rand).
 - R31 500 (thirty-one thousand five hundred Rand) per Board meeting attended.
 - R38 000 (thirty-eight thousand five hundred and forty Rand) per strategy session.
 - R26 500 (twenty-six thousand five hundred Rand) per committee meeting attended, with the Chairman of such meeting being paid R32 750 (thirty-two thousand seven hundred and fifty Rand).
- (ii) The Chairman to receive an annual fee of R1 575 000 (one million five hundred and seventy-five thousand Rand) for the 2024 financial year.
- (iii) Non-executive directors who undertake *ad hoc* work for the Company at the request of the Board may be paid an hourly rate of R4 500 (four thousand five hundred Rand) for such work, limited to 144 hours in any one year.
- (iv) The fees payable to directors as detailed in (i) above shall, but only until the expiry of a period of 12 months from the date of the passing of this Special Resolution No 3 (or until amended by a special resolution of shareholders prior to the expiry of such period), escalate as determined by the Remuneration Committee of the Company, up to a maximum of 10% per annum per amount as set out above, excluding VAT (where applicable).

Explanatory note:

In terms of sections 66(8) and 66(9) of the Companies Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders of the Company within the previous two years and if not prohibited in terms of the MOI. Therefore, the reason for and the effect of Special Resolution No 3 is to approve the payment of and the remuneration payable by the Company to its non-executive directors for their services as directors of the Company in terms of section 66 of the Companies Act. The fees payable to the non-executive directors are detailed above. The remuneration policy forms part of the Remuneration Report included in the IAR on pages 125 to 137.

Ordinary Resolution No 7 – Authority to sign documentation

RESOLVED THAT any director of the Company or the Company Secretary be and is hereby authorised to do all such things, take all actions necessary and sign all documents required to give effect to, or as may be necessary for or incidental to the implementation of, the above mentioned ordinary and special resolutions to be proposed at the AGM.

Explanatory note:

The reason for Ordinary Resolution No 7 is to authorise any director or the Company Secretary of the Company to attend to the necessary to implement the special and ordinary resolutions passed at the AGM and to sign all documentation required to record the special and ordinary resolutions. The effect of Ordinary Resolution No 7 is that any director or the Company Secretary of the Company will be authorised to attend to the implementation of the special and ordinary resolutions on behalf of the Company.

LITIGATION STATEMENT

The directors of the Company, whose names are given on pages 4 and 5 of this IAR, are not aware of any legal or arbitration proceedings, pending or threatened against the Company, which may have or have had, in the 12 months preceding the date of this Notice, a material effect on the Company's financial position.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 4 and 5 of this IAR, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the IAR contains all the information required by law and the Listings Requirements.

MATERIAL CHANGE

Other than the facts and developments reported in this Integrated Annual Report, there have been no material changes in the affairs, financial or trading position of the Company since the signature date of this IAR and the posting date thereof. Shares held by the Company as treasury shares and the Italtile Share Incentive Trust will be excluded from the quorum and voting on the resolutions commissioned at the AGM.

APPROVALS REQUIRED FOR RESOLUTIONS

Save for Ordinary Resolution No 6 contained in this Notice which, in terms of the Listings Requirements, requires the approval by more than 75% of the votes exercised on such resolution by shareholders present or represented by proxy at the AGM, Ordinary Resolution numbers 1 to 7 contained in this Notice of AGM require the approval by more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM, and further subject to the provisions of the Companies Act, the MOI and the Listings Requirements.

Special Resolution numbers 1 to 3 contained in this Notice of AGM require the approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM, and further subject to the provisions of the Companies Act, the MOI and the Listings Requirements.

VOTING AND PROXIES

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

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

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

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING CONTINUED

Shareholders who have dematerialised their shares through a CSDP or broker and wish to attend the AGM, must instruct their CSDP or broker to provide them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and their CSDP or broker.

Forms of proxy must be lodged with the Transfer Secretaries of the Company at the address given below or via email to proxy@computershare.co.za, by no later than 10:00 on Tuesday, 7 November 2023. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the AGM. Any form of proxy not delivered by this time may be provided to the Chairperson of the AGM immediately before the appointed proxy exercises any of the shareholder's votes at the AGM.

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

Voting at the AGM will be conducted electronically and shareholders are referred to the voting instructions set out in the Guide (Annexure 1).

ELECTRONIC PARTICIPATION

The AGM will be conducted entirely by electronic communication and accordingly, shareholders or their proxies will be entitled to participate in the AGM electronically. All necessary information as to how to access and utilise the online facility in order to participate electronically in the AGM is set out in the Guide.

Any costs incurred by shareholders or their proxies in accessing and utilising the online facility in order to participate electronically in the AGM will be for the sole account of such shareholders or their proxies.

By order of the Board



E J Willis
Company Secretary

Johannesburg
29 September 2023

Registered office

The Italtile Building
Corner William Nicol Drive and Peter Place
Bryanston, 2021
(PO Box 1689, Randburg, 2125)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)

ANNEXURE 1 – SHAREHOLDERS' VIRTUAL MEETING GUIDE

PARTICIPATING IN THE AGM ELECTRONICALLY

The AGM will be conducted entirely by electronic communication and will be held at 10:00 on Thursday, 9 November 2023. You will be able to participate online, using your smartphone, tablet or computer.

You will be able to view the live webcast of the virtual AGM, ask the Board questions and submit your votes in real time. Any documents pertaining to the meeting will be visible in the Documents tab of the platform.

Virtual shareholder guide

1



THE LUMI AGM PLATFORM

Meeting ID: **169508059**

To login you must have your Username and Password which you will receive from **smartagm-sa@lumiglobal.com** after registering on **<https://smartagm.co.za>**

You will be able to log into the site from **07:30 on 9 November 2023**

To access the platform, you will need to visit: **<https://web.lumiagm.com>**

on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.

2



ACCESS

Once you have entered **web.lumiagm.com** into your web browser, you'll be prompted to enter the **Meeting ID**

To login as a Participant, select **'I am a Participant'**

You will then be required to enter your:

- **Username;** and
- **Password**

If you are a Guest, select **'I am a Guest'**

As a Guest, you will be prompted to complete all the relevant fields including: first name, last name and email address.

Please note, Guests are not able to ask questions at the meeting, and they will not be able to vote.

ANNEXURE 1 – SHAREHOLDERS VIRTUAL MEETING GUIDE CONTINUED

3



NAVIGATION

When successfully authenticated, the info screen will be displayed. You can view Company information, ask questions, view relevant documents and watch the webcast.

Please note: the broadcast screen will either appear on the right (for laptops and computers) or at the bottom of your screen (for tablets and mobile devices). Once the meeting starts, the broadcast will start automatically. If the broadcast does not appear automatically, ensure that your browser is compatible or seek assistance by contacting our support team.

4



VOTING

Once the polling has opened, the voting icon will appear on the navigation bar at the top of the screen. From here, the resolutions or motions and voting choices will be displayed.

To vote, simply select your voting direction from the options shown on screen. A confirmation message will appear to show your vote has been received.

If you wish to change your vote, simply select an alternate choice while the voting is open or select cancel if you wish to cancel your vote.

Once opened, voting can be performed at any time during the meeting until the Chairman closes the voting. At that point your last choice will be submitted.

You will still be able to send messages and view the webcast while voting is open.

5



QUESTIONS

Any Participant or appointed proxy attending the meeting is eligible to ask questions.

Guests may not ask questions.

To ask a question, select the messaging icon at the top of the screen.

Type your message within the chat box at the top of the messaging screen and then press send (the arrow key).

FORM OF PROXY



Italtile Limited

Incorporated in the Republic of South Africa
(Registration number 1955/000558/06)
Share code: ITE ISIN: ZAE000099123
("Italtile" or "the Company" or "the Group")

For use only by:

- holders of certificated ordinary shares in the Company; or
 - holders of dematerialised ordinary shares in the Company ("Dematerialised Shareholders") held through a Central Securities Depository Participant ("CSDP") or broker and who have selected 'own-name' registration,
- at the virtual AGM of shareholders of the Company to be conducted entirely by electronic communication at 10:00 on Thursday, 9 November 2023 ("AGM").

Dematerialised shareholders holding shares in the Company other than with 'own-name' registration, who wish to attend the AGM must inform their CSDP or broker of their intention to attend the AGM and request their CSDP or broker to issue them with the relevant letter of representation to attend the AGM in person or by proxy and vote. If they do not wish to attend the AGM in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. **These shareholders must not use this form of proxy.**

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the AGM. A proxy need not be a shareholder of the Company.

I/We _____ (full name/s in block letters)

of (address) _____

Telephone work () _____ Telephone home () _____

Cellphone number _____ Email address _____

being the holder/custodian of _____ ordinary shares in the Company, hereby appoint (see note):

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the Chairperson of the AGM,

as my/our proxy to attend and act for me/us on my/our behalf at the AGM convened for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against such resolutions, and/or to abstain from voting for and/or against the resolutions, in respect of the shares in the issued share capital of the Company registered in my/our name in accordance with the following instructions:

		For	Against	Abstain
Ordinary Resolution No 1	Re-election of directors			
Ordinary Resolution No 1.1	Re-election of Mr G A M Ravazzotti			
Ordinary Resolution No 1.2	Re-election of Ms S M du Toit			
Ordinary Resolution No 1.3	Re-election of Mr S G Pretorius			
Ordinary Resolution No 1.4	Re-election of Ms L C Prezens			
Ordinary Resolution No 2	Reappointment of external auditors			
Ordinary Resolution No 3	Election of Audit and Risk Committee members			
Ordinary Resolution No 3.1	Election of Ms S M du Toit			
Ordinary Resolution No 3.2	Election of Ms N P Khoza			
Ordinary Resolution No 3.3	Election of Mr S G Pretorius			
Ordinary Resolution No 3.4	Election of Ms L C Prezens			
Ordinary Resolution No 4	Non-binding Advisory Endorsement of the Company's Remuneration Policy and Implementation Report			
Ordinary Resolution No 4.1	Endorsement of the Company's Remuneration Policy			
Ordinary Resolution No 4.2	Endorsement of the Company's Implementation Report			
Ordinary Resolution No 5	Unissued shares to be placed under the control of the directors			
Ordinary Resolution No 6	General authority to issue shares, and to sell treasury shares, for cash			
Special Resolution No 1	Acquisition of own securities			
Special Resolution No 2	Financial assistance to related and inter-related entities			
Special Resolution No 3	Approval of non-executive directors' remuneration			
Ordinary Resolution No 7	Authority to sign documentation			

Insert an 'X' in the relevant spaces above according to how you wish your votes to be cast. If no directions are given, the holder of the proxy will be entitled to vote or abstain from voting as that proxy deems fit.

This proxy shall be valid only for the AGM of shareholders of the Company to be held on Thursday, 9 November 2023 and any adjournment or postponement thereof.

Signed at _____ on _____ 2023

Signature _____ Assisted by (where applicable) _____

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

1. Summary of rights contained in section 58 of the Companies Act, No 71 of 2008 (as amended) ("Companies Act"). In terms of section 58 of the Companies Act:
 - a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
 - a proxy appointment must be in writing, dated and signed by the shareholder;
 - except to the extent that the MOI of a company provides otherwise, a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to the different securities held by the shareholder;
 - except to the extent that the MOI of the company provides otherwise, a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
 - except to the extent that the MOI of the company provides otherwise, a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting;
 - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
 - irrespective of the form of instrument used to appoint a proxy, any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
 - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company;
 - the revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date (i) stated in a revocation instrument, if any; or (ii) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act;
 - if the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's MOI to be delivered by such company to the shareholder must be delivered by such company to the shareholder or the proxy or proxies, if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so;
 - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's MOI, or the instrument appointing the proxy, provides otherwise (see note 5).
 - if a company issues an invitation to shareholders to one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
 - such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
 - the invitation or form of proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, contain adequate space to enable a shareholder to write in the name, and if so desired an alternative name, of a proxy chosen by the shareholder and provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or abstain from voting;
 - the company must not require that the proxy appointment be made irrevocable; and
 - the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.
2. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in 'own name'.
3. All other beneficial owners who hold dematerialised shares through a CSDP or broker and wish to attend the AGM must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
4. A shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting 'the Chairperson of the AGM'. The person whose name stands first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
5. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of an 'X' in the appropriate space provided. If an 'X' has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
6. A vote given in terms of an instrument of proxy shall be valid in relation to the AGM, notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the Company's Transfer Secretaries, Computershare Investor Services Proprietary Limited ("Transfer Secretaries"), not less than 48 (forty-eight) hours before the commencement of the AGM.
7. If a shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM be proposed, such proxy shall be entitled to vote as he/she thinks fit.
8. A shareholder's authorisation to the proxy including the Chairperson of the AGM, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the AGM.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Transfer Secretaries or is waived by the Chairperson of the AGM.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the Transfer Secretaries.
12. Where there are joint holders of shares:
 - any one holder may sign the form of proxy; and
 - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. Forms of proxy should be lodged with or mailed to the Transfer Secretaries:

Hand deliveries to:	Postal deliveries to:
Computershare Investor Services (Pty) Ltd	Computershare Investor Services (Pty) Ltd
Rosebank Towers	Private Bag X9000
15 Biermann Avenue	Saxonwold,
Rosebank,	2132
2196	

or via email to proxy@computershare.co.za to be received by no later than 10:00 on Tuesday, 7 November 2023 (or 48 (forty-eight) hours before any adjournment of the AGM which date, if necessary, will be on SENS) or may be handed to the Chairperson of the AGM immediately before the appointed proxy exercises any of the shareholder's votes at the AGM.
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.
15. The proxy appointment remains valid only for the AGM at which it is intended to be used and any adjournment or postponement thereof, subject to paragraph 1 above.



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