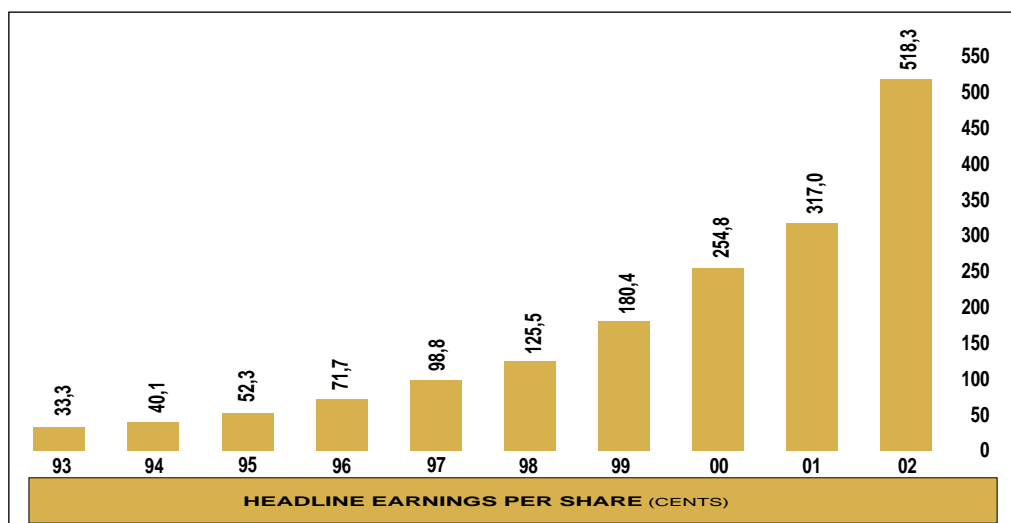


● 10 year  
compound  
growth 35,6%



#### COMMENTARY

In financial year 2000 Italtile Limited announced its strategic intention to realise annual turnover of R5 billion by the end of the current decade. The group has achieved a significant milestone towards attaining that goal, and successfully extended its market leadership, by delivering turnover of R1,1 billion (2001: R788 million) for the year to 30 June 2002.

The group's enhanced turnover growth – derived primarily from existing operations – substantiates management's view that the South African ceramic tile market still affords significant growth opportunities in both the developed and undeveloped sectors of the market. Management is confident that in line with global industry trends, further expansion can be anticipated based on the product's accessibility and acceptability to all sectors of the market and furthered by its status as the most cost-effective, most durable and most hygienic wall and floor covering.

The company projects that South Africa's current tile consumption of approximately 30 million m<sup>2</sup> per annum will swell to around 35 million m<sup>2</sup> per annum by June 2003, with further sustained growth predicted over the long term. This projection is supported by comparative research conducted in Brazil and Indonesia – countries which evince market conditions similar to South Africa – which reflects *per capita* consumption in excess of 1,5 m<sup>2</sup> compared to South African consumption of approximately 0,75 m<sup>2</sup> *per capita*, and illustrates the development potential of the local industry.

The period under review featured relatively buoyant trading conditions, which assisted the company to deliver its eleventh consecutive year of earnings improvement. Trading profit increased by 57% to R129 million (2001: R82 million), while headline earnings per share improved by 64% to 518 cents (2001: 317 cents). The balance sheet reflects cash reserves of R92 million, which will fund future expansion.

Central to turnover growth was enhanced entrepreneurial interest in the business. This reporting period featured consolidation of the company's long-term strategic goal to empower and energise individuals at every level of the business and evolve the organisation structure from predominantly group-owned stores to franchised stores. This strategy is based on the group's philosophy that there is no substitute for owner-driven businesses and respects the improved responsiveness with which franchisees react to a changing market.

The group's three franchise-linked vehicles: 100%-franchises, joint venture franchisees and black empowered franchisees all performed well and afford important expansion opportunities. Judicious investment in stock holding was made in the last quarter of 2001, a strategy which paid off handsomely. In the industry context of reduced import activity resulting from the devaluation of the rand, the company was able to capture a sizeable portion of the market by meeting demand. This afforded the group inroads into new markets, and served as a driver of profits.

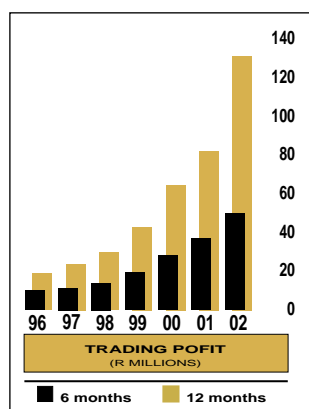
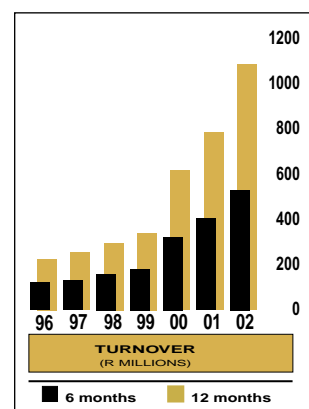
#### PROPERTY PORTFOLIO

Group-owned and franchised stores operate out of company-owned

premises situated in highly visible, prime locations, positioned to support group brands. During the period under review, the group invested a further R50 million in property, increasing the value of the portfolio to R212 million. The company will continue to invest in property given this portfolio's contribution to profits.

#### AFRICAN OPERATIONS

Both the CTM and Italtile divisions reported satisfying growth, with the company growing market share in the value-for-money and premium-end sectors respectively. The company trades out of a total 85 stores in Southern Africa.



Based on the leverage afforded by the company's standing as the leading global purchaser of ceramic tiles, both divisions succeeded in restricting price increases to below the industry norm.

#### ITALTILE

Italtile continued to entrench itself as the first-choice purveyor of high quality product in the premium-end market. The product range continued to be carefully refined in recent months and significant growth is anticipated in this niche of the market. The Italtile brand is represented through three company-owned stores, one franchised store and seven joint-venture stores.

#### CTM

Premises purchasing ensured that the division remained receptive to consumer appetite and continued to offer access to customers across the spectrum.

The CTM Super Store, situated in Fourways and scheduled to commence trading in August, is representative of the group's vision to upgrade and enlarge stores to reflect an aesthetically enhanced shopping experience without losing sight of offering value for money. CTM experiences strong brand awareness in rural areas and the group intends capitalising on the extensive growth opportunities afforded. North of South Africa, the division's presence extends to Botswana, Namibia, Swaziland and Lesotho, with the fledgling operation in

Tanzania delivering good returns. Further expansion into Africa is anticipated with the establishment of stores in Malawi and Zambia. Management is of the opinion that the Southern African region affords important opportunities to entrench the CTM brand and develop the market.

The CTM brand is currently represented by eight company-owned stores, 52 franchised stores, five empowered franchise stores and eight joint-venture stores.

Pursuant to the group's strategy to position itself as a franchisor first and foremost, the intention is to continue to reduce the number of company-owned stores.

#### INTERNATIONAL OPERATIONS

In Australia the group trades out of nine stores situated in the states of Queensland, New South Wales and Victoria. As undertaken by management, the operation was successfully turned around from a loss-making position to deliver a respectable profit, which is deemed to be sustainable over the long-term.

With continued fine-tuning of the trading concept, it is anticipated that the Australian operation will become a major contributor to the group's growth strategy.

#### PROSPECTS

The group's ambitious long-term growth strategy will be facilitated by the continued positive trading conditions anticipated in the medium term and the potential offered by the African and international operations.

Management is satisfied that with continued focus on its core business the group will deliver satisfactory results for shareholders.

#### DIVIDEND

The Board has declared a final dividend of 65 cents, which together with the interim dividend of 35 cents produces a total dividend of 100 cents (2001: 60 cents), an improvement of 67%.

#### DIVIDEND ANNOUNCEMENT

The directors have declared a final dividend (number 72) of 65 cents per share to all shareholders registered in the books of Italtile Limited. The last day to trade ("CUM" the dividend) in order to participate in the dividend will be Friday 23 August 2002. The shares of Italtile Limited will commence trading "EX" dividend from the commencement of business on Monday 26 August 2002 and the record date will be Friday 30 August 2002. Payment will be made on Monday 2 September 2002. Share certificates may not be dematerialised or rematerialised between Monday 26 August 2002 and Friday 30 August 2002, both days inclusive.

For and on behalf of the Board

G.A.M. Ravazzotti  
Executive Chairman

P.D. Swatton  
Chief Financial Officer

7 August 2002

#### ABRIDGED GROUP INCOME STATEMENTS

(Rand 000's unless otherwise stated)

	Reviewed year to 30 June 2002	Audited year to 30 June 2001	% Increase
<b>TURNOVER</b>			
By group owned stores	619 812	455 329	
By franchise owned stores	469 797	332 595	
<b>TOTAL</b>	<b>1 089 609</b>	<b>787 924</b>	<b>38,3</b>
Trading profit before depreciation	140 841	88 852	
Depreciation	(11 586)	(6 497)	
Trading profit	129 255	82 355	57,0
Interest received	3 129	1 983	57,8
Dividends received	572	—	
Profit on sale of fixed property	—	568	
Profit before taxation	132 956	84 906	56,6
Taxation	(36 565)	(27 307)	33,9
Profit after taxation	96 391	57 599	67,3
Outside shareholders' interest	(1 476)	1 011	
Earnings attributable to ordinary shareholders	94 915	58 610	61,9
Number of shares in issue (000's)	18 311	18 311	
Earnings per share (cents)	518,3	320,1	61,9
Headline earnings per share (cents)	518,3	317,0	63,5
Dividends per share (cents)	100,0	60,0	66,7
<b>RECONCILIATION OF HEADLINE EARNINGS</b>			
Earnings attributable to ordinary shareholders	94 915	58 611	
Profit on sale of fixed property	—	(568)	
Headline earnings	94 915	58 043	

#### CASH FLOW STATEMENT

(Rand 000's unless otherwise stated)

	Reviewed year to 30 June 2002	Audited year to 30 June 2001
Cash flow from operating activities	97 925	56 401
Trading adjusted for non-cash items	150 573	94 464
Working capital movements	(14 209)	(7 400)
Cash generated from operations	136 364	87 064
Interest and dividends received	3 701	1 983
Dividends paid	(12 209)	(11 106)
Taxation paid	(29 931)	(21 540)
Investing activities	(59 456)	(47 362)
To expand operations	(51 090)	(33 328)
To maintain operations	(8 366)	(14 034)
Increase in long-term liabilities	6 649	—
Investment of minorities in Italtile Australia	—	5 865
Net movement in cash and cash equivalents	45 118	14 904
Cash and cash equivalents at beginning of period	46 660	31 756
Cash and cash equivalents at end of period	91 778	46 660

#### NOTES TO THE ABRIDGED ANNUAL FINANCIAL STATEMENTS

- There have been no changes in accounting policies during the year ended 30 June 2002, apart from the adoption of AC 107.
- The reviewed results have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice.
- There are no contingent liabilities or assets at 30 June 2002.
- The results have been reviewed by Italtile's auditors, Ernst & Young Chartered Accountants (SA) and their review opinion is available for inspection at Italtile's registered office.

#### ABRIDGED GROUP BALANCE SHEETS

(Rand 000's unless otherwise stated)

	Reviewed year to 30 June 2002	Audited year to 30 June 2001
<b>ASSETS</b>		
Non-current assets	256 959	209 089
Fixed assets	232 008	191 244
Other long-term assets	24 951	17 845
Current assets	300 853	177 131
Inventories	144 131	89 894
Trade and other receivables	64 944	40 577
Cash and cash equivalents	91 778	46 660
Total assets	557 812	386 220
<b>EQUITY AND LIABILITIES</b>		
Capital and reserves	325 953	233 515
Stated capital	18 457	18 457
Non-distributable reserve	11 168	1 436
Retained profit	296 328	213 622
Outside shareholders' interest	8 529	7 053
Non-current liabilities	15 140	8 073
Deferred tax	1 403	985
Long-term liabilities	10 792	4 143
Provision for warranties	2 945	2 945
Current liabilities	208 190	137 579
Trade and other payables	187 750	123 355
Taxation	20 440	14 224
Total liabilities	557 812	386 220
Net asset value per share (cents)	1 827	1 314

#### STATEMENT OF CHANGES IN EQUITY

(Rand 000's unless otherwise stated)

Group	Stated capital	Translation reserve	Retained profit	Total
for the year ended 30 June 2002				
Balance at 30 June 2000	18 457	47	166 243	184 747
Net profit for the year	—	—	58 485	58 485
Dividends paid	—	—	(11 106)	(11 106)
Currency translation difference	—	1 389	—	1 389
Balance at 30 June 2001	18 457	1 436	213 622	233 515
Net profit for the year	—	—	94 915	94 915
Dividends paid	—	—	(12 209)	(12 209)
Currency translation difference	—	9 732	—	9 732
Balance at 30 June 2002	18 457	11 168	296 328	325 953

#### SEGMENTAL REPORTING

(Rand 000's unless otherwise stated)

	Retail	Properties and franchising	Corporate	Group
Reviewed year to June 2002				
Turnover	619 812	469 797	—	1 089 609
Segment results	72 406	51 136	5 713	129 255
Audited year to June 2001				
Turnover	455 329	332 595	—	787 924
Segment results	42 456	30 471	9 428	82 355