## C O N T E N T S

# *an abbreviated history*

CORPORATE PROFILE

*Italtile was established in 1969, and grew rapidly as a fashion leader in the upmarket ceramic tile market. It has performed well throughout its history, firmly establishing itself through the widely respected brands of Italtile and CTM. Its products range from ceramic tiles, vitreous china sanitaryware, bathroom furniture, fittings and accessories, to other related products.*

*The group listed on the then Johannesburg Stock Exchange on 8 August 1988. At the time of this listing the group was vertically integrated with both retail and manufacturing divisions.*

*In 1983 a significant development occurred with the formation of CTM to serve the "cash and carry" market. After a period of rapid growth in the late 1980s and early 1990s, which resulted in a broadening of its production base, Italtile separated its manufacturing and retailing operations into two separate focused listed companies on 31 August 1991. Italtile itself remains as a listed company on the JSE Securities Exchange South Africa.*

*It was in 1992 that the group first franchised some of its stores, a step that was to play an important role in its strategy in recent years. 1997/98 saw Italtile explore the feasibility of expanding into foreign markets. It entered the Australian market following in-depth research. Concomitant with another period of solid growth at the turn of the century and in the first two years of the new millennium, Italtile broadened its base of operation still further to include countries in East and Southern Africa. During 2001/2002 Malawi opened its first CTM store with additional expansion occurring in Zambia and Tanzania. Its outreach into foreign markets has been vindicated by the company's consistently good performance.*

*Italtile marked the year 2000 with the introduction of its New Generation Stores, opening its flagship outlet – including its head office – in Bryanston. That same year saw extensive growth with the introduction of fashionable, high-class stores, each with a compact warehouse coupled to it.*

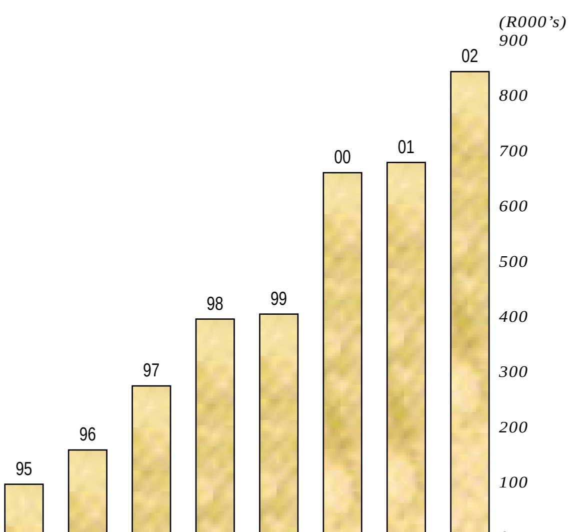
*Progress through partnership marked Italtile's first year of operation in the new century. The group's partnership programme, comprising joint venture and black empowerment models based on a principle of encouraging entrepreneurship, has been progressively pursued in the first years of the millennium. This has been a natural evolution of the group's commitment to franchising its stores. In addition, the group's continued stress on the need to transfer skills, which makes for a more informed staff complement on the one hand, and a satisfied customer base on the other, has resulted in still further growth.*

*As the largest purchaser in the world of ceramic tiles the group has become supplier of first choice in Southern Africa. It has enormous international buying power, and is the undisputed market leader in its field in South Africa.*

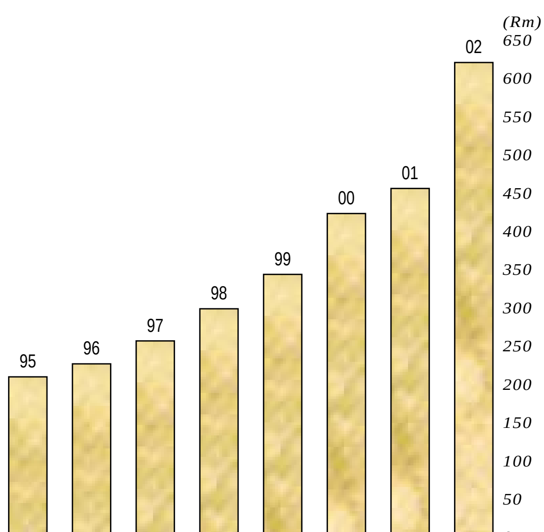
# FINANCIAL HIGHLIGHTS

*for the year ended 30 June 2002*

| | % change from 2001 | 2002 | 2001 |
|---|---|---|---|
| **GROUP AND FRANCHISED RESULTS** | | | |
| Turnover (R000's) | | | |
| – by group owned stores | 36 | **619 812** | 455 329 |
| – by franchised owned stores (unaudited) | 41 | **469 797** | 332 595 |
| | 38 | **1 089 609** | 787 924 |
| Number of stores | 17 | **91** | 78 |
| Owned and joint ventures – Southern Africa | 4 | **26** | 25 |
| Franchised – Southern Africa | 25 | **55** | 44 |
| Foreign | 11 | **10** | 9 |
| **GROUP RESULTS** | | | |
| Turnover (R'000's) | 36 | **619 812** | 455 329 |
| Trading profit (R000's) | 57 | **129 255** | 82 355 |
| Total assets (R000's) | 45 | **557 812** | 386 220 |
| Cash and cash equivalents (R000's) | 97 | **91 778** | 46 660 |
| Number of shares in issue (000's) | — | **18 311** | 18 311 |
| Headline earnings per share (cents) | 64 | **518,3** | 317,0 |
| Dividends declared per share (cents) | 67 | **100** | 60 |
| Net asset value per share (cents) | 39 | **1 827** | 1 314 |
| Number of employees | 9 | **345** | 316 |




MARKET CAPITALISATION




TURNOVER

# I T A L T I L E   L I M I T E D

100%

**ITALTILE CERAMICS LTD**

**CTM**
CERAMICS TILE MARKET

**ITALTILE**

50%
ITALTILE FRANCHISING (PTY) LTD

100%
NADJA INVESTMENTS (PTY) LTD

- 100% ALLMUSS PROPERTIES (PTY) LTD
- 100% F B ASHMAN (PTY) LTD

72,5%
ITALIA AUSTRALIA (PTY) LTD *

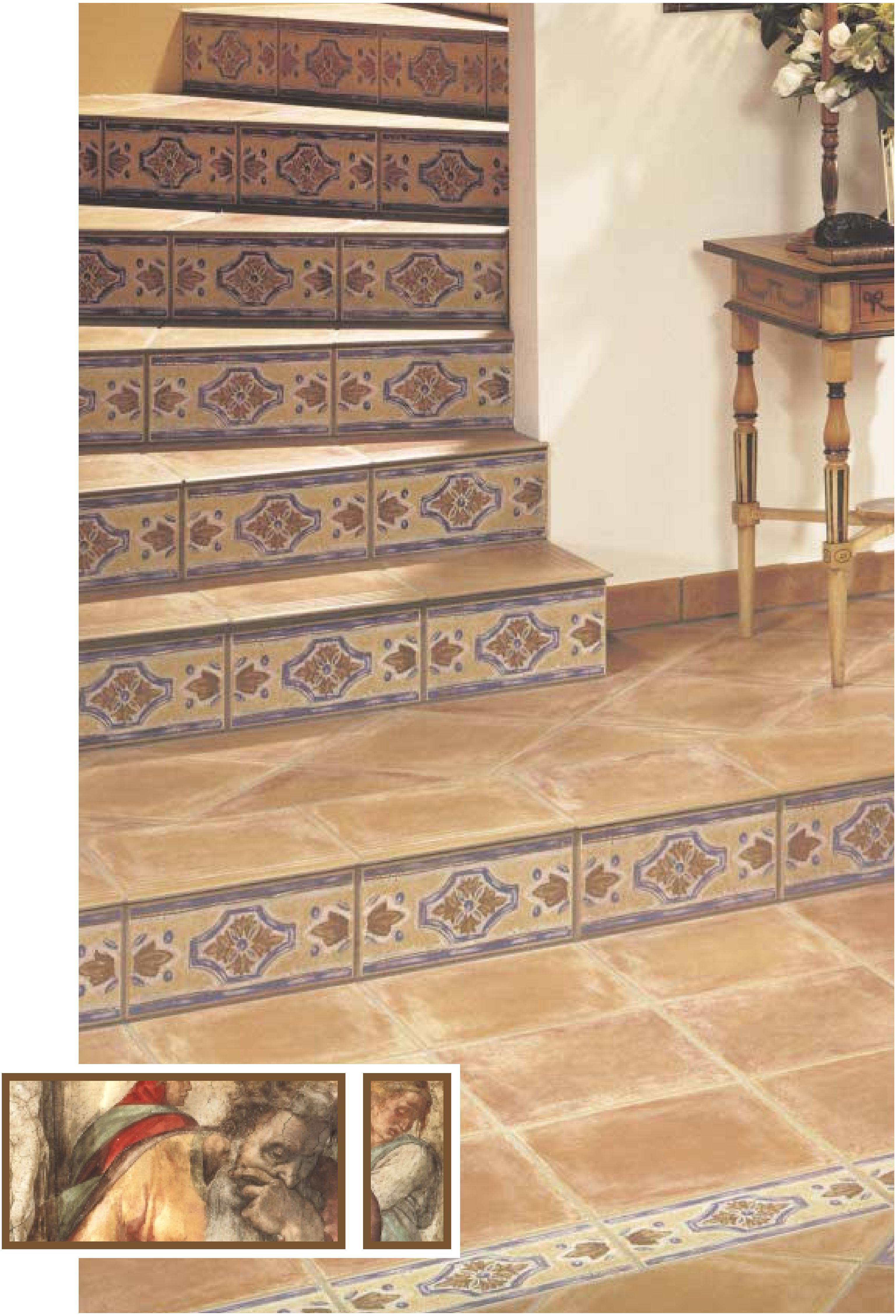
100%
ITALTILE MAURITIUS (PTY) LTD **

- 50% SER EXPORT s.r.l. ***

** Incorporated in Australia*

*** Incorporated in Mauritius*

**** Incorporated in Italy*



I am pleased to be able to report that Italtile has achieved sound results, notching up its 11th successive year of an increase in earnings. This sustained progress can be attributed, on the one hand, to the business acumen, clear strategic intent and focused energy that has become central to all our activities. On the other hand, it underlines the seriousness with which we have committed ourselves to working in true partnership with individuals who have an intimate knowledge of the industry, both in terms of the requirements of the customer and the importance of running stores that are entrepreneurial in the full sense of the word.

**ITALTILE CAN BE JUSTLY PROUD OF HAVING LIVED UP TO ITS UNDERTAKINGS IN THE PAST TO BECOME A TRULY ENERGISED COMPANY DELIVERING SOLID RESULTS.**

## RESULTS

Italtile can be justly proud of having lived up to its undertakings in the past to become a truly energised company delivering solid results. This is aptly illustrated in a ten year compound growth of 35,6%.

The results achieved in the past year have been on the back of relatively buoyant trading conditions. There has been a strong demand for ceramic products in the building trade, with the product becoming increasingly accepted by all sectors of the consumer market and all ethnic groups. It is widely recognised as adding value to properties, while being available at competitive prices.

A further reason for these good results is that we have husbanded our resources well, thereby being able to reduce operating costs still further. Importantly – and significantly – our people have performed exceptionally well.

At the turn of the century – in the year 2000 – Italtile announced its intention of attaining an annual turnover of R5 billion by the end of the current decade. We are well on target to achieve this, with turnover from group owned and franchised stores topping the R1 billion mark, with an increase of 38,3% – from R787,9 million to R1,1 billion, during the past year. Our trading profit increased by 57%, from R82 million to R129 million. The balance sheet reflects cash reserves of R92 million which is earmarked for future expansion.

One of Italtile's core values is "Partnerships that promote entrepreneurial spirit". The success of our partnership models, which we are successfully implementing, is clearly evident in our results. We have initiated a sound model of black empowerment, whereby existing franchisees partner a black businessman, thereby ensuring benefits for all involved in the supply chain – supplier, customer, entrepreneur and the group. We have also continued to implement our joint venture model that comprises a partnership between Italtile and existing managers or other business people from outside. This provides the ideal business platform for them to benefit from the advantages of being associated with a group such as ours.

## DIVIDENDS

A final dividend of 65 cents has been declared which, together with the interim dividend of 35 cents, brought the dividend for the year to 100 cents. This represents an improvement of 67% over the previous year, when the dividend for the year was 60 cents.

## AFRICAN OPERATIONS

Further expansion has taken place in Africa during the year in review, with the first store being opened in Malawi – in Blantyre – and additional expansion planned for Zambia. Our franchised operation in Dar es Salaam in Tanzania has proceeded according to plan. There are also additional plans for further expansion in other sub-Saharan African countries.

## INTERNATIONAL OPERATIONS

Australia has performed in line with expectations, with the group trading out of nine stores in Queensland, New South Wales and Victoria. In the previous annual report we reported that the loss shown in Australia would be turned around, and I am pleased to say that this has been successfully achieved. During the year under review it delivered a respectable profit, which we believe will be sustained in the long-term. Indeed, with continuous fine-tuning of our Australian operation, it will become a major contributor to the group's growth strategy.

**WE HAVE INITIATED A SOUND MODEL OF BLACK EMPOWERMENT, WHEREBY EXISTING FRANCHISEES PARTNER A BLACK BUSINESSMAN, THEREBY ENSURING BENEFITS FOR ALL INVOLVED IN THE SUPPLY CHAIN – SUPPLIER, CUSTOMER, ENTREPRENEUR AND THE GROUP.**

## DIRECTORATE

During the year Mr John Couzis retired and became a non-executive director of the board, and we are pleased to continue to have his services in this capacity. Mr Sergio Galli resigned from the board, but our association will continue since he has become our joint venture partner at Italtile Route 24. It is a pleasure to announce that Mr Christian Trumpelman has joined us and has been appointed Chief Operating Officer, while Mr Pierre Langenhoven has taken over as Chief Operating Officer of Italtile in Australia.

**THE PATTERN OF GROWTH ACHIEVED BY THE GROUP IS REMARKABLE**

## PROSPECTS

We are optimistic about the group's future prospects while well aware that we should not be tempted to rest on our laurels. We must therefore not permit our energy levels to slacken, or our focus to become blurred. Challenges will still present themselves as we develop our innovative partnership model, and continue to expand in the African market.

## APPRECIATION

The pattern of growth achieved by the group is remarkable. Many people have been responsible for this ongoing success, and recognition is due to those who have made this possible.

In particular I wish to pay tribute to all our partners – those operating franchisees and joint ventures, as well as people working for the group and members of their families. Customers and suppliers have also, each in their unique way, contributed to the success of the group, and we thank them for their loyal support – customers for keeping us faithful to our undertaking to remain the leader in the supply of quality ceramic tile products, and our suppliers for their commitment to partner us in this task.

Finally, the insight and experience of members of the Board, linked to their positive vision for the future, has meant that we have been able to take the group to new heights. Without their wise advice and sanguine guidance this would not have been possible, and I thank them.

**G A M RAVAZZOTTI**
*Executive Chairman*

The group has continued to build during this past year on the process it started with franchising both its brands. This has involved the establishment of joint ventures and black empowered franchises, a process that harnesses the entrepreneurial spirit of business people whose objective is to get ahead. Our belief in an energised workplace, and the transference of skills through a focused mentoring programme to franchisees and partners in our joint ventures, has yielded good results. As a result of these successful partnerships our brands enjoy greater recognition than ever in a market that still presents enormous opportunities.

**OUR BRANDS ENJOY GREATER RECOGNITION THAN EVER.**

## RESULTS

The group has blossomed this year as headline earnings per share rose an impressive 64%, from 317 cents in 2001, to 518 cents this year. The group's sound and steady showing over 11 years is well illustrated when the headline earnings per share are considered over the past decade. This increased from 33,3 cents in 1993, to the latest return of 518,3 cents. Our trading profit increased by 57%, from R82 million in 2001 to R129 million during the year under review.

It is instructive to note that this has been organic growth. Central to the turnover growth to R1,1 billion – an increase of 38% – was the enhanced entrepreneurial interest in the business already referred to. The group's three franchise-linked vehicles – 100% franchises, joint venture franchises and black empowered franchises – all performed well and offer promising expansion opportunities.

Our strategy is based on the group's philosophy that there is no substitute for owner driven businesses and harnesses the improved responsiveness with which franchisees and joint venture partners react to a changing market. Simply stated, the stake that our partners have, as franchisees or as joint venture colleagues, has a rich spin-off for everyone. There is no substitute for the fact that the group is able to assist store owners in building capacity. At the same time they are able to make their own decisions on the ground, introducing innovations that they know will work for their relevant market – which they have learnt to know closely – something that they would not have been able to do as part of a corporate environment.

Italtile's long-term objective is to have no group-owned stores. This applies to stores both in South Africa and beyond its borders.

**OUR BELIEF IN AN ENERGISED WORKPLACE, AND THE TRANSFERENCE OF SKILLS THROUGH A FOCUSED MENTORING PROGRAMME TO FRANCHISEES AND PARTNERS IN OUR JOINT VENTURES, HAS YIELDED GOOD RESULTS.**

## SOUTHERN AFRICA

The group's pleasing results, and the enhanced turnover growth, provides ample evidence that there is still a great deal of scope for growth in Southern Africa. Taken together, the group's brands – Italtile and CTM – serve both ends of the ceramic tile market.

Studies undertaken in countries such as Brazil and Indonesia, which are comparable to our region, show that per capita consumption of ceramic tiles is much higher. Locally the market consumes some 0,75 square metre per capita, whereas consumption in countries such as Brazil exceeds 1,5 square metres per capita. The growth potential clearly exists; the group's challenge is to ensure the product is easily available where it is in demand by the consumer. The group is confident that in line with global industry trends, further expansion can be expected since ceramic tiling is becoming increasingly accepted as the most cost-effective, durable and hygienic wall and floor covering.

The group imports a portion of its consumption, but it says much for its forward planning that it was able to keep price increases below the market average during the year – in spite of the decline in the value of the Rand.

The buying experience for our market is a holistic process. The group prides itself on strategically positioning its stores for the benefit of all stakeholders. We also have a policy of presenting our wares so that the customer is able to see varied applications, and then make a choice based on their unique needs. The end result is a choice of fashionable ceramic tiles that can be optimally used in the application of their choice.

In order to provide the market with an even wider range of classic style products, the group has secured the supply of an imported range of taps and sanitaryware exclusively for Italtile and CTM. These include stylish taps, and ancillary fashion products such as showerheads and have given the group an added edge in the market, being available at highly competitive prices. This has also contributed to improvements in the sale of sanitaryware.

## ITALTILE

Results in this brand have been satisfactory. Products supplied by Italtile remain top of the range, with this brand widely recognised in the premium end of the market place as the superior supplier of fashion ceramic goods. The range is carefully refined to meet the needs of this discerning niche in the market. Our stores are all strategically positioned throughout South Africa. We have also started to franchise Italtile stores, and these partnerships – like others in the group – have worked well.

In keeping with our strategy of transforming the group to a structure in which stores are owner driven and entrepreneurship is encouraged, the intention is to enter into mutually beneficial partnerships in respect of these three stores as soon as it is viable to do so. Our objective is to provide ceramic tiles of style and fashion.

**THE GROUP WAS ABLE TO KEEP PRICE INCREASES BELOW THE MARKET AVERAGE.**

## CTM

This continues to be the most widely dispersed brand in the group and to deliver results that are very pleasing. Consumer demand has remained keen, not least because of the prudent purchasing policies that we have implemented – a factor that has also resulted in customers being offered products at competitive prices.

The CTM Super store, situated at Fourways in Gauteng, opened its doors in August. This store epitomises the group's vision to upgrade and enlarge stores to reflect an aesthetically enhanced shopping experience without losing sight of offering real value for money.

CTM has strong brand awareness throughout South Africa, including rural areas. It is at the heart of many of the communities in these areas that strong building activity is occurring, and the demand for quality ceramic tiles is steadily growing. The group's strategy of taking product as close to people as possible, not least those in these far-flung areas of the country, has worked well, and will be continued.

## INTERNATIONAL OPERATIONS

### AUSTRALIA

As opposed to last year when results from the Australian operation were disappointing, this year's performance has been most promising. Indeed, there has been a pleasing turnaround from the nine stores operating there. Strategies are in place whereby we are continually fine tuning the Australian operation. Indications are that the stores in the three states in which the group operates – Queensland, New South Wales and Victoria – will become a major contributor to growth in the group. Management believes that one of the reasons for the positive turnaround in Australia is that the retail formula has been brought closer to the needs of the local consumer.

### ITALY

The partnership with Italtile's long-term business associate in Italy, Ser Export, has continued to provide substantial benefit. Through this association the group is able to source appropriate products from Europe for its markets. It is also of immense value in keeping us in touch with the latest trends in the ceramic tile industry, ensuring that we are conversant with developments in contemporary style and fashion in ceramic tiles, brassware and sanitaryware. A further advantage is to be found in the logistical support offered by this liaison.

### AFRICA

There are great expectations for the stores that have been opened in Africa beyond the borders of South Africa itself. A fledgling operation was opened in Dar es Salaam in Tanzania at the beginning of January this year, and the good results are pleasing. Promising results will be expected from stores that are about to become operational in Malawi, while a franchise is a reality in Zambia.

The group is giving serious consideration to, and investigating the possibility of establishing a presence in Uganda, Mozambique and Angola. In all these cases the group will operate using franchisees under the CTM brand. Management believes that there are significant opportunities to entrench the CTM brand throughout Southern Africa. The strategy is to use local business people in managing and owning these stores, employing the same empowerment principles applied in South Africa. The advantage of this is that a local manager/owner has first hand knowledge of the market, a clear understanding of the people and their culture, and of the relevant business environment.

Besides these countries, the group also has stores operating in Botswana, Namibia, Swaziland and Lesotho.

**THE GROUP'S PLEASING RESULTS, AND THE ENHANCED TURNOVER GROWTH, PROVIDES AMPLE EVIDENCE THAT THERE IS STILL A GREAT DEAL OF SCOPE FOR GROWTH IN SOUTHERN AFRICA.**

## REAL ESTATE

It has long been the policy of Italtile to ensure that its stores were strategically situated, highly visible and readily accessible. This continues to elicit an excellent response from customers, and the group's policy in this respect will be aggressively pursued. We are firmly established in the market as destination stores, and there is no doubt that this policy will continue to work for the group.

While we are well advanced in our strategy of having our stores owner driven, as a group we will maintain our interests in the properties from which those stores operate. To control these properties is in fact the key to our brand. This control ensures the presentation of a consistent image of brands that have developed a high reputation amongst customers who repeatedly place their trust in us when it comes to an investment in ceramic tiles and ancillary products and services.

## OUTLOOK FOR THE FUTURE

We have carefully delineated those areas in which expansion is possible, and are sure that this – together with the group's proven partnership model, spelt out above – bodes exceptionally well for the future. We have an ambitious long-term growth strategy that is based on the continued positive trading conditions and the potential offered by the African and international markets.

Clearly the success that we have experienced over a period of 11 years is an important driving force as we head toward a round dozen years of positive results. The challenge is to do better than the previous year, and we have no doubt that with the group's clear focus on our core business it will once again deliver good results for shareholders.

## CORPORATE SOCIAL INVESTMENT

Through an effective social investment programme Italtile invests in the lives of its employees, associates and communities throughout the country, on different levels:

- At the CTM Tiling academy courses are presented to give people the skills to become self-employed tiling contractors.
- During the 2001 fiscal year the group launched an empowerment vehicle, consisting of 50/50 partnerships between existing franchisees and black partners. This is aimed at increasing black ownership, and ensuring mentoring and knowledge and skills transfer.
- The group regards upliftment and development of its human resources as an extremely important priority. To this end a significant amount of money has been invested over the years in the development of quality courses, training materials and facilities.
- Donations are made on an *ad hoc* basis, to various charities and environmental protection interests.

## WORDS OF APPRECIATION

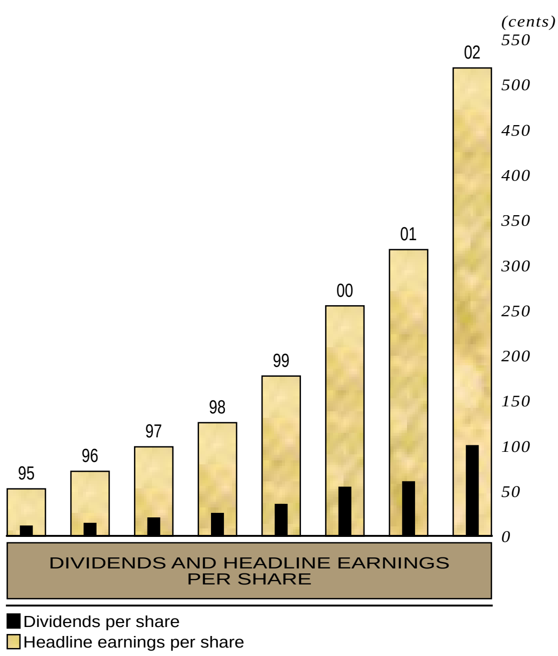
The vigour of franchisees, and other partners in our joint ventures and black empowerment initiatives, in working with us to achieve our excellent results is most laudable, and our thanks go to them all for making Italtile the leader in a class of its own. Coming from a wide variety of backgrounds, each brings a unique understanding of their market – but each has foremost in mind the success of the business as a whole. Our suppliers and customers have proved to be people in a class of their own, and my appreciation also goes to them for their contribution to our success.

Members of the board have, as always, been supportive as we have progressed during the year, and looked to the future. I wish to express my gratitude to them for their special skills, and the encouragement and experience that they have willingly shared for the benefit of the group.

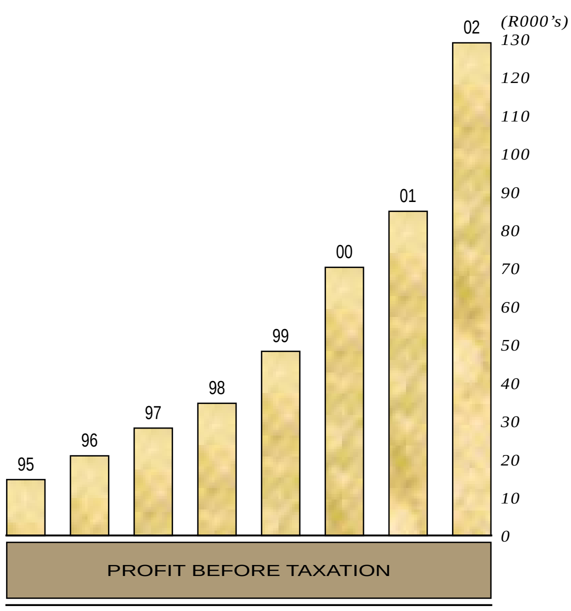
**THE GROUP'S STRATEGY OF TAKING PRODUCT AS CLOSE TO PEOPLE AS POSSIBLE, NOT LEAST THOSE IN THESE FAR-FLUNG AREAS OF THE COUNTRY, HAS WORKED WELL, AND WILL BE CONTINUED.**

**P D SWATTON**
*Chief Financial Officer*

| (All amounts in R000's) | Seven year compound growth % p.a. | **2002** | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|---|---|---|
| **OPERATIONS** | | | | | | | | | |
| Turnover | 17% | **619 812** | 455 329 | 422 534 | 342 910 | 298 494 | 256 244 | 226 447 | 209 171 |
| Trading profit | 36% | **129 255** | 82 355 | 64 746 | 43 216 | 29 946 | 24 098 | 19 014 | 15 045 |
| Profit before taxation | 37% | **132 956** | 84 906 | 70 240 | 48 252 | 36 043 | 28 165 | 22 003 | 14 690 |
| Net profit for the year | 39% | **94 915** | 58 610 | 49 345 | 33 034 | 24 494 | 19 030 | 15 153 | 9 498 |
| Headline earnings | 39% | **94 915** | 58 042 | 46 665 | 33 034 | 22 985 | 18 098 | 13 127 | 9 498 |
| Dividends declared | 38% | **18 311** | 11 111 | 10 007 | 6 409 | 4 578 | 3 662 | 2 564 | 2 014 |
| **FINANCIAL POSITION** | | | | | | | | | |
| Non-current assets | | **256 959** | 209 089 | 170 423 | 118 430 | 71 717 | 63 277 | 57 712 | 53 028 |
| Current assets | | **300 853** | 177 131 | 115 910 | 92 581 | 112 588 | 85 930 | 77 606 | 77 894 |
| Capital and reserves | | **325 953** | 233 515 | 178 826 | 139 370 | 112 815 | 97 647 | 82 247 | 70 676 |
| Non-current liabilities | | **11 543** | 6 692 | 5 140 | 4 202 | 4 375 | 3 761 | 3 611 | 3 361 |
| Current liabilities | | **211 787** | 138 960 | 100 168 | 66 936 | 66 782 | 47 799 | 49 460 | 56 885 |
| **CASH FLOW** | | | | | | | | | |
| Cash flows from operating activities | | **97 925** | 49 499 | 66 114 | 21 437 | 36 324 | 31 224 | 6 884 | 5 340 |
| Cash flows utilised in investing activities | | **(59 456)** | (44 603) | (54 708) | (50 916) | (16 092) | (7 618) | (2 847) | (8 589) |
| Cash flows from financing activities | | **6 649** | 10 008 | 848 | 734 | — | — | (5 207) | 1 260 |
| Cash and cash equivalents at end of year | | **91 778** | 46 660 | 31 756 | 19 502 | 48 247 | 28 015 | 4 409 | 5 579 |




DIVIDENDS AND HEADLINE EARNINGS PER SHARE




PROFIT BEFORE TAXATION

| (All amounts in R000's) | Seven year compound growth % p.a. | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|---|---|---|
| **FINANCIAL RATIOS** | | | | | | | | | |
| **Returns** | | | | | | | | | |
| Trading profit to turnover (%) | 16% | **20,9** | 18,1 | 15,3 | 12,6 | 10,0 | 9,4 | 8,4 | 7,2 |
| Return on shareholders' interest (%)[1] | 13% | **33,5** | 27,7 | 31,3 | 25,8 | 21,7 | 21,3 | 18,6 | 14,4 |
| Turnover to total assets (times) | | **1,2** | 1,2 | 1,5 | 1,6 | 1,6 | 1,7 | 1,7 | 1,6 |
| Average consumer price index (%) | | **10,6** | 6,9 | 7,0 | 7,1 | 6,9 | 8,6 | 7,4 | 8,7 |
| **Productivity** | | | | | | | | | |
| Turnover per employee (R000's) | 15% | **1 797** | 1 441 | 1 346 | 1 039 | 1 029 | 860 | 784 | 673 |
| Total assets per employee (R000's) | 22% | **1 617** | 1 222 | 912 | 639 | 646 | 501 | 468 | 421 |
| Trading profit per employee (R000's) | 34% | **375** | 261 | 206 | 131 | 103 | 81 | 66 | 48 |
| Turnover growth (%) | | **36,1** | 7,8 | 23,2 | 14,9 | 16,5 | 13,2 | 8,3 | 30,4 |
| Number of employees | | **345** | 316 | 314 | 330 | 290 | 298 | 289 | 311 |
| Number of stores | | **91** | 78 | 67 | 61 | 53 | 44 | 36 | 33 |
| – Owned and joint ventures | | **35** | 34 | 34 | 33 | 28 | 26 | 24 | 22 |
| – Franchised | | **56** | 44 | 33 | 28 | 25 | 18 | 12 | 11 |
| **Solvency and liquidity** | | | | | | | | | |
| Interest cover (times)[2] | | **71,8** | 1 176,5 | — | — | — | — | 42,5 | 17,7 |
| Dividend cover (times)[3] | | **5,1** | 5,3 | 4,9 | 5,2 | 5,0 | 4,9 | 5,1 | 4,7 |
| Gearing ratio (%)[4] | | **3,2** | 1,8 | — | — | — | — | — | 7,4 |
| Current ratio (times)[5] | | **1,4** | 1,2 | 1,2 | 1,4 | 1,7 | 1,8 | 1,6 | 1,4 |
| Acid test ratio (times)[6] | | **0,8** | 0,6 | 0,5 | 0,5 | 0,9 | 0,8 | 0,3 | 0,3 |

## DEFINITIONS

[1] **Return on shareholders' interest:** Profit after taxation as a percentage of average shareholders' interest

[2] **Interest cover:** Trading profit divided by interest

*[3] **Dividend cover:** Headline earnings divided by dividends declared

[4] **Gearing ratio:** Interest bearing debt as a percentage of shareholders' interest

[5] **Current ratio:** Current assets divided by current liabilities

[6] **Acid test ratio:** Current assets, less inventory, dividend by current liabilities.

* Historical ratios were not restated to take into account current years changes in accounting policies

| (All amounts in R000's) | Seven year compound growth % p.a. | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|---|---|---|
| **FINANCIAL RATIOS** *(continued)* | | | | | | | | | |
| **Stock exchange performance** | | | | | | | | | |
| Market capitalisation (rand millions) | 36% | **842,3** | 677,5 | 659,2 | 402,8 | 393,7 | 267,3 | 157,4 | 96,1 |
| Closing share price at year end (cents) | 36% | **4 600** | 3 700 | 3 600 | 2 200 | 2 150 | 1 460 | 860 | 525 |
| Market value per share | | | | | | | | | |
| – High (cents) | | **4 700** | 4 000 | 3 700 | 2 350 | 2 405 | 1 550 | 965 | 525 |
| – Low (cents) | | **3 500** | 3 300 | 2 150 | 1 590 | 1 450 | 750 | 500 | 275 |
| Closing share price to net asset value per share | 9% | **251,8** | 281,6 | 364,0 | 281,6 | 338,6 | 279,4 | 191,5 | 136,4 |
| Price earnings ratio (times) | 2% | **8,9** | 11,6 | 13,6 | 12,2 | 17,1 | 15,1 | 12,0 | 10,0 |
| Dividend yield (%) | | **2,2** | 1,6 | 1,5 | 1,5 | 1,2 | 1,3 | 1,6 | 2,1 |
| Earnings yield (%) | | **11,3** | 8,7 | 7,5 | 8,0 | 5,8 | 6,6 | 8,3 | 10,0 |
| Number of shares in issue (000) | | **18 311** | 18 311 | 18 311 | 18 311 | 18 311 | 18 311 | 18 311 | 18 311 |
| Volume of shares traded (000) | | **590** | 464 | 501 | 574 | 1 781 | 1 327 | 973 | 3 354 |
| Number of share transactions | | **310** | 319 | 209 | 178 | 271 | 208 | 200 | 173 |
| Value of shares traded (R000's) | | **23 462** | 16 772 | 13 262 | 11 374 | 38 118 | 15 186 | 7 906 | 12 890 |
| Volume of shares traded as a % of total issued shares | | **3,2** | 2,5 | 2,7 | 3,1 | 9,7 | 7,2 | 5,3 | 18,3 |

The directors of Italtile fully endorse the spirit of transparency, integrity and accountability as advocated in the King Committee Report on corporate governance.

## BOARD OF DIRECTORS

Italtile Limited and its subsidiaries have a unitary board structure, which meets regularly and maintains full and effective control over the group. The role of the chairman and the chief executive are vested in the same individual for the year under review only. This will be remedied in the foreseeable future.

The directors bring together a wealth of experience and expertise from varying fields to ensure the group retains proper direction and control over its business activities. The board meets four times a year. The directors have unrestricted access to the company secretary and outside counsel at the expense of the company.

The board, as a whole, deals with the selection and appointment of non-executive directors.

Membership of the board is set out on page 18.

## REMUNERATION COMMITTEE

The remuneration committee's membership is set out on page 18, which consists mainly of non-executive directors. It is mandated with the task of recommending to the board remuneration levels for directors and senior management.

## AUDIT COMMITTEE

The membership of the group's audit committee is set out on page 18. Both the external and internal auditors have unrestricted access to the committee, which operates within written terms of reference confirmed by the board, which include:

- Compliance with applicable legislation
- Matters relating to internal controls, accounting policy and financial reporting and disclosure
- Approval of the scope of the external audit, review of audit reports and fees
- Compliance with the code of corporate governance.

## WORKER PARTICIPATION

Italtile employs a number of participative mechanisms within the organisation, whereby relevant financial information is shared and participation in operational decision making is encouraged. The group has implemented a profit incentive scheme in which all members of staff share in trading profits generated.

## CODE OF ETHICS

Italtile has adopted a code of ethics that requires directors, managers and employees to act with openness, honesty and integrity in their dealings with all stakeholders. The group's code of ethics is set out on the page divider.

## EMPLOYMENT EQUITY

In line with its human resources development programme, the group is committed to pursuing an employment equity strategy to ensure opportunities for previously disadvantaged groups.

## RISK MANAGEMENT

The major risks facing the group are assessed and actioned by senior management on an ongoing basis.

During the year the most significant areas of risk were:

- The management of foreign currency exposures relating to the importation of material. The group will continue with its practice of securing forward cover on confirmation of import orders.

# DIRECTORATE AND ADMINISTRATION

*at 30 June 2002*

## DIRECTORS

**Mr G A M Ravazzotti** (59)
*Chairman*
Founder of the Italtile group

**Mr P D Swatton** (44)
BCompt (Hons), CA(SA)
*Chief Financial Officer*
Joined the company 1988
Appointed to the board 1992

**Mr J Couzis** (49)
*Non-Executive Director*
Joined the company 1979
Appointed to the board 1988

**Mr D H Rabin** (52)
Dip Law
*Non-Executive Director*
Appointed to the board 1990

**Mr G Cousins** (53)
BComm, MBA
*Non-Executive Director*
Appointed to the board 1995

**Mr B van Rooyen** (42)
NHD (Acct), CFA(SA)
*Non-Executive Director*
Appointed to the board 2000

## TRANSFER SECRETARIES

Computershare Limited
Edura
41 Fox Street
Johannesburg 2001

## AUDITORS

Ernst & Young

## ATTORNEYS

Rabin, Van den Berg & Pelkowitz

## GROUP AUDIT COMMITTEE

G Cousins *(Chairman)*
G A M Ravazzotti
P D Swatton*
J Couzis*

**By invitation*

## REMUNERATION COMMITTEE

D H Rabin *(Chairman)*
G A M Ravazzotti
G Cousins

## DIVISIONAL MANAGEMENT

**Mr C Trumpelman** (32)
BCom(Law)
*Chief Operating Officer*

**Mr P Langenhoven** (33)
*Chief Operating Officer (Australia)*

## SECRETARY AND REGISTERED OFFICE

**P D Swatton**
The Italtile Building
cnr William Nicol Drive and Peter Place
Bryanston 2021
PO Box 1689
Randburg 2125

# DIRECTORS' APPROVAL

The directors are responsible for both the preparation and integrity of the financial statements and related financial information contained in the annual report. In their opinion, the financial statements fairly present the group's financial position and results of operations. It is the responsibility of the independent auditors to report on the financial statements. Their report to the members of the company is set out on page 21.

In order for the directors to discharge their responsibility, the group maintains adequate accounting systems 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 monitored and subject to internal 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 annual financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice. The financial statements incorporate full and meaningful disclosure, and have been prepared using reasonable and proven judgements and estimates.

## GOING CONCERN

The directors are of the opinion that the business will continue as a going concern in the year ahead. The annual financial statements have accordingly been prepared on a going concern basis.

## APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the company and the group set out on pages 21 to 49 were approved by the board of directors on 6 September 2002 and signed on its behalf by:

**G A M RAVAZZOTTI**

*Chairman*

**P D SWATTON**

*Chief Financial Officer*

## COMPANY SECRETARY'S APPROVAL

In terms of the Companies Act 1973, 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 Act, and that all such returns are true, correct and up to date.

**P D SWATTON**

*Company Secretary*

6 September 2002

# REPORT OF THE INDEPENDENT AUDITORS

## TO THE MEMBERS OF ITALTILE LIMITED

We have audited the annual financial statements and group annual financial statements of Italtile Limited set out on pages 21 to 49 for the year ended 30 June 2002. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

### SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

### AUDIT OPINION

In our opinion, the financial statements fairly present, in all the material aspects, the financial position of the company and the group at 30 June 2002, and the results of their operations and cash flows for the year then ended in accordance with the South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Ernst + Young

**ERNST & YOUNG**

*Registered Accountants and Auditors*

*Chartered Accountants (SA)*

Johannesburg

6 September 2002

## NATURE OF BUSINESS

Italtile is a retailer of ceramic tiles, vitreous china sanitaryware, bathroom furniture and accessories and related products.

## COMPANY REGISTRATION NUMBER

1955/000558/06

## DOMICILE

Italtile Limited is based and incorporated in South Africa.

Directors and officers

The details of the directors and secretary of the company are set out on page 18. Details of directors' emoluments are set out on page 23.

Messrs D H Rabin and G Cousins retire by rotation but, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr S Galli resigned as an alternate director during the year, but will continue his association with the company as a joint venture partner. Mr J Couzis retired from the company but will remain on the board as a non-executive director.

Except for the share option scheme, 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 the acquisition of shares in the company.

Other than disclosed in note 28, 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.

No service contracts exist between the company and any of its directors or alternate director.

It is the 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 within a period of six weeks prior to publication of the interim results or profit announcement at the end of the year.

## INTERESTS OF DIRECTORS

The shareholdings of the directors in the share capital of the company at 30 June 2002 were:

| | **2002** | 2001 |
|---|---|---|
| Directly held | **438 278** | 421 578 |
| Indirectly held | **10 583 763** | 10 724 201 |
| | **11 022 041** | 11 145 779 |

The directors did not exercise any options (2001: nil) to acquire a further interest in shares in accordance with the provisions of the Italtile Share Incentive Scheme.

There has been no material change in these interests between 30 June 2002 and the date of this report.

## STATED CAPITAL

The authorised share capital remains unchanged at 75 000 000 shares of no par value.

## STRATE CHARITY SHARES

Shareholders who find the cost of selling their shares exceeds the market value of their shares may wish to consider donating them to charity. An independent non-profit organisation called STRATE Charity Shares has been established to administer this process. SARS has advised that the value of any shares donated may be deducted from taxable income, as the scheme is registered under section 18A of the Income Tax Act. For further details, queries and/or donations contact the STRATE Share Care toll free help line on 0800 202 363 or +27 11 775 3449 if you are phoning from outside South Africa or e-mail charityshares@gscom.co.za.

## DIVIDENDS

A final dividend No. 72 of 65 cents per share (2001 – 31 cents per share) for the year ended 30 June 2002 was declared by the Board of Directors. Together with the interim dividend No. 71 of 35 cents per share (2001 – 29 cents per share) amounts to a total dividend of 100 cents per share (2001 – 60 cents per share), a 67% increase.

The last day to trade "cum" the dividend in order to participate in the dividend will be Friday, 23 August 2002. The share of Italtile Limited will commence trading "ex" dividend from the commencement of business on Monday, 26 August 2002 and the recorded date will be Friday, 30 August 2002 and will be paid on Monday, 2 September 2002.

## ITALTILE SHARE INCENTIVE SCHEME

In terms of a resolution passed at a shareholders' meeting on 12 January 1993, the directors are authorised to make available for the purposes of the scheme, a maximum aggregate number of 2 746 600 ordinary shares (2001: 2 746 600), representing 15% of the issued share capital. The scheme exists for the directors and senior management of the company with a limit of 350 000 shares which any one participant may acquire.

The movements in the number of shares available to eligible participants are as follows:

| | **2002** | 2001 |
|---|---|---|
| | **Number of shares** | Number of shares |
| At 1 July | **1 180 000** | 1 330 000 |
| New allocations made | **200 000** | 460 000 |
| Redeemed allocations | **(360 000)** | (580 000) |
| Forfeited allocations | **(160 000)** | (30 000) |
| Outstanding at 30 June | **860 000** | 1 180 000 |
| | **R** | R |
| Average subscription price per share | **37,27** | 28,47 |

The allocations outstanding at 30 June 2002 will mature up to 1 May 2007. Should the option holder resign from the group before these dates, the options will be forfeited. There is no diluted effect on the exercising of options, as shares are bought in the open market by the scheme.

The directors intend, during the course of the coming year, to make a new issue of shares to the share incentive trust in order for it to meet its commitments.

## SUBSIDIARY COMPANIES

Details of the company's interest in its subsidiaries are set out on page 47.

The company's interest in the profits and losses after taxation and outside shareholders' interest of its subsidiaries is:

| | **2002** | 2001 |
|---|---|---|
| | **R'000** | R'000 |
| Profits | **93 911** | 57 163 |
| Losses | **—** | 6 214 |

## SUBSIDIARIES' SPECIAL RESOLUTIONS

No special resolutions were passed by subsidiaries of the group during the period covering this report.

## FIXED ASSETS

Expenditure incurred on land and buildings during the year amounted to R51,6 million (2001 – R33,3 million). There has been no change in the use of fixed assets during the year.

## DIRECTORS EMOLUMENTS

The following tables record the emoluments payable to each director during the year:

| All figures in R'000 | Board fees | Salary | Bonuses & performance related payments | Pension scheme contri-butions | Other benefits | **Total 2002** | Total 2001 |
|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | |
| P D Swalton (Chief Financial Officer) | | 440 | 220 | 21 | 67 | **748** | 735 |
| J Couzis | | 332 | — | 53 | 83 | **468** | 428 |
| S Galli | | 273 | 170 | 40 | 25 | **508** | 457 |
| **2002** | | 1 045 | 390 | 114 | 175 | **1 724** | |
| 2001 | | 1 011 | 345 | 152 | 112 | | 1 620 |
| **Non-Executive directors** | | | | | | | |
| G Cousins | 53 | | | | | **53** | 38 |
| J Couzis | 8 | | | | | **8** | — |
| D H Rabin | 26 | | | | | **26** | 30 |
| B van Rooyen | 45 | | | | | **45** | 30 |
| **2002** | 132 | | | | | **132** | |
| 2001 | 98 | | | | | | 98 |
| Aggregate emoluments of directors who served during the year | | | | | | **1 856** | 1 718 |

## EQUITY COMPENSATION

No compensation was paid in equity during the year under review (2001: RNIL)

## FINANCIAL STATEMENTS

As the financial statements are the responsibility of the directors, these have been compiled to ensure that the state of affairs of the company are fairly presented. Suitable accounting policies were consistently applied and supported by reasonable and prudent judgements and estimates, applying the applicable accounting standards to ensure compliance with South African Statements of Generally Accepted Accounting Practice.

The auditors are only responsible for reporting on these financial statements.

## RESTATEMENT OF COMPARATIVES

The comparative income statements, balance sheet and cash flow information for the company was restated to reflect the change in accounting policy with regard to dividends paid, in accordance with AC107 (Post-balance sheet events) which became effective during the financial year under review.

In the past, dividends payable were recognised respectively as an expense in the income statements and liability in the balance sheet, in the period to which the profits related.

Dividends paid are now recognised as an expense on the date of payment, i.e. when the cash flows. There is thus no liability in the balance sheet at year end with regard to dividends paid/payable.

## ACCOUNTING RECORDS

Adequate accounting records have been maintained.

## SYSTEM OF INTERNAL CONTROL

An effective system of internal control is being maintained.

Subsequent events

There have been no significant material events between the date of this report and 30 June 2002 which affect the financial statements for the year ended 30 June 2002.

## MANAGEMENT SERVICES BY RELATED PARTIES

The group utilises the management consulting services of Rallen (Pty) Ltd. The chairperson Mr. G A M Ravazzotti, has a 50% interest in this company. All transactions between the group and Rallen (Pty) Ltd are incurred at arms length.

## GOING CONCERN

There is no reason to believe that the business will not be a going concern in the year ahead.w

# INCOME STATEMENTS

*for the year ended 30 June 2002*

| | NOTE | Group 2002 R000's | Group 2001 R000's | Company 2002 R000's | Company 2001 R000's |
|---|---|---|---|---|---|
| **Revenue** | 3 | **680 211** | 492 850 | **2 193** | 13 400 |
| **Turnover** | 3 | **619 812** | 455 329 | **—** | — |
| Cost of sales | | **(394 769)** | (294 367) | **—** | — |
| **Gross profit** | | **225 043** | 160 962 | **—** | — |
| Royalty income from franchising | | **22 896** | 9 981 | **—** | — |
| Commission received | | **3 298** | 2 321 | **—** | — |
| **Expenses** | | | | | |
| Sales and distribution | | **(30 550)** | (22 768) | **—** | — |
| General and administration | | **(91 432)** | (68 141) | **(822)** | (832) |
| **Trading profit/(loss)** | 4 | **129 255** | 82 355 | **(822)** | (832) |
| Net interest income | | **3 129** | 1 983 | **1 621** | 3 300 |
| Dividend income – from subsidiaries | 5 | **—** | — | **—** | 10 100 |
| Dividend income – other | 5 | **572** | — | **572** | — |
| Management fees | | **—** | — | **935** | 850 |
| Profit on sale of fixed property | | **—** | 568 | **—** | — |
| **Profit before taxation** | | **132 956** | 84 906 | **2 306** | 13 418 |
| Taxation | 6 | **(36 565)** | (27 307) | **(1 302)** | (2 369) |
| **Profit after taxation** | | **96 391** | 57 599 | **1 004** | 11 049 |
| Outside shareholders' interest | | **(1 476)** | 1 011 | **—** | — |
| Net profit for the year | | **94 915** | 58 610 | **1 004** | 11 049 |
| Earnings per share (cents) | 7 | **518,3** | 320,1 | | |
| Headline earnings per share (cents) | 7 | **518,3** | 317,0 | | |
| Dividends paid per share (cents) | 8 a | **66,0** | 60,0 | | |
| Dividends declared per share (cents) | 8 b | **100,0** | 60,0 | | |

# BALANCE SHEETS

*at 30 June 2002*

| | NOTE | Group 2002 R000's | Group 2001 R000's | Company 2002 R000's | Company 2001 R000's |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | **256 959** | 209 089 | **(9 206)** | 23 704 |
| Property, plant and equipment | 9 | **232 008** | 191 244 | **—** | — |
| Other investments | 10 | **1 604** | 1 494 | **—** | — |
| Interest in subsidiaries | 11 | **—** | — | **(9 206)** | 23 704 |
| Long term assets | 12 | **23 347** | 16 351 | **—** | — |
| **Current assets** | | **300 853** | 177 131 | **20 745** | — |
| Inventories | 13 | **144 131** | 89 894 | **—** | — |
| Trade and other receivables | 14 | **64 944** | 40 577 | **445** | — |
| Cash and cash equivalents | 15 | **91 778** | 46 660 | **20 300** | — |
| Total assets | | **557 812** | 386 220 | **11 539** | 23 704 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | **325 953** | 233 515 | **13 349** | 24 429 |
| Stated capital | 16 | **18 457** | 18 457 | **18 457** | 18 457 |
| Non-distributable reserve | | **11 168** | 1 436 | **—** | — |
| Retained profit | | **296 328** | 213 622 | **(5 108)** | 5 972 |
| **Outside shareholders' interest** | | **8 529** | 7 053 | **—** | — |
| **Non-current liabilities** | | **11 543** | 6 692 | **—** | — |
| Deferred taxation | 17 | **1 403** | 985 | **—** | — |
| Provisions | 18 | **2 945** | 2 945 | **—** | — |
| Long term loans | 19 | **7 195** | 2 762 | **—** | — |
| **Current liabilities** | | **211 787** | 138 960 | **(1 810)** | (725) |
| Short term portion of long term loans | 19 | **3 597** | 1 381 | **—** | — |
| Trade and other payables | 20 | **187 750** | 123 355 | **367** | 328 |
| Taxation | | **20 440** | 14 224 | **(2 177)** | (1 053) |
| Total equity and liabilities | | **557 812** | 386 220 | **11 539** | 23 704 |

# STATEMENT OF CHANGES IN EQUITY

*for the year ended 30 June 2002*

| Group | Note | Stated capital | Translation reserve | Retained profit | Total |
|---|---|---|---|---|---|
| **Balance at 30 June 2000** | | **18 457** | **47** | **166 118** | **184 622** |
| Net profit for the year | | | | 58 610 | 58 610 |
| Dividends paid | 8a | | | (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 | 8a | | | (12 209) | (12 209) |
| Currency translation difference | | | 9 732 | | 9 732 |
| **Balance at 30 June 2002** | | **18 457** | **11 168** | **296 328** | **325 953** |

| Company | Note | Stated capital | | Retained profit | Total |
|---|---|---|---|---|---|
| **Balance at 30 June 2000** | | **18 457** | | **5 909** | **24 366** |
| Net profit for the year | | | | 11 049 | 11 049 |
| Dividends paid | 8a | | | (10 986) | (10 986) |
| **Balance at 30 June 2001** | | **18 457** | | **5 972** | **24 429** |
| Net profit for the year | | | | 1 004 | 1 004 |
| Dividends paid | 8a | | | (12 084) | (12 084) |
| **Balance at 30 June 2002** | | **18 457** | | **(5 108)** | **13 349** |

# CASH FLOW STATEMENTS

| | NOTE | Group 2002 R000's | Group 2001 R000's | Company 2002 R000's | Company 2001 R000's |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash receipts from customers | | **595 446** | 432 615 | **—** | — |
| Cash paid to suppliers and employees | | **(459 082)** | (352 453) | **(1 228)** | (505) |
| Cash generated from operations | 21 | **136 364** | 80 162 | **(1 228)** | (505) |
| Management fees received | | **—** | — | **935** | 850 |
| Interest received | | **3 129** | 1 983 | **1 621** | 3 300 |
| Dividends received | | **572** | — | **572** | 10 100 |
| Dividends paid | 22 | **(12 209)** | (11 106) | **(12 084)** | (10 986) |
| Taxation paid | 23 | **(29 931)** | (21 540) | **(2 426)** | (3 192) |
| Net cash flows from operating activities | | **97 925** | 49 499 | **(12 610)** | (433) |
| **Cash flows from investing activities** | | | | | |
| Replacement of fixed assets | | **(1 625)** | (19 156) | **—** | — |
| Additions to fixed assets | | **(51 614)** | (33 328) | **—** | — |
| Decrease/(increase) in other long term assets | | **(7 106)** | 2 644 | | |
| Interest in subsidiaries | | **—** | — | **32 910** | 433 |
| Proceeds on disposal of fixed property | | **—** | 3 542 | **—** | — |
| Proceeds on disposal of fixed assets | | **889** | 1 695 | **—** | — |
| Net cash flows from/(utilised in) investing activities | | **(59 456)** | (44 603) | **32 910** | 433 |
| **Cash flows from financing activities** | | | | | |
| Increase in long term loans (includes short term portion) | | **6 649** | 4 143 | **—** | — |
| Investment of minorities in Italtile Australia | | **—** | 5 865 | **—** | — |
| Net cash flows from financing activities | | **6 649** | 10 008 | **—** | — |
| **Movement in cash and cash equivalents for the year** | | **45 118** | 14 904 | **20 300** | — |
| **Cash and cash equivalents at beginning of year** | | **46 660** | 31 756 | **—** | — |
| **Cash and cash equivalents at end of year** | 15 | **91 778** | 46 660 | **20 300** | — |

## 1. ACCOUNTING POLICIES

The annual financial statements are prepared in accordance with and comply with the South African Statements of Generally Accepted Accounting Practice. The annual financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent in all material respects with those applied in the previous year apart from the adoption of AC 107 (Events after balance sheet date), AC 135 (Investment properties) and AC 116 (Employee benefits). This has no material effect on the group's results.

### 1.1 Basis of consolidation

The consolidated financial statements incorporate the results and financial position of the company and its subsidiaries. Subsidiaries are those companies in which the group has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations. The results of subsidiaries are included from the effective dates of acquisition until the effective dates of disposal.

Where the fair value of the net assets in a subsidiary exceeds the purchase consideration, the excess is amortised through the income statement over the useful lives of the assets acquired.

Goodwill arising on the acquisition of subsidiaries represents the excess of the purchase consideration over the fair value of the net assets at date of acquisition. Goodwill is capitalised and is amortised, on a straight line basis over the expected useful life, not exceeding 20 years. Negative goodwill is firstly utilised against anticipated losses.

Unrealised income arising from transactions within the group and intercompany balances have been eliminated.

All companies in the group maintain consistent accounting policies.

The carrying value of the subsidiaries is reviewed for impairment at every balance sheet date. Where necessary, the value of the investment is written down to the greater of the net selling price or the value in use.

### 1.2 Investments in joint ventures

Joint ventures are those enterprises over which the group exercises joint control in terms of a contractual agreement. Investments in jointly controlled entities are accounted for by way of the proportionate consolidation method whereby the group's proportional share of the assets, liabilities, revenue and expenses of joint ventures are combined on a line by line basis, with similar items in the financial statements of the group. The results of joint ventures are included from the effective dates of their acquisition and up to the effective dates of their disposal.

### 1.3 Investments

Short-term investments are stated at cost, less impairment.

The difference between the net proceeds on disposal and the cost of investments is charged to the income statement.

### 1.4 Foreign currencies

Transactions in foreign currencies, are converted at the rates of exchange ruling on the dates of the transactions. The related monetary assets and liabilities at year end are translated at the rates ruling at the balance sheet date.

The group has investments in foreign subsidiary companies which are classified as foreign entities. The financial statements of these subsidiaries are translated for incorporation into the group financial statements as follows:

- Assets and liabilities at closing rate
- Income statement items at a weighted average rate for the period

Exchange differences are taken directly to a foreign currency translation reserve which is included with non-distributable reserves.

Exchange rates utilised to convert financial information are as follows:

| | **2002** | **2002** | 2001 | 2001 |
|---|---|---|---|---|
| | **Weighted average rate for the period** | **Closing rate** | Weighted average rate for the period | Closing rate |
| Australian $: ZAR | **1:4.91** | **1:5.68** | 1:4.23 | 1:4.14 |
| Italian lire: ZAR | **225.49:1** | **175.2:1** | 277.87:1 | 275.97:1 |

## 1. ACCOUNTING POLICIES *(continued)*

### 1.5 Property, plant and equipment

Freehold land and buildings are classified as investment properties unless where owner-occupied. Previously these properties were carried at cost; these are now carried at cost less depreciation. This policy was adopted as AC135 (Investment Properties) became effective during this financial year. An independent valuation to open market value for existing use is done on a triennial basis for disclosure and impairment purposes. Provision is made for any impairment to the carrying value of investment properties and is charged through the income statement.

All other fixed assets are stated at cost less accumulated depreciation.

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 rates:

- Land and buildings 2%
- Plant and equipment 16,6% to 25%
- Vehicles 20% to 25%
- Computer equipment 20% to 33,3%
- Furniture and fittings 16,6%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount, based on the value in use or net selling price.

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken to the income statement.

### 1.6 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 costs of completion and costs necessary to make the sale. Cost is determined on a weighted average cost method. Slow-moving and redundant inventories have been written down to their estimated realisable value or cost.

### 1.7 Deferred taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, at current tax rates.

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, carry-forward of unused tax assets and unused tax losses, 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. 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.

### 1.8 Borrowing costs

Borrowing costs are recognised as an expense when incurred.

### 1.9 Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Revenue from agency commission is recognised when the sale that gives rise to the revenue takes place.

Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

Dividends are recognised when the right to receive payment is established.

Revenue from franchise commission is recognised when the sale, which gives rise to this revenue, takes place.

## 1. ACCOUNTING POLICIES *(continued)*

### 1.10 Retirement benefits

*Defined contribution plan*

Current contributions to the retirement benefit plan are the best estimate of current service costs and are charged against income as incurred.

### 1.11 Financial instruments

Financial instruments carried on the balance sheet comprise cash and cash equivalents, investments, receivables, trade creditors, leases and borrowings.

*Measurement*

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

*Investments* that meet the criteria as held-to-maturity financial assets are carried at cost.

*Cash and cash equivalents* are measured at fair value.

*Trade receivables* are carried at net anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

Disclosure in respect of financial instruments is provided in Note 27.

### 1.12 Derivative financial instruments

The group uses foreign exchange contracts to hedge its risks associated with foreign currency fluctuations. It is the group's policy not to trade in derivative financial instruments. Details of the group's financial risk management objectives and policies are set out in Note 27.

The group's hedges are classified as fair value hedges which hedge the exposure to changes in the fair value of a recognised asset. Any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

### 1.13 Leases

Assets leased in terms of agreements, which are considered to be finance leases, are capitalised. Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the group, as lessee. Assets subject to finance leases are capitalised at their cash cost equivalent, with the related lease obligation recognised at the same value. Capitalised leased assets are depreciated at the same rates and on the same basis as equivalent owned assets. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount, based on the value in use or net selling price. Lease finance charges are amortised over the duration of the leases, using the effective interest rate method.

All other leases are treated as operating leases and the relevant rentals are charged to income in a systematic manner related to the period of use of the assets concerned, on a straight line basis.

### 1.14 Dividends paid

Dividends paid are recognised as expenses in the income statement at the dates of declaration.

### 1.15 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

### 1.16 Cash and cash equivalents

Cash and cash equivalents are measured at fair value and comprise cash at bank and in hand.

## 2. DEFINITIONS

**2.1 Cost of sales**

Cost of sales is calculated as the historical cost of inventory, including distribution costs incurred in bringing the inventory to the retail locations together with stock losses and in-store promotional costs.

**2.2 Sales and distribution costs**

Sales and distribution costs include costs incurred in bringing inventory to the retail locations and ensuring the saleability thereof.

**2.3 General and administrative expenses**

General and administrative expenses are those overhead expenses that have not been allocated to inventory valuation.

**2.4 Cash and cash equivalents**

The cash and cash equivalent amounts disclosed in the cash flow statement comprise cash in hand, deposits held on call with banks and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value.

**2.5 Segment revenue**

Segment revenues are revenues that are directly attributable to a segment, or the relevant portion of revenues that can be allocated on a reasonable basis to a segment, and that are derived from transactions with parties outside the enterprise and from other segments of the same enterprise.

**2.6 Segment expenses**

Segment expenses are expenses that are directly attributable to a segment or the relevant portion of expenses that can be allocated on a reasonable basis to a segment, and that are derived from transactions with parties outside the enterprise and from other segments of the same enterprise.

**2.7 Segment results**

Net total of segment revenue less segment expenses.

**2.8 Segment assets**

Total assets, of a segment, excluding interest and dividend generating assets and income tax assets.

**2.9 Segment liabilities**

Total liabilities, of a segment, excluding interest bearing liabilities and income tax liabilities.

*for the year ended 30 June 2002*

| | NOTE | Group 2002 R000's | Group 2001 R000's | Company 2002 R000's | Company 2001 R000's |
|---|---|---|---|---|---|
| **3. REVENUE** | | | | | |
| Turnover represents net sales, excluding value-added tax and inter-company sales | | | | | |
| *Total revenue comprises:* | | | | | |
| Turnover | | **619 812** | 455 329 | | |
| Rental income | | **21 878** | 13 731 | | |
| Interest income | | **3 129** | 2 053 | **1 621** | 3 300 |
| Dividend income | | **572** | — | **572** | 10 100 |
| Franchise income (excluding royalties) | | **11 924** | 11 756 | | |
| Royalty income from franchising | | **22 896** | 9 981 | | |
| | | **680 211** | 492 850 | **2 193** | 13 400 |
| **4. TRADING PROFIT** | | | | | |
| Trading profit is stated after taking into account the following items: | | | | | |
| **Loss/(profit) on sale of fixed assets (excluding property)** | | **—** | 9 | | |
| **Auditors' remuneration** | | | | | |
| – Audit fee | | **542** | 532 | **60** | 62 |
| – Other services | | **227** | 226 | **—** | — |
| – Expenses | | **2** | — | **—** | — |
| | | **771** | 758 | **60** | 62 |
| **Depreciation** | | | | | |
| owned: | | | | | |
| – Land and buildings | | **506** | — | | |
| – Plant and machinery | | **2 744** | 1 096 | | |
| – Vehicles | | **922** | 1 217 | | |
| – Computer equipment | | **4 477** | 1 303 | | |
| – Furniture and fittings | | **2 937** | 2 881 | | |
| | | **11 586** | 6 497 | | |

*for the year ended 30 June 2002*

| | NOTE | Group 2002 R000's | Group 2001 R000's | Company 2002 R000's | Company 2001 R000's |
|---|---|---|---|---|---|
| **4. TRADING PROFIT** *(continued)* | | | | | |
| **Realised foreign exchange loss/(profits)** | | **—** | (166) | | |
| **Operating lease payments** | | | | | |
| – Properties | | **16 095** | 11 386 | | |
| All the operating leases pertain to properties that are subleased to group owned and franchised stores. These rentals are turnover related and can therefore not be predetermined. Sub-rentals to be charged exceed above-mentioned obligations. | | | | | |
| Contingent lease payments were determined, based on escalated contractual rentals charged by third parties. Certain leases have renewal terms. There are no trading restrictions on any of the leases. | | | | | |
| *Total of future minimum contracted operating lease payments:* | | | | | |
| Within 1 year | | **17 377** | 11 313 | | |
| Within 2 – 5 years | | **52 524** | 49 109 | | |
| Later than 5 years | | **10 218** | 15 300 | | |
| | | **80 119** | 75 722 | | |
| **Directors' emoluments** | | | | | |
| *Non-executive directors* | | | | | |
| – Board fees | | **132** | 98 | **132** | 98 |
| *Executive directors* | | | | | |
| – Remuneration | | **1 045** | 1 011 | | |
| – Retirement, medical, accident and death benefits | | **289** | 264 | | |
| – Profit share | | **390** | 345 | | |
| Total Executive director's emoluments for the year | | **1 856** | 1 718 | 132 | 98 |
| Paid by subsidiary company | | **1 724** | 1 620 | — | — |
| **Employee remuneration** | | | | | |
| – Salaries and wages | | **41 883** | 31 686 | | |
| – Profit share | | **7 939** | 5 214 | | |
| – Contributions to retirement benefits | | **2 769** | 2 514 | | |
| | | **52 591** | 39 414 | | |

*for the year ended 30 June 2002*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | NOTE | **2002 R000's** | 2001 R000's | **2002 R000's** | 2001 R000's |
| **5. DIVIDEND INCOME** | | | | | |
| Dividend income from subsidiaries | | **—** | — | **—** | 10 100 |
| Dividend income from other sources | | **572** | — | **572** | — |
| | | **572** | — | **572** | 10 100 |
| **6. TAXATION** | | | | | |
| Current taxation | | | | | |
| – Normal tax | | **35 270** | 25 886 | 520 | 995 |
| – Deferred tax | | **418** | 47 | — | — |
| – Secondary tax on companies | | **877** | 1 374 | 782 | 1 374 |
| | | **36 565** | 27 307 | 1 302 | 2 369 |
| Reconciliation of tax rate | | **%** | % | **%** | % |
| Standard tax rate – South Africa | | **30,0** | 30,0 | **30,0** | 30,0 |
| *Adjusted for:* | | | | | |
| Exempt income | | **(0,4)** | (0,5) | **(7,4)** | (22,5) |
| Other permanent differences | | **(2,7)** | 1,0 | **—** | — |
| Secondary tax on companies | | **0,6** | 1,7 | **33,9** | 10,2 |
| Effective tax rate | | **27,5** | 32,2 | **56,5** | 17,7 |
| **7. EARNINGS PER SHARE** | | | | | |
| The calculation of earnings per share and headline earnings per share is based on 18 310 742 (2001 – 18 310 742) shares in issue during the period | | | | | |
| Earnings per share is based on the net income attributable to ordinary shareholders of R94 915 000 (2001: R58 610 000) | | | | | |
| **Reconciliation of headline earnings:** | | | | | |
| Earnings attributable to ordinary shareholders | | **94 915** | 58 610 | | |
| Profit on sale of fixed property | | **—** | (568) | | |
| | | **94 915** | 58 042 | | |

*for the year ended 30 June 2002*

| | NOTE | Group 2002 R000's | Group 2001 R000's | Company 2002 R000's | Company 2001 R000's |
|---|---|---|---|---|---|
| **8.a DIVIDENDS PAID** | | | | | |
| Final 2001 – No. 70 | | | | | |
| Paid 2002 : 31 cents per share (2001 31 cents) | | **5 801** | 5 796 | **5 676** | 5 676 |
| Interim 2001 – No. 71 | | | | | |
| Paid 2002 : 35 cents per share (2001: 29 cents) | | **6 408** | 5 310 | **6 408** | 5 310 |
| Total – 66 cents per share (2001: 60 cents per share) | | **12 209** | 11 106 | **12 084** | 10 986 |
| **8.b DIVIDENDS DECLARED** | | | | | |
| Interim – No. 71 | | | | | |
| 35 cents per share (2001: 29 cents per share) | | **6 408** | 5 310 | **6 408** | 5 310 |
| Final – No. 72 | | | | | |
| 65 cents per share (2001: 31 cents per share) | | **11 903** | 5 801 | **11 903** | 5 676 |
| Total – 100 cents per share (2001: 60 cents per share) | | **18 311** | 11 111 | **18 311** | 10 986 |

| | Land and buildings | Plant and machinery | Vehicles | Computer equipment | Furniture and fittings | Total |
|---|---|---|---|---|---|---|
| **9. PROPERTY, PLANT AND EQUIPMENT** | | | | | | |
| **2002** | | | | | | |
| owned: | | | | | | |
| Beginning of year | | | | | | |
| – asset at cost | 161 808 | 10 586 | 5 278 | 14 942 | 14 086 | 206 700 |
| – accumulated depreciation | — | (2 834) | (2 241) | (3 000) | (7 381) | (15 456) |
| – net book value | 161 808 | 7 752 | 3 037 | 11 942 | 6 705 | 191 244 |
| Current year movements | | | | | | |
| – additions | 51 614 | 273 | 531 | — | 821 | 53 239 |
| – disposals | — | — | — | (320) | (569) | (889) |
| – depreciation | (506) | (2 744) | (922) | (4 477) | (2 937) | (11 586) |
| Balance at end of year | 212 916 | 5 281 | 2 646 | 7 145 | 4 020 | 232 008 |
| Made up as follows: | | | | | | |
| – assets at cost | 213 422 | 10 859 | 5 809 | 12 446 | 13 907 | 256 443 |
| – accumulated depreciation | (506) | (5 578) | (3 163) | (5 301) | (9 887) | (24 435) |
| – net book value | 212 916 | 5 281 | 2 646 | 7 145 | 4 020 | 232 008 |

*for the year ended 30 June 2002*

| | Land and buildings | Plant and machinery | Vehicles | Computer equipment | Furniture and fittings | Total |
|---|---|---|---|---|---|---|
| **9. PROPERTY, PLANT AND EQUIPMENT** *(continued)* | | | | | | |
| **2001** | | | | | | |
| owned: | | | | | | |
| Beginning of year | | | | | | |
| – asset at cost | 131 456 | 11 728 | 6 636 | 8 199 | 10 222 | 168 241 |
| – accumulated depreciation | — | (3 603) | (3 321) | (5 584) | (5 799) | (18 307) |
| – net book value | 131 456 | 8 125 | 3 315 | 2 615 | 4 423 | 149 934 |
| Current year movements | | | | | | |
| – additions | 33 326 | 1 288 | 1 408 | 10 815 | 5 647 | 52 484 |
| – disposals | (2 974) | (565) | (469) | (185) | (484) | (4 677) |
| – depreciation | — | (1 096) | (1 217) | (1 303) | (2 881) | (6 497) |
| Balance at end of year | 161 808 | 7 752 | 3 037 | 11 942 | 6 705 | 191 244 |
| Made up as follows: | | | | | | |
| – assets at cost | 161 808 | 10 586 | 5 278 | 14 942 | 14 086 | 206 700 |
| – accumulated depreciation | — | (2 834) | (2 241) | (3 000) | (7 381) | (15 456) |
| – net book value | 161 808 | 7 752 | 3 037 | 11 942 | 6 705 | 191 244 |

Land and buildings with a cost of R90 912 000 were valued in May 1999 by The Property Partnership, independent chartered surveyors and valuers, to an open market value for existing use of R94 273 000. It is the group's policy to carry out such valuations every three years.

A register of the group's land and buildings is available for inspection at the company's registered office.

Certain property, plant and equipment is encumbered as stated in note 19.

At 30 June 2002 the group had no idle fixed assets.

*for the year ended 30 June 2002*

| | NOTE | Group 2002 R000's | Group 2001 R000's | Company 2002 R000's | Company 2001 R000's |
|---|---|---|---|---|---|
| **10. OTHER INVESTMENTS** | | | | | |
| **Unlisted** | | | | | |
| At cost | | **1 604** | 1 494 | | |
| Directors' valuation of unlisted investments | | **1 604** | 1 494 | | |
| **11. INTEREST IN SUBSIDIARIES** | | | | | |
| Unlisted shares at cost | | | | **639** | 639 |
| Amounts owing by/(to) subsidiaries | | | | **(9 845)** | 23 065 |
| | | | | **(9 206)** | 23 704 |
| A list of subsidiaries appears on page 47. | | | | | |
| **12. LONG TERM ASSETS** | | **20 156** | 13 098 | | |
| Loan to Italtile Share Incentive Scheme | | **22 856** | 15 798 | | |
| The loan is unsecured, interest free and has no fixed terms of repayment. | | | | | |
| Provision for bad debt | | **(2 700)** | (2 700) | | |
| Lease premium | | | | | |
| Lease premium paid in advance for a 35-year lease | | **3 191** | 3 253 | | |
| | | **23 347** | 16 351 | | |
| **13. INVENTORIES** | | | | | |
| Finished goods and merchandise | | **144 131** | 89 894 | | |
| **14. TRADE AND OTHER RECEIVABLES** | | | | | |
| Trade receivables | | **59 248** | 26 854 | **—** | — |
| Sundry debtors | | **1 934** | 9 241 | **445** | — |
| Prepayments and deposits | | **3 762** | 4 482 | **—** | — |
| | | **64 944** | 40 577 | **445** | — |

*for the year ended 30 June 2002*

| | NOTE | Group 2002 R000's | Group 2001 R000's | Company 2002 R000's | Company 2001 R000's |
|---|---|---|---|---|---|
| **15. CASH AND CASH EQUIVALENTS** | | | | | |
| Cash on hand | | **71 188** | 31 587 | **—** | — |
| Short term investments | | **20 590** | 15 073 | **20 300** | — |
| | | **91 778** | 46 660 | **20 300** | — |
| **16. STATED CAPITAL** | | | | | |
| Authorised | | | | | |
| 75 000 000 ordinary shares of no par value | | | | | |
| Issued | | | | | |
| 18 310 742 (2001: 18 310 742) ordinary shares of no par value | | **18 457** | 18 457 | **18 457** | 18 457 |
| All unissued shares are under the control of the directors until the next annual general meeting. | | | | | |
| **17. DEFERRED TAXATION** | | | | | |
| Deferred tax assets | | **(110)** | (56) | **—** | — |
| Deferred tax liabilities | | **1 513** | 1 041 | **—** | — |
| | | **1 403** | 985 | **—** | — |

The Group deferred tax balance is made up as follows:

| | Opening balance R000's | Charged through income statement R000's | Closing balance R000's |
|---|---|---|---|
| *Deferred tax asset:* | | | |
| *Incentive bonus* | (56) | (54) | (110) |
| *Deferred tax liability:* | | | |
| *Prepayment* | 1 041 | 472 | 1 513 |
| *Net deferred tax liability* | 985 | 418 | 1 403 |

Deferred tax assets and liabilities are only offset when the income tax relates to the same legal entity or fiscal authority.

*for the year ended 30 June 2002*

| | NOTE | Group 2002 R000's | Group 2001 R000's | Company 2002 R000's | Company 2001 R000's |
|---|---|---|---|---|---|
| **18. PROVISIONS** | | | | | |
| **Provision for warranties** | | | | | |
| Balance at beginning of year | | **2 945** | 3 728 | **—** | — |
| Movement during the year | | **—** | (783) | **—** | — |
| | | **2 945** | 2 945 | **—** | — |
| **Provision for post-retirement medical benefits** | | | | | |
| Balance at beginning of year | | **—** | 474 | **—** | — |
| Movement incurred during the year | | **—** | (474) | **—** | — |
| Provided during the year | | | — | **—** | — |
| Refer to note 25 for details of retirement benefits. | | | | | |
| | | **—** | — | **—** | — |
| Total provisions | | **2 945** | 2 945 | **—** | — |
| **19. LONG TERM LOANS** | | | | | |
| FOREIGN LONG TERM LOANS | | | | | |
| **Secured** | | | | | |
| **Australian dollars** | | | | | |
| Loan secured by a first mortgage over a property that has a current value of R23 187 992 bears interest at 6,2% per annum, repayable over 3 years, up to 9 June 2004 | | **10 792** | 4 143 | **—** | — |
| The articles of association do not limit the level of borrowings of the company or the group. | | | | | |
| Short term portion transferred to current liabilities | | **(3 597)** | (1 381) | **—** | — |
| | | **7 195** | 2 762 | | |
| **20. TRADE AND OTHER PAYABLES** | | | | | |
| Trade payables | | **134 826** | 97 925 | **—** | — |
| Accruals | | **52 924** | 25 430 | **367** | 328 |
| | | **187 750** | 123 355 | **367** | 328 |

*for the year ended 30 June 2002*

| | NOTE | Group 2002 R000's | Group 2001 R000's | Company 2002 R000's | Company 2001 R000's |
|---|---|---|---|---|---|
| **21. RECONCILIATION OF NET PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS** | | | | | |
| Net profit before taxation | | **132 956** | 84 906 | **2 306** | 13 418 |
| Adjustment for: | | | | | |
| Depreciation | | **11 586** | 6 497 | | — |
| Loss/(profit)on sale of fixed assets | | **—** | 9 | | — |
| Profit on sale of fixed property | | **—** | (568) | | — |
| Profit on sale of subsidiary | | | — | | — |
| Decrease on long term provisions | | | (1 257) | | — |
| Interest | | **(3 129)** | (1 983) | **(1 621)** | (3 300) |
| Dividends received | | **(572)** | — | **(572)** | (10 100) |
| Management fee | | | — | **(935)** | (850) |
| Working capital changes | | | — | | |
| Increase in inventories | | **(54 237)** | (26 362) | | |
| Increase in trade and other receivables | | **(24 367)** | (19 955) | **(445)** | — |
| Increase/(decrease) in trade and other payables | | **64 395** | 37 486 | **39** | 327 |
| Foreign exchange translation gains | | **9 732** | 1 389 | **—** | — |
| Cash generated from operations | | **136 364** | 80 162 | **(1 228)** | (505) |
| **22. DIVIDENDS PAID** | | | | | |
| Amounts unpaid at beginning of year | | **—** | — | **—** | — |
| Charged per statement of changes in equity | | **(12 209)** | (11 106) | **(12 084)** | (10 986) |
| Amounts unpaid year to date | | **—** | — | **—** | — |
| Amounts paid | | **(12 209)** | (11 106) | **(12 084)** | (10 986) |

*for the year ended 30 June 2002*

| | NOTE | Group 2002 R000's | Group 2001 R000's | Company 2002 R000's | Company 2001 R000's |
|---|---|---|---|---|---|
| **23. TAXATION PAID** | | | | | |
| Amounts unpaid at beginning of year | | **(14 224)** | (8 503) | **1 053** | 230 |
| Charged per income statement | | **(36 565)** | (27 307) | **(1 302)** | (2 369) |
| Deferred tax charged through the income statement | | **418** | 46 | | |
| Amounts unpaid at end of year | | **20 440** | 14 224 | **(2 177)** | (1 053) |
| Amounts paid | | **(29 931)** | (21 540) | **(2 426)** | (3 192) |
| **24. COMMITMENTS** | | | | | |
| Capital expenditure for land and buildings, computer equipment and other fixed assets | | | | | |
| Contracted | | **8 968** | 11 692 | | |
| Authorised but not contracted for | | **11 300** | 24 838 | | |
| | | **20 268** | 36 530 | | |
| Capital expenditure will be financed from own resources. | | | | | |

## 25. RETIREMENT BENEFIT INFORMATION

The Italtiale Provident Fund is a defined contribution plan and is governed by the Pension Funds Act, 1956 (Act No. 24 of 1956)

At 30 June 2002 439 (2001: 367) employees were members of the fund, to which the group contributed R2 769 000 (2001: R2 514 000) and the employees R 923 000 (2001: R838 000). The Provident Fund Scheme is open to all permanent staff and their dependants. The fund was found to be in a sound financial position by the actuaries who conducted a valuation in September 2001. The next actuarial valuation will be conducted in September 2002.

## 26. BORROWING CAPACITY

In terms of the Articles of Association the company's borrowing powers are unlimited.

## 27. FINANCIAL RISK MANAGEMENT

**Foreign currency management**

It is the Group's policy to enter into foreign exchange contracts to cover all foreign denominated transactions for which no letter of credit has been issued. No material forward exchange contracts existed at 30 June 2002.

**Credit risk management**

The group only deposits cash surpluses with major banks of high quality credit standing.

Trade account receivables comprise a widespread customer base. Ongoing credit evaluation of the financial position of customers is performed, and where appropriate, credit guarantee insurance is purchased.

The granting of credit is made on application and is approved by management. At year end, the group did not consider there to be any significant concentration of credit risk which has not been insured or adequately provided for.

**Liquidity and interest rate risk**

As part of the process of managing the group's interest rate risk, interest rate characteristics of new borrowings are positioned according to expected movements in interest rates. Full details of interest rates relating to borrowings are detailed in note 19. The group has cash and cash equivalents of R92 million, and unutilised credit facilities of R20 million.

**Fair value**

The directors are of the opinion that the book value of financial instruments approximates fair value.

*for the year ended 30 June 2002*

## 28. RELATED PARTY TRANSACTIONS

Related party relationships exist between the group and fellow subsidiaries. All related party transactions are concluded at arm's length.

Details of related party transactions are as follows:

| | Nature of transactions | Aggregate value of purchases 2002 R000's | Aggregate value of purchases 2001 R000's | Balances owing at year end 2002 R000's | Balances owing at year end 2001 R000's |
|---|---|---|---|---|---|
| Ceramic Industries Limited | Stock purchases | **139 000** | 141 000 | 49 008 | 41 189 |
| Rallen (Pty) Ltd | Consulting services | **968** | — | — | — |

## 29. JOINT VENTURE

The group has a 50% interest in Ser Export S.r.l., a company incorporated in Italy.

| | 2002 R000's | 2001 R000's |
|---|---|---|
| *Impact on group balance sheet* | | |
| Current assets | **20 680** | 11 681 |
| Non-current assets | **1 530** | 2 029 |
| Current liabilities (non-interest bearing) | **17 987** | 10 265 |
| *Impact on group income sheet* | | |
| Income | **3 298** | 2 200 |
| Expenses | **2 570** | 1 808 |
| *Impact on group cash flow statement* | | |
| Cash flow from operating activities | **3 298** | 3 237 |
| Cash flow from investing activities | **(274)** | (2 029) |
| Cash from financing activities | **—** | 1 331 |

*for the year ended 30 June 2002*

| | Retail | Property | Franchising | Other | Group |
|---|---|---|---|---|---|
| **30. SEGMENTAL REPORTING** | | | | | |
| ***Primary segments*** | | | | | |
| **2002** | | | | | |
| Group revenue | | | | | 680 211 |
| Add: | | | | | |
| Other income | | | | | — |
| Add back: | | | | | |
| Profit on sale of fixed property | | | | | — |
| Interest and dividend received (excluded from segment revenue) | | | | | (3 701) |
| Revenue (external) | 619 812 | 21 878 | 34 820 | — | 676 510 |
| – Total | 667 405 | 47 687 | 47 939 | 32 943 | 795 974 |
| – Internal (with other segments) | (47 593) | (25 809) | (13 119) | (32 943) | (119 464) |
| Depreciation | (5 780) | (942) | (50) | (4 814) | (11 586) |
| Significant non-cash items | | | | | |
| – Profit on sale of fixed property | — | — | — | — | — |
| Other Net (expenses)/Income | (541 626) | 11 289 | (15 859) | 10 527 | (535 669) |
| Segment results | 72 406 | 32 225 | 18 911 | 5 713 | 129 255 |
| Interest and Dividend received | | | | | 3 701 |
| Group profit before tax | | | | | 132 956 |
| Total segment assets | 235 426 | 201 516 | 22 966 | 26 126 | 486 034 |
| Bank balances | | | | | 91 778 |
| **Total group assets** | | | | | 577 812 |
| Cost of assets acquired | 1 013 | 51 614 | 612 | – | 53 239 |
| Total segment liabilities | 96 613 | 6 171 | 67 746 | 20 165 | 190 695 |
| Deferred taxation | | | | | 1 403 |
| Long term loans | | | | | 10 792 |
| Taxation owed | | | | | 20 440 |
| **Total group liabilities** | | | | | 223 330 |

*for the year ended 30 June 2002*

| | Retail | Property | Franchising | Other | Group |
|---|---|---|---|---|---|
| **30. SEGMENTAL REPORTING** | | | | | |
| *(continued)* | | | | | |
| ***Primary segments*** | | | | | |
| **2001** | | | | | |
| Group revenue | | | | | 492 850 |
| Add: | | | | | |
| Other income | | | | | 6 372 |
| Add back: | | | | | |
| Profit on sale of fixed property | | | | | (568) |
| Interest received (excluded from segment revenue) | | | | | (2 053) |
| Revenue (external) | 459 842 | 14 132 | 10 965 | 11 662 | 496 601 |
| – Total | 466 102 | 33 345 | 29 775 | (32 621) | 496 601 |
| – Internal (with other segments) | (6 260) | (19 213) | (18 810) | 44 283 | — |
| Depreciation | (6 229) | (269) | (4 000) | 4 001 | (6 497) |
| Significant non-cash items | — | 568 | — | — | 568 |
| – Profit on sale of fixed property | — | 568 | — | — | 568 |
| Other expenses | (399 302) | 6 641 | (6 222) | (8 866) | (407 749) |
| Segment results | 54 311 | 21 072 | 743 | 6 797 | 82 923 |
| Interest received | | | | | 1 983 |
| Group profit before tax | | | | | 84 906 |
| Total segment assets | 159 615 | 170 018 | 4 030 | 5 897 | 339 560 |
| Bank balances | | | | | 46 660 |
| **Total group assets** | | | | | 386 220 |
| Cost of assets acquired | 14 219 | 34 083 | — | 4 182 | 52 484 |
| Total segment liabilities | 101 819 | 741 | 971 | 22 769 | 126 300 |
| Deferred taxation | | | | | 985 |
| Long term loans | | | | | 4 143 |
| Taxation owed | | | | | 14 224 |
| **Total group liabilities** | | | | | 145 652 |

## 30. SEGMENTAL REPORTING *(continued)*

**Nature of business segments**

*Retail segment:* Sells tiles, vitreous china sanitaryware and bathroom accessories to the public.

*Property segment:* Purchases and rents out properties from which retail operations and franchisees operate.

*Franchise segment:* Income and costs incurred with relation to maintaining and use of the brand names in the group.

| | South Africa | Other countries | Group |
|---|---|---|---|
| ***Secondary segments*** | | | |
| **2002** | | | |
| Revenue – external sales | 586 995 | 89 515 | 676 510 |
| Total assets | 417 103 | 68 931 | 486 034 |
| Cost of assets acquired | 35 437 | 17 802 | 53 239 |
| **2001** | | | |
| Revenue – external sales | 458 830 | 37 771 | 496 601 |
| Total assets | 294 639 | 44 921 | 339 560 |
| Cost of assets acquired | 43 306 | 9 496 | 52 802 |

**Nature of geographical segments**

*South Africa:* Includes the results of the operations and activities within the borders of South Africa.

*Other countries:* Includes the results of the operations and activities in Mauritius and Australia.

## S U B S I D I A R I E S

*at 30 June 2002*

| | Issued share capital R | % held 2002 | % held 2001 | Book value of interest: Shares 2002 R000's | Book value of interest: Shares 2001 R000's | Book value of interest: Amounts owing by/(to) 2002 R000's | Book value of interest: Amounts owing by/(to) 2001 R000's |
|---|---|---|---|---|---|---|---|
| **Held by Italtile Limited** | | | | | | | |
| Retailing | | | | | | | |
| Italtile Ceramics Limited | 36 383 618 | **100** | 100 | **639** | 639 | **(11 105)** | 21 805 |

| | Issued share capital 2002 R | Issued share capital 2001 R | Effective % shareholding 2002 | Effective % shareholding 2001 |
|---|---|---|---|---|
| **Held by subsidiaries** | | | | |
| RETAILING | | | | |
| Italtile Australia (Pty) Limited# | **27 625 000** | 27 625 000 | **72,5** | 72,5 |
| FRANCHISING | | | | |
| Italtile Franchising (Pty) Limited | **1 000** | 1 000 | **50** | 50 |
| PROPERTY INVESTMENT | | | | |
| Nadja Investments (Pty) Limited | **1 990** | 1 990 | **100** | 100 |
| F.B. Ashman (Pty) Ltd | **100** | 100 | **100** | 100 |
| Allmuss Properties (Pty) Limited | **1 500** | 1 500 | **1 500** | 100 |
| INVESTMENT HOLDING | | | | |
| Italtile Mauritius (Pty) Limited ## | **37 546** | 37 546 | **100** | 100 |

*#Incorporated in Australia*

*##Incorporated in Mauritius*

# ANALYSIS OF SHAREHOLDERS

*at 30 June 2002*

| **Category of shareholder** | **Number of shareholders** | **Number of shares held** | **Shares held %** |
|---|---|---|---|
| The Italtile Share Incentive Scheme | 1 | 441 959 | 2,4 |
| Individuals | 295 | 1 355 560 | 7,4 |
| Nominee shareholders | 63 | 4 980 179 | 27,2 |
| Companies and other corporate bodies | 15 | 511 003 | 2,8 |
| Directors | 5 | 438 278 | 2,4 |
| Rallen (Pty) Ltd | 1 | 10 583 763 | 57,8 |
| Totals | 380 | 18 310 742 | 100,0 |

| Concentration of holdings – number of shares | Number of shareholders | Number of shares held | Shares held % |
|---|---|---|---|
| 1 – 5 000 | 317 | 204 671 | 1,1 |
| 5 001 – 20 000 | 27 | 315 481 | 1,7 |
| 20 001 – 100 000 | 21 | 823 962 | 4,5 |
| 100 001 – 1 000 000 | 13 | 4 168 810 | 22,8 |
| Over 1 000 000 | 2 | 12 797 818 | 69,9 |
| Totals | 380 | 18 310 742 | 100,0 |

# SHAREHOLDERS' SPREAD

*at 30 June 2002*

| Category of shareholders | Number of shareholders | Number of shares held | Shares held % |
|---|---|---|---|
| Directors | 5 | 438 278 | 2,4 |
| Associates of directors | 6 | 10 789 801 | 58,9 |
| The Italtile Share Incentive Scheme | 1 | 441 959 | 2,4 |
| Nominee shareholders | 62 | 2 096 143 | 11,4 |
| Other persons interested in 10% or more of the issued share capital | 1 | 2 884 036 | 15,8 |
| Total non-public shareholders | 75 | 16 650 217 | 90,9 |
| Public shareholders | 305 | 1 660 525 | 9,1 |
| Totals | 380 | 18 310 742 | 100,0 |

| Major shareholders | Number of shares held | % interest in the issued share capital |
|---|---|---|
| Rallen (Pty) Ltd | 10 583 763 | 57,8 |
| Old Mutual Nominees (Pty) Ltd | 2 884 036 | 15,8 |
| | 13 467 799 | |

Notice is hereby given that the eleventh annual general meeting of shareholders in Italtile Limited will be held in the Boardroom, the Italtile Centre Building, cnr William Nicol Drive and Peter Place, Bryanston on Tuesday, 19 November 2002 at 15h00 for the following purposes:

**1.** To consider and adopt the Group Financial Statements and the reports of the directors and auditors for the year ended 30 June 2002.

**2.** To elect directors in the places of Messrs D A Rabin and J Cousins, who retire in terms of the articles of association but who, being eligible, offer themselves for re-election.

**3.** To approve a general authority to the directors to unconditionally allot or issue the unissued shares on such conditions as they deem fit, subject to the provisions of the Companies Act and the regulations and requirements of the JSE Securities Exchange South Africa.

**4.** To transact any other business which may be transacted at an annual general meeting.

**5. TO CONSIDER AND ADOPT THE FOLLOWING RESOLUTIONS.**

5.1 **Special resolution number 1**

**RESOLVED THAT**, subject to the passing of Special Resolutions 2 and 3, the grant of options or rights to acquire shares in the company, pursuant to the company's share incentive scheme, to directors of the company who did not hold salaried employment or office in the company when the said options or rights were granted to them, be and is hereby ratified with retrospective effect from the date of grant of the said options or rights in accordance with the provisions of Section 223 read together with Section 222 of the Companies Act, (Act no. 61 of 1973,), as amended, ("Companies Act").

5.2 **Special resolution number 2**

**RESOLVED THAT**, subject to the passing of Special Resolutions 1 and 3, the company be and is hereby authorised to grant further options or rights to acquire shares in the company, pursuant to the company's share incentive scheme, to any director or future director of the company who does not hold salaried employment or office in the company when the said options or rights are granted to them in accordance with the provisions of Section 223 read together with Section 222 of the Companies Act.

5.3 **Special resolution number 3**

**RESOLVED THAT**, subject to the passing of Special Resolutions 1 and 2, the amendment to the company's share incentive scheme trust document, which was adopted pursuant to an ordinary resolution of members dated 26 November 1998, in terms of which options or rights to acquire shares in the company, pursuant to the company's share incentive scheme, was extended to directors of the company who did not hold salaried employment or office in the company when the said options or rights were granted to them, be and is hereby ratified with retrospective effect from the date of passing of the said ordinary resolution in accordance with the provisions of Section 223 read together with Section 222 of the Companies Act, (Act no. 61 of 1973), as amended, ("Companies Act").

5.4 **Ordinary resolution number 1**

**RESOLVED THAT**, subject to the passing of Special Resolutions 1 and 3, Mr P D Swatton, in his capacity as company secretary, be and is hereby authorised to implement the terms of Special Resolutions 1 to 3.

5.5 **Amendments to the Italtile Share Incentive Trust**

In order to fully comply with the requirements of Schedule 14 of the Listing Requirements of the JSE Securities Exchange South Africa, and in accordance with clause 31 of the deed constituting The Italtile Share Incentive Trust, the shareholders of Italtile are requested to consider and, if deemed fit, pass, with or without modification, the following resolution which will result in the trust deed being amended as set out hereunder –

**Ordinary resolution number 2**

RESOLVED that The Italtile Share Incentive Trust be amended as follows –

5.5.1 Clause 8.2 should be amended by the insertion after the words *"ordinary share capital"* in the third line thereof, of the following: *"being approximately 2 746 611 ordinary shares in the issued share capital of the company,"* so that clause 8.2 shall read as follows –

"8.2 *Subject to 8.3, the aggregate number of scheme shares and share options shall be a multiple of 100 (one hundred), not exceeding 15% (fifteen percentum) of the company's issued ordinary share capital, being approximately 2 746 611 ordinary shares in the issued share capital of the company, provided that the said number shall be increased or reduced in direct proportion to the increase or reduction of ordinary shares in the company's issued share capital arising from any conversion, redemption consolidation, sub-division, acquisition of the shares of the company, by the company, rights or capitalisation issue of shares in the capital of the company.";*

5.5.2 Clause 18 should be amended by the insertion after the figure and words *"350 000 (three hundred and fifty thousand) shares in", of: "(equating 1,9% of)"*, and by the insertion of the words "(and percentage)" after the words "provided that the said number" so that clause 18 shall read as follows –

*"18 The aggregate number of shares that may be acquired by any participant in terms of this scheme shall not exceed 350 000 (three hundred and fifty thousand) shares in (equating 1,9% of) the company's issued ordinary share capital; provided that the said number, (and percentage), shall be increased or reduced in direct proportion to the increase or reduction in the number of ordinary shares in the company's issued share capital arising from any conversion, redemption, consolidation, sub-division, acquisition of the shares of the company, by the company, rights or capitalisation issue of shares in the capital of the company.";*

5.5.3 Clause 31.2.2 should be amended by the insertion at the end thereof of the following: ", and consequently the calculation of the total number of shares which may be acquired for the purpose of or pursuant to this scheme;" so that the clause shall read as follows –

*"31.2.2 the proportion, expressed as a percentage, which the shares which may be acquired by the trustees for the purpose of this scheme bear to the entire issued ordinary share capital of the company for the time being, and consequently the calculation of the total number of shares which may be acquired for the purpose of or pursuant to this scheme;";*

5.5.4 Clause 31.2.3 should be amended by the insertion at the end thereof of the following: *", and consequently a fixed maximum percentage of share options or scheme shares that may be acquired by any participant;"* so that the clause shall read as follows –

*"31.2.3 the maximum number of share options or scheme shares that may be acquired by any participant, and consequently a fixed maximum percentage of share options or scheme shares that may be acquired by any participant;";*

5.5.5 The existing clauses 31.2.6 and 31.2.7 should be renumbered 31.2.7 and 31.2.8 respectively, and the following new clause should be inserted as clause 31.2.6 –

## NOTICE TO SHAREHOLDERS

*(continued)*

*"31.2.6 the voting, dividend, transfer and other rights, including those arising on the liquidation of the company, attaching to the share options or scheme shares;";*

**6. REASON FOR AND EFFECT OF THE SPECIAL RESOLUTIONS**

The special resolutions are proposed in the following context:

6.1 the company has granted options or rights to acquire shares in the company, pursuant to the company's share incentive scheme, to directors of the company who did not hold salaried employment or office in the company when the said options or rights were granted to them, without the passing of the necessary special resolution as required by Section 223 of the Companies Act;

6.2 the company effected the grant of such options by way of an amendment to the company's share incentive scheme trust document, which amendment was adopted pursuant to an ordinary resolution passed at a meeting of members on 26 November 1999.

6.3 the company requires to be able to grant further options or rights to acquire shares in the company, pursuant to the company's share incentive scheme, to any director or future director of the company who does not hold salaried employment or office in the company when the said options or rights are granted to them;

6.4 Against this background:

6.4.1 the reason for Special Resolution Number 1 is to validate the actions of the company of granting the options or rights to acquire shares in the company, pursuant to the company's share incentive scheme, to directors of the company who did not hold salaried employment or office in the company when the said options or rights were granted to them. The effect of the resolution is that the grant of aforesaid option or rights to the aforesaid directors will no longer be regarded as invalid as contemplated in Section 223 of the Companies Act;

6.4.2 the reason for Special Resolution Number 2 is to authorise the company to grant further options or rights to acquire shares in the company, pursuant to the company's share incentive scheme, to any director or future director of the company who does not hold salaried employment or office in the company when the said options or rights are granted to them. The effect of the resolution is that any further grant of such options or rights by the company will comply with the provisions of Section 223 of the Companies Act.

6.4.3 the reason for Special Resolution Number 3 is to ratify the amendment to the company's share option scheme trust document which should have been adopted pursuant to a special resolution and not an ordinary resolution.

A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak, and on a poll, vote in his stead. A proxy need not be a member of the company.

Proxy forms must be lodged at the office of the transfer secretaries, Computershare Services Limited Edura, 41 Fox Street, Johannesburg not later than 24 hours before the time fixed for the meeting.

By order of the board

**P D SWATTON**
*Secretary*

## SHAREHOLDERS' DIARY

| | | |
|---|---|---|
| **Financial year end** | | June |
| **Annual general meeting** | | November |
| **Reports** | | |
| Interim half year to December | | February |
| Preliminary profit announcement | | August |
| Annual financial statements | | September |
| **Dividends** | | |
| Interim dividend | Declared | February |
| | Paid | March |
| Final dividend | Declared | August |
| | Paid | September |

# BRANCH ADDRESSES

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Riverside Industrial Park
Nelspruit 1200
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**Pretoria**
38 Palala Road
Ashlea Gardens
PO Box 35232, Menlo Park 0102
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**Peter Place**
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**Port Elizabeth**
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Framesby
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**Somerset West**
cnr N2 and R44 next to
Somerset Mall
PO Box 36860, Chempet 7130
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Fax: (021) 852-7790

**Tokai**
cnr Vans and Tokai Roads
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83 Edward Street
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Trichardt
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**Centurion**
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**Lonehill**
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Tel: 467-6357/8/9/60/61
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**Menlyn**
Atterbury Value Mart
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**Montague Gardens**
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**Ormonde**
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Brits
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**Burgersfort**
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Chamdor
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Fax: (013) 262-3976

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Sandbaai
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**Klerksdorp**
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Wolmarans Streets
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Fax (036) 631-1619

**Lawley**
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**Louis Trichardt**
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**South Beach Road**
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Fax (031) 332-0098

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**Port Shepstone (South coast)**
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Potch Industria
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Fax: (018) 294-3013

**Potgietersrus**
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Potgietersrus
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**Somerset West**
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139 Voortrek Street
Swellendam
PO Box 654, Swellendam 6740
Tel: (028) 514-1424
Fax: (028) 514-1424
(ask for fax)

**Thohoyandou**
Mphephu Street, Noord Cnt
Sibasa 0970
Tel: (015) 963-2428
Fax: (015) 963-1939

**Tokai**
cnr Vans and Tokai Roads
PO Box 1689
Tokai 7945
Tel: (021) 715-8506
Fax: (021) 715-8508

**Trichardt**
12 Paul Kruger Street
Trichardt 2300
PO Box 603, Witbank 1035
Tel: (017) 638-0403/4
Fax: (017) 638-0445

**Tzaneen**
cnr Sapekoe Ave and Claude Wheadley Drive, Tzaneen
PO Box 4200, Louis Trichardt 0920
Tel: (015) 307-4039
Fax: (015) 307-4049

**Umtata**
39 Craister Street, Shop No. 1
PO Box 85, Umtata 5100
Tel: (047) 532-6850
Fax: (047) 532-6840

**Upington**
cnr Le Roux and Swartmodder Streets
Upington 8801
Tel: (054) 331-2577
Fax: (054) 331-2575

**Vanderbijlpark**
Rabie Street, CE6
Vanderbijlpark
PO Box 2317, Vereeniging 1930
Tel: (016) 933-1951/2
Fax: (016) 933-1955

**Vereeniging**
cnr Johannesburg and Leeuwenhoek Streets
PO Box 2317, Vereeniging 1930
Tel: (016) 455-1909
Fax: (016) 455-1910

**Vredenburg**
No 2 Heuningklip Road
PO Box 449, Vredenburg 7380
Tel: (022) 715-1180/1/2
Fax: (022) 715-1105

**Vryburg**
cnr Stella and Moffat Streets
Vryburg 8600
Tel: (053) 927-6875
Fax: (053) 927-6876

**Welkom**
9 Honeyball Street
Reitz Park, Welkom
PO Box 20112, Tweedemyn 9467
Tel: (057) 396-3371/2
Fax: (057) 396-4818

**Witbank**
No. 4 Vanderbijl Street
PO Box 603, Witbank 1035
Tel: (013) 690-2874/6
Fax: (013) 690-2878

**Worcester**
18 Field Street, Worcester
PO Box 767, Worcester 6849
Tel: (023) 347-4869
Fax: (023) 342-4808

## Namibia

**Oshakati**
Stand 5004, Oshakati Main Road
Oshakati
Tel: (092646) 522-4581
Fax: (092646) 522-4518

**Swakopmund**
Sudring Street Swakopmud; Windhoek
PO Box 21190, Windhoek, Namibia
Tel: (09264) 6446-4124
Fax: (09264) 6446-4148

**Windhoek**
cnr Voight and Thorpe Streets
Industria South
PO Box 21190, Windhoek, Namibia
Tel: (09264) 6125-5318/9
Fax: (09264) 6125-5320

## Lesotho

**Maseru**
DS Building, Moshoeshoe Road
Industrial Area, Maseru
PO Box 445, Maseru Lesotho
Tel: (09266) 856-199
Fax: (09266) 310-162

## Swaziland

**Matsapa**
No. 3 King Maswati III Ave, Matsapa, Swaziland
PO Box 1095,
Matsapha M 202
Tel: (09268) 518-4061/3
Fax: (09268) 518-4048

**Mbabane**
Plot 940,Mshini Road, Sidwasinhini, Mbabane
PO Box 1095, Matsapha M 202
Swaziland
Tel: (09268) 422-1721/0
Fax: (09268) 518-4048

## Botswana

**Francistown**
Plot No 1615/6, Gemsbok Street, Light Industrial Area
Francisstown, Botswana
Tel: (09267) 241-5590
Fax: (09267) 215-575
Fax: (06867) 244-0065

**Gaborone**
Plot 22054, Unit 3,
Gaborone, Botswana
PO Box 202308,
Gaborone Botswana
Tel: (09267) 393-3770
Fax: (09267) 393-3771

## Tanzania

**Dar es Salaam**
Plot 115
Nyerere Road,
Dar es Salaam
Tel: (09255) 22 286 39 16
Fax: (09255) 22 286 5692

## Australia

**Sydney – New South Wales**

**CTM Blacktown**
Shop 8 & 9 Homebase Shopping Center
19 Stoddart Road
Prospect
NSW
2148
Tel: (02) 9688-4528
Fax: (02) 9688-4918
e-mail Blacktown@CTMTILES.COM
Contact Manager – Charles Andraous

**CTM Brookvale**
734 – 736 Pittwater Road
Brookvale
NSW
2100
Tel: (02) 9939-3090
Fax: (02) 9939-3313
e-mail Brookvale@CTMTILES.COM
Manager – Simon Bishop

**CTM Campbelltown**
1 Rennie Road
Woodbine
Campbelltown
NSW
2560
Tel: (02) 4627-2496
Fax: (02) 4627-1709
e-mail Campbelltown@CTMTILES.COM
Manager – Andrew Tonna

**CTM Lansvale**
286 Hume Highway
Lansvale
NSW
2166
Tel: (02) 9724-0141
Fax: (02) 9724-5219
e-mail Lansvale@CTMTILES.COM
Contact Manager – Pieter Myburgh

**CTM Norwest**
Shop 3
4 – 6 Celebration Drive
Bella Vista
NSW
2153
Tel: (02) 8824-8122
Fax: (02) 8824-8166
e-mail Norwest@CTMTILES.COM
Manager – Graham Mackenzie-Hunter

## Brisbane – Queensland

**CTM Capalaba**
89 – 91 Redland Bay Road
Capalaba
QLD
4157
Tel: (07) 3390-2600
Fax: (07) 3390-2664
e-mail Capalaba@CTMTILES.COM
Manager – Anthony Verderosa

**CTM Springwood**
3439 Pacific Highway
Slacks Creek
QSLD
4127
Tel: (07) 3208-3472/5/6
Fax: (07) 3208-2918
e-mail Springwood@CTMTILES.COM
Manager – Candido Lorenzi
(cel 0410 543-062)
e-mail Lorenzi@CTMTILES.COM

**CTM Canon Hill**
1881 Creek Road
Canon Hill
QLD
4170
Tel: (07) 3395-6774
Fax: (07) 3395-8661
e-mail CanonHill@CTMTILES.COM
Manager – Glenn Gaulke

## Melbourne – Victoria

**CTM Epping**
Shop 5
Epping Homemakers Center
560 High Street
Epping
VIC
3076
Tel: (03) 9408-3055
Fax: (03) 9408-3155
e-mail Epping@CTMTILES.COM
Contact Manager –
Scott Duncan

# *Form of Proxy*

*For use by ordinary shareholders at the annual general meeting to be held on Tuesday, 19 November 2002.*

I/We

being the holder/s of ordinary shares in the company, hereby appoint (see note 1)

1. or failing him

2. or failing him

3. the chairman of the annual general meeting as my/our proxy to act for me/us on my/our behalf at the annual general meeting which will be held at 15h00 on Tuesday, 19 November 2002 in the boardroom, the Italtile Centre Building, corner William Nicol Drive and Peter Place, Bryanston, for the purpose of considering, and if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for or against the ordinary resolutions or to abstain from voting in respect of the shares in the issued capital of the company registered in my/our name/s, in accordance with the following instruction (see note 2):

| | **Number of votes (1 vote per share)** | | |
|---|---|---|---|
| | **For** | **Against** | **Abstain** |
| To re-elect D H Rabin as a director of the company | | | |
| To re-elect G Cousins as a director of the company | | | |
| To consider and adopt the group financial statements | | | |
| To place unissued capital under the control of the directors of the company | | | |
| **To consider and adopt the following resolutions:** | | | |
| Special resolution number 1 | | | |
| Special resolution number 2 | | | |
| Special resolution number 3 | | | |
| Ordinary resolution number 1 | | | |
| Amendments to the Italtile Share Incentive Trust | | | |
| Ordinary resolution number 2 | | | |

Signed at on 2002

Signature

Assisted by me (where applicable)

Each member is entitled to appoint one or more proxies (who need not be a member of the company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting.

Please read the notes on the reverse side hereof.

*Notes*

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the annual general meeting" but any such deletion must be initialled by the shareholder. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or by his proxy, but the total of the votes cast in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his proxy.
3. Forms of proxy must be lodged at the company's transfer secretaries, Computershare Limited , Edura, 41 Fox Street, Johannesburg 2002, to be received by not later than 15h00 on Friday, 15 November 2002.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.