

# Contents

1	Financial highlights
2	Group structure
3	Chairman's review
7	Review of operations
12	Group review
15	Corporate social investment
16	Corporate governance
18	Directorate and administration
19	Directors' approval
20	Report of the independent auditors
21	Directors' report
24	Income statements
25	Balance sheets
26	Statement of changes in equity
27	Cash flow statements
28	Notes to the financial statements
47	Subsidiaries
48	Analysis of shareholders
49	Shareholders' spread
50	Notice to shareholders
51	Shareholders' diary
52	Branch addresses
55	Form of proxy

# an abbreviated history

*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, brassware, 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 years 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 one of the largest purchasers 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.*

## **o u r v a l u e s**

**The group believes that a productive workplace is characterised by an environment in which service, efficiency and harmonious teamwork relationships are of primary concern to all:**

*To achieve this all employees will be:*

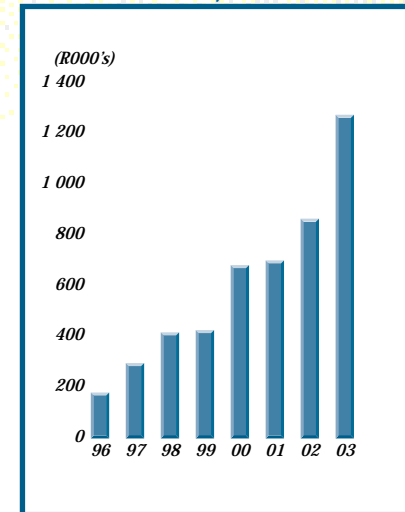
- ▶ **hard working, “hands on” and involved;**
- ▶ **respectful of and act with fairness to all employees, franchisees, customers, suppliers and any other person with whom they may come into contact;**
- ▶ **honest, and act with integrity and in good faith;**
  - ▶ **focused on customer service;**
- ▶ **partners, and act in a spirit of partnership with fellow employees, suppliers and franchisees.**

# Financial

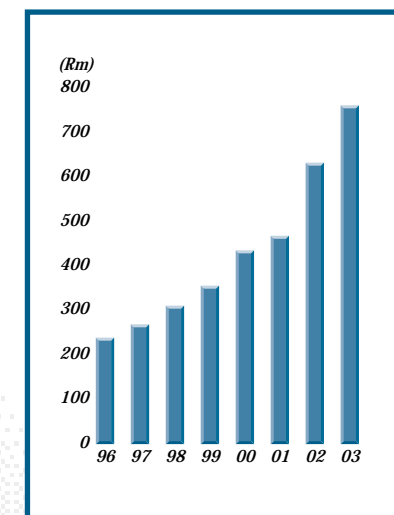
h i g h l i g h t s for the year ended 30 June 2003

	% change from 2002	2003	2002
<b>Group and franchised results</b>			
Turnover (R000's)			
– by group owned stores	21	<b>749 150</b>	619 812
– by franchised owned stores (unaudited)	30	<b>608 779</b>	469 797
	25	<b>1 357 929</b>	1 089 609
Number of stores	3	<b>94</b>	91
Owned and joint ventures – Southern Africa	(8)	<b>24</b>	26
Franchised – Southern Africa	9	<b>61</b>	56
Foreign	–	<b>9</b>	9
<b>Group results</b>			
Turnover (R000's)	21	<b>749 150</b>	619 812
Trading profit (R000's)	29	<b>166 187</b>	129 255
Total assets (R000's)	13	<b>630 115</b>	557 812
Cash and cash equivalents (R000's)	72	<b>157 545</b>	91 778
Number of shares in issue (000's)	2	<b>18 677</b>	18 311
Headline earnings per share (cents)	27	<b>656,6</b>	518,3
Dividends declared per share (cents)	30	<b>130</b>	100
Net asset value per share (cents)	28	<b>2 344</b>	1 827
Number of employees	–	<b>345</b>	345

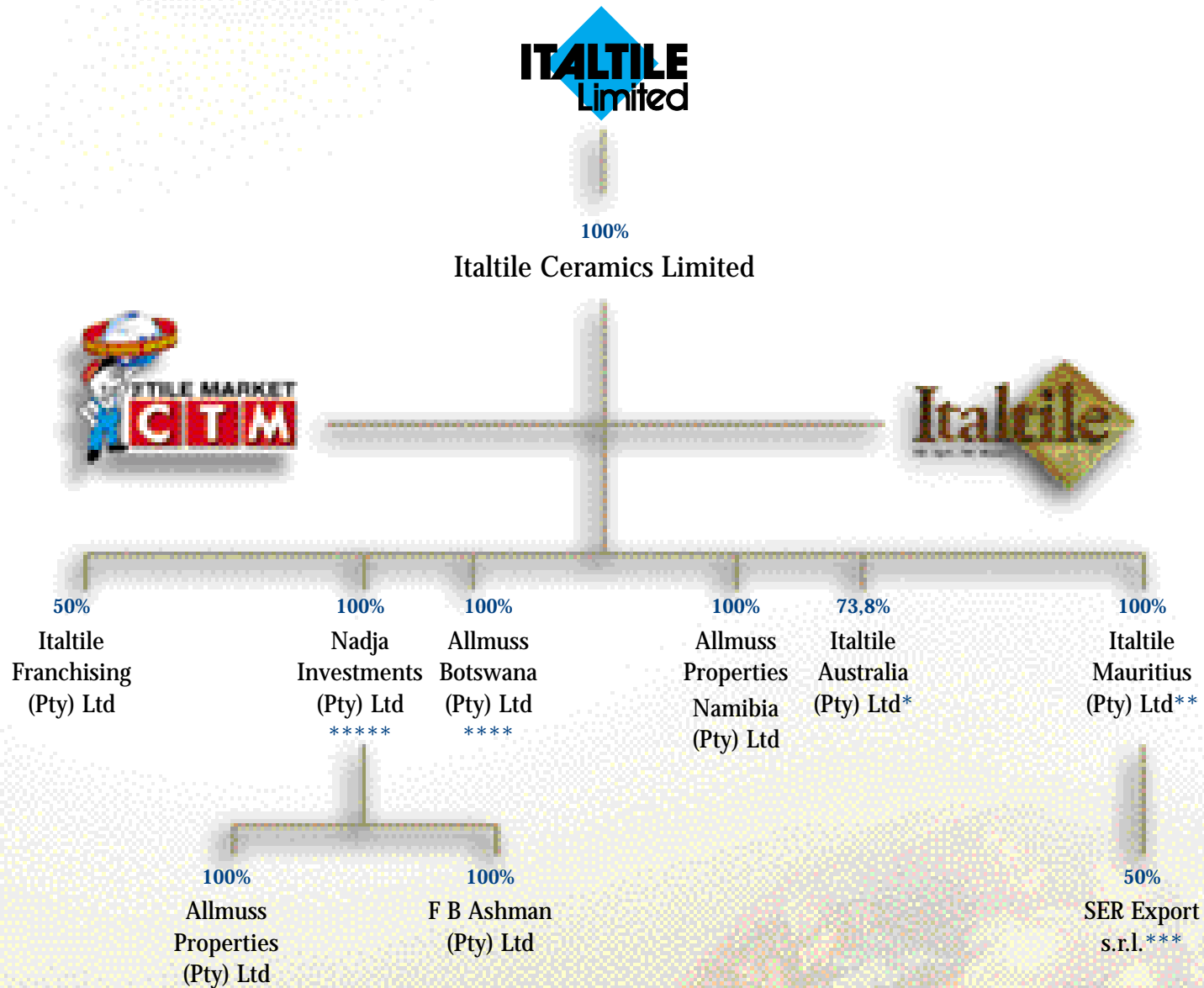
## Market capitalisation



## Turnover



# Group structure



\* Incorporated in Australia  
 \*\* Incorporated in Mauritius  
 \*\*\* Incorporated in Italy  
 \*\*\*\* Incorporated in Botswana  
 \*\*\*\*\* Incorporated in Namibia

# Chairman's review

*Management believe that sustained growth in tile consumption is a certainty in South Africa.*

It is a pleasure for me to report, for the 12th consecutive year, that Italtile has recorded an improvement in real earnings. These results have come against the backdrop of a period of economic challenges in South Africa, buttressed by the unwavering energy of our people that has effectively enriched our performance. Our incessant commitment to entrepreneurship and real partnerships that work for everyone is another critical attribute that has led to the results that we have published. Our success is predicated on our important value proposition of making high-fashion ceramic products available to both the top, premium end of the market, and to the entry-level market, coupled with more than 30 years of experience in this sphere.

## Results

The group trades through two branded retail chains, Italtile and CTM. Italtile caters for the premium end of the market, while CTM serves the value-for-money market. The company is South Africa's leading retailer of ceramic tiles, sanitaryware, bathroom accessories and related products, and is one of the major purchasers of tiles globally.

Turnover for the year ending 30 June 2003 was R1,36 billion, an improvement of 25% over the previous year (2002: R1,09 billion). The contribution derived from group-owned stores increased to R749 million, an increase of 21% (2002: R620 million), while turnover from franchises grew 30% to R609 million (2002: R470 million). Trading profit grew from R129 million in the previous year to R166 million for this year, an increase of 29%. I am satisfied with the level of performance, with headline earnings per share increasing by 27% to 657 cents (2002: 518 cents).

Turnover growth was derived almost exclusively from existing operations, underlining management's belief that sustained growth in tile consumption is a certainty in South Africa. In line with global trends, expansion is predicted on increasing recognition of the product as the most durable, hygienic and cost-effective wall and floor covering.

Whilst the latter half of the review period proved less satisfactory than the first half,

management's view is that conditions will improve as the positive effect of interest rate cuts on consumer spending begin to filter through.

Notwithstanding the testing environment, the group was successful in entrenching its leadership in the ceramic tile market and pursuing the strategy of expanding its sphere of operation to include the tap and sanitaryware market. Although Italtile is traditionally perceived as a specialist tile retailer, growing consumer demand for improved convenience influenced the decision to expand our product range under one roof, and boost its offerings of brassware and sanitaryware products. Consumer response has been positive. Consequently, all new stores will be modelled to include a dedicated bathroom division – in effect offering a shop-within-a-shop concept.

The group's operations include franchises, joint ventures and empowered franchises. All of these have as key tenets entrepreneurship and empowerment, and display the benefits associated with owner-driven businesses, backed by high quality company systems and support structures. Given the success of the joint venture model over this period, a further four group-owned Italtile stores and 10 group-owned CTM stores were converted to this format. The company has reduced the number of stores it owns to 10, in line with its objective of entrenching its role, first and foremost, as a franchisor.

# Chairman's

review (continued)

In light of the challenging environment, stock management comprised a critical strategic thrust. The group recognises that ceramic tiles, as fashion items, are fast-moving consumer goods, and stockholding needs to be managed accordingly. Effective management ensures a variety of benefits, including a fresher range and improved offering to the consumer, reduced breakage and wastage, and improved store control.

Improved stock management has contributed to the group's growth in cash and cash equivalents, which stands in the balance sheet at R158 million. These reserves will be used to fund future expansion both locally and internationally.

## African operations

Both the CTM and Italtile divisions reported satisfactory turnover and profit achievements within their respective niche markets. The company trades out of a total of 85 stores in Africa.

### • Italtile

The Italtile brand is now represented through eight stores situated countrywide.

We have implemented the strategy of consolidating Italtile's presence in the major urban areas in order to best present a comprehensive product range in

a single location, while upgrading of our stores is almost complete. Our new advertising campaign is also underway, after an absence of two years from proactively marketing this brand through advertising. I anticipate that the benefits of these developments will filter through during the coming years.

### • CTM

CTM continues to enjoy strong brand recognition in both the developed and developing markets. The division, in South Africa, is represented through seven company-owned stores, 53 franchised stores, 10 joint venture stores and seven empowered franchises. Upgrading of stores to the new format has started and it is anticipated that the remodelling of all our stores should be completed by September 2004.

Beyond the borders of South Africa, the company currently has franchised operations in Botswana, Namibia, Swaziland, Lesotho, Malawi and Tanzania. The brand's reach was extended with the opening of additional stores in Malawi and Tanzania respectively, and the successful opening of its first store in Zambia. It is anticipated that CTM will have a presence in Uganda within the coming year. The group is confident that growth opportunities exist in these and other African countries.

## International operations

Italtile's Australian operation, comprising nine CTM stores across Queensland, New South Wales and Victoria, delivered a 27% growth in turnover and a satisfying increase in the profits for the full year. Key to this trend has been the adaptation of the CTM trading formula to meet Australian consumer requirements. A programme of further store expansion will commence towards the end of the forthcoming financial year.

*The group's operations display the benefits associated with owner-driven businesses, backed by high quality company systems and support structures.*

## **Economic empowerment**

Ownership and knowledge transfer underpins the group's commitment to economic empowerment. In line with our vision to promote entrepreneurship, the group has continued to develop our franchisee and joint venture network.

The group operates three franchise-linked vehicles: 100% franchises, joint venture franchises and black empowered franchises. Italtile has continued with its strategic intent of empowering entrepreneurs, not least in the black community. These have proved increasingly successful, and we had eight such initiatives.

We are committed to, and involved in, the ongoing growth of the economy through active developmental programmes that lead to the emergence of appropriately qualified entrepreneurs who, in turn, make a meaningful business impact on the community.

## **Prospects**

It is anticipated that trading conditions in the South African market will be buoyed by further interest rate cuts leading to enhanced consumer spending. Expansion will largely be governed by sourcing suitable franchisees and joint venture partners for the various markets.

The group's management is satisfied that its focus on core business will continue to deliver growth in earnings.

It is encouraging that local manufacturers of ceramic tiles have increased their capacity during the past 12 months. We anticipate that competition at that level will remain keen, and that the average selling price could reduce still further. This is obviously good news for the consumer, but equally so for us as a group.

## **Dividends**

The Board has declared a final dividend of 80 cents (2002: 65 cents), which, together with the interim dividend of 50 cents, produced a total dividend for the year of 130 cents (2002: 100 cents). This represented an improvement of 30%.

## **Directorate**

Mr Brian van Rooyen resigned as a non-executive director during the year in order to devote more time to his own business interests. I wish to thank him for his contribution to the company as a director and wish him well for the future.

My position as executive chairman and acting chief executive has continued during the year. The search is progressing for a chief executive.

## **Appreciation**

The fact that Italtile has now completed a dozen years of consistent growth is testimony to the hard work and energetic endeavours of many people. These range from members of the Board, staff, suppliers and customers.

I wish to thank each person who has made this possible. I especially want to pay tribute to franchisees and joint venture partners – the people on the ground who interface most closely with the consumer. But I also wish to thank the consumer, without whose keen demand and critical eye for excellence we would be less of a company. Thanks are due also to our suppliers, who maintain a quality of service that is imperative for us as we operate in an ever-competitive market.

The wisdom and expertise of the Board has been invaluable and I salute them for their vision and advice.



**G A M Ravazzotti**  
*Executive Chairman*

# Review of

## o p e r a t i o n s

### Operations review

Sustained style and renewed passion in ongoing productive partnerships – that's the foundation for our 12th consecutive year of growth in earnings. That Italtile is seeing the fruits of its labours in this respect is amply illustrated in the achievements during the past year. To be sure, it is a matter of satisfaction that our mentoring programmes, an important aspect of our commitment to developing teamwork in partnerships, have continued to yield positive spin-offs with our brands enjoying an ever-strengthening reputation both in South Africa and outside our borders. The group is uniquely able to provide the solution to a market that knows what it wants – whether it is products aimed at those using ceramic tiles and our related products for the first time, or those who aspire to the high-class fashion and style available at the top end of our market.

### Results

It is satisfying to report the improvement that we have shown during the year under review. Headline earnings per share once again rose, this time by 26,7%, from 518c last year to 656c this year. Trading profit increased by 28,6% during the year, up from R129 million to R166 million. Profit after taxation amounted to R119,9 million, up 24,4% from the previous year. This growth continues to be of an organic nature which, in itself, is highly satisfying.

Our African operations, consisting of a total of 85 stores, reported satisfactory turnover, while internationally the profit contribution was also good.

It should be borne in mind that this growth came during a year in which the economy faced a number of challenges. Not least amongst these were higher interest rates that inevitably impacted on the ability of consumers to spend. Italtile also came under pressure from cheap tile imports coming into South Africa.

Such increased competition is welcomed since it has further sharpened our performance and, in fact, kept us on the cutting edge in leading an industry in which there is still much room for development. Our lively and visionary management style has contributed to the outstanding results – practices that included such straightforward supervisory disciplines such as firm stock management. Indeed, this has contributed to a 72% rise in the group's cash and cash equivalents to R158 million. This will be used to fund future growth, both domestically and outside the borders of South Africa. The group is in the fortunate position of entering the new year with less stock and increased liquidity, factors that enable us to remain keenly competitive in a market in which there is still plenty of room for growth.

This is true for building materials in general. Given the elegant style and fashion of Italtile's entire range of products for its market, performance is expected to continue to improve. Cuts in interest rate augur well for continued sustained growth in tile consumption. Tiles have been recognised by a demanding consumer to be the most durable and cost-effective wall and floor covering.

The group's strategy has, for some time now, involved the promotion of owner-driven businesses, through either franchises or joint ventures. These have continued to prove highly successful in as much as a business person, rooted in his or her own community, brings a unique entrepreneurial benefit to a store located in an environment with which he or she is closely associated. Such an owner brings an enthusiasm and knowledge of local conditions that can only enhance the high quality of the product we supply. The service provided is thus beneficial to the community.



# Review of

## o p e r a t i o n s (continued)

The long-term objective of the group continues to be a situation in which all stores can be franchised, either directly or through the joint venture model that we have developed and successfully implemented.

Expansion efforts will be directed towards sourcing suitable franchisees and joint-venture partners for the various markets in which we trade.

The positive developments during the past year, our good results and our careful strategic planning for the future, gives us cause to remain highly optimistic for the future.

### **Italtile**

This brand continues to serve the premium consumer and has performed satisfactorily during the year. Despite having fewer stores in its portfolio, the Italtile division maintained the turnover levels it achieved in the previous year. At the same time, it improved profitability on the back of reduced overheads.

Italtile will continue to deliver uncompromising quality in the premium end of the market. It provides highly fashionable products that speak of the *joie de vivre* that consumers with exacting standards expect for his or her lifestyle. The range available now also includes bathroomware so that the consumer has access to a one-stop shop in our airy and stylish showrooms. Showrooms are laid out to show the dynamic ambience that can be achieved through elegant use of the comprehensive range of Italtile products – from traditional fashion tiles to top-of-the-class sanitaryware, including taps and fittings to sparkling basins, baths and spas. The overriding impression with which the discerning consumer is left is one of style and passion – appealing to the intimacy that he or she wishes to display through the warmth and fresh lines of ceramics.

### **CTM**

This division's turnover grew by 31% in the current year, having made further inroads into the tap and sanitaryware markets. During the year CTM moved dynamically into a new era in offering a wide range of products so that consumers could obtain their ceramic tiles and all related products, such as sanitaryware, at the same time in one shop. In so doing CTM became the only retailer of its kind to offer a unique one-stop service, thereby providing both convenience and superior service to its ever-widening customer base.

The division has succeeded in effectively bringing competitively priced products within reach of the mass market. CTM's familiar media presence in the minds of consumers through advertising has been enhanced with a regional thrust during the year, further strengthening the brand's domination in the media.

There has also been a focus in the past year in making the product more affordable for the growing numbers of entry-level consumers. Tiles are being increasingly recognised as first-floor of choice, usually replacing vinyl. At the same time, the perception that one can only buy tiles if one is relatively wealthy is being put to rest by CTM's price competitiveness, quality product and high levels of service.

The past year saw the first year of joint venture partners emerging in CTM. This proved highly successful with the transfer of ownership from the group to partners making stores more efficient and profitable.

A proactive mentorship programme conducted by the group, which focuses on business skills, people-performance management and individual development, strengthens these joint ventures. The success of these programmes is obviously important in terms of our results and we choose people to undergo such training based on our in-depth knowledge of their past performance and their potential.

In Africa, beyond the borders of South Africa itself, our expectations are constantly being realised. We expect to expand our reach into Africa with the opening of a CTM outlet in Uganda, adding to the 13 stores already in African countries besides South Africa.

### **International operations**

The Australian operation, which boasts seven company-owned stores and two franchises, currently contributes some 10% of group turnover. It is confidently expected that this market will become an increasingly important contributor to the group's performance. CTM stores are to be found in Queensland, New South Wales, and Victoria. In line with company policy, these stores are continuously assessed and upgraded with the emphasis on providing the Australian consumer high-class service and outstanding product in an environment in which he or she feels at home.

The Italian operation delivered consistently and continues to make a positive contribution to group turnover.

### **Property portfolio**

Italtile has continued to promote its strategy of having its brands operate out of highly visible prime locations that blend with the targeted market segment. Both group-owned and franchised stores operate out of purpose-built company-owned premises, a policy that has proved highly successful. During the year under review, an additional R43 million was invested in property, bringing the value of the property portfolio to R246 million. Since this portfolio enhances trading performance, we will continue to invest in property on an ongoing basis. It is also our intention to begin investing in neighbouring countries. In this respect developments are already underway in Botswana and Namibia.

### **Outlook for the future**

The group is confident that it will realise the promise it has shown in the past twelve years. We are on course to fulfil our expectations and have strategically positioned ourselves to ensure that we remain the supplier of first choice in all our markets.

In South Africa, CTM is now well established in all communities where it is ideally placed to serve the entire market. The implementation of a successful model of joint ventures has led to the development of firm roots in a wide range of communities, which enables the division to identify and meet the unique needs of consumers in disparate parts of the country. CTM has eight black franchisees, working as joint ventures in towns as diverse as Thohoyandou, Kokstad, Groblersdal and Queenstown.

# Review of

## operations (continued)

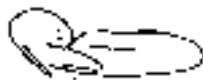
The remodelling of our Italtile brand has placed it back at the top of the premium ceramic tile market which set the pace in providing a unique, top-quality service for consumers who were strongly committed to the use of ceramic tiles as a fashionable product that set the tone for an enhanced quality of life. It has always sought to depict an exclusive, fashionable and passionate interpretation of what consumers expect, and developments in the past year have built on the high standards it set. Italtile's continued repositioning as the provider of fashion ceramics will see it retain leadership in this sector of the industry.

### Information technology

The drive continues in the group to have state-of-the-art IT to ensure that customers benefit in ways such as improved turnaround times, and by a better understanding of market trends. We will continue to invest in IT to provide the best support possible for our business.

### Appreciation

The importance of teamwork and the unique advantages of productive partnerships have once again combined during this past year to the ongoing achievements of the Italtile group. This teamwork has manifested itself in the untiring efforts of energised people who have a passionate commitment to achieving a high degree of success in business. Not for them a theoretical commitment to success, but an unswerving and passionate belief in the intrinsic value of unparalleled achievement in which results indeed speak louder than words. This is true for everyone – whether they be at Board level, in a joint venture or franchise operation, in South Africa or beyond its borders, our suppliers and customers. To each I extend my thanks for our success. The Executive Chairman and members of the Board have been most supportive and I wish to thank them for the time and energy so unflinchingly spent in the service of the Italtile group.



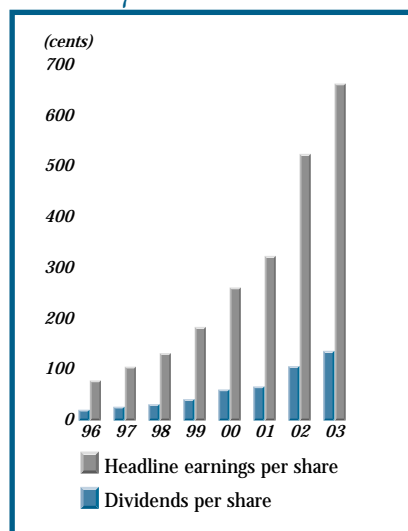
P D Swatton

*Chief Financial Officer*

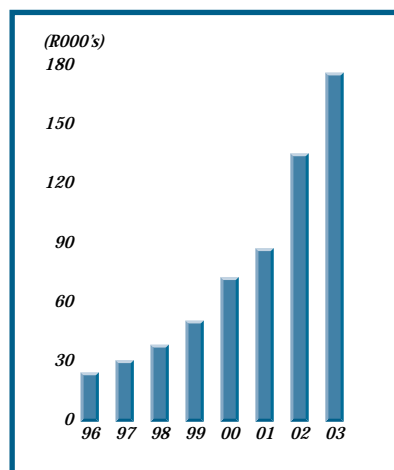


# GROUP review

Dividends and  
headline earnings  
per share



Profit before taxation



	Seven-year compound growth % p.a.	2003	2002	2001	2000	1999	1998	1997	1996
(All amounts in R000's)									
<b>Operations</b>									
Turnover	19%	<b>749 150</b>	619 812	455 329	422 534	342 910	298 494	256 244	226 447
Trading profit	36%	<b>166 187</b>	129 255	82 355	64 746	43 216	29 946	24 098	19 014
Profit before taxation	34%	<b>173 881</b>	132 956	84 906	70 240	48 252	36 043	28 165	22 003
Net profit for the year	34%	<b>117 610</b>	94 915	58 610	49 345	33 034	24 494	19 030	15 153
Headline earnings	37%	<b>121 711</b>	94 915	58 042	46 665	33 034	22 985	18 098	13 127
Dividends declared	38%	<b>24 281</b>	18 311	11 111	10 007	6 409	4 578	3 662	2 564
<b>Financial position</b>									
Non-current assets		<b>302 788</b>	256 959	209 089	170 423	118 430	71 717	63 277	57 712
Current assets		<b>327 327</b>	300 853	177 131	115 910	92 581	112 588	85 930	77 606
Capital and reserves		<b>426 931</b>	325 953	233 515	178 826	139 370	112 815	97 647	82 247
Non-current liabilities		<b>12 947</b>	11 543	6 692	5 140	4 202	4 375	3 761	3 611
Current liabilities		<b>179 463</b>	211 787	138 960	100 168	66 936	66 782	47 799	49 460
<b>Cash flow</b>									
Cash flows from operating activities		<b>125 410</b>	97 925	49 499	66 114	21 437	36 324	31 224	6 884
Cash flows utilised in investing activities		<b>(67 038)</b>	(59 456)	(44 603)	(54 708)	(50 916)	(16 092)	(7 618)	(2 847)
Cash flows from financing activities		<b>7 395</b>	6 649	10 008	848	734	—	—	(5 207)
Cash and cash equivalents at end of year		<b>157 545</b>	91 778	46 660	31 756	19 502	48 247	28 015	4 409

## Definitions

<sup>(1)</sup> **Return on shareholders' interest:** Profit after taxation as a percentage of average shareholders' interest

<sup>(2)</sup> **Interest cover:** Trading profit divided by interest

\*<sup>(3)</sup> **Dividend cover:** Headline earnings divided by dividends declared

<sup>(4)</sup> **Gearing ratio:** Interest bearing debt as a percentage of shareholders' interest

<sup>(5)</sup> **Current ratio:** Current assets divided by current liabilities

<sup>(6)</sup> **Acid test ratio:** Current assets, less inventory, divided by current liabilities.

\*Historical ratios were not restated to take into account current year's changes in accounting policies.

	Seven-year compound growth % p.a.	2003	2002	2001	2000	1999	1998	1997	1996
<b>Financial ratios</b>									
<b>Returns</b>									
Trading profit to turnover (%)	15%	<b>22,2</b>	20,9	18,1	15,3	12,6	10,0	9,4	8,4
Return on shareholders' interest (%) <sup>(1)</sup>		<b>31,1</b>	33,5	27,7	31,3	25,8	21,7	21,3	18,6
Average consumer price index (%)		<b>9,6</b>	10,6	6,9	7,0	7,1	6,9	8,6	7,4
Earnings per share (cents)	35%	<b>634,5</b>	518,3	320,1	269,5	180,4	126,2	103,9	76,8
Headline earnings per share (cents)	37%	<b>656,6</b>	518,3	317,0	254,8	180,4	125,5	98,8	71,7
Dividends per share (cents)	37%	<b>130</b>	100	60	54	35	25	20	14
<b>Productivity</b>									
Turnover per employee (R000's)	16%	<b>2 171</b>	1 797	1 441	1 346	1 039	1 029	860	784
Total assets per employee (R000's)	21%	<b>1 826</b>	1 617	1 222	912	639	646	501	468
Trading profit per employee (R000's)	33%	<b>482</b>	375	261	206	131	103	81	66
Turnover growth (%)		<b>20,9</b>	36,1	7,8	23,2	14,9	16,5	13,2	8,3
Number of employees		<b>345</b>	345	316	314	330	290	298	289
Number of stores		<b>94</b>	91	78	67	61	53	44	36
– Owned and joint ventures		<b>33</b>	35	34	34	33	28	26	24
– Franchised		<b>61</b>	56	44	33	28	25	18	12
<b>Solvency and liquidity</b>									
Interest cover (times) <sup>(2)</sup>		<b>96,1</b>	71,8	1 176,5	—	—	—	—	42,5
Dividend cover (times) <sup>(3)</sup>		<b>5,0</b>	5,1	5,3	4,9	5,2	5,0	4,9	5,1
Gearing ratio (%) <sup>(4)</sup>		<b>2,2</b>	3,2	1,8	—	—	—	—	—
Current ratio (times) <sup>(5)</sup>		<b>1,8</b>	1,4	1,2	1,2	1,4	1,7	1,8	1,6
Acid test ratio (times) <sup>(6)</sup>		<b>1,3</b>	0,8	0,6	0,5	0,5	0,9	0,8	0,3

	Seven-year compound growth % p.a.	2003	2002	2001	2000	1999	1998	1997	1996
<b>Financial ratios</b> (continued)									
<b>Stock exchange performance</b>									
Market capitalisation (rand millions)	34%	<b>1 251,3</b>	842,3	677,5	659,2	402,8	393,7	267,3	157,4
Closing share price at year end (cents)	34%	<b>6 700</b>	4 600	3 700	3 600	2 200	2 150	1 460	860
Market value per share									
– High (cents)		<b>6 700</b>	4 700	4 000	3 700	2 350	2 405	1 550	965
– Low (cents)		<b>4 600</b>	3 500	3 300	2 150	1 590	1 450	750	500
Closing share price to net asset value per share		<b>2,86</b>	2,51	2,81	3,64	2,81	3,38	2,79	1,91
Price earnings ratio (times)		<b>10,6</b>	8,9	11,6	13,6	12,2	17,1	15,1	12,0
Dividend yield (%)		<b>1,9</b>	2,2	1,6	1,5	1,5	1,2	1,3	1,6
Earnings yield (%)		<b>9,4</b>	11,3	8,7	7,5	8,0	5,8	6,6	8,3
Number of shares in issue (000)		<b>18 677</b>	18 311	18 311	18 311	18 311	18 311	18 311	18 311
Volume of shares traded (000)		<b>242</b>	590	464	501	574	1 781	1 327	973
Value of shares traded (R000's)		<b>13 671</b>	23 462	16 772	13 262	11 374	38 118	15 186	7 906
Volume of shares traded as a % of total issued shares		<b>1,3</b>	3,2	2,5	2,7	3,1	9,7	7,2	5,3

# Corporate

## social investment

Italtile is keenly aware of its responsibility in terms of all the stakeholders involved in its business. The mentorship programmes that are ongoing and which contribute to the well-being of society as a whole are the rockbed on which the group builds partnerships that enrich society as a whole.

The Italtile group's commitment to the holistic development of society involves a proactive involvement in the communities in which it operates, with corporate social investment programmes continuously implemented to impact positively on the quality of life of as many people as possible, while at the same time imparting skills and fine-tuning business acumen. This takes place throughout the country.

In Vryburg, for example, one of our franchisees was assisted in training 15 tilers. The group, through CTM, sponsors SETA-accredited trainers to go to stores, training people from the community.

During the past year, the group has developed a training programme that makes use of a mobile vehicle that can enter rural areas where on-site training in tiling skills is provided. This is a significant development since rural people are as interested in beautifying their homes and other buildings as anyone else. CTM stores sponsor toolkits to all people who obtain Italtile corporate sponsorships and complete its course.

At the same time, the group recruits and trains, at its own cost, potential and future partners. This is based on the group's strong commitment to entrepreneurship, which involves giving aspirant entrepreneurs the opportunity to develop into fully fledged business people. Ownership and skills transference amongst previously disadvantaged individuals is one of the priorities and the group is pleased that its programmes aimed at this sector of the market are proceeding apace.

Italtile's commitment to the environment cannot be gainsaid, with products that are founded on the use of natural elements at the epicentre of all our operations. Neither is the company involved in any activities related to spillage or pollution, with the emphasis on

the establishment of new buildings always being on blending with the environment. Having said that, Italtile is keenly aware of the fragile nature of the environment and is continuously sensitive to its protection at all times.

These activities fulfil the criteria of the King Report on Corporate Governance, which call for attention to be paid to the "triple bottom line". Apart from the economic imperative, the social aspects, which have been embraced across all group operations, competently address the issues of value and ethics while promoting reciprocal relationships with stakeholders.



The directors of Italtile fully endorse the spirit of transparency, integrity and accountability as advocated in the King Committee report on corporate governance and, other than for the items highlighted below, have complied with these requirements for the entire year under review.

## 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 board is in the process of formalising its charter. The role of the chairman and the chief executive are vested in the same individual for the year under review as is noted in the Chairman's review. 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.

Details of attendance at board meetings are as follows:

	Ordinary meetings				Ad hoc meetings	
	26 July 2002	1 Nov 2002	31 Jan 2003	2 May 2003	12 July 2002	23 March 2003
G A M Ravazzotti	√	√	√	√	√	√
P D Swatton	√	√	√	√	√	√
J Couzis	√	√	√	√	√	√
D H Rabin	√	√	√	√	√	√
G Cousins	√	√	√	√	√	√
B van Rooyen	X	√	N/A	N/A	X	N/A

√ = Present

X = Not present

## 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 and transformation**

In line with its human resources development programme, the group is committed to pursuing an employment equity strategy to ensure opportunity 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 area 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; and
- the continuation of computer based critical business processes. The group has a disaster recovery plan in place.

The group conducts frequent health and safety audits at all locations.

### **Stakeholder communication**

Italtile is committed to the principle of transparency in its dealings with key stakeholders. A working partnership between the group, its suppliers, franchisees, employees and members of the community forms the basis of a mutually beneficial association.

# Directorate

## and administration

### Directors

**Mr G A M Ravazzotti** (60)  
*Chairman and Acting CEO*

Founder of the Italtile group

**Mr P D Swatton** (45) – British  
BCompt (Hons), CA(SA)  
*Chief Financial Officer*

Joined the company 1988  
Appointed to the board 1992

**Mr J Couzis** (50) – Greek  
*Non-Executive Director*

Joined the company 1979  
Appointed to the board 1988

**Mr D H Rabin** (53)  
Dip Law  
*Non-Executive Director*

Appointed to the board 1990

**Mr G Cousins** (54)  
BComm, MBA  
*Non-Executive Director*

Appointed to the board 1995

### Transfer secretaries

Computershare Limited  
Edura  
70 Marshall Street  
Johannesburg 2001

### Auditors

Ernst & Young

### Legal advisors

Derek H Rabin & Associates (Pty) Limited and Moss Morris Inc.

### Bankers

Nedcor Bank Limited

### Sponsor

Brait Advisory Services (Pty) Ltd

### Group audit committee

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

\*By invitation

### Remuneration committee

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

### Divisional Management

**Mr C Trumpelman** (33)  
BCom(Law)  
*Chief Operating Officer (Africa)*

**Mr P Langenhoven** (34)  
*Chief Operating Officer (Australia)*

**Mr W L van der Merwe** (35)  
N.Dip (Property Development & Housing Management)  
*Manager – Property Division*

### 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 20.

In order for the directors to discharge their responsibility, the group maintains adequate accounting systems, risk control procedures and accounting records. A system of internal control, focused on critical risk areas and designed to provide reasonable assurance that assets are safeguarded, and that the risk of error, fraud or loss is reduced in a cost-effective manner, has been implemented. All controls are frequently monitored and subject to review and audit. There was no material breakdown in the system of internal control during the year under review.

The group adopts appropriate accounting policies and the 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.

### Code of ethics

The directors have complied with the group's code of ethics.

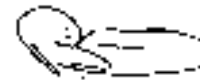
### Approval of annual financial statements

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 5 September 2003 and signed on its behalf by:



G A M Ravazzotti

*Chairman*

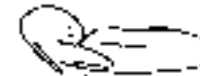


P D Swatton

*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*

5 September 2003

# 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 47 for the year ended 30 June 2003. 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.

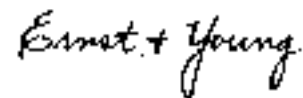
An audit includes:

- 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 material aspects, the financial position of the company and the group at 30 June 2003, 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.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

Ernst & Young

*Registered Accountants and Auditors*

*Chartered Accountants (SA)*

Johannesburg

5 September 2003

# Directors'

r e p o r t

## Nature of business

Italtile is a retailer of ceramic tiles, vitreous china sanitaryware, bathroom furniture and accessories, brassware 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 P D Swatton and J Couzis retire by rotation but, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

During the year under review Mr B van Rooyen resigned 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.

It is company policy that all directors and employees who have access to price-sensitive information may not deal directly or indirectly in the shares of the company 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 beneficial interest, both direct and indirect and non-beneficial interest in the share capital of the company at 30 June 2003 were:

	Ordinary shares beneficial	Ordinary shares non- beneficial	Options
At 30 June 2002	578 678	11 459 577	560 000
At 30 June 2003	528 878	11 328 704	560 000
<b>Non-executive directors</b>			
J Couzis	210 000	200 000	100 000
D H Rabin	5 000	—	100 000
G Cousins	4 000	—	60 000
<b>Executive directors</b>			
G A M Ravazzotti	121 778	11 128 704	150 000
P Swatton	182 100	—	150 000
	<b>528 878</b>	<b>11 328 704</b>	<b>560 000</b>

The directors did not exercise any options (2002: 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 2003 and the date of this report.

## Stated capital

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

The company issued 366 541 ordinary shares at 2 400 cents each to the company's share incentive trust on 18 November 2002 in order to eliminate the exposure on the loan owed by the Trust to the company.

# Directors'

## report (continued)

### Dividends

A final dividend No. 74 of 80 cents per share (2002 – 65 cents per share) for the year ended 30 June 2003 was declared by the Board of Directors. Together with the interim dividend No. 73 of 50 cents per share (2002 – 35 cents per share) this amounts to a total dividend of 130 cents per share (2002 – 100 cents per share), a 30% increase.

The salient dates for the final dividend are:

The last day to trade "cum" dividend	22 August 2003
First day to trade "ex" dividend	25 August 2003
Record date	29 August 2003
Dividend payment date	1 September 2003

### 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 2 801 000 ordinary shares (2002: 2 746 600), representing 15% of the issued share capital at that time. 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:

	2003	2002
	Number of shares	Number of shares
At 1 July	860 000	1 180 000
New allocations made	—	200 000
Redeemed allocations	—	(360 000)
Forfeited allocations	(40 000)	(160 000)
Outstanding at 30 June	820 000	860 000
	R	R
Average subscription price per share	37,04	37,27

The allocations outstanding at 30 June 2003 will mature up to 1 May 2007. Should the option holder resign from the group before these dates, the options will be forfeited.

There will be no diluted effect on the exercising of options as the Trust holds sufficient shares to meet its commitments. Shares will be bought in the open market by the scheme to meet any future allocations.

### 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:

	2003	2002
	R000's	R000's
Profits	90 417	93 911
Losses	65	—

### Special resolutions

At the annual general meeting held on Tuesday, 19 November 2002 the company adopted special resolutions which had the effect of:

- Validating the actions of the company in 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 said options or rights were granted.
- Authorising 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 who does not hold salaried employment or office in the company when said rights or options are granted to them.
- Ratifying the amendments to the company's share option scheme trust document, which should have been adopted pursuant to a special resolution and not an ordinary resolution.

### Property, plant and equipment

Expenditure incurred on land and buildings during the year amounted to R43,1 million (2002 – R51,6 million). There has been no change in the use of property, plant and equipment during the year.

## Equity compensation

No compensation was paid in equity to staff or directors during the year under review (2002: R NIL)

## Directors' emoluments

The following tables record the emoluments paid to each director during the year by a subsidiary company:

All figures in R'000	Board fees	Salary	Bonuses and performance-related payments	Provident fund and medical contributions	Other benefits	Total 2003	Total 2002
<b>Executive directors</b>							
G A M Ravazzotti*	—	494	624	—	—	<b>1 118</b>	765
P D Swatton	—	500	472	91	28	<b>1 091</b>	748
J Couzis	—	—	—	—	—	<b>—</b>	468
S Galli	—	—	—	—	—	<b>—</b>	508
<b>2003</b>	<b>—</b>	<b>994</b>	<b>1 096</b>	<b>91</b>	<b>28</b>	<b>2 209</b>	
2002	—	1 045	390	114	175		2 489
<b>Non-executive directors</b>							
G Cousins	41	—	—	—	—	<b>41</b>	53
J Couzis	49	—	—	—	150	<b>199</b>	8
D H Rabin	68	—	—	—	—	<b>68</b>	26
B van Rooyen	7	—	—	—	—	<b>7</b>	45
<b>2003</b>	<b>165</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>150</b>	<b>315</b>	
2002	132	—	—	—	—		132
Aggregate emoluments of directors who served during the year						<b>2 524</b>	2 621

\*Paid to Rallen (Pty) Ltd, the company that this director represents for his services as director of Italtile Limited. Refer note 28.

The remuneration of both executive and non-executive directors is determined by the Remuneration Committee.

Other benefits include the fringe benefit value of company cars for executive directors and fees for services rendered by non-executive directors.



# Income

statements for the year ended 30 June 2003

		Group		Company	
	NOTE	2003 R000's	2002 R000's	2003 R000's	2002 R000's
<b>Revenue</b>	3	<b>824 057</b>	680 211	<b>29 548</b>	2 193
<b>Turnover</b>	3	<b>749 150</b>	619 812	—	—
Cost of sales		<b>(478 478)</b>	(394 769)	—	—
<b>Gross profit</b>		<b>270 672</b>	225 043	—	—
Other operating income		<b>109 261</b>	84 509	—	—
<b>Expenses</b>					
Sales and distribution		<b>(105 738)</b>	(90 692)	—	—
General and administration		<b>(108 008)</b>	(89 605)	<b>(1 156)</b>	(822)
<b>Trading profit/(loss)</b>	4	<b>166 187</b>	129 255	<b>(1 156)</b>	(822)
Interest income		<b>5 093</b>	3 129	<b>232</b>	1 621
Dividend income – from subsidiaries	5	—	—	<b>25 000</b>	—
Dividend income – other	5	<b>2 243</b>	572	<b>4 316</b>	572
Management fees		—	—	<b>1 100</b>	935
Loss on sale of property, plant and equipment		<b>(612)</b>	—	—	—
Share incentive trust reversal		<b>2 700</b>	—	—	—
Interest paid		<b>(1 730)</b>	—	—	—
<b>Profit before taxation</b>		<b>173 881</b>	132 956	<b>29 492</b>	2 306
Taxation	6	<b>(53 935)</b>	(36 565)	<b>(2 236)</b>	(1 302)
<b>Profit after taxation</b>		<b>119 946</b>	96 391	<b>27 256</b>	1 004
Outside shareholders' interest		<b>(2 336)</b>	(1 476)	—	—
<b>Net profit for the year</b>		<b>117 610</b>	94 915	<b>27 256</b>	1 004
Earnings per share (cents)	7	<b>634,5</b>	518,3		
Headline earnings per share (cents)	7	<b>656,6</b>	518,3		
Dividends paid per share (cents)	8a	<b>115,0</b>	66,0		
Dividends declared per share (cents)	8b	<b>130,0</b>	100,0		

# Balance

s h e e t s at 30 June 2003

		Group		Company	
	NOTE	2003 R000's	2002 R000's	2003 R000's	2002 R000's
<b>Assets</b>					
<b>Non-current assets</b>					
		<b>302 788</b>	256 959	<b>(47 402)</b>	(9 206)
Property, plant and equipment	9	259 740	232 008	—	—
Other investments	10	1 569	1 604	—	—
Interest in subsidiaries	11	—	—	<b>(47 402)</b>	(9 206)
Long-term assets	12	41 479	23 347	—	—
<b>Current assets</b>					
		<b>327 327</b>	300 853	<b>72 539</b>	20 745
Inventories	13	99 892	144 131	—	—
Trade and other receivables	14	69 890	64 944	1 507	445
Cash and cash equivalents	15	157 545	91 778	71 032	20 300
<b>Total assets</b>					
		<b>630 115</b>	557 812	<b>25 137</b>	11 539
<b>Equity and liabilities</b>					
<b>Capital and reserves</b>					
		<b>426 931</b>	325 953	<b>28 082</b>	13 349
Stated capital	16	27 175	18 457	27 175	18 457
Non-distributable reserve		7 059	11 168	—	—
Retained profit		392 697	296 328	907	(5 108)
<b>Outside shareholders' interest</b>					
		<b>10 774</b>	8 529	—	—
<b>Non-current liabilities</b>					
		<b>12 947</b>	11 543	<b>(78)</b>	—
Deferred taxation	17	535	1 403	(78)	—
Provisions	18	2 943	2 945	—	—
Long-term loans	19	9 469	7 195	—	—
<b>Current liabilities</b>					
		<b>179 463</b>	211 787	<b>(2 867)</b>	(1 810)
Short-term portion of long-term loans		—	3 597	—	—
Trade and other payables	20	160 889	187 750	521	367
Taxation		18 574	20 440	(3 388)	(2 177)
<b>Total equity and liabilities</b>					
		<b>630 115</b>	557 812	<b>25 137</b>	11 539

# Statement

## of changes in equity for the year ended 30 June 2003

Group	NOTE	Stated capital	Non-distributable reserve*	Retained profit	Total
<b>Balance at 30 June 2001</b>		<b>18 457</b>	<b>1 436</b>	<b>213 622</b>	<b>233 515</b>
Net profit for the year				94 915	94 915
Dividends paid	8a			(12 209)	(12 209)
Currency translation difference			9 732		9 732
<b>Balance at 30 June 2002</b>		<b>18 457</b>	<b>11 168</b>	<b>296 328</b>	<b>325 953</b>
Share issues		8 718			8 718
Net profit for the year				117 610	117 610
Dividends paid	8a			(21 241)	(21 241)
Currency translation difference			(4 109)		(4 109)
<b>Balance at 30 June 2003</b>		<b>27 175</b>	<b>7 059</b>	<b>392 697</b>	<b>426 931</b>
Company	NOTE	Stated capital		Retained profit	Total
<b>Balance at 30 June 2001</b>		<b>18 457</b>		<b>5 972</b>	<b>24 429</b>
Net profit for the year				1 004	1 004
Dividends paid	8a			(12 084)	(12 084)
<b>Balance at 30 June 2002</b>		<b>18 457</b>		<b>(5 108)</b>	<b>13 349</b>
Net profit for the year				27 256	27 256
Dividends paid	8a			(21 241)	(21 241)
Share issues		8 718			8 718
<b>Balance at 30 June 2003</b>		<b>27 175</b>		<b>907</b>	<b>28 082</b>

\*The non-distributable reserve is comprised entirely of the currency translation reserve.

# Cash

## flow statements for the year ended 30 June 2003

		Group		Company	
	NOTE	2003 R000's	2002 R000's	2003 R000's	2002 R000's
<b>Cash flows from operating activities</b>					
Cash receipts from customers		744 204	595 446	—	—
Cash paid to suppliers and employees		(546 490)	(459 082)	(2 064)	(1 228)
Cash generated from operations	21	197 714	136 364	(2 064)	(1 228)
Management fees received		—	—	1 100	935
Interest received		5 093	3 129	232	1 621
Dividends received		2 243	572	29 316	572
Dividends paid	22	(21 241)	(12 209)	(21 241)	(12 084)
Taxation paid	23	(56 669)	(29 931)	(3 525)	(2 426)
Interest paid		(1 730)	—	—	—
Net cash flows from operating activities		125 410	97 925	3 818	(12 610)
<b>Cash flows from investing activities</b>					
Replacement of property, plant and equipment		—	(1 625)	—	—
Additions to property, plant and equipment		(63 441)	(51 614)	—	—
Decrease/(increase) in other long-term assets		(15 397)	(7 106)	—	—
Interest in subsidiaries		—	—	38 196	32 910
Investment of minorities		(91)	—	—	—
Proceeds on disposal of fixed property		8 396	—	—	—
Proceeds on disposal of plant and equipment		3 495	889	—	—
Net cash flows from/(utilised in) investing activities		(67 038)	(59 456)	38 196	32 910
<b>Cash flows from financing activities</b>					
Increase in stated capital		8 718	—	8 718	—
(Decrease)/increase in long-term loans (includes short-term portion)		(1 323)	6 649	—	—
Net cash flows from financing activities		7 395	6 649	8 718	—
<b>Movement in cash and cash equivalents for the year</b>		<b>65 767</b>	<b>45 118</b>	<b>50 732</b>	<b>20 300</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>91 778</b>	<b>46 660</b>	<b>20 300</b>	<b>—</b>
<b>Cash and cash equivalents at end of year</b>	15	<b>157 545</b>	<b>91 778</b>	<b>71 032</b>	<b>20 300</b>

# Notes

## to the financial statement for the year ended 30 June 2003

### 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 AC133 (Financial Instruments: Recognition and Measurement). 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 represents the excess of the fair value of the group's share of the net assets acquired over the cost of acquisition.

Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of the depreciable assets; negative goodwill in excess of the fair value of these assets is recognised in the income statement immediately.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

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

All investments are initially recorded at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Investments are carried at cost, less impairment.

The 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. Gains and losses arising on translation are recognised in the income statement.

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.

## 1. Accounting policies (continued)

### 1.4 Foreign currencies (continued)

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:

	2003 Weighted average rate for the period	Closing rate	2002 Weighted average rate for the period	Closing rate
Australian \$: ZAR	5,26:1	4,98:1	4,91:1	5,68:1

### 1.5 Property, plant and equipment

Freehold land and buildings are classified as investment properties unless where owner-occupied, these are carried at cost and are not depreciated. 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 property, plant and equipment 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 annual rates:

• Land and buildings	2%
• Plant and equipment	16,6% to 25%
• Vehicles	20% to 25%
• Computer equipment	20% to 33,3%
• Computer system application development	100%
• 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.

# Notes

## to the financial statement for the year ended 30 June 2003 (continued)

### 1. Accounting policies (continued)

#### 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.

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 income and royalties is recognised when the sale, which gives rise to this revenue, takes place.

Revenue from fixed property rental, which is turnover-related, is recognised when the sale, which gives rise to this revenue, takes place.

#### 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*

All financial instruments are recognised at the time the group becomes party to the contractual provisions of the instruments. Financial instruments are initially measured at cost, being the fair value of consideration given 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 less provision for impairment.

*Cash and cash equivalents* that have a fixed maturity date are subsequently measured at amortised cost using effective interest rates.

Cash and cash equivalents that do not have a fixed maturity are subsequently measured at cost.

*Trade receivables* which generally have 30 day terms are recognised at original invoice amount less an allowance for any uncollectable amounts. Bad debts are written off during the year in which they are identified.

Trade receivables which are of long term nature are subsequently measured at amortised cost less an allowance for uncollectable amounts, and are classified as receivables originated by the enterprise. An estimate for doubtful debts is made when collection of any amount outstanding is no longer probable.

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. Accounting policies** *(continued)*

### **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 Secondary taxes on companies (STC)**

STC is provided in respect of expected dividend payments, net of dividends received or receivable and is recognised as a taxation charge in the year in which the dividend is declared. Where applicable non-resident shareholders' taxation is provided in respect of foreign dividends receivable.

## **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 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.



# Notes

to the financial statement for the year ended 30 June 2003 (continued)

	Group		Company	
	2003 R000's	2002 R000's	2003 R000's	2002 R000's
<b>3. Revenue</b>				
Turnover represents net sales, excluding value-added tax and intercompany sales				
<i>Total revenue comprises:</i>				
Turnover	749 150	619 812		
Rental income	26 465	21 878		
Interest income	5 093	3 129	232	1 621
Dividend income	2 243	572	29 316	572
Franchise income (excluding royalties)	11 139	11 924		
Royalty income from franchising	29 967	22 896		
	<b>824 057</b>	680 211	<b>29 548</b>	2 193
<b>4. Trading profit/(loss)</b>				
Trading profit is stated after taking into account the following items:				
<b>Auditors' remuneration</b>				
– Audit fee	792	542	60	60
– Taxation assurance, franchise reviews and other services	242	227	—	—
– Expenses	3	2	—	—
	<b>1 037</b>	771	<b>60</b>	60
<b>Depreciation</b>				
owned:				
– Land and buildings	543	506	—	—
– Plant and machinery	2 855	2 744	—	—
– Vehicles	1 091	922	—	—
– Computer equipment	10 503	4 477	—	—
– Furniture and fittings	2 025	2 937	—	—
	<b>17 017</b>	11 586	—	—
<b>Impairment</b>				
– Computer equipment	6 189	—	—	—

The capital cost of ongoing computer system application development and support in the corporate services segment has at 30 June 2003 been written off due to a change in expected future benefits.

	Group		Company	
	2003 R000's	2002 R000's	2003 R000's	2002 R000's
<b>4. Trading profit/(loss) (continued)</b>				
<b>Operating lease payments</b>				
– Properties	<b>15 614</b>	16 095		
All the operating leases pertain to properties that are rented then sublet to group owned and franchised stores. The sub-rentals are turnover related and can therefore not be predetermined, however at current levels they 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	<b>16 885</b>	17 377		
Within 2 – 5 years	<b>67 285</b>	52 524		
Later than 5 years	<b>3 326</b>	10 218		
	<b>87 496</b>	80 119		
<b>Directors' emoluments</b>				
<i>Non-executive directors</i>				
– Board fees	<b>165</b>	132	<b>165</b>	132
<i>Executive directors</i>				
– Remuneration	<b>994</b>	1 428		
– Retirement, medical, accident and other benefits	<b>269</b>	289		
– Profit share	<b>1 096</b>	772		
Total executive directors' emoluments for the year	<b>2 524</b>	2 621	<b>165</b>	132
<b>Employee remuneration</b>				
– Salaries and wages	<b>49 841</b>	41 883		
– Profit share	<b>8 363</b>	7 939		
– Contributions to retirement benefits	<b>3 064</b>	2 769		
	<b>61 268</b>	52 591		

# Notes

to the financial statement for the year ended 30 June 2003 (continued)

	Group		Company	
	2003 R000's	2002 R000's	2003 R000's	2002 R000's
<b>5. Dividend income</b>				
Dividend income from subsidiaries	—	—	25 000	—
Dividend income from other sources	2 243	572	4 316	572
	<b>2 243</b>	572	<b>29 316</b>	572
<b>6. Taxation</b>				
Current taxation				
– Normal tax	52 448	35 270	53	520
– Deferred tax	(868)	418	(78)	—
– Secondary tax on companies	2 355	877	2 261	782
	<b>53 935</b>	36 565	<b>2 236</b>	1 302
Reconciliation of tax rate	%	%	%	%
Standard tax rate – South Africa	30,0	30,0	30,0	30,0
Adjusted for:				
Exempt income	(0,9)	(0,4)	(29,8)	(7,4)
Other permanent differences	0,4	(2,7)	—	—
Secondary tax on companies	1,5	0,6	7,4	33,9
Effective tax rate	<b>31,0</b>	27,5	<b>7,6</b>	56,5

	Group		Company	
	2003 R000's	2002 R000's	2003 R000's	2002 R000's
<b>7. Earnings per share</b>				
The calculation of earnings per share and headline earnings per share is based on 18 535 688 (2002: 18 310 742) weighted average number of shares in issue during the period.				
Earnings per share is based on the net income attributable to ordinary shareholders of R117 610 000 (2002: R94 915 000).				
Reconciliation of headline earnings:				
Earnings attributable to ordinary shareholders	117 610	94 915		
Loss on sale of property, plant and equipment	612	—		
Impairment of property, plant and equipment	6 189	—		
Share incentive trust reversal	(2 700)	—		
	121 711	94 915		
<b>8a Dividends paid</b>				
Final 2002 – No. 72				
Paid 2003 : 65 cents per share (2002: 31 cents)	11 902	5 801	11 902	5 676
Interim 2002 – No. 73				
Paid 2003 : 50 cents per share (2002: 35 cents)	9 339	6 408	9 339	6 408
Total – 115 cents per share (2002: 66 cents per share)	21 241	12 209	21 241	12 084
<b>8b Dividends declared</b>				
Interim – No. 73				
50 cents per share (2002: 35 cents per share)	9 339	6 408	9 339	6 408
Final – No. 74				
80 cents per share (2002: 65 cents per share)	14 942	11 903	14 942	11 903
Total – 130 cents per share (2002: 100 cents per share)	24 281	18 311	24 281	18 311

# Notes

to the financial statement for the year ended 30 June 2003 (continued)

	Land and buildings	Plant and machinery	Vehicles	Computer equipment	Furniture and fittings	Total
<b>9. Property, plant and equipment</b>						
<b>2003</b>						
owned:						
Beginning of year						
– assets at cost	213 422	10 859	5 809	12 446	13 907	<b>256 443</b>
– accumulated depreciation	(506)	(5 578)	(3 163)	(5 301)	(9 887)	<b>(24 435)</b>
– net book value	212 916	5 281	2 646	7 145	4 020	<b>232 008</b>
Current year movements						
– additions	43 168	2 738	1 993	12 527	3 015	<b>63 441</b>
– disposals	(6 236)	(888)	(358)	(1 436)	(176)	<b>(9 094)</b>
– depreciation	(543)	(2 855)	(1 091)	(10 503)	(2 025)	<b>(17 017)</b>
– impairment	—	—	—	(6 189)	—	<b>(6 189)</b>
– translation	(2 896)	(278)	(8)	(74)	(153)	<b>(3 409)</b>
Balance at end of year	246 409	3 998	3 182	1 470	4 681	<b>259 740</b>
Made up as follows:						
– assets at cost	247 410	10 189	5 389	9 263	11 081	<b>283 332</b>
– accumulated depreciation	(1 001)	(6 191)	(2 207)	(7 793)	(6 400)	<b>(23 592)</b>
– net book value	246 409	3 998	3 182	1 470	4 681	<b>259 740</b>

	Land and buildings	Plant and machinery	Vehicles	Computer equipment	Furniture and fittings	Total
<b>9. Property, plant and equipment</b> <i>(continued)</i>						
<b>2002</b>						
owned:						
Beginning of year						
– assets at cost	161 808	10 586	5 278	14 942	14 086	<b>206 700</b>
– accumulated depreciation	—	(2 834)	(2 241)	(3 000)	(7 381)	<b>(15 456)</b>
– net book value	161 808	7 752	3 037	11 942	6 705	<b>191 244</b>
Current year movements						
– additions	51 614	273	531	—	821	<b>53 239</b>
– disposals	—	—	—	(320)	(569)	<b>(889)</b>
– depreciation	(506)	(2 744)	(922)	(4 477)	(2 937)	<b>(11 586)</b>
Balance at end of year	212 916	5 281	2 646	7 145	4 020	<b>232 008</b>
Made up as follows:						
– assets at cost	213 422	10 859	5 809	12 446	13 907	<b>256 443</b>
– accumulated depreciation	(506)	(5 578)	(3 163)	(5 301)	(9 887)	<b>(24 435)</b>
– net book value	212 916	5 281	2 646	7 145	4 020	<b>232 008</b>
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. The group is currently concluding a valuation for capital gains tax purposes. 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 2003 the group had no idle fixed assets.						

# Notes

to the financial statement for the year ended 30 June 2003 (continued)

	Group		Company	
	2003 R000's	2002 R000's	2003 R000's	2002 R000's
<b>10. Other investments</b>				
<b>Unlisted</b>				
At cost	1 569	1 604	—	—
Directors' valuation of unlisted investments	1 569	1 604	—	—
<b>11. Interest in subsidiaries</b>				
Unlisted shares at cost			8 139	639
Amounts owing to subsidiaries			(55 541)	(9 845)
			(47 402)	(9 206)
A list of subsidiaries appears on page 47.				
<b>12. Long-term assets</b>	37 464	20 156	—	—
Loan to Italtile Share Incentive Scheme	37 464	22 856	—	—
The loan is unsecured, interest free and has no fixed terms of repayment.				
Impairment	—	(2 700)	—	—
Lease premiums				
Lease premiums paid in advance on land leases that have a duration of between 35 and 50 years	4 015	3 191	—	—
	41 479	23 347	—	—
<b>13. Inventories</b>				
Finished goods and merchandise	99 892	144 131	—	—
<b>14. Trade and other receivables</b>				
Trade receivables	37 182	59 248	—	—
Sundry debtors	29 178	1 934	1 507	445
Prepayments and deposits	3 530	3 762	—	—
	69 890	64 944	1 507	445

	Group		Company	
	2003 R000's	2002 R000's	2003 R000's	2002 R000's
<b>15. Cash and cash equivalents</b>				
Cash on hand	104 013	71 188	—	—
Short-term investments	53 532	20 590	71 032	20 300
	<b>157 545</b>	91 778	<b>71 032</b>	20 300
<b>16. Stated capital</b>				
Authorised 75 000 000 ordinary shares of no par value				
Issued 18 677 283 (2002: 18 310 742) ordinary shares of no par value	27 175	18 457	27 175	18 457
All unissued shares are under the control of the directors until the next annual general meeting.				
<b>17. Deferred taxation</b>				
Deferred tax assets	(1 119)	(110)	(78)	—
Deferred tax liabilities	1 654	1 513	—	—
	<b>535</b>	1 403	<b>(78)</b>	—
The group deferred tax balance is made up as follows:				
		Opening balance R000's	Charged through income statement R000's	Closing balance R000's
<i>Deferred tax asset:</i>				
<i>STC credit</i>		—	(78)	(78)
<i>Incentive bonus</i>		(110)	110	—
<i>Accruals</i>		—	(1 041)	(1 041)
<i>Deferred tax liability:</i>				
<i>Prepayments</i>		1 513	141	1 654
<i>Net deferred tax liability</i>		1 403	868	535
Deferred tax assets and liabilities are only offset when the income tax relates to the same legal entity or fiscal authority.				



# Notes

to the financial statement for the year ended 30 June 2003 (continued)

	Group		Company	
	2003 R000's	2002 R000's	2003 R000's	2002 R000's
<b>18. Provisions</b>				
<b>Provision for warranties</b>				
Balance at beginning of year	2 945	2 945	—	—
Movement during the year	(2)	—	—	—
	<b>2 943</b>	2 945	—	—
<b>19. Long-term loans</b>				
<b>Foreign long-term loans</b>				
<b>Secured</b>				
<b>Australian dollars</b>				
Loans secured by a first mortgage over property that has a current value of R23 187 992 bear interest at 6,2% per annum, and mature in two tranches on 6 February 2004 and 9 June 2004	9 469	10 792	—	—
Short-term portion transferred to current liabilities	—	(3 597)	—	—
	<b>9 469</b>	7 195	—	—
<b>20. Trade and other payables</b>				
Trade payables	114 576	134 826	—	—
Accruals/other payables	46 313	52 924	521	367
	<b>160 889</b>	187 750	521	367

	Group		Company	
	2003 R000's	2002 R000's	2003 R000's	2002 R000's
<b>21. Reconciliation of net profit before taxation to cash generated from operations</b>				
Net profit before taxation	173 881	132 956	29 492	2 306
Adjustment for:				
Depreciation	17 017	11 586	—	—
Impairment of assets	6 189	—	—	—
Share incentive trust reversal	(2 700)	—	—	—
Loss/(profit) on sale of property, plant and equipment	612	—	—	—
Interest received	(5 093)	(3 129)	(232)	(1 621)
Dividends received	(2 243)	(572)	(29 316)	(572)
Movement in provisions	(2)	—	—	—
Interest paid	1 730	—	—	—
Management fee	—	—	(1 100)	(935)
Working capital changes				
Decrease/(increase) in inventories	44 239	(54 237)	—	—
Increase in trade and other receivables	(4 946)	(24 367)	(1 062)	(445)
(Increase)/decrease in trade and other payables	(26 861)	64 395	154	39
Foreign exchange translation (losses)/gains	(4 109)	9 732		
Cash generated from operations	197 714	136 364	(2 064)	(1 228)
<b>22. Dividends paid</b>				
Charged per statement of changes in equity	(21 241)	(12 209)	(21 241)	(12 084)
Amounts paid	(21 241)	(12 209)	(21 241)	(12 084)
<b>23. Taxation paid</b>				
Amounts unpaid at beginning of year	(20 440)	(14 224)	2 177	1 053
Charged per income statement	(53 935)	(36 565)	(2 236)	(1 302)
Deferred tax charged	(868)	418	(78)	—
Amounts unpaid at end of year	18 574	20 440	(3 388)	(2 177)
Amounts paid	(56 669)	(29 931)	(3 525)	(2 426)

# Notes

## to the financial statement for the year ended 30 June 2003 (continued)

	Group		Company	
	2003 R000's	2002 R000's	2003 R000's	2002 R000's
<b>24. Commitments</b>				
Capital expenditure for land and buildings, computer equipment and other fixed assets				
Contracted	22 705	8 968		
Authorised but not contracted for	21 100	11 300		
	43 805	20 268		

Capital expenditure will be financed from own resources. Refer to Note 4 for details of lease commitments.

### 25. Employee benefits

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

At 30 June 2003, 336 (2002: 308) employees were members of the fund, to which the group contributed R2 044 000 (2002: R1 596 000) and the employees R1 020 000 (2002: R796 000). The Provident Fund Scheme is open to all permanent staff and their dependants. The fund is valuation exempt. Financial reviews are conducted annually by Alexander Forbes.

### 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 2003.

#### 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 R158 million, and unutilised credit facilities of R28 million.

#### Fair value

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

## 28. Related party transactions

The company is controlled by Rallen (Pty) Limited which owns 56,7% of its issued share capital. It purchases product from Rallen (Pty) Limited's subsidiary, Ceramic Industries Limited. In addition, the company pays Rallen (Pty) Limited for directors' remuneration. All related party transactions are concluded at arm's length.

Details of related party transactions are as follows:

Related party	Nature of transactions	Aggregate value of transactions		Balances owing at year end	
		2003 R000's	2002 R000's	2003 R000's	2002 R000's
Ceramic Industries Limited	Stock purchases	166 820	137 374	11 992	49 008
Rallen (Pty) Limited	Management fees	1 135	968	—	—
Rabin, Van den Berg and Pelkowitz	Legal services	404	136	109	—
		Group		Company	
		2003 R000's	2002 R000's	2003 R000's	2002 R000's
<b>29. Joint venture</b>					
The group has a 50% interest in SER Export s.r.l., a company incorporated in Italy.					
<i>Impact on group balance sheet</i>					
	Current assets	20 729	20 680		
	Non-current assets	3 439	1 530		
	Current liabilities (non-interest bearing)	17 701	17 987		
<i>Impact on group income statement</i>					
	Income	621	3 298		
	Expenses	425	2 570		
<i>Impact on group cash flow statement</i>					
	Cash flow from operating activities	(308)	3 298		
	Cash flow from investing activities	(1 909)	(274)		
	Cash from financing activities	—	—		

# Notes

to the financial statement for the year ended 30 June 2003 (continued)

	Retail	Property	Franchising	Corporate services	Group
<b>30. Segmental reporting</b>					
<i>Primary segments</i>					
<b>2003</b>					
Group revenue					824 057
Add:					
Other income					41 690
Add back:					
Interest and dividend received (excluded from segment revenue)					(7 336)
Revenue (external)	751 311	26 159	51 509	29 432	858 411
– Total	848 305	54 997	78 379	41 147	1 022 828
– Internal (with other segments)	(96 994)	(28 838)	(26 870)	(11 715)	(164 417)
Depreciation	(5 544)	(2 307)	—	(9 166)	(17 017)
Other net (expenses)/income	(679 356)	16 919	(4 128)	(8 642)	(675 207)
Segment results	66 411	40 771	47 381	11 624	166 187
Loss on sale of property, plant and equipment					(612)
Interest and dividend received					5 606
Share incentive reversal					2 700
Group profit before tax					173 881
Total segment assets	141 417	237 524	19 756	73 873	472 570
Bank balances					157 545
<b>Total group assets</b>					630 115
Cost of assets acquired	7 265	44 188	—	11 988	63 441
Total segment liabilities	90 238	10 193	3 040	60 361	163 832
Deferred taxation					535
Long term loans					9 469
Taxation owed					18 574
<b>Total group liabilities</b>					192 410

	Retail	Property	Franchising	Corporate services	Group
<b>30. Segmental reporting</b> <i>(continued)</i>					
<b>Primary segments</b>					
<b>2002</b>					
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
<b>Total group assets</b>					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
<b>Total group liabilities</b>					223 330

# Notes

to the financial statement for the year ended 30 June 2003 (continued)

## 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
<b>Secondary segments</b>			
<b>2003</b>			
Revenue – external sales	738 344	120 067	858 411
Total assets	376 059	96 511	472 570
Cost of assets acquired	54 606	8 835	63 441
<b>2002</b>			
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

### 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, Australia, Italy, Botswana and Namibia.

# Subsidiaries

Issued share capital R	% held		Book value of interest			
	2003	2002	Shares		Amounts owing by/(to)	
			2003 R000's	2002 R000's	2003 R000's	2002 R000's
<b>Held by Italtile Limited</b>						
Retailing						
Italtile Ceramics Limited 36 383 618	100	100	639	639	(55 541)	(9 845)
			Issued share capital		Effective % shareholding	
			2003 R	2002 R	2003	2002
<b>Held by subsidiaries</b>						
<b>Retailing</b>						
Italtile Australia (Pty) Limited#			28 373 000	27 625 000	73,8	72,5
<b>Franchising</b>						
Italtile Franchising (Pty) Limited			1 000	1 000	50	50
<b>Property investment</b>						
Nadja Investments (Pty) Limited			1 990	1 990	100	100
F.B. Ashman (Pty) Limited			100	100	100	100
Allmuss Properties (Pty) Limited			1 500	1 500	100	100
Allmuss Botswana (Pty) Limited ###			4 651	—	100	—
Allmuss Properties Namibia (Pty) Limited ####			100	—	100	—
<b>Investment holding</b>						
Italtile Mauritius (Pty) Limited ##			37 546	37 546	100	100

#Incorporated in Australia.

##Incorporated in Mauritius.

###Incorporated in Botswana.

####Incorporated in Namibia.



# Analysis

of shareholders at 30 June 2003

Category of shareholder	Number of shareholders	Number of shares held	Shares held %
The Italtile Provident Fund	1	35 200	0,2
The Italtile Share Incentive Scheme	1	931 602	4,9
Individuals	346	2 622 129	14,0
Nominee shareholders	5	98 585	0,5
Companies and other corporate bodies	49	3 877 126	20,9
Directors	5	528 878	2,8
Rallen (Pty) Ltd	1	10 583 763	56,7
Totals	408	18 677 283	100,0
Concentration of holdings – number of shares	Number of shareholders	Number of shares held	Shares held %
1 – 5 000	353	219 472	1,2
5 001 – 20 000	23	232 466	1,3
20 001 – 100 000	17	734 178	3,9
100 001 – 1 000 000	13	4 690 023	25,1
Over 1 000 000	2	12 801 144	68,5
Totals	408	18 677 283	100,0

# Shareholders'

s p r e a d at 30 June 2003

Category of shareholders	Number of shareholders	Number of shares held	Shares held %
Directors	5	528 878	2,8
Associates of directors	12	11 328 704	60,7
The Italtile Share Incentive Scheme	1	931 602	4,9
The Italtile Provident Fund	1	35 200	0,2
Nominee shareholders			
Other persons interested in 10% or more of the issued share capital	1	2 887 762	15,5
<b>Total non-public shareholders</b>	<b>20</b>	<b>15 712 146</b>	<b>84,1</b>
Public shareholders	388	2 965 137	15,9
<b>Totals</b>	<b>408</b>	<b>18 677 283</b>	<b>100,0</b>

Major shareholders	Number of shares held	% interest in the issued share capital
Rallen (Pty) Ltd	10 583 763	56,7
Old Mutual Group	2 887 762	15,5
Tomasso Altini Trust	962 900	5,1
	14 434 425	77,3

# Notice

## to shareholders

Notice is hereby given that the fifteenth 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 Friday, 21 November 2003 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 2003.
2. To elect directors in the place of Messrs P D Swatton and J Couzis, who retire in terms of the articles of association but who, being eligible, offer themselves for re-election.

Peter Swatton was appointed chief financial officer in February 1992. He has had 15 years service with Italtile during which time he was chief executive officer for two and a half years.

John Couzis has 24 years experience in the Ceramic Tile Industry. He has served Italtile first as chief executive officer and then since 2002 as a non-executive director.

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.

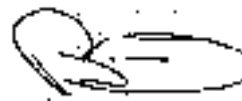
4. To transact any other business which may be transacted at an annual general meeting.

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 Limited, Investor Services Division, 70 Marshall Street, Johannesburg not later than 24 hours before the time fixed for the meeting.

By order of the board



P D Swatton

*Secretary*

# Shareholders'

d i a r y

<b>Financial year end</b>		June
<hr/>		
<b>Annual general meeting</b>		November
<hr/>		
<b>Reports</b>		
Interim half year to December		February
Preliminary profit announcement		August
Annual financial statements		September
<hr/>		
<b>Dividends</b>		
Interim dividend	Declared	February
	Paid	March
Final dividend	Declared	August
	Paid	September
<hr/>		

# Branch

## addresses



### Italtile Centres

#### South Africa

##### Montague Gardens, Cape Town

cnr Koeberg and Omuramba Roads  
PO Box 36860, Chempet 7442  
Tel: (021) 552-2101  
Fax: (021) 552-2106

##### Nelspruit

18 Rapid Street  
Riverside Industrial Park  
Nelspruit 1200  
PO Box 13040, Nelspruit 1200  
Tel: (013) 752-8333  
Fax: (013) 753-3362

##### Pretoria

38 Palala Road  
Ashlea Gardens  
PO Box 35232, Menlo Park 0102  
Tel: (012) 348-8700/1/2  
Fax: (012) 348-3429

##### Peter Place

cnr William Nicol Drive and  
Peter Place  
Bryanston  
PO Box 1689, Randburg 2125  
Tel: (011) 510-9000  
Fax: (011) 510-9058

##### Route 24

169 Herman Street,  
Meadowdale  
PO Box 1689, Randburg 2125  
Tel: (011) 453-1814  
Fax: (011) 453-7692

##### Port Elizabeth

cnr Samantha Road and  
N2 Freeway  
Framesby  
Port Elizabeth  
PO Box 10973, Linton Grange 6025  
Tel: (041) 360-4460  
Fax: (041) 360-4470

##### Umlanga

7 Tetford Crescent,  
Umlanga Ridge  
Umlanga 4320  
PO Box 2474, Mount Edgecombe  
Country Club, 4301  
Tel: (031) 566-5069  
Fax: (031) 566-5090

### Franchises

#### Somerset West

cnr N2 and R44 next to  
Somerset Mall  
Postnet Suite 174 P/Bag X15  
Tel: (021) 851-2170  
Fax: (021) 852-7790



### CTM Stores

#### South Africa

##### Alberton

Dion Centre, St Austall Road  
New Redruth  
PO Box 1689  
Randburg 2125  
Tel: (011) 869-0070  
Fax: (011) 869-0084

##### Boksburg

cnr Northrand and  
Trichardt  
Boksburg 1459  
PO Box 1689, Randburg 2125  
Tel: (011) 918-5858  
Fax: (011) 894-3782

##### Brackenfell

Paradys Street  
Brackenfell 7560  
Tel: (021) 981-4576  
Fax: (021) 981-6750

##### Centurion

Highway Business Park  
Old Johannesburg Road  
Rooihuiskraal, Centurion 0157  
PO Box 1689, Randburg 2125  
Tel: (012) 661-2196/9  
Fax: (012) 661-2195

##### Durban

41B Interside Avenue  
Umgeni Business Park  
Umgeni  
PO Box 40571, Red Hill 4071  
Tel: (031) 263-1470/2/3  
Fax: (031) 263-1475

##### Lonehill

Capricorn Street, cnr Main Road and  
Witkoppen Road, Fourways  
PO Box 1689, Randburg 2125  
Tel: 467-6357/8/9/60/61  
Fax: 467-6362

##### Menlyn

cnr Windsor and Atterbury Road  
Faerie Glen, Pretoria, 0043  
PO Box 1689, Randburg 2125  
Pretoria 0002

##### Strijdompark

Tel: (012) 991-6603  
Fax: (012) 991-6607

##### Montague Gardens

Koeberg Road  
Montague Gardens 7945  
Tel: (021) 552-2999  
Fax: (021) 552-3049

##### Ormonde

13 Data Crescent  
Ormonde  
PO Box 1689, Randburg 2125  
Tel: (011) 496-1372/3  
Fax: (011) 496-1358

##### Prospecton

2 B Prospecton Road  
Prospecton, Durban  
PO Box 26311, Isipingo Beach 4115  
Tel: (031) 902-9230  
Fax: (031) 902-9234

##### Pretoria

cnr Michael Brink Street and  
Hendrik Verwoerd Drive  
Innesdale  
PO Box 23912, Innesdale 0031  
Tel: (012) 335-3308  
Fax: (012) 335-3323

##### Roodepoort

cnr Anvil and Granville Streets, Robertville  
PO Box 1689, Randburg 2125  
Tel: (011) 674-2134  
Fax: (011) 674-3306

##### Route 24

198 Herman Street,  
Meadowdale  
PO Box 1689, Randburg 2125  
Tel: (011) 453-0320/3  
Fax: (011) 453-7443

##### Springs

Lead Street  
New Era  
PO Box 1689, Randburg 2125  
Tel: (011) 817-1336  
Fax: (011) 813-3922

##### Strijdompark

1 Arbeid Street,  
Strijdompark  
PO Box 1689 Randburg 2125  
Tel: (011) 792-4136  
Fax: (011) 792-4138

##### Umlanga

7 Tetford Crescent  
Umlanga Ridge, Durban  
PO Box 2474, Mount Edgecombe  
Country Club, 4301  
Tel: (031) 566-3340  
Fax: (031) 566-3341

##### Westgate

cnr C. R. Swart and  
Ontdekkers Roads, Wilropark  
PO Box 1689, Randburg 2125  
Tel: (011) 768-5758/0416  
Fax: (011) 768-1969



### CTM Franchises

#### South Africa

##### Bethlehem

No 1 Pretorius Street  
Bethlehem 9701  
PO Box 2638, Bethlehem 9700  
Tel: (058) 303-0065/6  
Fax: (058) 303-8517

##### Bloemfontein

15 Coro Street, East End,  
Bloemfontein 9300  
PO Box 22078, Exton Road 9313  
Tel: (051) 430-4967  
Fax: (051) 447-7532

##### Brits

36 Spoorweg Street  
Brits  
PO Box 3981, Brits 0250  
Tel: (012) 252-0420  
Fax: (012) 252-0421

##### Burgersfort

105 Edie Sedibeng Street  
Burgersfort 1150  
Tel: (013) 231-7693  
Fax: (013) 231-8137

##### East London

cnr Main and Fitchett Streets  
Amalinda  
PO Box 12471, Amalinda  
East London 5247  
Tel: (043) 741-1360  
Fax: (043) 741-1369

##### Empangeni

cnr John Ross and Tanner Road  
Empangeni, 3880  
PO Box 489, Empangeni 3880  
Tel: (035) 772-5250/1  
Fax: (035) 772-5253

**George**

cnr Knysna Road and Fourth Street  
George 6530  
PO Box 4258, George 6530  
Tel: (044) 871-1021/2  
Fax: (044) 871-1048

**Groblersdal**

13 Bank Street  
Groblersdal  
PO Box 1882, Groblersdal 0470  
Tel: (013) 262-5416  
Fax: (013) 262-3976

**Hermanus**

cnr Skulphoek and Adam Streets  
Sandbaai  
PO Box 1622, Hermanus 7200  
Tel: (028) 313-1199  
Fax: (028) 313-2928

**Kimberley**

108 Transvaal Road  
Kimberley 8301  
PO Box 2317, Vereeniging 1930  
Tel: (053) 831-4230  
Fax: (053) 831-4232

**Kokstad**

15 Hope Street  
Kokstad 4700  
Tel: (039) 727-3428  
Fax: (039) 727-3880

**Klerksdorp**

cnr Terblanche and Main Reef Street  
PO Box 3158, Freemanville 2573  
Tel: (018) 469-1424  
Fax: (018) 469-1482

**Ladysmith**

83A Murchison Street  
Ladysmith, 3370  
Tel: (036) 631-0056/7  
Fax (036) 631-1619

**Lenasia**

Main Lawley Road  
PO Box 1424, Crown Mines 2025  
Tel: (011) 857-1232/1249  
Fax: (011) 857-1556

**Louis Trichardt**

Shop No. 55  
Main Road, Eltivillas  
PO Box 4200, Louis Trichardt 0920  
Tel: (015) 516-2779/0509  
Fax: (015) 516-2777

**Mafikeng**

cnr Nelson Mandela Drive and  
1st Avenue, Mafikeng 2745  
(Industrial Site) Suite 100  
PO Box 23274, Mafikeng 2745  
Tel: (018) 381-1073/0509  
Fax: (018) 381-0504

**Middelburg**

No 1 Meyer Street, Middelburg  
PO Box 18121, Middelburg 1050  
Tel: (013) 282-2420/30  
Fax: (013) 282-2425

**Mossel Bay**

Bolton Road  
Voorbaai  
Mossel Bay  
PO Box 2058, Mossel Bay 6500  
Tel: (044) 695-1141  
Fax: (044) 695-0284

**Nelspruit**

18 Rapid Street, Riverside Industrial Park  
PO Box 3171, Nelspruit 1200  
Tel: (013) 755-2006/7  
Fax: (013) 755-1434

**Newcastle**

81 Scott Street, Newcastle  
PO Box 20543, Newcastle 2940  
Tel: (03431) 5-5145/6  
Fax: (03431) 5-5147

**Paarl**

cnr Textile and Lady Grey Street  
Tel: (021) 871-1902/3  
Fax: (021) 871-1902

**Pietermaritzburg**

116 Victoria Road  
Pietermaritzburg 3201  
Tel: (033) 342-9701  
Fax: (033) 342-7330

**Pietersburg**

64 Hoof Street  
Superbia  
PO Box 31281, Superbia 0759  
Tel: (015) 292-0005  
Fax: (015) 292-1529

**Pinetown**

56 Old Main Road  
PO Box 1924, Westville 3630  
Tel (031) 702-3701  
Fax (031) 702 3706

**Port Elizabeth**

1 Archie Close, cnr Chase Drive  
and Keeton Street, Young Park  
PO Box 3788, Northend 6056  
Tel (041) 456-4691  
Fax (041) 456-4683

**Port Shepstone (South Coast)**

5 Oscar Nero Road  
Marburg, Port Shepstone  
PO Box 2533, Port Shepstone 4240  
Tel: (039) 682-1601  
Fax: (039) 682-1762

**Potchefstroom**

18 Poortman Street  
Potch Industria  
PO Box 1660, Potchefstroom 2520  
Tel: (018) 294-3011  
Fax: (018) 294-3013

**Potgietersrus**

43 Thabo Mbeki Street  
Potgietersrus  
PO Box 4749, Potgietersrus 0600  
Tel: (015) 491-1368  
Fax: (015) 491-3912

**Queenstown**

123 Cathcart Road  
Queenstown 5719  
PO Box 473, Queenstown 5320  
Tel: (045) 838-5376/7/8  
Fax: (045) 838-5011

**Rustenburg**

115 Leyds Street  
Rustenburg 0299  
PO Box 9381, Rustenburg 0300  
Tel: (014) 597-2701  
Fax: (014) 597-3056

**Sebokeng**

Old Potch Road, Sebokeng  
PO Box 2317, Vereeniging 1930  
Tel: (016) 988-0168/0161  
Fax: (016) 455-1910

**Somerset West**

Somerset West Business Park  
PO Box 713, Somerset West 7129  
Tel: (021) 851-7110  
Fax: (021) 851-7117

**Swellendam**

139 Voortrek Street  
Swellendam  
PO Box 654, Swellendam 6740  
Tel: (028) 514 1424  
Fax: (028) 514-1424

**Thohoyandou**

Noord Centre, Mphephu Street,  
Sibasa 0970  
PO Box 4200, Louis Trichardt 0920  
Tel: (015) 963-2428  
Fax: (015) 963-1939

**Tokai**

cnr Vans and Tokai Roads  
Tel: (021) 715-8506  
Fax: (021) 715-8508

**Trichardt**

12 Paul Kruger Street  
Trichardt  
PO Box 250, Trichardt 2300  
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**

73 Nelson Mandela Drive, Umtata  
PO Box 52550, Umtata 5100  
Tel: (047) 532-6850  
Fax: (047) 532-6868

**Upington**

cnr Le Roux and  
Swartmodder Streets  
Upington 8801  
PO Box 1735, Upington 8800  
Tel: (054) 331-2577  
Fax: (054) 331-2575

**Vanderbijlpark**

Rabie Street, CE6  
Vanderbijlpark  
PO Box 1120, 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**

20 Saldanha Road  
PO Box 1318, Vredenburg 7380  
Tel: (022) 715-1180/1/2  
Fax: (022) 715-1105

**Vryburg**

cnr Stella and Moffat Streets  
Vryburg  
PO Box 1093, Vryburg 8600  
Tel: (053) 927-6875/3591  
Fax: (053) 927-6876

**Welkom**

cnr Koppie Alleen and Constantia Roads  
PO Box 98, Welkom 9460  
Tel: (057) 396-3371/2  
Fax: (057) 396-4818

# Branch

## addresses (continued)

### **Witbank**

No. 4 Vanderbijl Street  
PO Box 13150, Leraatsfontein 1035  
Tel: (013) 690-2874/6  
Fax: (013) 690-2878

### **Worcester**

158 High Street, Worcester  
PO Box 767, Worcester 6849  
Tel: (023) 347-4869  
Fax: (023) 342-4808

### **Namibia**

#### **Oshakati**

Stand 5004, Oshakati Main Road  
PO Box 11704, Kleinwindhoek, Namibia  
Tel: (092646) 522-4581  
Fax: (092646) 522-4518

#### **Swakopmund**

Sudring and Moses-Garob Street  
Swakopmund, Windhoek  
PO Box 21190, Windhoek, Namibia  
Tel: (09264) 6446-4124  
Fax: (09264) 6446-4148

#### **Windhoek**

Cnr Voight and Thorpe Streets  
Industria South  
PO Box 11704, Kleinwindhoek, Namibia  
Tel: (09264) 6125-5318/9  
Fax: (09264) 6125-5320

### **Lesotho**

#### **Maseru**

DS Building, Moshoeshoe Road  
Industrial Area, Maseru  
Private Bag A248, Maseru, Lesotho  
Tel: (09266) 22 327 457  
Fax: (09266) 22 327 458

### **Malawi**

#### **Blantyre**

Northgate Centre  
M. Chipembere Highway  
PO Box 445, Blantyre, Malawi  
Tel: (+265) 1 672 186/1 673 588  
Fax: (+265) 1 672 461

#### **Lilongwe**

Accord Centre,  
cnr Mzimba and Chilambula Road,  
Road Area 4  
PO Box 30209, Capital City  
Lilongwe 3  
Tel: (09265) 175-7993/4  
Fax: (09265) 175-7990/1

### **Uganda**

Plot 171/177 6th Street  
Industrial Area, Kampala  
PO Box 25202, Kampala, Uganda  
Tel: (09256) 4134-040, 3126-1889  
Fax: (09256) 4134-0421, 3126-1888

### **Zambia**

Stand 9526B Lumumba Road  
Lusaka, Zambia  
Tel: (092601) 288-141  
Fax: (092601) 288-142

### **Swaziland**

#### **Matsapa**

No. 3 King Maswati III Ave,  
Matsapa, Swaziland  
PO Box 1095, Matsapha M 202  
Swaziland  
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) 422-1720  
Fax: (09268) 422-1721

### **Botswana**

#### **Francistown**

Plot No 1615/6, Gemsbok Street,  
Light Industrial Area  
Francistown  
PO Box 460, Francistown, Botswana  
Tel: (09267) 241-5590  
Fax: (06867) 244-0065

#### **Gaborone**

Plot 22054, Unit 3,  
Gaborone, Botswana  
PO Box 25033, Gaborone, Botswana  
Tel: (09267) 393-3770  
Fax: (09267) 393-3771

#### **Palapye**

Plot 304, New Industrial Sites, Palapye  
PO Box 460, Francistown, Botswana  
Tel: (09267) 490-0430  
Fax: (09267) 460-0429

### **Tanzania**

#### **Dar es Salaam**

Plot 115  
Nyerere Road,  
Dar es Salaam  
Tel: (09255) 22 286 3916  
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: (09612) 9688-4528

Fax: (09612) 9688-4918

##### **CTM Brookvale**

734 – 736 Pittwater Road  
Brookvale  
NSW  
2100

Tel: (09612) 9939-3090

Fax: (09612) 9939-3313

##### **CTM Campbelltown**

1 Rennie Road  
Woodbine  
Campbelltown  
NSW  
2560

Tel: (09612) 4627-2496

Fax: (09612) 4627-1709

##### **CTM Lansvale**

286 Hume Highway  
Lansvale  
NSW  
2166

Tel: (09612) 9724-0141

Fax: (09612) 9724-5219

### **CTM Norwest**

Shop 3  
4 – 6 Celebration Drive  
Bella Vista  
NSW  
2153

Tel: (09612) 8824-8122

Fax: (09612) 8824-8166

### **Brisbane – Queensland**

#### **CTM Capalaba**

89 – 91 Redland Bay Road  
Capalaba  
QSLD  
4157

Tel: (09617) 3390-2600

Fax: (09617) 3390-2664

#### **CTM Springwood**

3439 Pacific Highway  
Springwood  
QSLD  
4127

Tel: (09617) 3208-3472/5/6

Fax: (09617) 3208-2918

#### **CTM Canon Hill**

1881 Creek Road  
Canon Hill  
QSLD  
4170

Tel: (09617) 3395-6774

Fax: (09617) 3395-8661

### **Melbourne – Victoria**

#### **CTM Epping**

Shop 5  
Epping Homemakers Center  
560 High Street  
Epping  
VIC  
3076

Tel: (09613) 9408-3055

Fax: (09613) 9408-3155

## Form of proxy

*For use by ordinary shareholders at the annual general meeting to be held on Friday, 21 November 2003.*

- 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 Friday, 21 November 2003 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):

	Notes (1 vote per share)		
	For	Against	Abstain
To re-elect P D Swatton as a director of the company			
To re-elect J Couzis 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			

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2003

\_\_\_\_\_  
 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, Investor Services Division, 70 Marshall Street, Johannesburg 2001, to be received by not later than 15h00 on Thursday, 20 November 2003.
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.