Notes to the group financial statements

for the year ended 30 June 2009

1. ACCOUNTING POLICIES

1.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") and its interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee.

1.2 Basis of preparation

The annual financial statements are prepared on the historical-cost basis, adjusted for the fair valuing of certain assets and liabilities. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

1.3 Judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The key assumptions concerning the future and key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, relates to the provision for stock obsolescence and impairment of land and buildings.

The Group determines whether there is obsolete stock on an annual basis. This requires an estimation of the expected future saleability of stock items based on historical experience, an analysis of market and fashion trends and a review of the ageing of the stock items. More details of the stock write-off is given in note 18.

The Group also determines whether any of the land and buildings are impaired at each reporting date. This requires consideration of the current and future economic and trading environment; available valuation information and the physical state of the land and buildings, to ascertain if there are indications of impairment to those owned by the group. No impairments were recorded during the current financial year.

The financial statements are presented in rands and all values are rounded to the nearest million (R'000 000), except when otherwise indicated.

1.4 Basis of consolidation

The consolidated financial statements incorporate the results and financial position of the Company, its subsidiaries, its associates, the Share Incentive Trust, the BEE Trust and its joint venture interests.

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. The identifiable assets and liabilities of companies acquired are assessed and included in the balance sheet at their fair values as at the effective dates of acquisition.

Intragroup balances and transactions have been eliminated. Unrealised profits that arise between Group entities are eliminated.

All companies in the Group maintain consistent accounting policies and have the same year-ends.

1. ACCOUNTING POLICIES *(continued)*

1.4 Basis of consolidation *(continued)*

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, expenses and cash flows of joint ventures are combined on a line-by-line basis, with similar items in the financial statements of the Group. Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entities. The results of joint ventures are included from the effective dates of their acquisition and up to the effective dates of their disposal, or a date on which joint control ceases.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from equity attributable to equity holders of the parent. Acquisitions of minority interests are accounted for using the parent entity method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as equity.

1.5 Business combinations and goodwill

New acquisitions are included in the Group's financial statements using the purchase method whereby the assets, liabilities and contingent liabilities are measured at their fair value. The purchase consideration is allocated on the basis of fair values at the date of acquisition.

Goodwill is initially measured at cost and represents the excess of the purchase consideration. The Group's share is the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Goodwill carried in the balance sheet is not amortised. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the acquisition. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of the cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation when determining the gain or loss on disposal of that operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

1.6 Investment in subsidiaries and joint ventures ***(as accounted for on an entity level within the Group)***

Investment in subsidiaries and joint ventures 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 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 fair value less costs to sell or the value in use. The difference between the net proceeds on disposal and the carrying amount of investments is charged to the income statement.

1.7 Treasury shares

Shares in Italtile Limited held by the Group are classified in equity attributable to equity holders of the parent as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares. Dividends received on treasury shares are eliminated on consolidation. No gain or loss on the purchase, sale, issue or cancellation of the Group's listed shares is recognised in the income statement. Consideration received or paid with regards to treasury shares are recognised in equity.

1. ACCOUNTING POLICIES *(continued)*

1.8 Foreign currencies

The consolidated financial statements are presented in rands, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded 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 operations with functional currencies that are different to that of the Group. The financial statements of these subsidiaries are translated for incorporation into the Group financial statements as follows:

- Assets and liabilities at the rates ruling at the balance sheet date.
- Income statement items at a weighted average rate for the period.
- Cash flow items at a weighted average rate for the period.
- Equity items at the appropriate historical rate.

Exchange differences are taken directly to a foreign currency translation reserve which is disclosed in the statement of changes in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity, relating to that particular foreign entity, is recognised in the income statement.

1.9 Property, plant and equipment

Land is not depreciated. All buildings, including investment properties, are carried at cost less accumulated depreciation and accumulated impairment.

A valuation to open market value for existing use is done on an annual basis for disclosure and impairment purposes. Provision is made for any impairment to the carrying value of properties and is charged to the income statement.

All plant and equipment is stated at cost less accumulated depreciation and accumulated impairment.

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:

Buildings	2%
Plant and machinery	25%
Vehicles	20% to 25%
Computer equipment	20% to 33,3%
Furniture and fittings	16,6% to 33,3%

1. ACCOUNTING POLICIES *(continued)*

1.9 Property, plant and equipment *(continued)*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. In addition, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

The useful lives, methods of depreciation and residual values are reviewed, and adjusted if appropriate, at each financial year-end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on derecognition of assets are determined by reference to their carrying amount and the net disposal proceeds and are taken to the income statement in the year the asset is derecognised.

1.10 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 costs necessary to make the sale. Cost is determined on a weighted average cost method and excludes cash discounts, rebates and relevant indirect taxes.

1.11 Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax

Deferred income tax is provided on the liability method, on recognised temporary differences at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

ITALTILE Limited

1. ACCOUNTING POLICIES *(continued)*

1.11 Taxes *(continued)*

Deferred income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, other than in the circumstances described below. Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward or unused tax assets and unused tax losses can be utilised, other than in the circumstances described below. Furthermore, deferred tax assets are reviewed at each balance sheet date. The carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not recognised where they arise from goodwill arising on acquisition or from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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-residents shareholders' taxation is provided in respect of foreign dividends receivable. To the extent that it is probable that entities within the Group with STC credits will declare dividends of its own against which unused STC credits can be utilised, a deferred tax asset is raised.

Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense items, as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the balance sheet.

1.12 Borrowing costs

Borrowing costs are recognised as an expense when incurred.

1.13 Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable and is recognised when the significant risks and rewards of ownership are transferred to the buyer. It excludes cash discounts, rebates and relevant indirect taxes.

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

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

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

Revenue from franchise income and royalties is recognised on the accrual basis in accordance with the substance of the agreement.

Flight income is recognised when the services are delivered. It excludes cash discounts, rebates and relevant indirect taxes.

1. ACCOUNTING POLICIES *(continued)*

1.14 Employee benefits

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 services are rendered by the employee.

1.15 Equity participation plan

Selected employees, including directors, of the Group receive remuneration in the form of share options, whereby they render services in exchange for rights over shares. The cost of share options is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes option-pricing model, further details of which are given in note 6. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Italtile Limited.

The cost of the share options is recognised, together with a corresponding increase in shareholders' equity, over the vesting period ending on the date on which the performance conditions are fulfilled and the employees become fully entitled to take up the share options. The cumulative expense recognised for share options granted at each balance sheet date until the vesting date, reflects the extent to which the vesting period has expired and the number of share option grants that will ultimately vest in the opinion of the directors of the Group, at that date. This is based on the best available estimate of the number of share options that will ultimately vest. No expense is recognised for share options that do not ultimately vest.

Where the terms of the share options are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense if recognised for any increase in the value of the transactions, as a result of the modification, as measured at the date of modification.

Where a share option is forfeited prior to vesting, it is treated as if it had never been granted, and any expense recognised for the award is reversed immediately. Where an award is cancelled, other than an award cancelled by forfeiture when the vesting conditions are not satisfied, it is treated as if it vested on the date of cancellation, and any expense not yet recognised, is recognised immediately. If a new share option is substituted for the cancelled share option, and designated as a replacement share option on the date that it is granted, the cancelled and new share option grant are treated as if they were a modification of the original grant, as described above.

The dilutive effect of outstanding options is reflected as a share dilution in the computation of diluted earnings per share (refer to note 10).

1.16 Financial instruments

Financial instruments carried on the balance sheet comprise cash and cash equivalents, available-for-sale investments, trade and other receivables, trade and other payables, and interest-bearing loans 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 fair values. Directly attributable transaction costs are included in the fair value, unless it is classified as fair value through profit or loss. The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

ITALTILE Limited

1. ACCOUNTING POLICIES *(continued)*

1.16 Financial instruments *(continued)*

Measurement (continued)

Investments that are considered available-for-sale financial assets are carried at fair value, except for unlisted equity investments which are carried at cost as a reliable measure of fair value and cannot be determined. All movements are recognised as a separate component of equity, until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in the income statement. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals of impairment recognised previously in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

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 fair value.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, trade and other receivables are subsequently carried at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when trade and other receivables are derecognised or impaired, as well as through the amortisation process. In relation to trade receivables, a provision for impairment is made where there is objective evidence (such as probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable. If there is objective evidence that an impairment loss on other receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the receivable is reduced through the use of an allowance account. The amount of the loss shall be recognised in the income statement.

Trade and other payables and *amounts owing from subsidiaries* are subsequently measured at amortised cost.

Interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derivative financial instruments

The Group uses foreign exchange contracts to manage 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 31.

All derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Any gain or loss from remeasuring the derivative financial instrument to 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.

Disclosure in respect of financial instruments is provided in note 31.

1. ACCOUNTING POLICIES *(continued)*

1.16 Financial instruments *(continued)*

Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flow from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender of substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference is the respective carrying amounts is recognised in the income statement.

Offset of financial instruments

Financial assets and liabilities are set off against each other where there is an intention to settle the amounts simultaneously, and a legal right of set-off exists.

1.17 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset. The classification of the lease is determined using IAS 17, Leases.

Group as a lessee

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 the inception of the lease at the fair value of the leased asset or, if lower, at the minimum lease payments, 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. Should there be no reasonable expectation that the Group will obtain ownership by the end of the lease term, the depreciation period is the shorter of the estimated useful life of the asset and the lease term. Where the carrying amount of an asset is greater than its estimated recoverable amount (ie the higher of value in use and fair value less costs to sell), it is written down immediately to its recoverable amount, based on the value in use or fair value less costs to sell. Lease finance charges are amortised over the duration of the leases, using the effective interest rate method and reflected in finance cost in the income statement.

ITALTILE Limited

1. ACCOUNTING POLICIES *(continued)*

1.17 Leases *(continued)*

Group as a lessee *(continued)*

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.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

1.18 Dividends paid

Dividends paid are recognised as appropriations of reserves in the statement of changes in equity at the dates of declaration.

1.19 IFRSs and IFRIC Interpretations not yet effective

There are an extensive number of new IFRSs and IFRIC Interpretations or amendments to existing ones. One of the reasons for the changes in the year under review is a moratorium that the International Accounting Standards Board, or IASB, agreed to in 2006 under which there would be no new or amended standards effective before 1 January 2009. This was done in order to have a stable platform for a four year period. Standards and amendments to standards were issued in this time, but with a delayed effective date. In addition to this the IASB introduced an annual improvements projects. These annual projects were intended to be a vehicle for making non-urgent, but necessary, amendments to standards. The amendments are generally meant to be clarifications of expected practice. Within the financial year under review, two such projects have been completed, referred to as the 2008 Improvements Project and the 2009 Improvements Project. These Improvement Projects have affected a significant number of statements and interpretations.

The Group has not applied the following IFRSs and IFRIC Interpretations that are not yet effective:

- *Amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards" and IAS 27, "Consolidated and Separate Financial Statements":*
  These amendments are to be applied for annual periods beginning on or after 1 January 2009. These amendments allow an entity to determine the cost of investment in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost.
- *Amendments to IFRS 1, "First-time adoption of International Financial Reporting Standards":*
  These amendments are to be applied for annual periods beginning on or after 1 January 2010. These amendments date to oil and gas assets and determining whether an arrangement contains a lease.
- *Amendments to IFRS 2, "Share-based Payment":*
  The first amendments, *"Vesting Conditions and Cancellations"* are to be applied for annual periods beginning on or after 1 January 2009. These amendments provide further guidance and clarity regarding the treatment of vesting conditions associated with share-based payments as well as the effect of cancellations thereof.
  The second amendment forms part of the *IASB's 2009 Improvements Project* and is to be applied for annual periods beginning on or after 1 July 2009. These amendments provide clarity on the scope of IFRS 2 and IFRS 3 (as revised) by broadening the scope exclusions to common control transactions as defined in the revised IFRS 3 and joint ventures as defined in IAS 31.

1. ACCOUNTING POLICIES *(continued)*

1.19 IFRSs and IFRIC Interpretations not yet effective *(continued)*

- *IFRS 3, "Business Combinations":*
  This statement has been revised and is to be applied for annual periods beginning on or after 1 July 2009 and 1 January 2010, respectively. The first revision of the statement is aimed at ensuring that an acquirer of a business recognises the assets acquired and liabilities assumed at their acquisition-date fair values and discloses information that enables users to evaluate the nature and financial effects of the acquisition. The statement states that assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this IFRS shall not be adjusted upon application of this IFRS. The second amendment provides clarity of the definition of the term "Group" in respect of accounting for cash-settled share-based payment transactions.
- *IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations":*
  This statement has been revised and is to be applied for annual periods beginning on or after 1 July 2009 and 1 January 2010, respectively. The amendments are due to the IASB's 2008 and 2009 Improvement Projects. The *2008 Improvement Project* discusses the approach to be taken when there is a plan to sell the controlling interest in a subsidiary. The *2009 Improvement Project* provides guidance in respect of disclosures of Non-current assets Held for Sale (or disposal groups) and Discontinued Operations required by IFRS 5.
- *Amendments to IFRS 7, "Financial Instruments: Disclosures":*
  The first amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. These amendments include:
  - The removal of the reference to "total interest income" as a component of finance costs.
  - Improved disclosures about financial instruments.

  The second amendment is to be applied for annual periods beginning on or after 1 January 2009. This amendment deals with enhancing disclosures about fair value and liquidity risk.
- *IFRS 8, "Operating Segments":*
  This standard is to be applied for annual periods beginning on or after 1 January 2009. This statement requires that an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.
- *Amendments to IFRS 8, "Operating Segments":*
  The amendments form part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2010. An amendment was made to the disclosures of information about profit or loss, assets and liabilities of a reportable segment.
- *Amendments to IAS 1, "Presentation of Financial Statements":*
  This statement has been revised and is to be applied for annual periods beginning on or after 1 January 2009. IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.
  Secondly amendments have been made as part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. These amendments deal with the current/non-current classification of derivatives.
  Thirdly amendments have been made as part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2010. These amendments deal with the classification of convertible instruments as either non-current or current.
- *Amendment to IAS 7, "Statement of Cash Flows":*
  The first amendment forms part of the *IASB's 2008 Improvements Project* and is to be applied to annual periods beginning on or after 1 January 2009. The amendment states that cash flows from assets held for rental are classified as operating activities.
  The second amendment forms part of the *IASB's 2009 Improvements Project* and is to be applied for annual periods beginning on or after 1 January 2010. In terms of the amendment only expenditure resulting in a recognised asset in the balance sheet can be recognised as investment activities.

1. ACCOUNTING POLICIES *(continued)*

1.19 IFRSs and IFRIC Interpretations not yet effective *(continued)*

- *Amendments to IAS 8, "Accounting Policies, Change in Accounting Estimates and Errors":*
  The amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. The amendment provides clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- *Amendments to IAS 10, "Events after the Reporting Period":*
  The first amendments form part of the *IASB's 2008 Improvements Project.* This amendment clarifies that dividends declared after the end of the reporting period are not obligation. This amendment is to be applied for annual periods beginning on or after 1 January 2009.
  The second amendment resulted from the issue of IFRIC 17, "Distribution of Non-cash Assets to Owners" and is to be applied for annual periods beginning on or after 1 July 2009.
- *Amendments to IAS 16, "Property, Plant and Equipment":*
  These amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. These amendments replace the term "net selling price" with "fair value less costs to sell", and state that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.
- *Amendments to IAS 17, "Leases":*
  The amendments form part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2010. The amendment states that leases of land and buildings need to be considered separately for all transactions. In establishing whether the land component is an operating or finance lease the entity should take into account that the land has an indefinite economic life.
- *Amendments to IAS 18, "Revenue":*
  The first amendment forms part of the *IASB's 2008 Improvements Project* and is to be applied for annual periods beginning on or after 1 January 2009. The amendment replaces the term "direct costs" with "transaction costs" as defined in IAS 39.
  The second amendment forms part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2010. This amendment provides guidance to assess whether, in an agency relationship, an entity is acting as an agent or principal.
- *Amendments to IAS 19, "Employee Benefits":*
  These amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. The amendments revise the definition of "past service costs", "return on plan assets" and "short term" and "other long-term" employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. The reference to the recognition of contingent liabilities has been deleted to ensure consistency with IAS 37.
- *Amendments to IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance":*
  The amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. The amendment states that loans granted in the future with no or low interest rates will not be exempt from the requirements to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant. Also various terms have been revised to ensure consistency with other IFRSs.
- *Amendments to IAS 23, "Borrowing Costs":*
  The first amendments are to be applied for annual periods beginning on or after 1 January 2009. The amendments require that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.
  The second amendment forms part of the *IASB's 2008 Improvements Project* and is to be applied for annual periods beginning on or after 1 January 2009. This amendment revised the definition of borrowing costs to consolidate the two types of times that are considered components of borrowing costs into one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

1. ACCOUNTING POLICIES *(continued)*

1.19 IFRSs and IFRIC Interpretations not yet effective *(continued)*

- *Amendments to IAS 27, "Consolidated and Separate Financial Statements":*
  The first of the amendments are to be applied for annual periods beginning on or after 1 January 2009. These amendments require all dividends from a subsidiary, jointly controlled entity of associate to be recognised in the income statement in the separate financial statements, i.e. the Company. This revision has to be applied prospectively.
  The second of the amendments are to be applied for annual periods beginning on or after 1 July 2009. These are consequential changes with the amendment of IFRS 3, "Business Combinations".
  The third of the amendments are to be applied for annual periods beginning on or after 1 July 2009. These amendments require that a change in the ownership interest of a subsidiary (without loss of control) be accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amendments change the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The Group will apply these amendments going forward.
  The fourth amendment forms part of the *IASB's 2008 Improvements Project* and is to be applied for annual periods beginning on or after 1 July 2009. The amendment states that when a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statement, this treatment continues when the subsidiary is subsequently classified as held for sale.
- *Amendments to IAS 28, "Investment in Associates":*
  The first amendments form part of the *IASB's 2008 Improvements Project* and is to be applied for annual periods beginning on or after 1 January 2009. These amendments state the following:
  - If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans, applies.
  - An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

  The second of the amendments are to be applied for annual periods beginning on or after 1 July 2009. These are consequential changes with the amendment of IFRS 3, "Business Combinations".
- *Amendment to IAS 29, "Financial Reporting in Hyperinflationary Economies":*
  The first amendment forms part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. The amendments include a revision of the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. In addition various terms used are revised to be consistent with other IFRSs.
  The second of the amendments are to be applied for annual periods beginning on or after 1 July 2009. These are consequential changes with the amendment of IFRS 3, "Business Combinations".
- *Amendment to IAS 31, "Interest in Joint Ventures":*
  This amendment forms part of the *IASB's 2008 Improvements Project* and is to be applied for annual periods beginning on or after 1 January 2009. This amendment states that if a joint venture is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 31 to disclose the commitments of the venturer and joint venture, as well as summary financial information about the assets, liabilities, income and expenses will apply.
- *Amendments to IAS 32, "Financial Instruments: Presentation" and IAS 1, "Presentation of Financial Statements" – Puttable Financial Instruments and Obligations Arising on Liquidation:*
  These amendments are to be applied for annual periods beginning on or after 1 January 2009. These amendments require further detail with regards to Puttable Financial Instruments and Obligations Arising on Liquidation.

ITALTILE Limited

1. ACCOUNTING POLICIES *(continued)*

1.19 IFRSs and IFRIC Interpretations not yet effective *(continued)*

- *Amendments to IAS 34, "Interim Financial Reporting":*
  The amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. This amendment states the earnings per share should be disclosed in the interim financial reports if an entity is within the scope of IAS 33.
- *Amendments to IAS 36, "Impairment of Assets":*
  The first amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. This amendment states that when discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use".
  The second amendment forms part of the *IASB's 2009 Improvements Project* and is to be applied for annual periods beginning on or after 1 January 2010. This amendment deals with the unit of accounting for goodwill impairment.
- *Amendments to IAS 38, "Intangible Assets":*
  The first amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. These amendments state that expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. The amendments further remove the statement that there is rarely, if ever, persuasive evidence to support an amortisation method of an intangible asset other than a straight-line method.
  The second amendments form part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 July 2009. These include the consequential amendments arising from the revisions to IFRS 3, as well as dealing with measuring the fair value of an intangible asset acquired in a business combination.
- *Amendments to IAS 39, "Financial Instruments: Recognition and Measurement":*
  The first amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. These amendments state that:
  - Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the "fair value through profit or loss" classification after initial recognition.
  - The reference in IAS 39 to a "segment" when determining whether an instrument qualifies as a hedge has been removed.
  - The use of the revised effective interest rate is required, when remeasuring a debt instrument on the cessation of fair value hedge accounting.

  The second amendment is to be applied for annual periods beginning on or after 30 June 2009. This amendment deals with embedded derivatives when reclassifying financial instruments.
  The third amendment is to be applied for annual periods beginning on or after 1 July 2009. This amendment clarifies two hedge accounting issues, being inflation in a financial hedge item and a one-sided risk in a hedged item.
  The fourth amendments form part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2010. These include the:
  - Scope exemption for business combination contracts.
  - Treating loan prepayments penalties as closely related embedded derivatives.
  - Cash Flow Hedge Accounting.

1. ACCOUNTING POLICIES *(continued)*

1.19 IFRSs and IFRIC Interpretations not yet effective *(continued)*

- *Amendments to IAS 40, "Investment Property":*
  The amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. These amendments revised the scope, such that property under construction or development for future use as an investment property is classified as investment property. If the fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. In addition the condition for a voluntary change in accounting policy has been revised to be consistent with IAS 8 and the statement now clarifies that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.
- *Amendments to IAS 41, "Agriculture":*
  The amendments form part of the *IASB's 2008 Improvements Project* and are to be applied for annual periods beginning on or after 1 January 2009. These amendments remove the reference to the use of a pre-tax discount rate to determine fair value. The prohibition to take into account cash flows resulting from any additional transformation when estimating fair value, has been removed. Lastly the term "point-of-sale costs" was replaced with "costs to sell".
- *Amendments to IFRIC 9, "Reassessment of Embedded Derivatives":*
  The amendments form part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 July 2009. These amendments extend scope exclusions to businesses under common control, business combinations as defined in the revised IFRS 3 and joint ventures as defined under IAS 31.
- *IFRIC 15, "Agreements for the Construction of Real Estate":*
  This interpretation is to be applied for annual periods beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, this interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.
- *IFRIC 16, "Hedges of a Net Investment in a Foreign Operation":*
  This interpretation is to be applied for annual periods beginning on or after 1 October 2008. The interpretation provides guidance on the accounting for a hedge of a net investment in accordance with IAS 39.
- *Amendment to IFRIC 16, "Hedges of a Net Investment in a Foreign Operation":*
  The amendments form part of the *IASB's 2009 Improvements Project* and are to be applied for annual periods beginning on or after 1 July 2009. This amendment places restrictions on the entity that can hold hedging instruments.
- *IFRIC 17, "Distribution of Non-cash Assets to Owners":*
  This interpretation is to be applied for annual periods beginning on or after 1 July 2009. This interpretation addresses when an entity should recognise the dividend payable relating to non-cash assets; how this dividend payable should be measured; and when an entity settles the dividend payable, how it should account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable.
- *IFRIC 18, "Transfers of Assets from Customers":*
  This interpretation is to be applied for annual periods beginning on or after 1 July 2009. This interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers.

The Group expects the pronouncements listed above to have no impact on the Group's current results, other than additional disclosures required in the group annual financial statements in the period of initial recognition and/or for comparative periods as may be required. The Group intends to apply these statements and interpretations in the periods prescribed and required.

ITALTILE Limited

2. DEFINITIONS

2.1 System-wide turnover

Aggregated turnover of the Group-owned and franchised stores.

2.2 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.

2.3 Sales and distribution costs

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

2.4 General and administrative expenses

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

2.5 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.

2.6 Business and geographical segment

The principal segments of the Group have been identified on a primary basis by operational functionality and on a secondary basis by significant geographical region.

The basis is representative of the internal structure for management purposes, which reflects the source and nature of business risks and returns.

2.7 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.

2.8 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.

2.9 Segment results

Net total of segment revenue less segment expenses.

2.10 Segment assets

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

2.11 Segment liabilities.

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

2.12 Treasury shares

Shares in Italtile Limited held by the entities in the Group.

2.13 Cash-generating unit

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

	2009 Rm's	2008 Rm's
3. REVENUE		
Turnover represents net sales, excluding value-added tax and intercompany sales.		
Total revenue comprises:		
Turnover	1 303	1 635
Rental income	78	65
Interest income	18	12
Dividend income	30	8
Franchise income (excluding royalties)	23	20
Royalty income from franchising	67	58
Flight income	2	—
	1 521	1 798
All the rental income pertains to properties that are leased to franchised stores. These rentals are turnover related and can therefore not be predetermined.		
4. COSTS OF SALES		
Cost of sales consists largely of the cost of inventories recognised as an expense.	767	988
5. TRADING PROFIT		
Trading profit is stated after taking into account the following items:		
Auditors' remuneration		
– Audit fee	2	1
– Expenses	—#	—#
	2	1
Depreciation		
Owned and leased		
– Buildings	4	5
– Plant and machinery	6	4
– Vehicles	2	1
– Aircraft	1	—
– Computer equipment	4	5
– Furniture and fittings	24	26
	41	41

#*Less than R1 million.*

ITALTILE Limited

	2009 Rm's	2008 Rm's
5. TRADING PROFIT *(continued)*		
Operating lease payments		
– Properties	17	18
All the operating leases pertain to properties that are rented then sublet to Group-owned and franchised stores. The subrentals are based on 6,3% of turnover and can therefore not be predetermined. At current levels they exceed abovementioned 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	10	15
Within 2 – 5 years	11	18
Later than 5 years	5	7
	26	40
Directors' emoluments		
Refer to page 35 of the directors' report for detail disclosures.		
Employee remuneration		
– Salaries and wages	88	94
– Profit share	17	19
– Contributions to retirement benefits	14	7
	119	120

6. SHARE-BASED PAYMENTS

Share Incentive Trust

In terms of the Share Incentive Trust, shares are offered on a combined option and deferred sale basis. Options vest over a period of five years. An agreement of deferred sale is automatically constituted on acceptance of the offer. All shares must be taken up by way of a purchase and delivery by no later than five years after the grant date. The exercise price of the option is not less than the market value of the ordinary shares on the day prior to the date of grant and the option is exercisable provided that the participant has remained in the Group's employ until the option vests. Should the participant resign before these vesting dates, the options will be forfeited. An exception may be made in the case of termination of employment as a result of death or retirement. Options are settled in equity once exercised and subsequently taken up.

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 136 470 068 ordinary shares (2008: 136 470 068), representing 15% of the issued share capital. The scheme exists for the directors and senior management of the Company with a limit of 15 400 000 shares which any one participant may acquire.

6. SHARE-BASED PAYMENTS *(continued)*

The following assumptions were used in valuing the various option grants:

	2009	2008
Expected volatility	18% to 24%	18% to 24%
Risk-free interest rate	8,19% to 8,54%	8,19% to 8,54%
Expected dividend yield	1,90% to 2,07%	1,90% to 2,07%
Expected life (years)	5,5	5,5

The expected life of the options is based on historical data and expected future trends and is not necessarily indicative of exercise patterns that may occur. The expected volatility in 2009 of 18% to 24% reflects the assumption that the historical volatilities of 18% to 24% are indicative of future trends.

The fair value of the share options that were granted over the year to 30 June 2009 is Rnil (2008 Rnil). Included in the expenses in the profit and loss for the year is Rnil million (2008: R1 million) relating to the current year share option expense.

The following table illustrates the number and weighted average exercise prices of share options held by eligible participants including executive directors:

	2009		2008	
	Number of share options	Weighted average exercise price (R)	Number of share options	Weighted average exercise price (R)
At 1 July	8 594 000	1,96	9 284 000	1,98
New allocations made	—	—	—	—
Redeemed allocations	(6 284 000)	1,81	(360 000)	2,36
Forfeited allocations	—	—	(330 000)	2,09
Outstanding at 30 June	2 310 000	2,39	8 594 000	1,96
Average subscription price per share		2,39		1,96

The options outstanding at 30 June 2009 become unconditional on the following dates:

	Subscription price (R)	Number of shares
01 November 2009	2,39	2 310 000

Should the participant resign from the Group prior to the commencement dates as indicated above, the shares for options will not be awarded, payment will not be required and the options will be forfeited.

A breakdown of the share options in issue to executive and non-executive directors is given in the directors' report on page 33.

ITALTILE Limited

6. SHARE-BASED PAYMENTS *(continued)*

Black economic empowerment transaction

The Company issued 61 600 000 shares in terms of a black economic empowerment, or BEE, transaction on 11 February 2008. The shares were issued at R4,57 per share, which represented a discount of 17% to the volume weighted average price of the Company's shares over the month of March 2007. The transaction was funded by way of the Company subscribing to preference shares in the empowerment vehicles. These preference shares attract dividends at a rate of 70% of the prevailing prime interest rate. Any dividends paid on the Company's shares to the empowerment vehicles will be firstly used to fund the preference share dividends payable to the Company, and then to redeem a portion of the outstanding preference shares.

The BEE partners may not sell or otherwise encumber the shares for a period of seven years, after which the Company will have the pre-emptive right to reacquire the shares at 83% of the trade weighted average price at which the Company's shares traded on the JSE during the 10 trading days immediately preceding the date of purchase. The Company may force a repurchase of the shares after eight years have elapsed, again at 83% of the trade weighted average price at which its shares traded on the JSE during the 10 trading days immediately preceding the date of purchase. The cash proceeds from this sale will be used to settle any remaining obligations in terms of the preference shares.

For further details on this transaction, refer to the circular dated 20 June 2007.

The economic substance of this transaction is that the BEE partners have received a equity-settled call option over the Italtile Limited shares, which matures in eight years time. The cost of the transaction has been valued accordingly by using a Monte Carlo simulation model and using the following inputs:

Share price	R3,03
Exercise price	R4,57
Volatility	28%
Time to maturity	8 years
Risk-free interest rate	9,89%
Prime interest rate	13,21%
Dividend yield	2%

The model is not particularly sensitive to the risk-free and prime interest rate assumptions, as any change in the one would generally be offset by a change in the other. The predicted volatility is based on an analysis of the historic Italtile Limited share price volatility, over the last seven years.

The total cost of the transaction was determined as Rnil (2008: R25 million).

	2009 Rm's	2008 Rm's
7. FINANCE REVENUE		
Bank interest receivable	18	12
Income from investments:		
Dividends from unlisted equity investments	30	8
Total finance revenue (on a historical cost basis)	48	20
8. FINANCE COST		
Bank loans and overdraft	39	13
Finance charges payable under finance leases	1	1
Total finance cost (on a historical cost basis)	40	14

	2009 Rm's	2008 Rm's
9. TAXATION		
Current taxation		
– Normal tax	96	119
– Deferred tax	2	—
– Secondary tax on companies	11	9
	109	128
#Less than R1 million.		
Reconciliation of tax rate	%	%
Standard tax rate – South Africa	28,0	28,0
Adjusted for:		
Exempt income	(2,3)	(0,6)
Other permanent differences	0,8	2,0
Secondary tax on companies	3,0	2,2
Effective tax rate	29,5	31,6
10. EARNINGS PER SHARE		
Earnings per share and diluted earnings per share is based on the income attributable to ordinary shareholders of R257 million (2008: R275 million). The calculation of earnings per share is based on 794 550 273 (2008: 796 333 413) weighted average number of shares in issue during the period, excluding weighted average treasury shares. The calculation of diluted earnings per share is based on:		
Weighted average number of shares in issue for basic earnings per share	794 550 273	796 333 413
Potentially dilutive ordinary shares resulting from options outstanding	865 864	4 669 333
Weighted average number of shares for diluted earnings per share	795 416 137	801 002 746
88 000 000 share options in issue to BEE partners (refer to note 6) are anti-dilutive at the current share price levels and have been excluded from the diluted earnings weighted average number of shares		
11. HEADLINE EARNINGS PER SHARE		
Headline earnings per share (cents)	32,4	34,4
Diluted headline earnings per share (cents)	32,4	34,2
The calculation of headline and diluted headline earnings per share is based on the income attributable to ordinary shareholders – as used in the calculation for basic earnings, adjusted in terms of Circular 08/07, "Headline Earnings".		
Reconciliation of headline and diluted headline earnings		
Basic earnings	257	275
Profit/(loss) on sale of land and buildings	1	(2)
Gross amount	1	(2)
Taxation	—#	—#
Share attributable to minority shareholders	—	—
Headline and diluted headline earnings	258	273

#Less than R1 million.

Notes to the group financial statements continued

for the year ended 30 June 2009

		2009 Rm's	2008 Rm's
11.	HEADLINE EARNINGS PER SHARE *(continued)*		
	The calculation of headline earnings is based on 794 550 273 (2008: 796 333 413) weighted average number of shares in issue during the period, excluding weighted average treasury shares		
	The calculation of diluted headline earnings per share is based on:		
	– Weighted average number of shares in issue for headline earnings per share	794 550 273	796 333 413
	– Potentially dilutive ordinary shares resulting from options outstanding	865 864	4 669 333
	Weighted average number of shares for diluted headline earnings per share	795 416 137	801 002 746
	88 000 000 share options in issue to BEE options (refer to note 6) are anti-dilutive of the current share price levels and have been excluded from the diluted headline earnings weighted average number of shares		
12a	DIVIDENDS PAID IN THE CURRENT YEAR		
	Final 2008 – No 84		
	Paid 2009: 8 cents per share (2008: 6 cents)	64	49
	Interim 2009 – No 85		
	Paid 2009: 6 cents per share (2008: 4 cents)	43	35
	Total – 14 cents per share (2008: 10 cents per share)	107	84
12b	DIVIDENDS DECLARED WITH RELATION TO CURRENT YEAR PROFIT		
	Interim – No 85		
	6 cents per share (2008: 4 cents per share)	43	35
	Final – No 86		
	5 cents per share (2008: 8 cents per share)	40	64
	Total – 11 cents per share (2008: 12 cents per share)	83	99

	Land and buildings* Rm's	Plant and machinery Rm's	Vehicles Rm's	Aircraft Rm's	Computer equipment Rm's	Furniture and fittings Rm's	Total Rm's
13. PROPERTY, PLANT AND EQUIPMENT							
2009							
Owned and leased							
Beginning of year							
– assets at cost	795	37	8	—	19	132	991
– accumulated depreciation	(16)	(19)	(2)	—	(13)	(80)	(130)
– net book value	779	18	6	—	6	52	861
Current year movements							
– additions	57	7	2	31#	4	24	125
– disposals	(4)	(4)	(3)	—	(1)	(2)	(14)
– depreciation	(4)	(6)	(2)	(1)	(4)	(24)	(41)
– translation	(15)	(1)	—	—	—	(1)	(17)
Balance at end of year	813	14	3	30	5	49	914
Made up as follows:							
– assets at cost	827	42	6	31	20	149	1 075
– accumulated depreciation	(14)	(28)	(3)	(1)	(15)	(100)	(161)
– net book value	813	14	3	30	5	49	914

**Constituting owner- and related-party occupied properties.*

#Acquired through acquisition of subsidiary. Refer to note 28.

Buildings with a cost of R606 million were valued on 17 June 2008 by AJH Valuations CC, independent professional valuers, to a replacement value for existing use of R1,1 billion.

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 22. The net book value of furniture and fittings held under finance leases at 30 June 2009 was Rnil million (2008: R1 million). Additions during the year include Rnil (2008: Rnil) of furniture and fittings held under finance leases with R1 million (2008: R1 million) in depreciation and write downs. The net book value of aircraft held under finance lease at 30 June 2009 was R30 million. Additions during the year include R31 million (2008: Rnil) of aircraft held under finance lease with R1 million (2008: Rnil) in depreciation and write downs. Leased assets are pledged as security for the related finance lease. Refer to note 22 for further details.

ITALTILE Limited

	Land and buildings* Rm's	Plant and machinery Rm's	Vehicles Rm's	Computer equipment Rm's	Furniture and fittings Rm's	Total Rm's
13. PROPERTY, PLANT AND EQUIPMENT *(continued)*						
2008						
Owned and leased:						
Beginning of year						
– assets at cost	697	27	4	20	99	847
– accumulated depreciation	(9)	(16)	(1)	(11)	(57)	(94)
– net book value	688	11	3	9	42	753
Current year movements						
– additions	80	9	5	1	38	133
– disposals	(6)	—	(1)	—	(2)	(9)
– depreciation	(5)	(4)	(1)	(5)	(26)	(41)
– translation	22	2	—	1	—	25
Balance at end of year	779	18	6	6	52	861
Made up as follows:						
– assets at cost	795	37	8	19	132	991
– accumulated depreciation	(16)	(19)	(2)	(13)	(80)	(130)
– net book value	779	18	6	6	52	861

**Constituting owner- and related-party occupied properties.*

	2009 Rm's	2008 Rm's
14. AVAILABLE-FOR-SALE INVESTMENTS		
Unlisted		
Equity instruments – at cost	7	8
Directors' valuation of unlisted investments	7	8

All unlisted equity instruments have no reliable measure of fair value as there is no active trading market for these instruments, therefore these investments are carried at cost less accumulated impairment.

	2009 Rm's	2008 Rm's
15. LONG-TERM ASSETS		
Lease premiums		
Lease premiums paid in advance on land leases that have a duration of between 35 and 50 years.	9	9
16. GOODWILL		
Beginning of year		
– cost	6	4
– impairment	—	—
– net book value	6	4
Goodwill arising on increase in share in subsidiary	—	2
Balance at end of year	6	6
Made up as follows:		
– cost	6	6
– impairment	—	—
– net book value	6	6
17. DEFERRED TAXATION		
Deferred tax assets	3	6
Deferred tax liabilities	(2)	(3)
	1	3

The deferred tax balance is made up as follows:

	Opening balance Rm's	Charged through income statement Rm's	Closing balance Rm's
Deferred tax asset:			
Accruals	4	(2)	2
Property, plant and equipment	2	(1)	1
Deferred tax liability:			
Property, plant and equipment	(3)	2	(1)
Prepayments	—	(1)	(1)
Net deferred tax asset/liability	3	(2)	1

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

The tax rate applied to South African entities is 28% (2008: 28%) for normal taxation and 10% (2008: 10%) for STC. Australian entities are taxed at 30%.

ITALTILE Limited

	2009 Rm's	2008 Rm's
18. INVENTORIES		
Finished goods and merchandise	191	263
R4 million of inventory write down was reversed in the current year, whilst the expense in 2008 was less than R1 million. This reversal expense is included in the general and administration expenses line item on the face of the income statement.		
19. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables	92	92
Sundry debtors	44	44
	136	136

For terms and conditions relating to related-party receivables, refer to note 32.

Trade receivables are non-interest-bearing and are generally on 30-day terms.

The fair value approximates the carrying value due to the short-term nature of these balances.

As at 30 June 2009, trade receivables at nominal value of R4 million (2008: R1 million) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Individually impaired Rm's	Total Rm's
At 1 July 2007	2	2
Charge for the year	1	1
Utilised	(2)	(2)
Unused amounts reversed	—#	—#
At 30 June 2008	1	1
Charge for the year	3	3
At 30 June 2009	4	4

#Less than R1 million.

As at 30 June 2009, the ageing analysis of trade receivables is as follows:

			Past due		
	Total Rm's	Current (not impaired) Rm's	30 – 60 days Rm's	60 – 90 days Rm's	> 90 days Rm's
2009	92	90	2	—	—
2008	92	90	1	1	—#

#Less than R1 million.

Allowances have been raised on debt older than 90 days.

	2009 Rm's	2008 Rm's
20. CASH AND CASH EQUIVALENTS		
Cash at banks and on hand	**190**	129
Short-term deposits	**477**	152
	667	281

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.
The fair value approximates the carrying value due to the short-term nature of these balances.

	2009 Rm's	2008 Rm's
21. STATED CAPITAL		
Authorised		
3 300 000 000 ordinary shares of no par value		
Issued		
909 800 452 (2008: 909 800 452) ordinary shares of no par value	**417**	417
Number of shares in issue to external parties:		
Total shares in issue	**909 800 452**	909 800 452
Opening balance	**909 800 452**	821 800 452
Issued in terms of BEE transaction	**—**	88 000 000
Treasury shares: Share incentive trust	**(25 815 909)**	(27 976 931)
BEE transaction	**(88 000 000)**	(88 000 000)
In issue to external parties	**795 984 543**	793 823 521

All unissued shares are under the control of the directors until the next annual general meeting.

	2009 Rm's	2008 Rm's
22. INTEREST-BEARING LOANS AND BORROWINGS		
Finance leases		
Secured		
Rand		
This finance lease bears interest at prime less 2,25% per annum, with a residual value of R12 million. The lease terminates on 3 December 2012.		
Obligations under finance leases	15#	2
Current obligation included in accruals	(3)	(1)
Non-current obligations under finance leases	12	1
Secured		
Rand		
The loan bears interest at prime less 2,4% per annum, and is repayable on 9 April 2011. The loan is secured by a cession of all shares and claims in Allmuss Properties (Pty) Limited.	300	73
Foreign long-term loans		
Australian dollars		
Loans secured by a first mortgage over property that has a current value of R57 million, the first loan of R20 million bears interest at 8,4% per annum, and matures on 5 October 2012. The second loan of R9 million bears interest of 6,5% per annum, and matures on 31 October 2011.	29	24
	341	98
#Acquired through acquisition of subsidiary. Refer to note 28.		
The fair value of the long-term borrowings approximates the carrying value, as the current market rates of interest do not differ materially from those specified in the loan agreements.		
23. TRADE AND OTHER PAYABLES		
Trade payables	187	214
Accruals/other payables	51	62
	238	276
For terms and conditions relating to related parties, refer to note 31.		
Trade payables are non-interest-bearing and are normally settled on 30-day terms.		
Accruals/other payables are mostly non-interest-bearing and have an average term of three months.		
The fair value of all trade and other payables approximates the carrying value, due to the short-term nature of these balances.		

	2009 Rm's	2008 Rm's
24. JOINT VENTURE		
The Group has a 50% interest in SER Export s.p.a, a company incorporated in Italy.		
Impact on Group balance sheet		
Current assets	40	32
Non-current assets	13	10
Current liabilities (non-interest-bearing)	(32)	(27)
Impact on Group income statement		
Income	69	7
Expenses	(68)	(2)
Impact on Group cash flow statement		
Cash flow from operating activities	8	5
Cash outflow from investing activities	—#	(2)
Cash from financing activities	—	—
There are no significant contingent liabilities or commitments in respect of this joint venture for which the Group is responsible (2008: nil).		
25. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS		
Profit before taxation	369	405
Adjusted for:		
Depreciation	41	41
Profit/(loss) on sale of property, plant and equipment	1	(2)
Interest received	(18)	(12)
Dividends received	(30)	(8)
Interest paid	40	14
Share option expense	—	1
BEE share option expense	—	25
Working capital changes		
Decrease/(increase) in inventories	75	(38)
Increase in trade and other receivables	(1)	(43)
Decrease in trade and other payables	(35)	(56)
Cash generated from operations	442	327
#Less than R1 million.		
26. TAXATION PAID		
Amounts unpaid at beginning of year	(10)	(23)
Charged per income statement	(109)	(128)
Deferred tax expense	2	—#
Amounts unpaid at end of year	6	10
Amounts paid	(111)	(141)
#Less than R1 million.		
27. DIVIDENDS PAID		
Charged per statement of changes in equity	(107)	(84)
Dividends paid to minority shareholders	(4)	(1)
Amounts paid	(111)	(85)

ITALTILE Limited

28. SUBSIDIARIES

Majuba Aviation

On 31 March 2009, the Group acquired the full share capital and voting rights of Majuba Aviation (Proprietary) Limited, a company in the aviation industry.

The fair value of the identifiable assets and liabilities of Majuba Aviation (Proprietary) Limited as at the date of acquisition were:

	Fair value recognised on acquisition Rm's
Aircraft	31
	31
Finance lease liability	15
	15
Net assets	16
Total net assets acquired	16
Goodwill arising on transaction	—
Consideration, satisfied by cash	16
Cash flow on acquisition	
Cash paid	(16)
Net cash outflow	(16)

The accounting recognised in the 30 June 2009 financial statements was based on a fair value as the Group had sought an independent valuation for the aircraft owned by Majuba Aviation.

Italtile Retail

During the financial year, the Group restructured its Italtile store operations. It subscribed for additional shares in the subsidiary and a party outside the Group also subscribed for shares. As a result, Italtile Ceramic's shareholding decreased by R26 million to 55% while the minority interest now holds 45%. This transaction was accounted for in accordance with the accounting policy on accounting for transactions with minority interests.

	2009 Rm's	2008 Rm's
29. COMMITMENTS		
Capital commitments		
Capital expenditure for land and buildings, computer equipment and other fixed assets		
Contracted	23	41
Authorised but not contracted for	46	60
	69	101

Capital expenditure will be financed from own resources.

29. COMMITMENTS *(continued)*

Finance lease commitments

The Group has finance lease commitments for various items of furniture and fittings. The Group does have the option to purchase the assets at the end of the lease. There are no escalation clauses. Future minimum lease payments under finance leases, together with the present value of the minimum lease payments, are as follows:

	2009		2008	
	Minimum payments Rm's	Present value of payments (note 22) Rm's	Minimum payments Rm's	Present value of payments (note 22) Rm's
Within one year	3	3	1	1
After one year but not more than five years	12	12	1	1
Total minimum lease payments	15	15	2	2
Less amounts representing finance charges	(4)		(1)	
Present value of minimum lease payments	11		1	2

Operating lease commitments

Refer to note 5 for details of lease commitments.

30. EMPLOYEE BENEFITS

The Group participates in the Alexander Forbes Retirement Fund. This is an umbrella fund arrangement created for the provision of retirement benefits. The fund is a defined-contribution plan and is governed by the Pension Fund Act, 1956 (Act No 24 of 1956).

The financial position of the Alexander Forbes Retirement Fund (Provident Section): Italtile Limited is currently reviewed on a monthly basis. As at 30 June 2009, the fund was found to be in a sound financial position.

At 30 June 2009, 1 042 (2008: 947) employees of the Group and Franchises were members of the Fund, to which the Group contributed R14 million (2008: R9 million) and the employees Rnil (2008: R4 million).

The Fund is open to all permanent staff with their participation thereof being a condition of employment. Their dependants are eligible for death benefits accruing from the Fund in the event of the member's death.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise bank loans, finance leases and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets, such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Group enters into derivative transactions, primarily forward currency contracts. The purpose is to manage the currency risk arising from the Group's operations.

It is, and has been throughout 2009 and 2008, the Group's policy that no trading in derivates shall be undertaken.

The main risk arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the finance revenue generating ability of the Group's cash surplus and servicing of long-term loans due to floating interest rates. To manage this risk, management constantly review cash placements and contract in financial expertise to ensure preferential interest rates are obtained for surplus funding.

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.

The Australian dollar denominated loans (refer to note 22) attract a fixed rate of interest whereas the Rand denominated loan and Rand finance lease bear interest at a floating rate. The following table demonstrates the Group's sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings). There is only an immaterial impact on the Group's equity. Full details of interest rates relating to borrowings are detailed in note 22.

Foreign currency risk

As a result of the Australian dollar denominated loan balance, the Group's balance sheet can be affected by movements in the Australian dollar/rand exchange rate. Due to the value of the loan any movements are unlikely to have a material effect on the results of the Group.

The Group has transactional currency exposures. Such exposure arises from purchases by an operating unit in currencies other than the unit's functional currency. Approximately 25% (2008: 35%) of cost of sales are denominated in the currencies other than the unit's functional currency. The Group requires all of its operating units to use forward currency contracts to eliminate the currency exposures on any individual transaction for which payment is anticipated on terms after the Group has entered into a firm commitment for a purchase, for which no letter of credit has been issued. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

It is the Group's policy not to apply hedge accounting.

At 30 June 2009, the Group had no significant forward exchange contracts.

Exchange rates utilised to convert financial information are as follows:

	2009		2008	
	Weighted average rate for the year	**Closing rate**	Weighted average rate for the year	Closing rate
Australian $: ZAR	**6,67:1**	**6,34:1**	6,56:1	7,66:1
Botswana Pula: ZAR	**1,24:1**	**1,18:1**	1,19:1	1,22:1
Euro: ZAR	**13,08:1**	**13,34:1**	9,67:1	10,04:1
Namibian $: ZAR	**1:1**	**1:1**	1:1	1:1

Credit risk

The Group trades only with recognised, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, and, where appropriate, credit guarantee insurance is purchased. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debs is not significant. The maximum exposure is the carrying amount as disclosed in note 19. There is no significant concentration of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds arising by using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g. accounts receivables, other available-for-sale investments) and projected cash flows from operations.

Adequate cash reserves are invested in a dividend income fund in order to match the repayment profile of the secured Rand loan.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and finance leases.

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

The table below summarises the maturity profile of the Group's financial liabilities at 30 June 2009, based on contractual undiscounted payments.

Year ended 30 June 2009

	On demand Rm's	Less than 3 months Rm's	3 to 12 months Rm's	1 to 5 years Rm's	> 5 years Rm's	Total Rm's
Interest-bearing loans and borrowings	—	—	—	341	—	341
Trade and other payables	—	208	30	—	—	238
	—	208	30	341	—	579

Year ended 30 June 2008

	On demand Rm's	Less than 3 months Rm's	3 to 12 months Rm's	1 to 5 years Rm's	> 5 years Rm's	Total Rm's
Interest-bearing loans and borrowings	—	—	1	97	—	98
Trade and other payables	—	229	47	—	—	276
	—	229	48	97	—	374

The Group has cash and cash equivalents of R667 million (2008: R281 million), and unutilised credit facilities of R138 million (2008: R138 million) in respect of which all conditions precedent had been met.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the year ended 30 June 2009 and 2008.

The Group's business model is such that the operations ensure a consistent cash flow. This source is used to find expansion and business growth. In addition the Group raised R300 million financing in the current financial year. This replaces a R73 million facility procured in 2008.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

The Group monitors capital using a gearing ratio which is defined as interest-bearing debt and borrowings as a percentage of equity attributable to the equity holders of the parent.

	2009 Rm's	2008 Rm's
Interest-bearing debt and borrowings	341	98
Equity attributable to the equity holders of the parent	1 306	1 158
Gearing ratio	26%	8%

In addition, consideration is given to black economic empowerment, or BEE. In 2008 the Group finalised a BEE transaction to sell 10,7% of the Group's ordinary share capital to a BEE consortium which includes Italtile's black staff. All conditions precedent were met on 22 February 2008 and 88 000 000 ordinary shares were issued. The BEE transaction fulfils an important component of Italtile's BEE strategy which was initiated with enterprise development and the introduction of black-owned franchisees, following which the Group met all its employment equity targets. With the achievement of these key elements of broad-based BEE, the Group is now well positioned to access segments of the market from which it was previously precluded.

32. RELATED-PARTY TRANSACTIONS

The Company is controlled by Rallen (Pty) Limited which owns 51,3% (2008: 51,2%) of its issued share capital. The Group purchases product from Rallen (Pty) Limited's subsidiary, Ceramic Industries Limited. In addition, the Company pays Rallen (Pty) Limited for directors' remuneration.

Other related parties listed are related due to the sharing of key management personnel.

All related-party transactions are concluded at arm's length. Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related-party receivables or payables. For the year ended 30 June 2009, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2008: Rnil) nor incurred any bad debt expense in the current year (2008: Rnil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Details of related-party transactions are as follows:

		Aggregate value of transactions		Balances owing at year-end	
Related party	Nature of transactions	2009 Rm's	2008 Rm's	2009 Rm's	2008 Rm's
Ceramic Industries Limited	Inventory purchases	312	429	45	54
Rabin and Associates	Legal services	—	10	—	—
Rallen (Pty) Limited	Management fees	1	1	—	—
Routledge Modise in association with Eversheds	Legal services	1	1	—	—

Key management personnel comprise only the Board of Directors. Remuneration paid to key management personnel of the Group is therefore detailed in the directors' report (refer to page 35). No balances were owing at year-end (2008: nil).

	Retail	Franchising	Property	Supply and support services	Group
33. SEGMENTAL REPORTING					
Primary segments					
2009					1 521
Group revenue					
Add:					
Other income					20
Add back:					
Interest and dividend received (excluded from segment revenue)					(48)
Revenue (external)	1 052	65	78	298	1 493
– Total	1 052	111	138	576	1 877
– Internal (with other segments)	—	(46)	(60)	(278)	(384)
Depreciation (non-cash item)					(41)
Other net (expenses)/income					(1 091)
Segment results	183	94	49	35	361
Net interest and dividends received					8
Group profit before taxation					369
Total segment assets	337	10	736	180	1 263
Deferred taxation					3
Cash and cash equivalents					667
Total Group assets					1 933
Total segment liabilities	111	5	39	83	238
Deferred taxation					2
Interest-bearing loans and borrowings					341
Taxation					6
Total Group liabilities					587
Cost of assets acquired	16	0	64	45	125

	Retail	Franchising	Property	Supply and support services	Group
33. SEGMENTAL REPORTING *(continued)*					
Primary segments					
2008					
Group revenue					1 798
Add:					
Other income					22
Add back:					
Interest and dividend received (excluded from segment revenue)					(20)
Revenue (external)	1 333	60	62	345	1 800
– Total	1 333	158	144	856	2 491
– Internal (with other segments)	—	(98)	(82)	(511)	(691)
Depreciation (non-cash item)	(21)	—	(13)	(7)	(41)
Other net (expenses)/income	(1 059)	27	(12)	(316)	(1 360)
Segment results	253	87	37	22	399
Net interest and dividends received					6
Group profit before taxation					405
Total segment assets	322	59	654	248	1 283
Deferred taxation					6
Cash and cash equivalents					281
Total Group assets					1 570
Total segment liabilities	125	2	10	139	276
Deferred taxation					3
Interest-bearing loans and borrowings					98
Taxation					10
Total Group liabilities					387
Cost of assets acquired	58	—	70	5	133

33. SEGMENTAL REPORTING *(continued)*

Nature of business segments

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

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

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

Supply and support services: Income and costs incurred in providing procurement, management and secretarial services.

	South Africa	Other countries	Group
Secondary segments			
2009			
Revenue – external sales	**1 271**	**222**	**1 493**
Total assets	**1 650**	**283**	**1 933**
Cost of assets acquired	**93**	**32**	**125**
2008			
Revenue – external sales	1 677	123	1 800
Total assets	1 379	191	1 570
Cost of assets acquired	89	44	133

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, Kenya, Unganda, Zambia, Lesotho and Namibia.

Intersegmental transfer pricing

All intersegmental transactions are concluded at arm's length.