THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 3 of this Circular apply *mutatis mutandis* throughout this Circular.

If you are in any doubt as to the action you should take, please consult your broker, CSDP, attorney, accountant, banker or other professional adviser immediately.

1. If you have disposed of all of your Shares in Italtile, then this Circular, together with the attached notice of general meeting and form of proxy should be forwarded to the purchaser to whom, or the broker, agent, CSDP or banker through whom you disposed of your Shares.

2. The General Meeting convened in terms of this Circular will be held at 10:00 on Wednesday, 21 September 2016 at the registered office of Italtile, The Italtile Building, Corner William Nicol Drive and Peter Place, Bryanston, 2021.

3. **Certificated Shareholders and Dematerialised Shareholders with "own name" registration,** who are unable to attend the General Meeting and wish to be represented thereat, must complete and return the attached form of proxy in accordance with the instructions contained therein.

   Dematerialised Shareholders, other than Dematerialised Shareholders with "own name" registration, who:

   – are unable to attend the General Meeting and wish to be represented thereat, must provide their CSDP or broker with their voting instructions, in terms of the Custody Agreement entered into between themselves and the CSDP or broker concerned, in the manner and within the time stipulated therein;

   – wish to attend the General Meeting, must instruct their CSDP or broker to issue them with the necessary letter of representation to attend, in the form of a letter of representation.

4. Italtile does not accept any responsibility and will not be held liable for any failure on the part of any CSDP or broker of a Dematerialised Shareholder to notify such Shareholder of this Circular and/or the General Meeting or any business to be concluded thereat.

ITALTILE LIMITED

Incorporated in the Republic of South Africa
(Registration number 1955/000558/06)
Share code: ITE ISIN: ZAE000099123
("Italtile" or "the Company")

CIRCULAR TO SHAREHOLDERS OF ITALTILE

regarding

– the Related Party acquisition by Italtile Ceramics of the Ceramic Target Shares for a purchase consideration of R3,4 billion, R1,7 billion of which is to be settled in cash and the remainder through the issue of 146 977 330 Italtile Shares at a price of R11,57 per Share;

and enclosing

– a notice convening the General Meeting; and

– a form of proxy for use by Certificated Shareholders of Italtile and "own name" registered Dematerialised Shareholders only.

Sponsor

Legal advisers

Auditors and reporting accountants to Italtile

Reporting accountants to Ceramic

Independent expert

Date of issue: 23 August 2016

Additional copies of this Circular, in its printed format, may be obtained from the registered office of the Company and the Sponsor at the addresses set out in the "Corporate information" section of this Circular during normal business hours from Tuesday, 23 August 2016 up to and including, Wednesday, 21 September 2016, or on the Company's website at www.italtile.com. Copies of this Circular are available in the English language only.

CORPORATE INFORMATION

Italtile Limited
Date of incorporation: 25 February 1955
Place of incorporation: South Africa

Company Secretary and registered address of Italtile
E J Willis
Italtile Limited
(Registration number 1955/000558/06)
The Italtile Building
Corner William Nicol Drive and Peter Place
Bryanston, 2021
(PO Box 1689, Randburg, 2125)

Sponsor
Merchantec Capital
(Registration number 2008/027362/07)
2nd Floor, North Block
Hyde Park Office Tower
Corner 6th Road and Jan Smuts Avenue
Hyde Park, Johannesburg, 2196
(PO Box 41480, Craighall, 2024)

Auditors and reporting accountants to Italtile
Ernst and Young Inc.
(Registration number 2005/002308/21)
102 Rivonia Road
Sandton, 2196
(Private Bag X14, Sandton, 2146)

Independent Expert
Merchantec Capital
(Registration number 2008/027362/07)
2nd Floor, North Block
Hyde Park Office Tower
Corner 6th Road and Jan Smuts Avenue
Hyde Park, Johannesburg, 2196
(PO Box 41480, Craighall, 2024)

Legal advisers
Hogan Lovells (South Africa) Inc.
(Registration number 1992/006150/21)
22 Fredman Drive,
Sandton, Johannesburg, 2196
(PO Box 78333, Sandton City, 2146)

Reporting accountants to Ceramic
KPMG Inc.
(Registration number 1999/021543/21)
KPMG Crescent, 85 Empire Road
Parktown, 2193
(Private Bag 9, Parkview, 2122)

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

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IMPORTANT DATES AND TIMES

	2016
Record date to determine which Shareholders are entitled to receive the Circular	Friday, 12 August
Circular distributed to Shareholders on	Tuesday, 23 August
Last day to trade to participate in and vote at the General Meeting	Tuesday, 13 September
Voting Record Date to participate in and vote at the General Meeting	Friday, 16 September
Last day to lodge forms of proxy for the General Meeting by 10:00 on	Monday, 19 September
General Meeting to be held at 10:00 on	Wednesday, 21 September
Results of General Meeting released on SENS on	Wednesday, 21 September
Results of General Meeting published in the press on	Thursday, 22 September

Notes:

1. The above dates and times are subject to amendment. Any such amendment will be released on SENS.
2. Additional copies of this Circular in its printed format, may be obtained from the registered office of the Company and the Sponsor at the addresses set out in the "Corporate information" section of this Circular during normal business hours from Tuesday, 23 August 2016 up to and including, Wednesday, 21 September 2016, or on the Company's website at www.italtile.com. Copies of this Circular are available in the English language only.

DEFINITIONS AND INTERPRETATIONS

In this Circular and the annexures hereto, unless the context otherwise indicates, references to the singular include the plural and vice versa, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and *vice versa,* and the words in the first column hereunder have the meaning stated opposite them in the second column, as follows:

"Acquisition"	the acquisition by Italtile Ceramics of the Ceramic Target Shares for the Purchase Consideration;
"Aka"	Aka Ceramic Holdings Proprietary Limited (Registration Number 2008/011503/07), a private company duly registered and incorporated in accordance with the laws of South Africa and a wholly-owned subsidiary of Aka Capital Proprietary Limited. The director of Aka is N S Nematswerani;
"Alternative Proposal"	any *bona fide* proposal or offer regarding any merger, amalgamation, share exchange, business combination, take-over bid, scheme of arrangement, sale or other disposition of all or substantially all of the assets of Ceramic, acquisition of a beneficial interest in the voting securities of Ceramic, recapitalisation, reorganisation, liquidation or any similar transaction, or series of transactions, which, if completed, would mean a person (other than Italtile Ceramics), would directly or indirectly: (a) acquire or agree to acquire all or a substantial part of the assets or business of Ceramic and/or its Subsidiaries; or (b) acquire or agree to acquire 10% or more of the Ceramic Shares not held by it at the date of signature of the Implementation Agreement; but for purposes hereof, excluding any repurchase by Ceramic of the Ceramic Settlement Shares and all of the Ceramic Shares held by the BEE Staff Empowerment Trust in accordance with the terms and subject to the conditions, if any, set out in the respective subscription agreements concluded with the Ceramic Empowerment Shareholders and the BEE Staff Empowerment Trust;
"BEE Staff Empowerment Trust"	the Trustees for the time being of the Ceramic Industries BEE Staff Empowerment Trust, a trust duly registered with the Master of the High Court with IT number 1188/09;
"Binding Offer Letter"	the binding offer letter submitted by Italtile and Italtile Ceramics to Ceramic on 15 July 2016 pursuant to which Italtile Ceramics offers to acquire the Ceramic Target Shares held by Ceramic Scheme Participants, which binding offer letter is an annexure to the Implementation Agreement;
"Board" or "Directors"	the board of directors of Italtile at the Last Practicable Date whose details are set out in paragraph 8 of this Circular;
"Business Day"	any day other than a Saturday, Sunday or an official public holiday in South Africa;
"Cash Consideration"	a cash amount equal to R1,7 billion;
"Ceramic"	Ceramic Industries Proprietary Limited (Registration number 1982/008520/07), a private company duly registered and incorporated in accordance with the laws of South Africa, of which Italtile Ceramics holds 19,60% of the entire issued share capital;
"Ceramic Board"	the board of directors of Ceramic at the Last Practicable Date;
"Ceramic Empowerment Shareholders"	collectively Aka, Peotona and the Foundation Trust;
"Ceramic Group"	Ceramic, its Subsidiaries and its associates;
"Ceramic Scheme"	the scheme of arrangement proposed by the Ceramic Board between Ceramic and the Ceramic Scheme Members, in terms of section 114(1) of the Companies Act, which, if implemented, will result in Italtile Ceramics acquiring the Ceramic Target Shares;
"Ceramic Scheme Implementation Date"	the first business day of the month following the month in which the fulfilment or waiver of the last of the Conditions Precedent takes place;
"Ceramic Scheme Meeting"	the meeting of Ceramic Shareholders convened in connection with the Ceramic Scheme;
"Ceramic Scheme Members"	all holders of Ceramic Shares, other than those holders of Ceramic Shares which are precluded in terms of the provisions of the Companies Act from voting in respect of the Ceramic Scheme;
"Ceramic Scheme Participants"	holders of Ceramic Target Shares, other than Italtile Ceramics, National Ceramic Industries and any Dissenting Ceramic Shareholders;

"Ceramic Scheme Special Resolution"	the special resolution to be passed at the Ceramic Scheme Meeting, by the requisite majority of Ceramic Shareholders entitled to vote on the Ceramic Scheme, approving the Ceramic Scheme in terms of section 115(2)(a) of the Companies Act;
"Ceramic Settlement Shares"	a portion of the Ceramic Shares held by the Ceramic Empowerment Shareholders which may need to be repurchased and cancelled by Ceramic in accordance with the terms and subject to the conditions set out in the relevant subscription agreements;
"Ceramic Shareholders"	holders of Ceramic Shares;
"Ceramic Shares"	ordinary shares of no par value in the authorised and issued share capital of Ceramic;
"Ceramic Target Shares"	the entire issued share capital of Ceramic held by Ceramic Scheme Participants on the Scheme Consideration Record Date (who shall be eligible to receive the Purchase Consideration);
"Certificated Shareholder"	an Italtile Shareholder who holds Certificated Shares;
"Certificated Share"	an Italtile Share that has not been Dematerialised, title to which is evidenced by a Document of Title;
"Circular"	this bound document, dated 23 August 2016, including the annexures hereto and incorporating a Notice of General Meeting and a form of proxy;
"Companies Act"	the Companies Act, 2008 (Act 71 of 2008), as amended;
"Computershare Investor Services" or "Transfer Secretaries"	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company duly incorporated in accordance with the laws of South Africa;
"Conditions Precedent"	the conditions precedent to the Acquisition referred to in paragraph 3.5 below;
"CSDP"	a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act, appointed by an individual shareholder for the purposes of, and in regard to Dematerialisation;
"Custody Agreement"	the agreement which regulates the relationship between the CSDP or broker and each beneficial holder of Dematerialised Shares;
"Dematerialisation"	the process by which Certificated Shares are converted into electronic format as Dematerialised Shares and recorded in Italtile's Uncertificated Securities Register;
"Dematerialised Shareholder"	an Italtile Shareholder who holds Dematerialised Shares;
"Dematerialised Share"	an Italtile Share that has been Dematerialised or has been issued in Dematerialised form, and recorded in Italtile's Uncertificated Securities Register;
"Dissenting Ceramic Shareholders"	Ceramic Shareholders who validly exercise their rights of appraisal and who have not withdrawn their demand made in terms of sections 164(5) to 164(8) of the Companies Act, or allowed any offers made to them in terms of section 164(11) of the Companies Act to lapse;
"Documents of Title"	share certificates, certified transfer deeds, balance receipts and/or any other form of acceptable documents of title acceptable to Italtile in respect of Italtile Shares;
"Financial Markets Act"	Financial Markets Act, 2012 (Act 19 of 2012), as amended;
"First Payment Date"	the 28th day of the month succeeding the month in which the last of the Conditions Precedent has been fulfilled or waived, as the case may be;
"Foundation Trust"	the Trustees for the time being of the Ceramic Foundation Trust, a trust duly registered with the Master of the High Court with IT number 1187/09;
"General Meeting"	the general meeting of Shareholders to be held at 10:00 on Wednesday, 21 September 2016 at the registered office of Italtile, The Italtile Building, Corner William Nicol Drive and Peter Place, Bryanston, 2021, which meeting is convened in terms of the Notice of General Meeting attached to this Circular;
"IFRS"	International Financial Reporting Standards, as issued by the International Accounting Standards Board;
"Implementation Agreement"	the written agreement entered into between Italtile, Italtile Ceramics and Ceramic on the Signature Date, which governs, *inter alia,* the terms of the Acquisition and the implementation of the Ceramic Scheme, together with all annexures thereto;
"Independent Expert"	Merchantec Capital, being the independent expert appointed by the Board to provide a fairness opinion on the Acquisition for the purposes of paragraph 10.4(f) of the Listings Requirements;

"Italtile or "the Company"	Italtile Limited (Registration number 1955/000558/06), a public company duly registered and incorporated under the laws of South Africa and listed on the JSE;
"Italtile Ceramics"	Italtile Ceramics Proprietary Limited (Registration number 1981/007176/07), a private company duly incorporated in accordance with the laws of South Africa and a wholly-owned subsidiary of Italtile and shareholder of Ceramic (19,60%);
"Italtile Group" or "Group"	Italtile and its Subsidiaries;
"Italtile Shareholders" or "Shareholders"	holders of Italtile Shares;
"Italtile Shares" or "Shares"	ordinary shares of no par value in the authorised and issued share capital of Italtile;
"JSE"	JSE Limited (Registration number 2005/022939/06), a public company duly incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act;
"Last Practicable Date"	Friday, 12 August 2016, being the last practicable date prior to the finalisation of this Circular;
"Listings Requirements"	the Listings Requirements of the JSE, as amended from time to time by the JSE;
"LSM"	living standards measure;
"Merchantec Capital" or "Sponsor"	Merchantec Proprietary Limited (Registration number 2008/027362/07), a private company duly registered and incorporated under the laws of South Africa;
"National Ceramic Industries"	National Ceramic Industries South Africa Proprietary Limited (Registration number 1952/001733/07), a private company duly registered and incorporated under the laws of South Africa and a wholly-owned subsidiary of Ceramic. The directors of National Ceramic Industries are L Foxcroft and D Alston;
"Peotona"	Peotona Ceramics Proprietary Limited (Registration Number 2008/001053/07), a private company duly registered and incorporated in accordance with the laws of South Africa and a wholly-owned subsidiary of Peotona Group Holdings Proprietary Limited. The director of Peotona is C A Carolus;
"Purchase Consideration"	an amount equal to R3,4 billion, which is based on a value of R241,46 per Ceramic Target Share, and which amount comprises the Cash Consideration and the Share Consideration, and is to be settled in accordance with paragraph 3.4 below;
"Rallen"	Rallen Proprietary Limited (Registration number 1967/006775/07), a private company duly registered and incorporated under the laws of South Africa and the current majority shareholder of Ceramic (61,00%), and majority shareholder of Italtile (55,96%). The shareholders of Rallen are The Ravazzotti Family Trust (59,998%), G G Ravazzotti (0,001%), L Ravazzotti Langenhoven (0,001%), S Dall'Orta (20%) and G Zannoni (20%). Rallen's directors are G A M Ravazzotti, D N B Band and G Zannoni;
"Rallen Cash Consideration"	the portion of the Cash Consideration which is payable to Rallen as a Ceramic Scheme Participant;
"Rand" or "R"	South African Rand, the official currency of South Africa;
"Register"	Italtile's securities register, including the Uncertificated Securities Register;
"Related Party"	a related party as defined in the Listings Requirements;
"SENS"	the Stock Exchange News Service of the JSE;
"Scheme Consideration Record Date"	the date on, and time at, which, a person must be recorded in the Securities Register of Ceramic in order to be eligible to receive the Purchase Consideration, which date is expected to be 22 September 2016;
"Seven and Three Family Trust"	the trustees for the time being of the Seven and Three Family Trust, a trust duly registered with the Master of the High Court with IT number 587/06, the current trustees of which are AJ du Toit, SM du Toit and M Ramohlanka and the beneficiaries of which are AJ du Toit and SM du Toit, the children of AJ du Toit and SM du Toit, the legal descendants of the aforementioned beneficiaries, any trust created in any country for the benefit of which any beneficiary and/or his/her descendants holds the total interest, the testate or intestate heirs of AJ du Toit and SM du Toit, if none of the beneficiaries referred to above are alive on the vesting date;
"Share Consideration"	the issue and allotment to the respective Ceramic Scheme Participants of 146 977 330 Italtile Shares at an issue price of R11,57 per Share, being the VWAP of Italtile Shares traded on the JSE for the month of February 2016, which Italtile Shares will be listed on the JSE, be credited as fully paid and will rank *pari passu* with all other Italtile Shares;

"Signature Date"	16 July 2016;
"South Africa"	the Republic of South Africa;
"Strate"	the settlement and clearing system used by the JSE, managed by Strate Proprietary Limited (Registration number 1998/022242/07), a private company duly incorporated in accordance with the laws of South Africa and which company is a registered Central Securities Depository in terms of the Financial Markets Act;
"Subsidiary"	a subsidiary as defined in the Companies Act;
"Superior Proposal"	an Alternative Proposal received by Ceramic which the board of directors of Ceramic at the time determines in good faith and in order to satisfy what the board of directors of Ceramic at the time reasonably considers to be its fiduciary or statutory duties (and having taken written advice from its external advisers): (a) is reasonably capable of being valued and implemented, taking into account all aspects of the Alternative Proposal, including its conditions precedent; and (b) would, if completed substantially in accordance with its terms, be more favourable to Ceramic Shareholders than the Acquisition, taking into account all the terms and conditions of the Alternative Proposal;
"The Phithikeza Trust"	the trustees for the time being of the Phithikeza Trust, a trust duly registered with the Master of the High Court with IT number 5179/2005, the current trustees of which are Siyabonga Innocent Gama, Queeneth Fikile Gama and Elizabeth Ntshingila, and the beneficiaries of which are Siyabonga Innocent Gama and Queeneth Fikile Gama, the children of Siyabonga Innocent Gama, and the decendants of his children;
"Treasury Shares"	107 543 294 Shares in the issued share capital of Italtile held by the Italtile Foundation Trust, Four Arrows Investments 256 Proprietary Limited, the Italtile Empowerment Trust and the Italtile Share Incentive Trust as treasury shares;
"Uncertificated Securities Register"	the record of Dematerialised Shares administered and maintained by a CSDP and which forms part of the Register;
"VAT"	value added tax, levied in terms of the provisions of the Value-Added Tax Act, 1991 (Act 89 of 1991), as amended;
"Voting Record Date"	the date on which Italtile Shareholders must be entered in the Register in order to be entitled to vote at the General Meeting, expected to be Friday, 16 September 2016; and
"VWAP"	volume weighted average price.

ITALTILE LIMITED

Incorporated in the Republic of South Africa
(Registration number 1955/000558/06)
Share code: ITE ISIN: ZAE000099123
("Italtile" or "the Company")

Directors
Executive
N Booth (Chief Executive Officer)
B G Wood (Chief Financial Officer)
J N Potgieter (Chief Operations Officer)

Non-executive
G A M Ravazzotti (Chairman)
S M du Toit^ (Lead Independent Non-executive Director)
S I Gama^
S G Pretorius^
A Zannoni*
N Medupe^.

^Independent
**Italian*

CIRCULAR TO SHAREHOLDERS OF ITALTILE

1. INTRODUCTION

On 26 April 2016, it was announced on SENS that Italtile had submitted a non-binding expression of interest to Ceramic to acquire the Ceramic Target Shares, which make up approximately 75% of the issued share capital of Ceramic for the Purchase Consideration.

On 20 July 2016, Shareholders were advised that Italtile, through its wholly-owned subsidiary, Italtile Ceramics, had submitted a binding offer letter to Ceramic and had entered into the Implementation Agreement with Ceramic on 16 July 2016 in respect of the Acquisition. The Purchase Consideration, which equates to R3,4 billion, is to be settled 50% in cash and 50% by the issue of Italtile Shares at an issue price of R11,57 per Share as more fully set out in paragraph 3.4 below.

The Acquisition is classified as a Category 1 transaction in terms of the Listings Requirements. A portion of the Ceramic Target Shares will be acquired from Italtile's majority shareholder, Rallen, which is considered to be a Related Party in terms of paragraph 10.1(b)(i) of the Listings Requirements. Accordingly, the Acquisition constitutes a "related party transaction" in terms of the Listings Requirements and is subject to an independent majority of Italtile Shareholders present in person or by proxy at the General Meeting voting in favour thereof.

Related Parties and their associates will be taken into account in determining a quorum at the General Meeting, but their votes will not be taken into account in determining the results of the voting at such General Meeting in relation to the resolutions required to approve the Acquisition in terms of the Listings Requirements.

The purpose of this Circular is to provide Italtile Shareholders with the relevant information relating to the Acquisition to enable them to make an informed decision, and to give notice of the General Meeting in order for Italtile Shareholders to consider and, if deemed fit, to pass, *inter alia,* the resolutions necessary to approve and implement the Acquisition in accordance with the Listings Requirements. A notice convening such meeting is attached to, and forms part of, this Circular.

2. NATURE OF THE BUSINESS OF ITALTILE

Italtile, which is listed on the main board of the JSE, is a franchisor and retailer of local and imported tiles, sanitaryware, bathware, laminated flooring and other related home-finishing products.

The Group's retail operation comprises three brands: Italtile Retail, CTM and TopT, represented by a total network of 146 stores in Southern and East Africa as at 30 June 2016. The brand offering targets homeowners across LSM categories 4 to 10.

The Group's retail operation is strategically supported by a vertically integrated supply chain, investments in key suppliers, and an extensive property portfolio.

3. THE ACQUISITION

3.1 Implementation of the Acquisition

The Acquisition is to be implemented by way of a scheme of arrangement in terms of section 114, as read with section 115 of the Companies Act, which will be proposed by the Ceramic Board and shall be between Ceramic and Ceramic Scheme Members, other than those holders of Ceramic Shares which are precluded in terms of the provisions of the Companies Act from voting in respect of the Ceramic Scheme.

On implementation of the Acquisition, Ceramic will be a Subsidiary of Italtile.

3.2 Nature of Ceramic

The major assets of the Ceramic Group comprise five tile factories, one sanitaryware factory and one acrylic bath factory, based in South Africa, as well as one tile factory based in Australia.

The tile factories, being Samca Floor, Samca Wall, Vitro, Pegasus, Gryphon and Centaurus, manufacture a combination of pressed and extruded tiles in various sizes, textures and finishes, while the sanitaryware factory, Betta, manufactures a wide range of vitreous china sanitaryware, the main focus being on water closets, basins, cisterns and pedestals.

Ceramic's acrylic bath factory manufactures a comprehensive range of baths and shower trays, catering for all sectors of the local market.

3.3 Rationale for the Acquisition

Italtile believes that the Acquisition is beneficial for both Italtile and Ceramic for the following reasons:

3.3.1 the long-term success and sustainability of both the Italtile Group and the Ceramic Group are inextricably intertwined and have been for the last two decades. The risk of reliance on a single large customer for the Ceramic Group and the reliance on a single large supplier for the Italtile Group has been highlighted as a significant risk by both groups' risk committees;

3.3.2 combined high level strategic decision making by the Italtile Group and the Ceramic Group should ensure the sustainable delivery of returns to Italtile Shareholders through better allocation of capital and alignment of long-term growth strategies;

3.3.3 the integration of the Ceramic Group into Italtile will allow Ceramic access to better, real time market information and therefore improved production planning ability, both in the short- and long-term;

3.3.4 the future growth of both businesses will benefit from the integration of the supply chain to improve efficiencies and reduce costs;

3.3.5 the roll out of Italtile's Business Optimisation Programme into Ceramic will lead to clear visibility of sell through of products as well as assist with identifying trends on individual ranges and products for the Ceramic Group; and

3.3.6 the combination and integration of the Ceramic Group's and the Italtile Group's respective management teams will enhance the level of experience and skill in the combined organisation and add depth to the management structure, affording better succession planning at the combined group level.

3.4 Purchase Consideration

3.4.1 In consideration for the acquisition of the Ceramic Target Shares by Italtile Ceramics, Italtile Ceramics shall pay to the Ceramic Scheme Participants the Purchase Consideration.

3.4.2 The R3,4 billion Purchase Consideration is to be discharged as one half thereof in Italtile Shares and the balance in cash in the manner set out below:

3.4.2.1 The issue of the Share Consideration by Italtile to Ceramic Scheme Participants, on the Ceramic Scheme Implementation Date which, in the aggregate, is equal in value to 50% of the Purchase Consideration payable to Ceramic Scheme Participants, provided that if the aggregate number of Italtile Shares to be issued to a Ceramic Scheme Participant yields a decimal result, the number will be rounded down to the nearest whole number and the relevant Ceramic Scheme Participant shall, in addition to any amount payable in cash to such Ceramic Scheme Participant in terms of paragraph 3.4.3 below, be paid an amount in cash determined by applying the following formula:

$$A = B \times C$$

where:

A = the additional cash amount to be paid to the Ceramic Scheme Participant;

B = the decimal number in question;

C = R11,57; and

3.4.3 The Cash Consideration shall be settled by Italtile, for and on behalf of Italtile Ceramics, as follows:

3.4.3.1 the Rallen Cash Consideration shall be paid in five equal instalments, together with interest accrued thereon, the first of which instalments shall be made on the First Payment Date, and the remaining four instalments shall be paid on the 28th day of each successive four month period. Interest shall accrue on the Rallen Cash Consideration outstanding from time to time at a fixed annual rate of 8,25%, nominal annual compounded annually, payable from the date that the last of the Conditions Precedent was fulfilled or waived, as the case may be; and

3.4.3.2 the cash portion, which is payable to Ceramic Scheme Participants, other than Rallen, shall be paid in full, together with interest accrued thereon *mutatis mutandis* on the basis set out in paragraph 3.4.2.1 above, on the First Payment Date.

3.5 Conditions Precedent and effective date

The Acquisition is subject to the fulfilment or waiver, as the case may be, of, *inter alia,* the following Conditions Precedent:

3.5.1 by no later than 22 September 2016 or such later date as may be agreed in writing between Italtile, Italtile Ceramics and Ceramic on or before such date:

3.5.1.1 the Ceramic Shareholders passing the Ceramic Scheme Special Resolution at the Ceramic Scheme Meeting and (i) to the extent required in terms of section 115(3) of the Companies Act, the implementation of such Ceramic Scheme Special Resolution having been approved by the court and (ii) if applicable, Ceramic not electing to treat the Ceramic Scheme Special Resolution as a nullity in terms of section 115(5)(b) of the Companies Act;

3.5.1.2 if the Ceramic Scheme Special Resolution has been passed at the Ceramic Scheme Meeting by the requisite majority of Ceramic Shareholders entitled to vote on the Ceramic Scheme and any person who voted against the Ceramic Scheme Special Resolution applies to court after the vote for a review of the Ceramic Scheme in accordance with the requirements of section 115(3)(b) of the Companies Act, (i) no leave having been granted by the court to such person to apply to court for a review of the Ceramic Scheme in accordance with the requirements of section 115(7) of the Companies Act or (ii) if leave is granted by the court to apply to court for a review of the Ceramic Scheme in accordance with the requirements of section 115(6) of the Companies Act, the court not setting aside the Ceramic Scheme Special Resolution in terms of section 115(7) of the Companies Act;

3.5.2 not more than 5% of Ceramic Shares held by Ceramic Scheme Participants voting at the Ceramic Scheme Meeting, exercising their rights of appraisal in terms of and within the time period prescribed in section 164 of the Companies Act;

3.5.3 by no later than 22 September 2016 or such later date as may be agreed in writing between Italtile, Italtile Ceramics and Ceramic on or before such date:

3.5.3.1 an addendum to the respective subscription agreements pertaining to each of the Ceramic Empowerment Shareholders pursuant to which Ceramic is entitled to exercise its rights to repurchase the respective Ceramic Settlement Shares from the Ceramic Empowerment Shareholders without any corresponding obligation to repurchase any residual shares in Ceramic held by any of them, having been executed in writing on terms acceptable to Italtile;

3.5.3.2 all of the Ceramic Settlement Shares held by the Ceramic Empowerment Shareholders and all of the Ceramic Shares held by the BEE Staff Empowerment Trust having been repurchased by Ceramic in accordance with the terms of the relevant subscription agreements;

3.5.3.3 Ceramic having delivered a written waiver and undertaking to Italtile pursuant to which Ceramic waives any pre-emptive or other analogous rights which it may have in respect of any residual shares which will not be repurchased by Ceramic from the respective Ceramic Empowerment Shareholders pursuant to the terms set out in the addendum agreements referred to in paragraph 3.5.3.1 above, arising out of or in connection with the subscription agreements pertaining to the Ceramic Empowerment Shareholders, as applicable;

3.5.3.4 the Italtile Board and the board of directors of Italtile Ceramics having passed all such resolutions required in order to give effect to the implementation of the Acquisition;

3.5.3.5 Italtile Shareholders having passed at the General Meeting all such resolutions as are required to approve the implementation of the Acquisition, including the issue of ordinary shares in Italtile in terms of sections 41(1) and 44(3)(a)(ii) of the Companies Act; and

3.5.3.6 the requisite approvals having been obtained from the relevant regulatory bodies including:

3.5.3.6.1 unconditional approval by the relevant competition authorities or conditional approval on terms and conditions which Italtile confirms, in writing, to be acceptable to it;

3.5.3.6.2 the JSE granting a listing of the Italtile Shares to be issued as the Share Consideration; and

3.5.3.6.3 to the extent necessary, approval by the Financial Surveillance Department of the South African Reserve Bank.

The effective date of the Acquisition shall be the first day of the month following the month in which the fulfilment or waiver, as the case may be, of the last of the Conditions Precedent occurs.

3.6 Termination

3.6.1 ***Termination by Ceramic***

3.6.1.1 Ceramic may, in its absolute discretion, terminate the Implementation Agreement forthwith if, without breaching the Implementation Agreement, it has received an Alternative Proposal before voting on the Scheme Special Resolution has taken place which the Ceramic Board determines to be a Superior Proposal and, after following the process set out in the Implementation Agreement, such Alternative Proposal has not been matched by Italtile Ceramics; and/or

3.6.1.2 Upon service of a written notice by Ceramic to Italtile or Italtile Ceramics, as the case may be, in the event of a breach by Italtile or Italtile Ceramics of any of its obligations, representations or warranties set out in the Implementation Agreement, which is material in the context of the Acquisition and, if capable of remedy, Italtile or Italtile Ceramics, as the case may be, has failed to remedy such breach within 7 days of receipt of such written notice.

3.6.2 ***Termination by Italtile or Italtile Ceramics***

3.6.2.1 Italtile or Italtile Ceramics may, in its absolute discretion, terminate the Implementation Agreement forthwith without any claim for damages or any other claim of whatsoever nature if any company in the Ceramic Group is provisionally or finally liquidated or becomes subject to a business rescue process (or any application is launched in that regard), subject to the terms of the Implementation Agreement; and/or

3.6.2.2 Upon service of a written notice by Italtile or Italtile Ceramics, as the case may be, to Ceramic in the event of a breach by Ceramic of any of its obligations, representations or warranties set out in the Implementation Agreement, which is material in the context of the Acquisition and, if capable of remedy, Ceramic has failed to remedy such breach within 7 days of receipt of such written notice.

3.6.3 ***Termination by Italtile, Italtile Ceramics or Ceramic***

3.6.3.1 Subject to the provisions of the Companies Act, the Implementation Agreement may be terminated by Italtile, Italtile Ceramics or Ceramic ("**Parties**") by delivery of a written notice of termination to the other Parties if:

- any Condition Precedent becomes incapable of fulfilment so as to cause the Ceramic Scheme not to proceed; and/or
- an Alternative Proposal which constitutes a Superior Proposal is accepted by Ceramic and (i) an Alternative Proposal agreement is entered into and (ii) Italtile does not exercise its right to match such Superior Proposal in terms of the Implementation Agreement.

3.7 Additional Information

After completion of the Acquisition, the memorandum of incorporation of Ceramic will be amended accordingly to comply with paragraph 10.21 of Schedule 10 of the Listings Requirements, to the extent necessary.

4. *PRO FORMA* FINANCIAL EFFECTS

The table below sets out the *pro forma* financial effects of the Acquisition on Italtile's basic earnings per share, headline earnings per share, net asset value per share and tangible net asset value per share.

The *pro forma* financial effects have been prepared to illustrate the impact of the Acquisition on the reviewed Group results of Italtile for the six months ended 31 December 2015, had the Acquisition occurred on 1 July 2015 for purposes of the statement of comprehensive income and on 31 December 2015 for purposes of the statement of financial position.

The *pro forma* financial effects have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the audited results of Italtile for the year ended 30 June 2015.

The *pro forma* financial effects, which are the responsibility of the directors of the Company, are provided for illustrative purposes only and, because of their *pro forma* nature may not fairly present Italtile's financial position, changes in equity, results of operations or cash flow nor the effect and impact of the Acquisition going forward.

The full financial effects are included in Annexure 1 to this Circular and should be read in conjunction with the Independent Reporting Accountants' assurance report thereon contained in Annexure 2.

	Before the acquisition[1]	*Pro forma* after the acquisition[2]	% change
Basic earnings per Share (cents)	44,3	44,5	0,5
Headline earnings per Share (cents)	43,4	43,6	0,5
Net asset value per Share (cents)	331,7	260,2	(21,6)
Tangible net asset value per Share (cents)	331,0	259,0	(21,8)
Weighted average number of Shares in issue for statement of comprehensive income purposes (millions)	925	1 072	15,9
Weighted average number of Shares in issue for statement of financial position purposes (millions)	925	926	0,1

Notes:

1. Extracted from the reviewed Group results of Italtile for the six month period ended 31 December 2015 released on SENS on 11 February 2016.
2. The "*Pro forma* after the Acquisition" column reflects the unaudited *pro forma* financial effects of the Acquisition on Italtile as if it had occurred on 1 July 2015 for statement of comprehensive income purposes and on 31 December 2015 for statement of financial position purposes, and are based on the following assumptions:

   2.1 14 085 378 Ceramic Shares being acquired as detailed in paragraph 3.4 of the Circular for a total Purchase Consideration of R3,4 billion;

   2.2 Italtile will obtain a controlling interest in Ezee Tile Adhesive Manufacturing Proprietary Limited ("**Ezee Tile**") as a result of the Acquisition. Prior to the Acquisition, Italtile Ceramics and Ceramic each hold a 35,63% interest in Ezee Tile. Post the Acquisition, Italtile will hold an effective interest of 68,95% in Ezee Tile;

   2.3 Italtile adopting a pooling of interest accounting policy to account for the Acquisition which is a common control transaction and thus scoped out of IFRS 3, *Business Combinations* ("**IFRS 3**"). Under the pooling of interest method, the carrying amounts of the assets and liabilities of Ceramic and Ezee Tile will be included in the statement of financial position of Italtile, with any difference between the Purchase Consideration and the net assets of Ceramic and Ezee Tile being included directly in equity as a Common Control Reserve (no goodwill is recognised);

   2.4 Intercompany transactions and balances between Italtile, Ceramic and Ezee Tile being eliminated for consolidation purposes. These include sales, unrealised profits on inventory, rebate and other charges, and receivable and payable balances;

   2.5 Acquisition transaction costs of R18 million being incurred;

   2.6 A fair valuation adjustment of R34 million to the Purchase Consideration value being recorded to account for the difference in the Italtile share price at 31 December 2015 (R11,80) and the Purchase Consideration issue price of R11,57 in terms of IFRS 3;

   2.7 A fair valuation adjustment of R20 million to the cash portion of the Purchase Consideration payable in instalments being recorded to account for the difference between a market related fixed rate of interest of 10,00% and the fixed 8,25% used for the Acquisition in terms of IAS 39, *Financial Instruments: Recognition and Measurement;*

   2.8 The fair value adjustments per 2.6 and 2.7 above being recorded in the Common Control Reserve, and not income;

   2.9 Finance costs of R52 million on the cash portion of the Purchase Consideration payable in instalments being incurred; and

   2.10 a tax rate of 28% has been taken into account.

3. All financial effects are ongoing with the exception of transaction costs and fair value adjustments to the Purchase Consideration value which are once-off.
4. The most recent reviewed financial results of Ceramic for the six month period ended 31 December 2015, as set out in Annexure 4 to the Circular, have been used. The Company is satisfied that these are reliable and consistent with the IFRS accounting policies of Italtile. Italtile will adopt the accounting policies applied by Ceramic related to manufacturing (for example, manufacturing plant depreciation).
5. The effects on basic earnings per share and headline earnings per share are calculated based on the assumption that the Acquisition was effected on 1 July 2015, and the related weighted average number of shares used in the per share calculation is based on the assumption that the shares issued as part of the Purchase Consideration have been issued on this date.
6. The effects on net asset value per share and tangible net asset value per share are calculated based on the assumption that the Acquisition was effected as at 31 December 2015, and the related weighted average number of shares used in the per share calculation is based on the assumption that the shares issued as part of the Purchase Consideration have been issued on this date.

5. SHARE CAPITAL OF ITALTILE

The share capital of Italtile before and after the issue of the Share Consideration is set out in the table below:

Before the issue of the Share Consideration

Authorised	**Rm's**
3 300 000 000 ordinary Shares of no par value	
Issued	
1 033 332 822 ordinary Shares of no par value	818
Stated capital	**818**

Treasury Shares: 107 543 294 ordinary Shares of no par value.

After the issue of the Share Consideration

Authorised	**Rm's**
3 300 000 000 ordinary Shares of no par value	
Issued	
1 180 310 152 ordinary Shares of no par value	2 519
Stated capital	**2 519**

Treasury Shares: 107 543 294 ordinary Shares of no par value.

6. PROSPECTS

The Directors are of the opinion that despite a subdued trading environment brought about by continued socio-economic uncertainty and constraints on discretionary spend, Italtile should be able to capitalise on growth opportunities, both within the business and in the marketplace. This is enabled by continued focus and investment into retail excellence incorporating systems, technology and human resources, and further supported by a store roll-out programme which is dependent on the availability of suitable sites and operators.

In the context of a weak rand environment, coupled with improved production efficiencies and technologies, Ceramic is similarly well placed to capitalise on growth opportunities. Another important element of Ceramic's growth opportunities is the commissioning of a new large format glazed porcelain tile factory (Gryphon) in November 2015, which facilitates import substitution and to date has been extremely well received by the marketplace.

As noted in paragraph 3.3 above, various other opportunities for both Italtile and Ceramic could be leveraged should the Acquisition be approved.

7. MAJOR SHAREHOLDERS

Those Shareholders (excluding Directors whose interests are detailed in paragraph 8.2 below) who, as at the Last Practicable Date insofar as is known to Italtile, directly or indirectly, were beneficially interested in 5% or more of the issued share capital of Italtile are set out in the below:

Shareholder	**Number of Shares**		
Direct shareholding	**Direct shareholding**	**Indirect shareholding**	**Percentage shareholding (%)**
Rallen Proprietary Limited	578 259 185	–	55,96
Old Mutual Group*	–	87 421 923	8,46
Total	**578 259 185**	**91 227 367**	**64,79**

** Includes third party funds under management.*

There has been no changes in the controlling Shareholders of the Company over the past 5 (five) years.

8. DIRECTORS OF ITALTILE

8.1 Directors' information

The details of the executive and non-executive Directors of the Group at the Last Practicable Date are as follows:

Directors of Italtile	**Capacity**
N Booth	Chief Executive Officer
B G Wood	Chief Financial Officer
J N Potgieter	Chief Operations Officer
G A M Ravazzotti	Non-executive Chairman
S M du Toit	Lead Independent Non-executive Director
S I Gama	Independent Non-executive Director
S G Pretorius	Independent Non-executive Director
A Zannoni	Non-executive Director
N Medupe	Independent Non-executive Director

8.2 Directors' interests in securities

8.2.1 *Directors' interests*

At the Last Practicable Date, the Directors of Italtile held, directly or indirectly, beneficial interests in 352 341 176 Shares in Italtile, representing approximately 34,10% of the total issued share capital of Italtile as follows:

Director	Beneficial Direct	Beneficial Indirect	Total Shares	Total %
Executive Director				
N Booth	1 000 000	–	1 000 000	0,10
B G Wood	500 000	–	500 000	0,05
J N Potgieter	1 000 000	–	1 000 000	0,10
Non-executive Director				
G A M Ravazzotti	3 637 088	345 980 215	349 617 303	33,83
S M du Toit	–	23 873	23 873	0,00
S I Gama*	200 000	–	200 000	0,02
	6 337 088	**346 004 088**	**352 341 176**	**34,10**

** Beneficial indirect interest in the Phithikeza Trust.*

8.2.2 *Directors' interests after the Acquisition*

After the issue of the Share Consideration, the Directors of Italtile will hold, directly or indirectly, a beneficial interest in 432 379 986 Shares in Italtile, representing approximately 35,82% of the total issued share capital of Italtile as follows:

Director	Beneficial Direct	Beneficial Indirect	Total Shares	Total %
Executive Director				
N Booth	1 000 000	–	1 000 000	0,08
B G Wood	500 000	–	500 000	0,04
J N Potgieter	1 000 000	–	1 000 000	0,08
Non-executive Director				
G A M Ravazzotti	5 890 763	426 019 025	431 909 788	36,59
S M du Toit	–	23 873	23 873	0,00
S I Gama*	200 000	–	200 000	0,02
	8 590 763	**426 042 898**	**434 633 661**	**36,81**

** Beneficial indirect interest in the Phithikeza Trust.*

8.2.3 *Former Directors' interests*

At the Last Practicable Date, there were no Directors who had resigned during the last 18 months.

8.2.4 *Associates' interests in securities*

At the Last Practicable Date, as far as the Board is aware, the associates of Directors, who held or controlled any Shares in the issued share capital of Italtile are listed as follows:

Associate	Beneficial Direct	Total Shares	Total %
Rallen Proprietary Limited	578 259 185	578 259 185	55,96
Seven and Three Family Trust	23 873	23 873	0,00
The Phithikeza Trust	19 360 000	19 360 000	1,87
Total	**597 643 058**	**597 643 058**	**57,83**

8.3 Directors' interests in transactions

None of the Directors have had any beneficial interest, either directly or indirectly, in any transactions effected by Italtile during the current or preceding financial year or during any earlier financial year which remains outstanding or unperformed in any respect.

8.4 Directors' emoluments

8.4.1 Shareholders are referred to the Directors' Report forming part of the Italtile Integrated Annual Report 2015, which can be found on the Company's website at http://www.italtile.com/investor-reports-and-results.asp. There will be no change in the remuneration of any of the Directors as a consequence of the Acquisition.

8.4.2 Save as set out in paragraph 8.4.1 above, the Directors did not receive any emoluments in the form of:

8.4.2.1 fees for services as a Director;

8.4.2.2 management, consulting, technical or other fees paid for such services rendered, directly or indirectly, including payments to management companies, a part of which is then paid to a Director of the company;

8.4.2.3 basic salaries;

8.4.2.4 bonuses and performance-related payments;

8.4.2.5 sums paid by way of expense allowance;

8.4.2.6 any other material benefits received;

8.4.2.7 contributions paid under any pension scheme;

8.4.2.8 any commission, gain or profit-sharing arrangements;

8.4.2.9 share options or any other right given to a Director of the Company in respect of providing a right to subscribe for shares in the Company; and

8.4.2.10 any shares issued and alloted in terms of a share purchase/option scheme for employees.

8.4.3 Save as set out in paragraph 8.4.1 above, the Directors did not receive any remuneration or benefit in any form from any holding company, subsidiary, associates of the holding company or subsidiary, joint venture or other third party management or advisory company.

8.5 Director's service contract

Each of the executive Directors has concluded service contracts with terms and conditions that are standard for such appointments, which service contracts are available for inspection as set out in paragraph 19 below.

No additional Directors are proposed to be appointed as a result of the Acquisition.

9. MATERIAL CONTRACTS

Save for the Acquisition contemplated in this Circular, neither Italtile nor its Subsidiaries have entered into any restrictive funding arrangement or material contract other than in the ordinary course of business within two years prior to the date of this Circular, or entered into at any time and containing an obligation or settlement that is material to Italtile or its Subsidiaries at the date of this Circular.

Neither Ceramic nor its Subsidiaries have entered into any restrictive funding arrangement or material contract other than in the ordinary course of business within two years prior to the date of this Circular, or entered into at any time and containing an obligation or settlement that is material to Ceramic or its Subsidiaries at the date of this Circular.

10. MATERIAL LOANS

At the Last Practicable Date, Italtile and its Subsidiaries had no material loans receivable and except for loans made to executive Directors in respect of the ERP referred to in paragraph 9.6.2 above, had not made any loans or furnished any security to or for the benefit of any Director or manager of any associates of any Director or manager of Italtile.

11. MATERIAL CHANGES

Save for the effects of the Acquisition, which have been disclosed in the *pro forma* financial information set out in paragraph 4 above and in Annexure 1 to this Circular, at the Last Practicable Date:

11.1 there have been no material changes in the financial or trading position of Italtile and its Subsidiaries since the reported financial information of Italtile for the six month period ended 31 December 2015; and

11.2 there have been no material changes in the financial or trading position of Ceramic and its Subsidiaries since the review conducted by the independent reporting accountants of the condensed interim historical financial information of Ceramic for the six month period ended 31 December 2015 as set out in Annexure 6 to the Circular.

12. VENDORS

12.1 The details of the Ceramic Shareholders as at the Last Practicable Date are as follows:

Shareholder	Address	Total % shareholding in Ceramic
Rallen Proprietary Limited	Farm 2, Old Potchefstroom Road, Vereeniging, 1939	61,00
Italtile Ceramics Proprietary Limited#	Italtile Building, Corner of William Nicol and Peter Place, Bryanston, 2021	19,60
National Ceramic Industries South Africa Proprietary Limited#	Farm 2, Old Potchefstroom Road, Vereeniging, 1939	6,08
Ceramic Foundation Trust	Farm 2, Old Potchefstroom Road, Vereeniging, 1939	4,83
Other minority shareholders*	N/A	3,99
Aka Ceramic Holdings Proprietary Limited	Block A 1st Floor, 28 Sloane Street, Bryanston, 2021	2,28
Peotona Ceramics Proprietary Limited	IQ Business Park, No. 3 3rd Avenue, Edenburg, Gauteng, 2128	2.22
Total		**100,00**

#*Not a Ceramic Scheme Participant*

**Comprised of approximately 48 Ceramic Shareholders*

Neither of Aka Ceramic Holdings Proprietary Limited, Peotona Ceramics Proprietary Limited or the Ceramic Foundation Trust are Related Parties to Itatile, nor is there an individual controlling shareholder/beneficiary in respect of either of such entities.

12.2 Neither Ceramic nor any of its subsidiaries have purchased or acquired any material assets during the three years preceding the publication of this Circular. The registered address of Ceramic is Farm 2, Old Potchefstroom Road, Vereeniging, 1939.

12.3 The Ceramic Scheme Participants have not guaranteed the book debts. The Implementation Agreement contains warranties which are usual for transactions of this nature.

12.4 There are no liabilities for accrued taxation that will be settled in terms of the Implementation Agreement.

12.5 Pursuant to the implementation of the Acquisition, the Ceramic Target Shares will be transferred into the name of Italtile Ceramics against payment of that portion of the Purchase Consideration referred to in paragraph 3.4.2.1.

12.6 The NAV of Ceramic as at 31 December 2015 is R1 622 162 000. The Purchase Consideration is expected to result in a transfer of R2 596 911 to the Common Control Reserve in terms of Italtile's merger accounting policy.

12.7 The Implementation Agreement does not preclude the Ceramic Scheme Participants from carrying on business in competition with the Company nor does the Implementation Agreement impose any other restrictions on the Ceramic Scheme Participants and therefore no payment in cash or otherwise has been made in this regard.

12.8 The Acquisition has been accounted for under the pooling of interest approach and accordingly does not give rise to goodwill.

12.9 Other than in their capacity as holders of Italtile Shares, no Director or promoter of Italtile (or any partnership, syndicate or other association in which a promoter or Director had an interest), other than Mr Giovanni Alberto Mario Ravazzotti, has any beneficial interest, direct or indirect in the Acquisition.

12.10 No cash or securities have been paid or benefit given within the three preceding years of this Circular or is proposed to be paid or given, to any promoter (not being a Director).

13. WORKING CAPITAL STATEMENT

The Board has considered the effects of the Acquisition and is of the opinion that, for a period of 12 months subsequent to the date of this Circular:

- the Group, as impacted by the Acquisition, will in the ordinary course of business be able to pay its debts;
- the assets of the Group, as impacted by the Acquisition, fairly valued, will be in excess of its liabilities. For this purpose the assets and liabilities are recognised and measured in accordance with the accounting policies applied to the latest audited financial results;
- the share capital and reserves of the Group, as impacted by the Acquisition, will be adequate for ordinary business purposes; and
- the working capital of the Group, as impacted by the Acquisition, will be adequate for ordinary business purposes.

14. LITIGATION STATEMENT

Italtile

There are no legal or arbitration proceedings, pending or threatened, of which Italtile or any of its Subsidiaries are aware, that may have or have had, in the 12-month period preceding the Last Practicable Date, a material effect on the financial position of the Italtile Group.

Ceramic

There are no legal or arbitration proceedings, pending or threatened, of which Ceramic or any of its subsidiaries are aware, that may have or have had, in the 12-month period preceding the Last Practicable Date, a material effect on the financial position of Ceramic.

15. OPINIONS AND RECOMMENDATION

The Directors, having considered the terms and conditions of the Acquisition and the report of the Independent Expert, the text of which is included as Annexure 3 to this Circular and which states that the Transaction is fair to Italtile Shareholders, are of the opinion that the Acquisition is fair to Italtile Shareholders and that it will have a beneficial financial effect on the Group. Accordingly, the Directors recommend that Shareholders vote in favour of the resolutions, to be proposed at the General Meeting, to approve the Acquisition. The Directors, who are Shareholders of the Group, intend to vote in favour of such resolutions to be proposed at the General Meeting to approve the Acquisition.

16. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are given in paragraph 8.1 above, collectively and individually, accept full responsibility for the accuracy of the information contained in the Circular and certify that, to the best of their knowledge and belief that there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Circular contains all information required by law and the Listings Requirements.

17. EXPERTS' CONSENTS

The Sponsor and Independent Expert, the legal advisers, the auditors and reporting accountants and the transfer secretaries have consented in writing to act in the capacities stated and to their names being stated in this Circular and, where applicable, to the inclusion of their reports in the form and context in which they have been reproduced in this Circular in Annexures 2, 3, 6 and 7 have not, prior to the Last Practicable Date, withdrawn their consents prior to publication of this Circular.

18. COSTS

The total costs relating to the Acquisition, which amount to approximately R18 593 162 excluding VAT, are set out in the table below:

	Estimated amount R
Merchantec Capital – Sponsor to Italtile	800 000
Hogan Lovells – Legal advisers to Italtile	1 700 000
Webber Wentzel – Competition Law legal advisers to Italtile	400 000
Prinsloo, Tindle and Andropoulos Inc. – Legal advisers to Ceramic	1 500 000
Ernst & Young Inc. – Auditors and reporting accountants	700 000
Ernst & Young Inc. – Due diligence	700 000
KPMG Inc. – Reporting accountants to Ceramic	60 000
Merchantec Capital – Independent Expert to Italtile	450 000
Deloitte – Independent Expert to Ceramic	1 300 000
Dave Thayser – Valuation adviser to Italtile	300 000
Spectrum Valuations and Asset Solutions – Ceramics property, plant and equipment valuation adviser to Italtile	500 000
Nodus Capital – Valuation adviser to Ceramic	404 500
JSE documentation inspection fees	67 105
JSE listing fees	391 833
Competition Commission – Merger filing fee	100 000
Securities Transfer Tax	8 502 639
Bastion Graphics – Printing and postage fees	200 000
Total	**18 076 077**

19. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection at the registered office of Italtile and the office of the Sponsor which addresses are set out in the "Corporate information" section of the Circular, during normal business hours from Tuesday, 23 August 2016 up to and including Wednesday, 21 September 2016:

- the Memorandum of Incorporation of the Company and its Subsidiaries;
- a copy of the Implementation Agreement as well as the Binding Offer Letter;
- copies of the service contracts entered into between the executive Directors and the Company referred to in paragraph 8.5 above;
- a copy of the reviewed Group results of Italtile for the six months ended 31 December 2015;
- copies of the audited annual financial results of Italtile for the financial years ended 30 June 2015, 2014 and 2013;
- the signed independent reporting accountants' limited assurance report on the *pro forma* financial information of the Company, the text of which is included as Annexure 2 to this Circular;
- the signed independent reporting accountants' review report on the condensed interim historical financial information of Ceramic for the six months ended 31 December 2015, the text of which is included as Annexure 6 to this Circular;
- the signed independent reporting accountants' audit report on the historical financial information of Ceramic for the financial years ended 30 June 2015, 2014 and 2013, the text of which is included as Annexure 7 to this Circular;
- the written consent letters referred to in paragraph 17 above; and
- a signed copy of this Circular.

20. GENERAL MEETING

A General Meeting of Italtile Shareholders will be held at 10:00 on Wednesday, 21 September 2016 at the registered office of Italtile, The Italtile Building, Corner William Nicol Drive and Peter Place, Bryanston, 2021, in order to consider and approve, with or without modification, the resolutions set out in the notice of General Meeting included in this Circular.

A notice convening the General Meeting and a form of proxy for use by Certificated Shareholders and Dematerialised Shareholders with "own name" registration who are unable to attend the General Meeting, form part of this Circular.

Certificated Shareholders and Dematerialised Shareholders with "own name" registration, who are unable to attend the General Meeting and wish to be represented thereat, must complete and return the attached form of proxy in accordance with the instructions contained therein.

Dematerialised Shareholders, other than Dematerialised Shareholders with "own name" registration, who:

- are unable to attend the General Meeting and wish to be represented thereat, must provide their CSDP or broker with their voting instructions, in terms of the Custody Agreement entered into between themselves and the CSDP or broker concerned, in the manner and within the time stipulated therein;
- wish to attend the General Meeting, must instruct their CSDP or broker to issue them with the necessary written letter of representation to attend.

SIGNED BY N BOOTH, ON HIS OWN BEHALF AS DIRECTOR AND ON BEHALF OF ALL THE OTHER DIRECTORS OF ITALTILE LIMITED, BEING DULY AUTHORISED IN TERMS OF POWERS OF ATTORNEY GRANTED TO HIM BY SUCH DIRECTORS

By order of the Board

N Booth
Chief Executive Officer

23 August 2016

PRO FORMA FINANCIAL INFORMATION OF ITALTILE

The tables below set out the *pro forma* financial information of the Acquisition on the reviewed Group results of Italtile for the six months ended 31 December 2015.

The *pro forma* financial information has been prepared to illustrate the impact of the Acquisition had the Acquisition occurred on 1 July 2015 for purposes of the statement of comprehensive income and on 31 December 2015 for purposes of the statement of financial position.

The *pro forma* financial information has been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the audited results of Italtile for the year ended 30 June 2015.

The *pro forma* financial effects, which are the responsibility of the Directors of the Company, are provided for illustrative purposes only and, because of their *pro forma* nature may not fairly present Italtile's financial position, changes in equity, results of operations or cash flow nor the effect and impact of the Acquisition going forward.

The *pro forma* financial information should be read in conjunction with the Independent Reporting Accountants' assurance report thereon contained in Annexure 2.

***PRO FORMA* STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2015**

	Before the Acquisition[1]	Reviewed financial information for Ceramic[2]	*Pro forma* adjustments – Acquisition [3, 5, 10]	Notes	*Pro forma* financial information after the Acquisition
	Actual	**Actual**	***Pro forma***		***Pro forma***
	R'm	**R'm**	**R'm**		**R'm**
Revenue	**1 798**	**1 326**	**(186)**	6	**2 938**
Cost of sales	(1 094)	(940)	222		(1 812)
Gross Profit	**704**	**386**	**36**		**1 126**
Other operating income	182	–	(19)	6	163
Other operating expenses	(366)	(147)	(10)	6	(523)
Profit on sale of property, plant and equipment	11	–	–		11
Trading Profit	**531**	**239**	**7**		**777**
Financial revenue	12	6	1		19
Financial cost	(1)	(9)	(52)	7	(62)
Profit from associates – after tax	44	9	(53)	8	–
Profit before taxation	**586**	**245**	**(97)**		**734**
Taxation	(156)	(68)	5	7	(219)
Profit after taxation	**430**	**177**	**(92)**		**515**
Non-controlling interests	**(20)**	**(1)**	**(18)**	9	**(39)**
Profit attributable to equity holders	**410**	**176**	**(110)**		**476**
Basic earnings per Share (cents)	44,3				44,4
Headline earnings per Share (cents)	43,4				43,6
Weighted number of ordinary Shares in issue for Statement of Comprehensive Income purposes (millions)[4]	925				1 072
Total number of ordinary Shares at the end of the period[3]	1 033				1 180

Notes:

1. Extracted from the reviewed condensed consolidated interim results of Italtile for the six months ended 31 December 2015 released on SENS on 11 February 2016.
2. Extracted from the reviewed condensed consolidated interim results of Ceramic for the six months ended 31 December 2015, as set out in Annexure 4 to the Circular.
3. It is assumed that 14 085 378 Ceramic shares are acquired for a total Purchase Consideration of R3,4 billion as detailed in 3.4 of this Circular, resulting in the issue of 147 million Italtile shares.
4. The effects on basic earnings per share and headline earnings per share are calculated based on the assumption that the Acquisition was effected on 1 July 2015, and the related weighted average number of shares used in the per share calculations is based on the assumption that the shares issued as part of the Purchase consideration have been issued on this date.
5. Italtile will obtain a controlling interest in Ezee Tile Adhesive Manufacturing Proprietary Limited ("Ezee Tile") as a result of the Acquisition. Prior to the Acquisition, Italtile Ceramics and Ceramic each hold a 35,63% interest in Ezee Tile. Post the Acquisition, Italtile will hold an effective interest of 68,95% in Ezee Tile. As a result, the unaudited statement of comprehensive income of Ezee Tile for the six months ended 31 December 2015 has been included as an adjustment in the pro forma financial information in addition to those detailed below.
6. Intercompany transactions between Italtile, Ceramic and Ezee Tile are eliminated for consolidation purposes. These include sales, unrealised profits on inventory, rebate and other charges as well as tax consequences thereof.
7. Finance costs of R52 million attributable to the Cash Consideration payable in instalments are adjusted for, as well as the tax benefit of R15 million related to such.
8. As a result of the consolidation of Ceramic and Ezee Tile from 1 July 2015, associate earnings recorded by Italtile for these investments for the six month ended 31 December 2015 are reversed.
9. Non-controlling interests in Ceramic and Ezee Tile total R18 million for the six months ended 31 December 2015 and are adjusted for.
10. A tax rate of 28% has been taken into account and all adjustments are expected to be ongoing.

***PRO FORMA* STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015**

	Before the Acquisition[1]	Reviewed financial information for Ceramic[2]	*Pro forma* adjustments – Acquisition [3, 4, 6]	Notes	*Pro forma* financial information after the Acquisition[5]
	Actual	Actual	*Pro forma*		*Pro forma*
	R'm	R'm	R'm		R'm
Assets					
Non-current assets	**2 288**	**1 206**	**(638)**		**2 856**
Property, Plant and equipment	1 500	1 136	18		2 654
Investment Property	115	–	–		115
Investments in associates/subs	634	45	(656)	7, 8	23
Long term assets	15	–	–		15
Goodwill	6	5	–		11
Deferred Taxation	18	20	–		38
Current assets	**1 176**	**812**	**40**		**2 028**
Inventories	532	184	28	9	744
Trade and other receivables	287	373	16	9	676
Cash and cash equivalents	351	250	(13)	10	588
Taxation receivable	6	5	9		20
Total assets	**3 464**	**2 018**	**(598)**		**4 884**
Equity and liabilities					
Share capital and reserves	**3 068**	**1 623**	**(2 282)**		**2 409**
Stated capital	818	65	1 636	4	2 519
Non-distributable Reserves	124	186	(186)		124
Treasury shares	(457)	(100)	100		(457)
Share option reserve	88	91	–		179
Retained earnings	2 441	1 374	(1 399)		2 416
Common Control Reserve	–	–	(2 562)	3	(2 562)
Non-controlling interests	54	7	129	11	190
Non-current liabilities	**15**	**62**	**611**		**688**
Interest bearing loans/Finance lease	–	10	603	4, 12	613
Deferred taxation liabilities	15	52	8		75
Current liabilities	381	333	1 073		1 787
Trade and other payables	263	324	(5)	9	582
Provisions	47	9	–		56
Interest bearing loans and borrowings	35	–	1 078	4	1 113
Taxation	36	–	–		36
Total equity and liabilities	3 464	2 018	(598)		4 884
Weighted number of ordinary Shares in issue for Statement of Financial Position purposes (millions)[4]	925				926
Net asset value per Share (cents)	331,7				260,2
Tangible net asset value per Share (cents)	331,0				259,0

Notes:

1. Extracted from the reviewed condensed consolidated interim results of Italtile for the six months ended 31 December 2015 released on SENS on 11 February 2016.
2. Extracted from the reviewed condensed consolidated interim results of Ceramic for the six months ended 31 December 2015, as set out in Annexure 4 to the Circular.
3. Italtile has adopted a pooling of interest accounting policy to account for the Acquisition which is a common control transaction and thus scoped out of IFRS 3, Business Combinations ("IFRS 3"). Under the pooling of interest method, the carrying amounts of the assets and liabilities of Ceramic and Ezee Tile will be included in the statement of financial position of Italtile, with any difference between the Acquisition Consideration and the net assets of Ceramic and Ezee Tile being included directly in equity as a Common Control Reserve (no goodwill is recognised).
4. It is assumed that 14 085 378 Ceramic shares are acquired for a total Purchase Consideration of R3,4 billion as detailed in 3.4 of this Circular, resulting in the issue of 147 million Italtile shares and Cash Consideration of R1,7 billion payable in instalments (the non-current portion being R0,6 billion and the current portion, R1,1 billion).
5. The effects on net asset value per share and tangible net asset value per share are calculated based on the assumption that the Acquisition was effected on 31 December 2015, and the related weighted average number of shares used in the per share calculations is based on the assumption that the shares issued as part of the Acquisition consideration have been issued on this date.
6. Italtile will obtain a controlling interest in Ezee Tile Adhesive Manufacturing Proprietary Limited ("Ezee Tile") as a result of the Acquisition. Prior to the Acquisition, Italtile Ceramics and Ceramic each hold a 35,63% interest in Ezee Tile. Post the Acquisition, Italtile will hold an effective interest of 68,95% in Ezee Tile. As a result, the unaudited statement of financial position of Ezee Tile at 31 December 2015 has been included as an adjustment in the pro forma financial information in addition to those detailed below.
7. As a result of the consolidation of Ceramic and Ezee Tile at 31 December 2015, associate investment balances of recorded by Italtile for these entities are eliminated for consolidation purposes.
8. A fair valuation adjustment of R34 million to the Purchase Consideration value is adjusted for to take into account for the difference in the Italtile share price at 31 December 2015 (R11,80) and the Acquisition Consideration issue price of R11,57 in terms of IFRS 3. This adjustment is taken to the Common Control Reserve as an adjustment to the Acquisition Consideration.
9. Intercompany transactions and balances between Italtile, Ceramic and Ezee Tile are eliminated for consolidation purposes. These include unrealised profits on inventory, and receivable and payable balances.
10. Once off acquisition transaction costs of R18 million net of a R5 million cash contribution from Eeze Tile have been adjusted for. These costs are included in the cost of the investment in Ceramic and not expensed, in accordance with the pooling of interest accounting policy adopted for this common control transaction.
11. Non-controlling interests in Ceramic and Ezee Tile total R129 million at 31 December 2015 are adjusted for.
12. A fair valuation adjustment of R20 million to the Cash Consideration payable in instalments is adjusted for to account for the difference between a market related fixed rate of interest of 10% and the fixed 8,25% used for the transaction in terms of IAS 39: *Financial Instruments: Recognition and Measurement.* This adjustment is taken to the Common Control Reserve as an adjustment to the value of net assets acquired.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF ITALTILE

"The Directors
Italtile Limited
Corner William Nicole Drive and Peter Place
Bryanston
2021
South Africa

16 August 2016

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF THE *PRO FORMA* FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

We have completed our assurance engagement to report on the compilation of pro forma financial information of Italtile Limited by the directors. The pro forma financial information, as set out in Annexure 1 on pages 17 to 20 of the Circular relating to Italtile Limited's proposed acquisition of the majority shares in Ceramic Industries Proprietary Limited, consists of the consolidated statement of comprehensive income for the interim six month period ended 31 December 2015, the consolidated statement of financial position at 31 December 2015 and the pro forma financial effects (collectively the "pro forma financial information"). The pro forma financial information has been compiled by the directors on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The pro forma financial information has been compiled by the directors to illustrate the impact of the transaction, described in Paragraph 4 on page 10 of the Circular, on the company's consolidated financial position as at 31 December 2015, and the company's consolidated financial performance for the six month period then ended, as if the transaction had taken place at 1 July 2015. As part of this process, information about the company's consolidated financial position and consolidated financial performance has been extracted by the directors from the company's consolidated interim financial results for the period ended 31 December 2015, on which a review report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements as described in Paragraph 4 on page 10 of the Circular. The directors of Italtile Limited are also responsible for the financial information from which it has been prepared.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control 1, Ernst and Young Inc. maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards, which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

As the purpose of pro forma financial information included in a Circular is solely to illustrate the impact of a significant corporate action or transaction on unadjusted financial information of the entity as if the transaction had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in Paragraph 4 on page 10 of the Circular.

Ernst & Young Inc.
Director: Sarel Jacobus Johannes Strydom CA(SA)
Registered Auditor
Reporting Accountant Specialist

Date: 16 August 2016"

OPINION OF THE INDEPENDENT EXPERT

"The Directors
Italtile Limited
The Italtile Building
Corner William Nicol Drive and Peter Place
Bryanston
2021

16 August 2016

Dear Sirs

INDEPENDENT REPORT IN RESPECT OF THE ACQUISITION BY ITALTILE LIMITED ("ITALTILE") OF AN ADDITIONAL 75% SHAREHOLDING IN CERAMIC INDUSTRIES PROPRIETARY LIMITED ("CERAMIC") (THE "ACQUISITION")

Introduction

Italtile has submitted a binding offer letter to Ceramic and entered into a written implementation agreement with Ceramic to acquire the entire issued share capital of Ceramic, other than the shares already owned by Italtile's subsidiary, Italtile Ceramics Proprietary Limited, and shares relating to an incentive arrangement for the benefit of Ceramic management, which make up 14 085 378 shares of the issued share capital of Ceramic. The consideration, which equates to approximately R3,4 billion, is to be settled 50% in cash and 50% by the issue of Italtile Shares at an issue price of R11,57 per Share ("Purchase Consideration").

The Acquisition is classified as a Category 1 transaction in terms of the Listings Requirements. A portion of the shares to be acquired will be acquired from Italtile's majority shareholder, Rallen Proprietary Limited ("Rallen"), which is considered to be a Related Party in terms of paragraph 10.1(b)(i) of the JSE Listings Requirements (the "Listings Requirements"). Accordingly, the Acquisition constitutes a "related party transaction" in terms of the Listings Requirements and is subject to the board of directors of Italtile ("the Board") obtaining a fairness opinion prepared in accordance with Schedule 5 of the of the Listings Requirements of the JSE.

In respect of the Acquisition, taking into consideration:

- the Purchase Consideration of 14 085 378 shares of the issued share capital of Ceramic being approximately R3,4 billion; and
- that Rallen, a majority shareholder of Italtile, is also a majority shareholder of Ceramic;

the transaction constitutes a related party transaction in terms of section 10.1(b)(i) of the JSE Listings Requirements.

Based on section 10.1 and Schedule 5 of the Listings Requirements of the JSE, Merchantec Proprietary Limited ("Merchantec Capital") has been appointed by Italtile to independently determine whether, by using the information and assumptions available, the purchase price paid for the Acquisition is fair to Italtile shareholders.

Definition of the term "fair"

The assessment of fairness is primarily based on quantitative issues. For illustrative purposes the acquisition of the shares in Ceramic may be said to be fair if the value of the shares acquired in Ceramic is more than or equal to the value of the consideration paid by Italtile, being the cash and shares in Italtile.

In preparing our opinion we will apply the aforementioned principle.

Responsibility and scope

The responsibility of Merchantec Capital is to prepare a report in respect of the fairness of the transaction and the report must at a minimum satisfy the requirements set out in Schedule 5 of the JSE Listings Requirements.

Compliance with the JSE Listings Requirements is the responsibility of the directors of Italtile. Our responsibility is to report on whether or not the terms and conditions of the Acquisition, as they relate to the Italtile shareholders, are fair.

Information and sources of information

In the course of our analysis, we relied upon financial and other information obtained from Italtile and Ceramic, together with other information available in the public domain. Our conclusion is dependent on such information being accurate in all material respects.

The principle sources of information used in formulating our opinion regarding the Acquisition which is relevant to the value of Italtile and Ceramic include:

- audited annual financial statements for the years ended 30 June 2013 to 30 June 2015 for Italtile and Ceramic;
- historical financial information for the period 1 July 2015 to 31 March 2016 for Italtile and Ceramic;
- management prepared budgeted financial information for the year ended 30 June 2016 for Italtile and Ceramic;
- management prepared forecasts and assumptions for Italtile and Ceramic up to 30 June 2019;
- information and assumptions made available by and discussions held with representatives of Italtile and Ceramic regarding the future operations to be undertaken by Italtile and Ceramic;
- information on recent transactions in the same industry;
- publicly available information relating to Italtile and Ceramic and the industry that we deemed to be relevant;

- the Ceramic Circular dated 2 August 2016 issued to Ceramic shareholders; and
- on-line databases covering financial markets, share prices, volumes traded and other industry related news.

Procedures performed

In arriving at our opinion, amongst other things, we have undertaken the following procedures in evaluating the fairness of the transaction:

- reviewed the final terms of the Ceramic Circular dated 2 August 2016;
- considered the underlying rationale for the Acquisition;
- analysed the audited consolidated annual financial statements for Ceramic for the three financial years ended 30 June 2013, 30 June 2014 and 30 June 2015;
- analysed and reviewed the management accounts and budgets for Ceramic for the financial year ended 30 June 2016, as presented by management;
- analysed and reviewed the financial forecasts and assumptions for Ceramic for the three financial years ended 30 June 2017, 30 June 2018 and 30 June 2019, as presented by management and verified the accuracy of the forecast financial information by performing a trend analysis and comparing key ratios to historical ratios from the historical audited consolidated financial information provided by Ceramic management. We adjusted the financial forecasts where we believed that the revenue and margins were not in line with historical trends and where the assumptions in the forecasts were not likely to result in such outcomes;
- analysed the audited consolidated annual financial statements for Italtile for the three financial years ended 30 June 2013, 30 June 2014 and 30 June 2015;
- analysed the consolidated interim results announcement for Italtile on SENS for the six months ended 31 December 2015;
- analysed the management accounts and budgets as presented by Italtile for the financial year ending 30 June 2016;
- analysed the forecasts and assumptions for Italtile for the three financial years ending 30 June 2017, 30 June 2018 and 30 June 2019, as presented by management;
- based on the above, performed a valuation of Ceramic as well as Italtile. The discounted cash flow methodology was the primary valuation methodology employed in respect of the valuation. After the discounted cash flow valuation was determined, a control premium of 5% was applied to arrive at a final valuation. The control premium was included in the valuation as following the Acquisition, Italtile would own more than 50% of Ceramic and would thus have control of Ceramic. Sensitivity analyses were performed considering key assumptions, all key internal and all external valuation drivers that were identified in arriving at a valuation range. Key internal valuation drivers that were identified for both valuations included volume growth rates. Volume growth is expected to be driven largely by new stores for Italtile. The new factory as well as increased production volume of 1% to 2% per annum in existing factories are expected to result in volume growth for Ceramic. They also included timing of the cash flows and capital expenditure required to expand and maintain operations at Ceramic. The market that Italtile operates in is extensive and thus there is room for revenue growth through the increased volume of products sold. Therefore the revenue growth is the main internal valuation driver for Italtile. The main internal factor for Ceramic is also revenue growth, however in this case the growth is dependent on the capacity and more specifically the ability to increase the capacity within the Ceramic group. A 1% annual change in production for Ceramic over the explicit forecast period will result in a 10% change in value and similarly a 1% change in revenue over the explicit forecast period for Italtile will result in a 22% change in value. The amount of capital expenditure required to achieve the production in the forecasts decreases the value of the companies, however this capital expenditure is required in order to achieve the growth in sales volumes in the forecasts. Key external valuation drivers for both entities included the discount rate and the inflation rate. Company specific risks have been included in the discount rate which increases the discount rate and decreases the value of the Companies. A 1% change in the discount rate that was applied to Ceramic's South African operations (which largely drives the value of the whole Ceramic group) results in an 8% change in the value of Ceramic. A 1% change in the discount rate for Italtile will result in a 17% change in the value of Italtile. The inflation rate (using the upper end of the South African Reserve Bank's inflation target of 6%) is used to increase the expenses in the model, so the higher the rate will result in a decrease in the valuations however this affect is offset by an inflation based minimum increase in the price for certain products included in the revenue;
- using the above valuations compared the value of the shares acquired in Ceramic to the consideration paid, which is the value of the shares issued in Italtile as well as the cash consideration; and
- considered other facts and information relevant to concluding this opinion.

Assumptions

Our opinion is based on the following key assumptions:

- current economic, regulatory and market conditions will not change materially;
- Ceramic is not involved in any material legal proceedings;
- there are no known undisclosed contingencies that could have a material effect on the value of Ceramic and/or Italtile;
- for the purposes of this engagement, we assumed the future business of Italtile and Ceramic to be ongoing under current business plans, expected life and management; and
- relied on representations on the assumptions in the information available made by Ceramic's and Italtile's representatives during the course of forming this opinion.

Limiting conditions

This report and opinion is provided to the board of directors of Italtile in connection with and for the purposes of the Acquisition. The opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of Italtile shareholders. Should an Italtile shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. While our work has involved an analysis of, *inter alia*, the annual financial statements, financial forecasts and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with International Standards on Auditing, this information has, however, been tested for reasonableness.

Where relevant, forward-looking information on Italtile and Ceramic relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We accordingly express no opinion as to how closely actual results will correspond to those forecasted.

We have also assumed that the Acquisition will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by, representatives of Italtile and we express no opinion on such consequences. We have assumed that all agreements that have been entered into in regard to the Acquisition will be legally enforceable.

None of the statements above invalidate the work done as per this opinion and the conclusion of the fairness opinion below.

Independence

In terms of Schedule 5.1(a) of the JSE Listings Requirements, we confirm that we have no material direct or indirect interest in Italtile shares or the acquisition of the shares in Ceramic. The continuing relationship that we have with Italtile is in our capacity as Italtile's sponsor.

Furthermore, we confirm that our professional fees are not contingent upon the success of the transaction.

Opinion

The consideration for the acquisition of 14 085 378 shares in Ceramic is to be paid in 146 977 330 fully paid up shares of Italtile as well as a cash consideration of R1,701 billion of which Rallen's portion of 86,82% is payable in five equal instalments at an interest rate of 8,25% per annum and the remaining cash portion is payable on the first payment date. The Italtile shares are to be issued at an issue price of R11,57 per share, being the volume weighted average price of Italtile shares traded on the JSE for the month of February 2016 (the month in which negotiations commenced), for a total consideration of R3,401 billion.

As part of the consideration was paid in shares of Italtile, Merchantec Capital valued the Italtile shares in order to obtain a fair value of the consideration paid. Based on the valuation performed as per above a fair value of between R11,77 and R12,39 per Italtile share and a discounted cash value of R1,671 billion for the cash consideration was calculated. This results in a total fair value of the consideration payable of between R3 400 831 816 and R3 582 936 726 of which between R1 729 996 651 and R2 013 956 851 is the portion payable in shares and R1 670 835 165 is the portion payable in cash. Based on the valuation of Ceramic, the valuation range for the 14 085 378 shares acquired is between R3 364 320 526 and R3 718 459 529. The midpoint of the acquired shares is higher than the midpoint of the consideration payable and thus the Acquisition is fair to Italtile shareholders.

Merchantec Capital has considered the terms and conditions as well as the material effects and adverse effects of the Acquisition and, based upon and subject to the conditions set out herein, is of the opinion that the terms and conditions of the acquisition of Ceramic shares by Italtile are fair to Italtile shareholders.

Subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Consent

We consent to the inclusion of this letter and reference to our opinion in the circular to be issued to shareholders in the form and context in which they appear.

Yours faithfully

Marcel Goncalves CA(SA)
Director
MERCHANTEC CAPITAL"

REPORT OF INTERIM HISTORICAL FINANCIAL INFORMATION OF THE CERAMIC GROUP FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

Introduction

The definitions commencing on page 3 of the Circular have been used throughout this Annexure 4.

Except for comparative figures, which have not been presented, the condensed interim historical financial information of Ceramic for the six months ended 31 December 2015 set out below has been prepared in accordance with IFRS and IAS34: Interim Financial Reporting. The accounting policies, which have been applied consistently in the preparation of these interim financial results, have been disclosed in the consolidated financial statements for the year ended 30 June 2015.

Basis of preparation

The interim consolidated statement of comprehensive income, interim consolidated statement of cash flows and the interim consolidated statement of changes in equity for the six months ended 31 December 2015, the interim consolidated statement of financial position as at 31 December 2015, accounting policies and selected notes thereto ("Interim Historical Financial Information of the Ceramic Group") have been extracted from the reviewed condensed financial statements of the Ceramic Group for the six months ended 31 December 2015 ("Reviewed Interim Financial Statements"). The Reviewed Interim Financial Statements were prepared in accordance with IAS 34: Interim Financial Reporting, except for comparative figures, which have not been presented.

KPMG Inc. are the reporting accountant to the Ceramic Group and have issued the reporting accountant's report on this Report of Interim Historical Financial Information of the Ceramic Group which is included as Annexure 6 to this Circular.

The directors of Italtile are responsible for the Report of Interim Historical Financial Information of the Ceramic Group.

Directors' commentary

The Reviewed Interim Financial Statements, from which this Report of Interim Historical Financial Information of the Ceramic Group has been derived, comprises Ceramic and its subsidiaries (together referred to as the "Ceramic Group") and the Ceramic Group's interest in its associate.

The Ceramic Group is involved in the manufacture and sale of ceramic floor and wall tiles, vitreous china sanitaryware and acrylic bathroomware. There are two tile factories located in Babelegi, three tile factories in Vereeniging, a sanitaryware factory and a bath factory in Chamdor and a tile factory based in Australia.

The results for the six months ended 31 December 2015 show a significant improvement over the same period in 2014.

Increased focus on operating procedures, quality and product development resulted in increased production and sales in all factories. The Ceramic Group turnover increased by 11% and operating profit by 57%. In addition to the impact of internal initiatives in the factories the weakening of the Rand has resulted in increased demand from local retailers seeking local rand denominated product.

The Ceramic Group commenced construction of its Gryphon porcelain tile plant in Vereeniging in March 2015. The factory produced its first products in February 2016. The total cost incurred to date was approximately R400 million with an estimated R200 million to be spent on phase two which is expected to be completed by July 2017.

Based on the results for the six months ended 31 December 2015, the Ceramic Board declared a dividend of R2,50 per share on 13 February 2016.

The Interim Historical Financial Information of the Ceramic Group has been prepared in accordance with IFRS as well as the disclosure requirements of IAS 34: *Interim Financial Reporting.* The accounting policies, which have been applied consistently in the preparation of the Interim Historical Financial Information of the Ceramic Group, have been disclosed in the Report of Historical Financial Information of the Ceramic group attached as Annexure 5 to this Circular.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	Reviewed 31 December 2015 R'000
ASSETS	
Non-current assets	**1 205 870**
Property plant and equipment	1 135 986
Goodwill	4 520
Equity-accounted investee	45 040
Deferred taxation asset	20 324
Current assets	**811 969**
Inventories	183 693
Trade and other receivables	372 647
Taxation receivable	5 303
Cash and cash equivalents	250 326
Total assets	**2 017 839**
EQUITY AND LIABILITIES	
Share capital	64 816
Treasury shares	(99 729)
Share-based payment reserve	47 212
Share awards reserve	43 836
Reserves	186 015
Retained earnings	1 373 555
Ordinary shareholders' interest	1 615 705
Non-controlling interest	6 457
Total equity	**1 622 162**
Liabilities	
Non-current liabilities	**62 732**
Shareholders' loans	10 480
Deferred taxation liabilities	52 252
Current liabilities	**332 945**
Trade, other payables and provisions	332 635
Shareholders for dividends	310
Total liabilities	**371 128**
Total equity and liabilities	**2 017 839**
Net asset value per share (cents)	9 329,94
Tangible net asset value per share (cents)	9 487,58

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2015

	Reviewed 31 December 2015 R'000
Revenue	**1 326 098**
Cost of sales	939 857
Gross profit	**386 241**
Operating expenses	147 503
Operating profit	**238 738**
Finance income	6 463
Finance expenses	(9 052)
Share of profit of equity accounted investees, net of taxation	8 967
Profit before taxation	**245 116**
Taxation	(68 303)
Profit for the year	**176 813**
Other comprehensive income	52 380
Total comprehensive income for the year	**229 193**
Profit attributable to:	
Owners of company	176 250
Non-controlling interest	563
Total comprehensive income attributable to:	
Owners of company	227 537
Non-controlling interest	1 656
Basic earnings per share (cents)	1 013,71
Headline earnings per share (cents)	1 013,63
Diluted earnings per share (cents)	923,68
Diluted headline earnings per share (cents)	923,60

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2015

	Reviewed 31 December 2015 R'000
Balance at 1 July 2015	**1 432 520**
Share awards reserve	306
Movement in treasury shares	2 927
Shares issued to participants	15 931
Treasury shares acquired	(13 004)
Profit attributable to ordinary shareholders	176 250
Movement in foreign currency translation reserve	51 287
Movement in non-controlling interest	1 656
Net dividends paid	(42 785)
Balance at 31 December 2015	**1 622 162**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2015

	Reviewed 2015 R'000
Cash Flows from Operating Activities	
Operating profits adjusted for non-cash items	340 354
Changes in working capital	57 753
Finance income	6 463
Finance expenses	(9 052)
Dividends paid	(42 785)
Taxation paid	(71 230)
Net cash inflow from operating activities	281 503
Cash Flows from Investing Activities	
Purchase of property plant and equipment	(281 709)
Proceeds on disposal of property plant and equipment	3 561
Net cash outflow from investing activities	(278 148)
Cash Flows from Financing Activities	
Acquisition of treasury shares	(13 004)
Net cash outflow from financing activities	(13 004)
Net movement in cash and cash equivalents	**(9 649)**
Cash and cash equivalents at the beginning of the period	259 975
Cash and cash equivalents at the end of the period	**250 326**

Notes to the interim historical financial information

Segmental report

The Ceramic Group is organised into two main business segments, the manufacturing of a wide range of wall and floor tiles and the manufacturing of a comprehensive range of vitreous china sanitaryware products and acrylic bathroomware. The Ceramic Group manufactures in two geographical areas, South Africa and Australia.

Segment assets consist primarily of:

- Property, plant and equipment;
- Goodwill;
- Equity accounted investee;
- Inventories;
- Receivables; and
- Cash

Segment liabilities consist primarily of:

- Borrowings;
- Payables;
- Taxation payable
- Provision for rehabilitation; and
- Shareholders for dividends

Deferred tax assets and liabilities are excluded.

	Sanitaryware South Africa R000's	Tiles South Africa R000's	Tiles Australia R000's	Total R000's
2015				
Revenue	244 784	857 619	223 695	1 326 098
Depreciation	12 186	29 611	14 476	(56 273)
Operating profit	42 861	174 742	21 122	238 738
Net finance expense	(175)	(621)	(1 793)	(2 589)
Assets	280 371	1 281 443	435 701	1 997 515
Cost of assets acquired	17 913	256 519	7 277	281 709
Liabilities	47 699	219 703	76 023	343 425

Commitments and contingencies

There are no material contingent assets or liabilities as at 31 December 2015.

Capital commitments R000's	
Capital expenditure authorised and contracted for	202 104
Capital expenditure authorised, but not yet contracted for	–
	202 104

Fair values of financial instruments

The Ceramic Group does not fair value its financial assets or liabilities given the short-term nature of these items. There were no transfers into or out of Level 3 during the period.

Headline earnings	**R'000s**
Profit attributable to ordinary shareholders of the Ceramic Group	176 250
Profit on disposal of property, plant and equipment, net of tax	(14)
Headline earnings	176 236

Reconciliation of shares

	Number of shares
Total number of shares in issue	20 292 828
Weighted average number of treasury shares	(876 916)
Shares held by BEE partners	(2 029 285)
Weighted average number of shares	17 386 627
Potential dilutive effect resulting from weighted average number of shares relating to the BEE transaction and directors share schemes	1 694 727
Diluted weighted average number of shares	19 081 354

REPORT OF HISTORICAL FINANCIAL INFORMATION OF THE CERAMIC GROUP FOR THE FINANCIAL YEARS ENDED 30 JUNE 2015, 2014 AND 2013

Introduction

The definitions commencing on page 5 of the Circular have been used throughout this Annexure 5.

Basis of preparation

The consolidated statements of comprehensive income, consolidated statements of cash flows and the consolidated statements of changes in equity for the three years ended 30 June 2015, the consolidated statements of financial position as at 30 June 2015, 2014 and 2013, accounting policies and the notes thereto ("Historical Financial Information of the Ceramic Group") have been extracted, from the audited consolidated financial statements of the Ceramic Group for the years ended 30 June 2015, 2014 and the eleven months ended 30 June 2013 ("Audited Financial Statements"). The Audited Financial Statements were prepared in accordance with IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by Financial Reporting Standards Council ("IFRS"). The Report of Historical Financial Information of the Ceramic Group was prepared in accordance with IFRS and the Listings Requirements, for the purpose of providing financial information to satisfy the requirements of Section 8 of the Listings Requirements, except that Historical Financial Information of the Ceramic Group for the year ended and as at 30 June 2013 do not present comparative figures.

The Historical Financial Information of the Ceramic Group is denominated in South African Rand which is the functional currency of the Group. The foreign currency note relating to the Group is set out in the notes section below.

The additional disclosure required in terms of paragraphs 8.11 and 8.12 of the JSE Listings Requirements has been included in the Report of Historical Financial Information of the Ceramic Group.

The Audited Financial Statements were audited by KPMG Inc and unqualified audit opinions were issued in respect thereto. KPMG Inc is also the independent reporting accountant to the Ceramic Group and has issued the reporting accountant's report on this Report of Historical Financial Information of the Ceramic Group which is included as Annexure 7 to this Circular.

The Ceramic Directors are responsible for the Report of Historical Financial Information of the Ceramic Group.

Directors' commentary

Ceramic's South African operation comprises four tile factories, one sanitaryware factory and one bath factory. The tile factories, namely Samca Wall Tiles, Samca Floor Tiles, Pegasus and Vitro are situated in Babelegi and Vereeniging respectively. The sanitaryware factory, Betta Sanitaryware, and the bath factory, Aquarius, are both located in Krugersdorp. The Australian operation comprises one glazed porcelain tile factory situated in Rutherford in New South Wales.

2013

Change in shareholding

There was a significant change in shareholding during the reporting period. The offer to Ceramic shareholders by Italtile Limited ("Italtile") as reported in the annual report was accepted on 23 November 2012. As a result of the acceptance Italtile acquired 4 058 566 Ceramic shares at a value of R130 per share (R527,6 million) which increased their beneficial interest in Ceramic to 19,6%. In terms of the offer Rallen Proprietary Limited ("Rallen") acquired an additional 1 439 266 Ceramic shares at a value of R130 per share (R187,1 million) which has increased its beneficial interest in Ceramic from 54,95% to 62,05%.

Change in financial year end

Following the delisting of Ceramic and the acquisition of 20% of the issued share capital by Italtile, the Board decided to change the financial year end from 31 July to 30 June in order in order to simplify Ceramic's financial reporting requirements to Italtile.

Property, plant and equipment

During the year the Ceramic Group spent R65,5 million on new plant and machinery in order to upgrade the technology in the factories.

Dividends

The Ceramic Board declared a dividend of 270 cents per share for the period.

2014

Property, plant and equipment

During the year the Ceramic Group spent R46,5 million on new plant and machinery in order to upgrade the technology in the factories.

Dividends

The Ceramic Board declared a special dividend of 1 500 cents per share which, together with the interim dividend of 65 cents per share amounts to a total dividend of 1 565 cents per share for the year.

Change in directors

Mr N Booth retired from the board on 30 June 2014 and has been replaced as the Chief Executive Officer by Mr LA Foxcroft who was appointed to the board on the same date.

2015

Property, plant and equipment

During the year the Ceramic Group spent R281,7 million on new plant and machinery in order to upgrade the technology in the factories.

The Ceramic Group is currently building a new factory (Gryphon) on its Vereeniging site. The factory is expected to be completed in November 2015 and is expected to cost in the order of R400 million. The factory will be built using internally generated funds.

Dividends

The Ceramic Board declared a dividend of 220 cents per share which, together with the interim dividend of 160 cents per share amounts to a total dividend of 380 cents per share for the year.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 30 June

	Notes	Audited June 2015 R'000	Audited June 2014 R'000	Audited June 2013 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	6	878 802	738 601	809 233
Goodwill	7	4 520	4 520	4 520
Equity accounted investee	8	38 147	29 662	26 349
Deferred taxation assets	16	24 719	11 922	9 556
		946 188	**784 705**	**849 658**
Current assets				
Inventories	10	183 897	169 195	165 522
Trade and other receivables	11	410 737	332 914	253 409
Taxation receivable		2 851	–	–
Cash and cash equivalents	12	259 975	222 143	343 731
		857 460	**724 252**	**762 662**
Total assets		**1 803 648**	**1 508 957**	**1 612 320**
EQUITY AND LIABILITIES				
Share capital	13	64 816	64 816	64 816
Treasury shares	14	(102 656)	(115 277)	(122 926)
Share-based payment reserve		47 212	47 212	47 212
Share awards reserve		43 530	18 143	–
Reserves		134 728	146 826	72 327
Retained earnings		1 240 090	1 017 440	1 250 218
Non-controlling interest	9	4 800	4 261	5 182
Total Equity		**1 432 520**	**1 183 421**	**1 316 829**
Liabilities				
Non-current liabilities				
Shareholders' loans	15	8 681	11 443	10 609
Deferred taxation liabilities	16	46 444	60 018	60 004
		55 125	**71 461**	**70 613**
Current liabilities				
Short term borrowings	17	–	12 458	6 903
Trade and other payables	18	303 850	233 745	201 617
Taxation payable		2 516	1 238	9 195
Provision for rehabilitation	19	9 327	6 324	6 827
Shareholders for dividends		310	310	336
		316 003	**254 075**	**224 878**
Total liabilities		**371 128**	**325 536**	**295 491**
Total equity and liabilities		**1 803 648**	**1 508 957**	**1 612 320**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the period ended 30 June

	Notes	Audited Year ended 2015 R'000	Audited Year ended 2014 R'000	Audited Eleven months ended 2013 R'000
Revenue		2 346 374	2 005 497	1 591 897
Cost of sales		1 741 949	1 603 112	1 311 379
Gross profit		604 425	402 385	280 518
Operating expenses		258 561	238 613	193 531
Operating profit	2	**345 864**	**163 772**	**86 987**
Finance income	3	14 855	11 316	13 659
Finance expenses	4	4 174	2 605	2 507
Share of profits of equity accounted investees, net of taxation	8	7 294	4 666	3 946
Profit before taxation		**363 839**	**177 149**	**102 085**
Taxation	5	89 446	57 416	34 027
Profit for the year		**274 393**	**119 733**	**68 058**
Other comprehensive income				
Net foreign currency translation differences from foreign operations		(13 362)	17 699	16 710
Foreign currency translation differences from foreign operations		(16 568)	22 115	20 091
Deferred taxation		3 206	(4 416)	(3 381)
Total comprehensive income attributable to the parent		**261 031**	**137 432**	**84 768**
Basic earnings per share (cents)		1 584,32	706,16	412,29
Diluted earnings per share (cents)		1 578,56	682,48	411,51
Profit attributable to		274 393	119 733	68 058
Owners of the company		272 590	121 018	70 422
Non-controlling interest		1 803	(1 285)	(2 364)
Total comprehensive income attributable to		261 031	137 432	84 768
Owners of the company		260 492	138 353	86 671
Non-controlling interest		539	(921)	(1 903)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the period ended 30 June

	Share Capital R'000	Treasury shares R'000	Share based payment reserve R'000	Share awards reserve R'000	Foreign currency translation reserve R'000	Dividend reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total R'000
Balance at 31 July 2012	64 816	(122 861)	47 212	19 155	113 242	(3 952)	1 171 149	1 288 761	7 085	1 295 846
Profit for the period							70 422	70 422	(2 364)	68 058
Movement translation of foreign subsidiaries					7 556			7 556	461	8 017
Movement in translation of amounts owing by foreign subsidiaries					12 074			12 074		12074
Deferred tax on movement in amounts owing by foreign subsidiaries					(3 381)			(3 381)		(3 381)
Additional treasury shares acquired		(65)						(65)		(65)
Movement in share awards reserve				(10 508)				(10 508)		(10 508)
Transfer between reserves				(8 647)			8 647	–		–
Dividends paid						(54 478)		(54 478)		(54 478)
Dividends received from Share Trust						1 266		1 266		1 266
Balance at 30 June 2013	64 816	(122 926)	47 212	–	129 491	(57 164)	1 250 218	1 311 647	5 182	1 316 829
Profit for the year							121 018	121 018	(1 285)	119 733
Movement translation of foreign subsidiaries					5 981			5 981	364	6 345
Movement in translation of amounts owing by foreign subsidiaries					15 770			15 770		15 770
Deferred tax on movement in amounts owing by foreign subsidiaries					(4 416)			(4 416)		(4 416)
Additional treasury shares acquired		(5 586)						(5 586)		(5 586)
Shares sold to BEE partners		15 098						15 098		15 098
Equity-settled share based payment				18 143				18 143		18 143
Transfer between reserves		(1 863)				57 164	(55 301)	–		–
Dividends paid							(317 583)	(317 583)		(317 583)
Dividends received by Share Trust and subsidiary							19 088	19 088		19 088
Balance at 30 June 2014	64 816	(115 277)	47 212	18 143	146 826	–	1 017 440	1 179 160	4 261	1 183 421

	Share Capital R'000	Treasury shares R'000	Share based payment reserve R'000	Share awards reserve R'000	Foreign currency translation reserve R'000	Dividend reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total R'000
Balance at 1 July 2014	64 816	(115 277)	47 212	18 143	146 826	–	1 017 440	1 179 160	4 261	1 183 421
Profit for the year							272 590	272 590	1 803	274 393
Movement translation of foreign subsidiaries					(3 855)			(3 855)	(1 264)	(5 119)
Movement in translation of amounts owing by foreign subsidiaries					(11 449)			(11 449)		(11 449)
Deferred tax on movement in amounts owing by foreign subsidiaries					3 206			3 206		3 206
Additional treasury shares acquired		(2 000)						(2 000)		(2 000)
Shares sold to BEE partners		14 621						14 621		14 621
Equity-settled share based payment				25 387				25 387		25 387
Dividends paid							(52 761)	(52 761)		(52 761)
Dividends received by Share Trust and subsidiary							2 821	2 821		2 821
Balance at 30 June 2015	64 816	(102 656)	47 212	43 530	134 728	–	(1 240 090)	1 427 720	4 800	1 432 520

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the period ended 30 June

	Notes	Audited Year ended 2015 R'000	Audited Year ended 2014 R'000	Audited Eleven months ended 2013 R'000
Cash Flows from Operating Activities				
Cash generated by operations	23.1	459 512	270 760	195 713
Finance income		14 855	11 316	13 659
Finance expense		(4 174)	(2 605)	(2 507)
Dividends paid	23.2	(49 940)	(298 521)	(53 216)
Taxation paid	23.3	(114 568)	(72 473)	(46 960)
Net cash inflow/(outflow) from operating activities		305 685	(91 523)	106 689
Cash Flows from Investing Activities				
Additions to property plant and equipment to expand operations		(281 683)	(46 506)	(65 483)
Proceeds from disposal of property plant and equipment		18 904	2 207	2 465
Increase in investment in associate		(2 475)	–	
Decrease in loan to associated company		–	–	760
Additional interest acquired in associated company		–	–	(943)
Net cash outflow from investing activities		(265 254)	(44 299)	(63 201)
Cash Flows from Financing Activities				
Shareholders' loans (repaid)/raised		(2 762)	(42)	675
Short-term borrowings (repaid)/raised		(12 458)	4 764	6 903
Share buy-back		(2 000)	(5 586)	(65)
Treasury shares sold to BEE partners		14 621	15 098	–
Net cash (inflow)/outflow from financing activities		(2 599)	14 234	7 513
Net movement in cash and cash equivalents		37 832	(121 588)	51 001
Cash and cash equivalents at the beginning of the year		222 143	343 731	292 730
Cash and cash equivalents at the end of the year		259 975	222 143	343 731

ACCOUNTING POLICIES

Reporting entity

The Audited Financial Statements, from which the Historical Financial Information of the Ceramic Group has been extracted, comprises Ceramic and its subsidiaries (together referred to as the 'Ceramic Group' and individually as 'Group entities') and the Ceramic Group's interest in its associates and a share trust.

The Ceramic Group is involved in the manufacture and sale of ceramic floor and wall tiles, vitreous china sanitaryware and acrylic bathroomware.

The principle accounting policies adopted in the preparation of the Report of Historical Financial Information of the Ceramic Group are set out below.

Change in financial year end

The figures included in the Report of Historical Financial Information of the Ceramic Group are for the eleven month period from 1 August 2012 to 30 June 2013. No comparative figures have been presented for the Report of Historical Financial Information of the Ceramic Group.

Statement of compliance

The Audited Financial Statements, from which this Report of Historical Financial Information of the Ceramic Group has been derived, have been prepared in accordance with IFRS and the requirements of the Companies Act of South Africa.

Basis of measurement

The Report of Historical Financial Information of the Ceramic Group has been prepared on the historical cost basis, except for liabilities for cash-settled share-based payment arrangements measured at fair value.

Functional and presentation currency

The Report of Historical Financial Information of the Ceramic Group is presented in South African Rand ("R") which is Ceramic's functional currency. All financial information presented in Rand has been rounded to the nearest thousand ("R'000"), except where otherwise indicated.

Use of estimates and judgements

The preparation of Audited Financial Statements, from which this Report of Historical Financial Information of the Ceramic Group has been derived, in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about other areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Audited Financial Statements, from which this Report of Historical Financial Information of the Ceramic Group has been derived, are described in the following notes:
Note 2 – Measurement of share based payment transactions
Note 6 – Useful lives and residual values of property, plant and equipment
Note 10 – Provision for inventory obsolescence
Note 16 – Deferred taxation assets
Note 19 – Provision for rehabilitation of clay quarries

Basis of consolidation

Non-controlling interests

Changes in the Ceramic Group's interest in a subsidiary that does not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Interest in subsidiaries

Subsidiaries are entities controlled by the Ceramic Group. The Ceramic Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the use of its power over the entity.

The financial statements of subsidiaries are included in the Audited Financial Statements, from which this Report of Historical Financial Information of the Ceramic Group has been derived, from the date that control commences until the date that control ceases. The accounting policies of the subsidiary have been changed when necessary to align with the policies adopted by the Ceramic Group.

Loss of control

Upon the loss of control, the Ceramic Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Ceramic Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investment in associates

Associates are those entities in which the Ceramic Group has significant influence but not control over the financial and operating policies. Significant influence is presumed to exist when the Ceramic Group holds in excess of 20% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transactions costs.

The Audited Financial Statements, from which this Report of Historical Financial Information of the Ceramic Group has been derived, include the Ceramic Group's share of profit and loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Ceramic Group, from the date that significant influence commences until the date that significant influence ceases.

When the Ceramic Group's share of losses exceeds its interest in the equity-accounted for investee, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Ceramic Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from the intra-group transactions, are eliminated on consolidation. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Ceramic Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency translation

Foreign currency transactions

Items included in the financial results of each entity are measured using the functional currency of that entity.

Transactions in foreign currencies are translated to the respective functional currencies of Ceramic Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign exchange gains and losses resulting from translation and settlement of monetary assets and liabilities are recognised in profit or loss, except when they relate to cash flow hedging activities in which case these gains and losses are recognised in other comprehensive income and are presented within equity in the hedge accounting reserve.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency gains and losses are reported on a net basis on either finance income or finance expense depending on whether the foreign currency movements are in a net gain or net loss position.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Rand at exchange rates at the reporting date.

The income and expenses of the foreign operations are translated to Rand at exchange rates at the date of the transactions.

When the settlement of a monetary item receivable or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of a net investment in a foreign operation.

In the Audited Financial Statements, from which this Report of Historical Financial Information of the Ceramic Group has been derived, differences arising from translation of the net investment in a foreign operation are recognised as other comprehensive income and are presented within equity in the foreign currency translation reserve.

On the disposal of part or all of the operation, the proportionate share of the related cumulative gains and losses previously recognised in other comprehensive income are presented within equity in the foreign currency translation reserve is transferred to profit or loss on disposal.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When the foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit and loss as part of a gain or loss on disposal. When the Ceramic Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is re-attributed to non-controlling interests. When the Ceramic Group disposes of only part of its investment in an associate or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Exchange rates utilised to convert financial information are as follows:

	2015		2014		2013	
	Weighted average rate for the year	Closing rate	Weighted average rate for the year	Closing rate	Weighted average rate for the year	Closing rate
ZAR : AUD	9,56 : 1	9,41 : 1	9,53 : 1	9,97 : 1	9,13 : 1	9,20 : 1
ZAR : EUR	13,73 : 1	13,73 : 1	14,08 : 1	14,43 : 1	11,57 : 1	12,98 : 1
ZAR : USD	11,44 : 1	12,26 : 1	10,38 : 1	10,58 : 1	8,90 : 1	9,93 : 1
ZAR : GBP	18,01 : 1	19,29 : 1	16,88 : 1	18,01 : 1	13,95 : 1	15,18 : 1

Financial instruments

The Ceramic Group classifies its financial instruments into the following categories:

- Loans and receivables; and
- Liabilities at amortised cost.

The classification is dependent on the purpose for which the financial asset is acquired. Management determines the classification of its financial assets at the time of the initial recognition.

On initial recognition, financial instruments are measured at fair value plus, in the case of financial instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequently they are measured as detailed below.

Non-derivative financial assets and financial liabilities – recognition and derecognition
The Ceramic Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Ceramic Group becomes a party to the contractual provisions of the instrument.

The Ceramic Group derecognises a financial asset when the contractual right to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Ceramic Group is recognised as a separate asset or liability.

The Ceramic Group classifies its non-derivative financial assets as loans and receivables and cash and cash equivalents.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measure at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Ceramic Group in the management of its short-term commitments.

Non-derivative financial liabilities
The Ceramic Group initially recognises financial liabilities on the trade date, which is the date that the Ceramic Group becomes a party to the contractual provisions of the instrument.

The Ceramic Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Ceramic Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities comprise shareholders' loans, short-term borrowings, trade and other payables, shareholders for dividends.

Financial assets and liabilities are offset and the net amount presented when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Share capital
Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issues of ordinary shares are recognised as a deduction from equity, net of any taxation effects.

Repurchase and reissue of share capital (treasury shares)
When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is recorded in the treasury share reserve.

Segmental reporting
Segment results that are reported to the CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Clay Quarry Support Centre - CQSC), CQSC expenses, and income tax assets and liabilities.

Revenue
Sale of goods
Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and the Ceramic Group no longer retains continuing managerial involvement to the degree associated with ownership or effective control. If it is probable that the discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sale of tiles and sanitaryware, usually transfer occurs when the product is removed from the warehouse and delivered to the transporter.

Leases

Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Finance leases

Leases where the Ceramic Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as a finance lease liability as part of loans and borrowings. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income and finance costs

Finance income comprises interest income on funds invested and dividends received. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividends received are recognised when the right to receive payment is established.

Finance costs comprise interest expense on borrowings.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Taxation

Taxation expense comprises current and deferred taxation. Current taxation and deferred taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income in which case it is recognised in equity or in other comprehensive income respectively.

Current taxation

Current taxation is the expected taxation payable or receivable on the taxable income or loss for the year, using the taxation rates enacted or substantively enacted at the reporting date, and any adjustment of taxation payable in respect of previous years.

Deferred taxation

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred taxation is calculated using taxation rates enacted or substantively enacted at the reporting date that are expected to apply when the asset is realised or liability settled.

Deferred taxation is not provided on temporary differences relating to –

- Taxable temporary differences arising on the initial recognition of goodwill;
- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxation reflects the taxation consequences that would follow the manner in which the Ceramic Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxation assets and liabilities are offset, if there is a legally enforceable right to offset current taxation liabilities and assets, and they relate to taxes levied by the same taxation authority on the same taxable entity, or on different taxation entities, but they intend to settle current tax liabilities and assets on a net basis or their taxation assets and liabilities will be realised simultaneously.

A deferred taxation asset is recognised for unused taxation losses, taxation credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

Tax exposures

In determining the amount of current and deferred taxation, the Ceramic Group takes into account the impact of uncertain taxation positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the company to change its judgement regarding the adequacy of existing taxation liabilities; such changes to taxation liabilities will impact taxation expense in the period that such a determination is made.

Dividends

Dividends payable are recognised in the period in which the dividends are declared.

Dividends withholding taxation
The company withholds dividends taxation on behalf of its shareholders at a standard rate of 15% on dividends declared. The effective rate withheld may be lower due to double taxation agreements. Amounts withheld are not recognised as part of the company's taxation charge but rather as part of the dividend paid recognised directly in equity.

Where withholding taxation is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings taxation recognised as part of taxation expense unless it is otherwise reimbursable in which case it is recognised as an asset.

Property, plant and equipment
Recognition and measurement

Owned assets
Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the following:
- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- when the group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

Costs capitalised for work in progress in respect of activities to develop, expand or enhance items of property, plant and equipment are classified as part of assets under construction.

The carrying amount of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised in profit or loss.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property plant and equipment.

Subsequent costs
The Ceramic Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Ceramic Group and the cost of such item can be measured reliably. Any remaining carrying amount of the replaced part is written off to profit or loss. The costs of the day to day servicing of property plant and equipment are recognised in profit or loss as incurred.

Depreciation
Items of property, plant and equipment are depreciated from the date that they are available for use, or in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Ceramic Group will obtain ownership by the end of the lease term. Land and capital work-in-progress is not depreciated.

The current and comparative year's estimated useful lives of significant items of property, plant and equipment are as follows –

• Freehold buildings	10 to 20 years
• Plant and machinery	5 to 15 years
• Motor vehicles	5 years
• Computer equipment	3 years
• Computer software	3 years
• Furniture and fittings	5 years
• Office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Leased assets

Leases in terms of which the Ceramic Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of a finance lease at initial recognition is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

Goodwill is tested at each reporting date for impairment.

Inventories

Inventories are measured at the lower of cost or net realisable value.

Cost includes expenditure incurred in acquiring, manufacturing and transporting the inventory to its present location, as well as gains or losses on qualifying cash flow hedges. Manufacturing costs include an allocated portion of production overheads which are directly attributable to the cost of manufacturing such inventory. The allocation is determined based on the normal production capacity.

Cost is determined as follows –

• Raw materials	weighted average
• Finished goods and merchandise	standard cost

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses

Impairment

Impairment of non-financial assets

The Ceramic Group's non-financial assets, other than inventories and deferred taxation assets are reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether there is any indication of impairment. An impairment test is performed on goodwill at each reporting date. If an impairment indicator exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Recoverable amounts are estimated for individual assets or, where an individual asset cannot generate cash inflows independently, the recoverable amount is determined for the larger cash-generating unit to which the asset belongs. For the purposes of goodwill impairment testing, cash-generating units are aggregated so that the level at which impairment is tested reflects the lowest level subject to an operating segment ceiling test, at which goodwill is monitored internally.

The impairment loss recognised in profit or loss is the excess of the carrying amount over the recoverable amount.

Impairment losses recognised in respect of a cash-generating unit is first allocated to reduce the carrying amount of the goodwill allocated to the unit and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis relative to their carrying amounts.

With the exception of goodwill, a previously recognised impairment loss will be reversed insofar as estimates change as a result of an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised.

A reversal of an impairment loss is recognised in profit or loss.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more loss events have occurred and have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Ceramic Group on terms that the Ceramic Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Ceramic Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Ceramic Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Provisions

A provision is recognised if, as a result of a past event, the Ceramic Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-taxation rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Rehabilitation costs

Provisions for rehabilitation costs are based on the estimated expense to be incurred in order to return clay quarries to a useable state. These costs include estimated made by management in order to comply with legislated environmental requirements. The adequacy of the provisions is reviewed annually against changed circumstances and legislation and any adjustment is recognised in profit or loss.

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Ceramic Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit and loss in the period during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after year end of the period in which the employees render the service are discounted to their present value.

Shared-based payment transactions

Equity settled share-based payments

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity (in the share-based payment/share awards reserve), over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Cash settled share-based payments

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the fair value of the liability are recognised as employee benefit expenses in profit or loss.

IFRS and IFRIC Interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in the preparation of these financial statements. The following Standards and Interpretations were in issue but not yet effective:

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after 1 July 2016 and early adoption is permitted. The standard is not expected to have an impact on the Group.

Equity Method in Separate Financial Statements (Amendments to IAS 27)
The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures.

The amendments apply retrospectively for annual periods beginning on or after 1 July 2016 and early adoption is permitted. The standard is not expected to have an impact on the Group.

Disclosure Initiative (Amendments to IAS 1)
The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to of the order of notes, other comprehensive income of equity accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income.

The amendments apply for annual periods beginning on or after 1 July 2016 and early application is permitted. Management is in the process of assessing the impact of this amendments on the Group.

IFRS 15 Revenue from contracts with customers
This standard replaces IAS 11: *Construction Contracts,* IAS 18: *Revenue*, IFRIC 13: *Customer Loyalty Programmes,* IFRIC 15: *Agreements for the Construction of Real Estate*, IFRIC 18: *Transfer of Assets from Customers* and SIC-31: *Revenue – Barter of Transactions Involving Advertising Services.* The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ending 30 June 2015 financial statements.

The standard is effective for annual periods beginning on or after 1 July 2017, with early adoption permitted under IFRS. Management is in the process of assessing the impact of this standard.

IFRS 9 Financial Instruments
On 24 July 2014 the IASB issued the final IFRS 9: *Financial Instruments Standard*, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39: *Financial Instruments: Recognition and Measurement.*

This standard will have a significant impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Group.

The standard is effective for annual periods beginning on or after 1 July 2018 with retrospective application, early adoption is permitted.

All Standards and Interpretations will be adopted at their effective dates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

1. Segmental reporting

The segment information has been prepared in accordance with IFRS 8: *Operating segments* which defines the requirements for the disclosure of an entity's operating segments. The standard requires segmentation based on the Ceramic Group's internal organisation and reporting of revenue and operating income based upon internal accounting presentation. In identifying its operating segments, management generally follows the Ceramic Group's products. Each of the operating segments is managed separately. The management policies the Ceramic Group uses for segment reporting are the same as those used in the Audited Financial Statements, from which this Report of Historical Financial Information of the Ceramic Group has been derived.

The Ceramic Group is organised into two main business segments, the manufacturing of a wide range of wall and floor tiles and the manufacturing of a comprehensive range of vitreous china sanitaryware products and acrylic bathroomware. The Ceramic Group manufactures in two geographical areas, South Africa and Australia.

Segment assets consist primarily of:

- Property, plant and equipment;
- Goodwill;
- Equity accounted investee;
- Inventories;
- Receivables; and
- Cash

Segment liabilities consist primarily of:

- Borrowings;
- Payables;
- Taxation payable
- Provision for rehabilitation; and
- Shareholders for dividends

Deferred tax assets and liabilities are excluded.

	Sanitaryware South Africa R000's	Tiles South Africa R000's	Tiles Australia R000's	Total R000's
2015				
Revenue	437 837	1 526 920	381 617	2 346 374
Depreciation	26 511	58 112	28 329	112 952
Operating profit	74 876	256 302	14 686	345 864
Net finance income/(expense)	2 633	11 307	(3 259)	10 681
Assets	370 149	1 137 826	270 954	1 778 929
Cost of assets acquired	26 203	238 743	16 737	281 683
Liabilities	42 776	213 845	68 063	324 684
2014				
Revenue	376 595	1 316 619	312 283	2 005 497
Depreciation	32 864	57 568	35 407	125 839
Operating profit/(loss)	48 172	157 088	(41 488)	163 772
Net finance income/(expense)	1 826	7 791	(906)	8 711
Assets	344 157	1 084 186	68 692	1 497 035
Cost of assets acquired	5 587	30 592	10 327	46 506
Liabilities	40 164	161 826	63 528	265 518
2013				
Revenue	305 388	1 061 941	224 568	1 591 897
Depreciation	30 982	54 771	31 414	117 167
Operating profit/(loss)	32 841	90 409	(36 263)	86 987
Net finance income	2 311	9 809	(968)	11 152
Assets	364 033	1 139 890	98 841	1 602 764
Cost of assets acquired	4 717	54 164	6 602	65 483
Liabilities	34 918	136 769	63 800	235 487

Inter-segmental sales amounted to R109,9 million in 2015, R85,2 million in 2014 and R62,7 million in 2013. Other than the information in note 24 no single customer accounted for more than 10% of the Group's revenue.

	For the year ended 30 June 2015 R'000's	For the year ended 30 June 2014 R'000's	For the eleven months ended 30 June 2013 R'000's
2. Operating profit			
The following items have been charged/(credited) in arriving at operating profit –			
Auditors' remuneration	2 642	2 341	2 072
– Fees for audit	1 636	1 440	1 641
– Prior year under-provision	880	611	276
– Fees for other services	126	290	155
Depreciation	112 952	125 839	117 167
– Buildings	21 717	21 445	19 063
– Plant and machinery, vehicles and office equipment	91 235	104 394	98 104
Directors' remuneration (refer note 25)	11 912	12 324	7 152
Fees paid for	20 325	22 100	19 451
– Administrative services	–	1 864	2 045
– Managerial services	5 161	3 667	5 640
– Secretarial services	224	165	183
– Technical services	14 940	16 404	11 583
Inventory written-down	6 102	8 144	2 822
Impairment of trade receivables	(995)	252	218
Profit on disposal of property, plant and equipment	(579)	(146)	(234)
Operating lease charges in respect of equipment	15 788	12 754	10 571
Retirement fund contributions	16 667	14 638	11 665
Salaries and wages	274 427	235 127	187 498
Share-based payment expense	28 473	27 452	8 070
– Cash-settled	3 086	9 309	8 070
– Equity-settled	25 387	18 143	–

Share Incentive Trust ("Trust"), Share Appreciation Rights Scheme ("SARS") and Long Term Incentive Plan ("LTIP")

Change in conditions

The conditions applicable to the above incentive schemes were amended during the 2013 financial period as a result of the offer made by Italtile Limited ("Italtile") to the shareholders of Ceramic Industries Proprietary Limited.

As a condition of the offer and the delisting, the Board agreed with the Italtile Board, the directors of Rallen Proprietary Limited, the Trust participants and the participants in SARS and LTIP that no new awards will be made under any of the Trust, the LTIP or the SARS and, accordingly, the Trust, the LTIP and the SARS will cease to operate once all of the existing awards have vested and been exercised.

Agreement with Trust participants

The Trust allowed Trust participants to acquire Ceramic Shares at the 30 day volume-weighted average price ("VWAP") of the Ceramic shares on the date that the Ceramic shares were allocated to the Trust participant. These dates have all passed and accordingly this price has been determined. The Trust participants were not able to accept the Italtile offer as the Ceramic shares had not yet vested in them. Ceramic accordingly agreed that, once the Ceramic shares vest in the Trust Participants, it will acquire the Ceramic shares at the agreed future value of such Ceramic Shares which includes an 18% premium. The agreed future values for the outstanding rights under the Trust at each vesting date were determined by Mr R Mothapo (Fellow of the Actuarial Society of South Africa) of Matlotlo Group Proprietary Limited, and agreed with each of the Trust participants. The future values were calculated as forward prices on a basis of no-arbitrage theory to financial instruments pricing, where neither party stands to make risk-free profits. The assumptions underlying the calculation are market consistent, resulting in fair market- consistent future values.

The liability raised for the share options outstanding at 30 June was R11,1million for 2015, R11,4 million for 2014 and R10,5 million for 2013. Included in the expense in profit or loss for the year was R0,9 million for 2015 and R4 million for 2014 relating to the current year's amortisation of the share options granted.

The following table reflects the number and weighted average exercise prices of share options held by Trust participants including executive directors –

	2015		2014		2013	
	Number of share options	Weighted average exercise price (R)	Number of share options	Weighted average exercise price (R)	Number of share options	Weighted average exercise price (R)
At beginning of year	436 875	118,94	572 500	121,36	797 500	123,56
Options exercised	(32 500)	(104,43)	(135 625)	(129,13)	(75 000)	(129,13)
Forfeited options	(65 000)	(104,43)	–	–	(150 000)	(129,13)
Outstanding at end of year	339 375	123,13	436 875	118,95	572 500	121,36

The options outstanding at 30 June 2015 become unconditional on the following dates –

Date	Number of options	Exercise price (R)	Fixed settlement price (R)
13 December 2015	256 875	129,13	164,43
21 March 2017	82 500	104,43	155,68
	339 375	123,13	162,30

Amendments to the rules of the LTIP and the SARS

The rules of the LTIP and the SARS were amended by the inclusion of an agreed future value, which includes a premium which is the same as the premium under the offer (to replace the future listed Ceramic Share price) to be received by participants for each tranche of Ceramic shares that vest in the future. The prices for each of the outstanding rights under the LTIP and the SARS at each vesting date have been determined by Mr R Mothapo (Fellow of the Actuarial Society of South Africa) of Matlotlo Group Proprietary Limited and agreed with each of the participants. The prices for each of the outstanding rights under the LTIP and the SARS at each vesting date have been determined by Mr R Mothapo using the same principles detailed above in respect of the Trust.

The following table reflects the number of notional Ceramic shares granted and the exercise price of such awards held by participants including executive directors in the SARS and LTIP:

	2015		2014		2013	
	Number of awards	Weighted average exercise price (R)	Number of awards	Weighted average exercise price (R)	Number of awards	Weighted average exercise price (R)
SARS						
At beginning of the year	137 250	100,99	358 500	89,26	524 250	90,75
Options exercised	(137 250)	(100,99)	(142 500)	(70,05)	(72 000)	(101,94)
Options forfeited	–	–	(78 750)	(103,58)	(93 750)	(98,21)
At end of year	–		137 250	100,99	358 500	85,23
LTIP						
At beginning of the year	37 125	–	99 000	–	150 125	–
Options exercised	(37 125)	–	(35 625)	–	(21 125)	–
Options forfeited	–	–	(26 250)	–	(30 000)	–
At end of year	–	–	37 125	–	99 000	–

The liability raised for the awards outstanding at 30 June was R Nil for 2015, R11,7 million for 2015 and R23,3 million for 2013.

The Ceramic Industries Limited Equity Incentive Scheme

Following the termination of the Ceramic Industries Proprietary Limited Share Incentive Trust and the SARS and the LTIP schemes and in accordance with the terms of the offer made by Italtile to Ceramic Industries Proprietary Limited shareholders in October 2012, the Ceramic Directors have implemented a new share incentive scheme.

The scheme, known as the Ceramic Industries Proprietary Limited Equity Incentive Scheme ("EIS") was implemented with effect from 1 July 2013. The purpose of the scheme is to incentivise selected employees by giving them the opportunity to acquire shares in Ceramic. The scheme will also ensure that the goals of those employees will be aligned with the goals of the other shareholders.

The Ceramic Directors have agreed to allocate a maximum of 20% of the total number of shares in issue to the EIS and has set a maximum shareholding of 5% for any one employee.

In terms of the rules of the EIS, grants will be made at the discretion of the Ceramic Remuneration Committee (Remcom) on 1 July each year. Per the scheme rules 20% of the grants will be unconditional but the remaining 80% will be conditional on the achievement of performance targets set by the Remcom. There will be two vesting dates which will be on the second and fourth anniversary dates of the original grant date. Per the scheme rules 25% of the grants will vest on the first vesting date and 75% will vest on the second vesting date.

Details of the grants issued at 30 June 2015 are as follows:

Grant date	**Vesting date**	**Category**	**Grants outstanding**
1 July 2013	30 June 2015	Unconditional	42 500
1 July 2013	30 June 2015	Conditional	170 000
1 July 2013	30 June 2017	Unconditional	127 500
1 July 2013	30 June 2017	Conditional	510 000
1 July 2014	30 June 2016	Unconditional	5 000
1 July 2014	30 June 2016	Conditional	20 000
1 July 2014	30 June 2018	Unconditional	15 000
1 July 2014	30 June 2018	Conditional	60 000
Total			**950 000**

	For the year ended 30 June 2015 R000's	**For the year ended 30 June 2014 R000's**	**For the eleven months ended 30 June 2013 R000's**
3. Finance income			
Interest received	10 617	9 050	5 913
Dividends received	4 238	2 266	7 746
	14 855	11 316	13 659

	For the year ended 30 June 2015 R000's	**For the year ended 30 June 2014 R000's**	**For the eleven months ended 30 June 2013 R000's**
4. Finance expense			
Interest paid	318	762	317
– Banks	274	737	269
– South African Revenue Service	–	21	6
– Other	44	4	42
Net foreign exchange losses	3 856	1 843	2 190
	4 174	2 605	2 507

	For the year ended 30 June 2015 R000's	For the year ended 30 June 2014 R000's	For the eleven months ended 30 June 2013 R000's
5. Taxation			
South African normal taxation			
Current taxation	112 594	61 569	46 200
– current year	111 923	62 444	45 430
– prior year under-provision	671	(875)	770
Deferred taxation	(23 564)	(6 658)	(12 173)
– current year	(22 377)	(6 670)	(12 149)
– prior year under-provision	(1 187)	12	(24)
Total normal taxation	89 030	54 911	34 027
Dividends withholding taxation	416	2 505	–
Total taxation charge	89 446	57 416	34 027

The effective rate of taxation differs from the standard rate of taxation as follows:

Reconciliation of the effective taxation rate

	For the year ended 30 June 2015 %	For the year ended 30 June 2014 %	For the eleven months ended 30 June 2013 %
Standard rate of taxation	28,00	28,00	28,00
Disallowed expenditure	2,11	2,30	0,87
Exempt income	(1,02)	(4,70)	(3,19)
Normal taxation prior year adjustment	0,18	(0,49)	0,75
Dividends withholding taxation	0,11	1,41	–
Deferred taxation prior year adjustment	(0,33)	0,01	(0,02)
Deferred taxation asset not recognised	0,11	5,92	7,45
Utilisation of assessed loss	(4,58)	(0,04)	–
Effect of foreign tax rate	–	–	(0,53)
Total taxation charge	24,58	32,41	33,33

	Cost R000's	Accumulated depreciation R000's	Carrying amount R000's
6. Property, plant and equipment			
2015			
Land and buildings	473 509	(188 057)	285 452
Plant and machinery, vehicles and office equipment	1 478 308	(1 120 974)	357 334
Capital work-in-progress	236 016	–	236 016
	2 187 833	(1 309 9740)	878 802
2014			
Land and buildings	480 213	(166 557)	313 656
Plant and machinery, vehicles and office equipment	1 439 808	(1 033 979)	405 829
Capital work-in-progress	19 116	–	19 116
	1 939 137	(1 200 536)	738 601
2013			
Land and buildings	464 564	(145 112)	319 452
Plant and machinery, vehicles and office equipment	1 365 047	(934 911)	430 136
Capital work in progress	59 645	–	59 645
	1 889 256	(1 080 023)	809 233

Reconciliation of the carrying value

	Land and buildings R000's	Plant and machinery, vehicles and office equipment R000's	Capital work-in-progress R000's	Total R000's
2015				
Carrying amount at beginning of year	313 656	405 829	19 116	738 601
Additions net of transfers from capital work-in-progress	14 865	49 647	217 171	281 683
Carrying amount of disposals	(15 821)	(2 504)	–	(18 325)
Depreciation charge	(21 717)	(91 235)	–	(112 952)
Translation differences	(5 531)	4 403	(271)	(10 205)
Carrying amount at end of year	285 452	357 334	236 016	878 802
2014				
Carrying amount at beginning of year	319 452	430 136	59 645	809 233
Additions net of transfers from capital work-in-progress	7 730	74 614	(35 838)	46 506
Carrying amount of disposals	–	(1 727)	(334)	(2 061)
Depreciation charge	(21 445)	(104 394)	–	(125 839)
Translation differences	7 919	7 200	(4 357)	10 762
Carrying amount at end of the year	313 656	405 829	19 116	738 601
2013				
Carrying amount at beginning of year	295 432	475 583	76 998	848 013
Additions net of transfers from capital work-in-progress	36 533	47 170	(18 220)	65 483
Carrying amount of disposals	(7)	(2 224)	–	(2 231)
Depreciation charge	(19 063)	(98 104)	–	(117 167)
Translation differences	6 557	7 711	867	15 135
Carrying amount at end of period	319 452	430 136	59 645	809 233

A register of land and buildings is available for inspection at the registered office detailing cost and improvements. Refer to note 21 for details of future contractual commitments to acquire property, plant and equipment.

	2015 R000's	2014 R000's	2013 R000's
7. Goodwill			
Opening and closing balances	4 520	4 520	4 520

The goodwill arose in previous years on the acquisition of an additional 5% (five percent) interest in National Ceramic Industries Australia Proprietary Limited and the investment in Sphinx Acrylic Bathroomware Proprietary Limited.

The recoverable amounts of the cash-generating units were based on their value in use and were assessed by management. The results of these tests did not identify any impairment charge.

	2015 R000's	2014 R000's	2013 R000's
8. Equity-accounted investee			
Unlisted ordinary shares			
Investment at cost	17 084	17 084	17 084
Additional investment acquired	2 475	–	–
Share of profit of equity-accounted investees, net of taxation since acquisition	18 588	12 578	9 265
Share of opening accumulated profits	12 578	9 265	6 165
Dividends received from associate	(1 284)	(1 353)	(846)
Share of current profit for the year	7 294	4 666	3 946
Carrying amount at end of the year	38 147	29 662	26 349

The information below illustrates summarised financial information of the Ceramic Group's investment in Ezee Tile Proprietary Limited ("Ezee Tile") at 100%.

	2015 R000's	2014 R000's	2013 R000's
Statement of comprehensive income			
Revenue	473 389	395 145	352 152
Profit before taxation	31 084	21 385	18 605
Income tax expense	8 971	6 185	(5 210)
Net profit after taxation for the period	22 113	15 200	13 395
Ceramic Group's share of profit	7 294	4 666	3 946
Statement of financial position			
Non-current assets	27 733	15 389	11 233
Current assets	108 178	81 594	76 321
Total assets	135 911	96 983	87 554
Capital and reserves	81 442	65 029	56 529
Non-current liabilities	1 736	1 546	509
Current liabilities	52 733	30 408	30 516
Total equity and liabilities	135 911	96 983	87 554

Ezee Tile is a manufacturer of adhesives, grout and related products. Ezee Tile has six manufacturing plants located throughout South Africa. The plants are split into three separate legal entities and the Ceramic Group's interest in each entity varies between 17,85% and 40,83%.

The Ceramic Group's share of profits has been determined by reference to the unaudited management accounts for the periods 1 July to 30 June each year.

9. Non-controlling interest

The following table summarises the information relating to National Ceramic Industries Australia Proprietary Limited for which there is a material non-controlling interest. The amounts below represent values before any intra-group eliminations. No amounts have been shown for Aquarella Investments 389 Proprietary Limited as the non-controlling interest is not considered to be material to the Ceramic Group.

	National Ceramic Industries Australia Proprietary Limited		
	2015 R'000's	**2014 R'000's**	**2013 R'000's**
Non-controlling interest %	4,7%	5,75%	5,75%
Non-current assets	191 473	192 855	207 080
Current assets	163 594	151 350	132 145
Current liabilities	(54 427)	(57 975)	(46 273)
Non-current liabilities	(198 512)	(212 122)	(202 843)
Net assets/(liabilities)	102 128	74 108	(90 109)
Carrying amount of non-controlling interest	4 800	4 261	5 182
Revenue	381 617	312 283	224 568
Profit/(loss) after taxation	11 427	(22 347)	(41 116)
Other comprehensive income	(5 119)	6 345	8 017
Total comprehensive income	6 308	(16 002)	(33 099)
Profit/(loss) allocated to non-controlling interest	1 803	(1 285)	(2 364)
Other comprehensive income allocated to non-controlling interest	(1 264)	364	461
Cash inflows/(outflows) from operating activities	31 908	(5 398)	(11 386)
Cash inflows from investment activities	16 010	(5 674)	(3 027)
Cash inflows/(outflows)inflows from financing activities	(14 409)	4 943	6 850
Net increase/(decrease) in cash and cash equivalents	1 489	(6 129)	(7 563)

	2015	**2014**	**2013**
	R000's	**R000's**	**R000's**
10. Inventories			
Raw materials	74 435	47 068	60 230
Finished goods and merchandise	109 462	122 127	105 292
	183 897	169 195	165 522

The write-down of inventories recognised as an expense was R6,1 million in 2015, R8,1 million in 2014 and R2,8 million in 2013. This expense is included in cost of sales.

	2015 R'000's	2014 R'000's	2013 R'000's
11. Trade and other receivables			
Financial assets	360 183	318 037	242 652
Trade receivables	345 349	298 442	232 596
Other receivables	14 834	19 595	10 056
Non-financial assets	50 554	14 877	10 757
Prepayments	34 187	10 898	4 896
Other	2 378	969	969
VAT	13 089	3 010	4 892
	410 737	332 914	253 409
Trade receivables comprise:			
Gross receivables;			
external	306 522	227 661	190 421
related parties (refer to note 24)	75 188	100 242	75 405
	381 710	327 903	265 826
Allowance for impairment of trade receivables	(5 197)	(5 469)	(5 459)
Other allowances against trade receivables	(31 164)	(23 992)	(27 771)
	345 349	298 442	232 596

The amount of the reversal of the allowance for the impairment recognised as income was R94 848 for 2015 and the write-down of trade receivables recognised as an expense was R251 556 in 2014 and R217 837 in 2013.

Movement in the allowance for impairment of trade receivables was as follows:

	2015 R'000's	2014 R'000's	2013 R'000's
Balance at beginning of year	5 469	5 459	5 439
Income charge for the year	(95)	252	218
Utilised	(564)	(252)	(218)
Movement in foreign currency translation reserve ("FCTR")	387	10	20
Balance at end of year	5197	5 469	5 459
Other allowances against trade receivables is comprised of –			
Allowance for rebates	27 462	21 296	25 953
Allowance for settlement discounts	3 702	2 696	1 818
	31 164	23 992	27 771

The Ceramic Group generally deals with large corporates who have a sound credit standing. Management sees the risk profile of customers per industry as well spread and managed as discussed below.

Collaterals are generally not held for blue chip companies as their payment history does not require it, but collateral is obtained on certain smaller entities and certain foreign customers, where appropriate, as security for outstanding amounts.

Trade receivables comprise a widespread customer base. This is made up primarily of merchants and wholesalers trading in ceramic and porcelain tiles, vitreous china sanitaryware and acrylic bathroomware. The Ceramic Group does not have any significant exposure to any one customer, other than Italtile Limited, through its own and franchised stores, which comprise 20% (2014 – 31%, 2013 – 28%) of the gross trade receivables balance.

11. Trade and other receivables (continued)

The Ceramic Group sells principally to merchants and wholesalers in South Africa and most Southern African countries. The Group also has entrenched itself in Australasia as a small manufacturer of porcelain tiles. The maximum exposure to credit risk for gross trade receivables at the reporting date by geographical regional was:

	2015 R'000's	2014 R'000's	2013 R'000's
South Africa	219 552	176 965	145 428
Rest of Africa	73 788	68 457	59 735
Australasia	86 267	79 692	57 757
Other	2 103	2 789	2 906
	381 710	327 903	265 826

Credit risk is minimised through an initial new client acceptance procedure whereby potential customers are individually assessed before an appropriate credit limit is allocated to the new client. Ongoing credit evaluation of the financial position of customers is performed. Credit insurance cover has been taken on specific customers.

Management views the trade receivables days per geographic region as within expectations compared with the Group's standard payment terms for that region. Trade receivables' terms differ in the Africa and Australia regions due to local economic and market conditions and the risks involved in trading in those geographical regions.

The following table illustrates the ageing of gross trade receivables. The provision for impairment of trade receivables of R5,2 million in 2015, R5,5 million in 2014 and R5,5 million in 2013 relates to the past due 61+ days ageing category only.

	2015 R'000's	2014 R'000's	2013 R'000's
Not past due	311 535	265 146	210 606
Past due 0 – 30 days	28 210	25 117	22 243
Past 31 – 60 days	18 873	16 814	14 757
Past due 61+ days	23 092	20 826	18 220
	381 710	327 903	265 826

Listings of overdue customer balances are reviewed monthly and evaluated against their credit terms and limits. Any customer exceeding their credit limits/terms must settle their overdue balances before any further credit is extended. Appropriate action is taken to recover outstanding amounts, where necessary.

Management did not consider there to be any material concentration of credit risk which has not been adequately provided for. Management consider the risk of irrecoverability as low.

	2015 R000's	2014 R000's	2013 R000's
12. Cash and cash equivalents			
Cash and bank balances	155 199	222 143	95 813
Short-term deposits and marketable securities	104 776	–	247 918
	259 975	222 143	343 731

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 3 months, depending on the 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.

	2015 R000's	2014 R000's	2013 R000's
13. Share capital			
Authorised			
27 709 467 ordinary shares of no par value			
Issued			
20 292 828 ordinary shares of no par value	64 816	64 816	64 816

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

	2015 R000's	2014 R000's	2013 R000's
Number of shares issued to external parties:			
Total shares in issue	20 292 828	20 292 828	20 292 828
Shares held by Share Trust	–	(1 067 245)	(1 067 245)
Treasury shares	(940 686)	(7 791)	(115 798)
Net shares held by external parties	19 352 142	19 217 792	19 109 785

During 2015 the 1 067 245 shares held by the Share Trust were transferred to National Ceramic Industries South Africa Proprietary Limited, a fully owned subsidiary. During 2015 149 350 of the treasury shares were sold to the BEE shareholders and 15 000 shares were acquired in the open market.

14. Treasury shares

The Share Trust was dissolved during the year with the 1 067 245 shares held by the Share Trust being transferred to National Ceramic Industries South Africa Proprietary Limited for R101,9 million. Prior to dissolution dividends amounting to R2,4 million were paid to the Share Trust by Ceramic Industries Proprietary Limited. A final distribution of R50,6 million was declared to Ceramic Industries Proprietary Limited as it was the residual beneficiary of the Share Trust

National Ceramic Industries South Africa Proprietary Limited, a wholly owned subsidiary of Ceramic Industries Proprietary Limited holds 940 686, (7 791 in 2014 and 115 798 in 2013) shares in Ceramic Industries Proprietary Limited.

15. Shareholders' loans

The shareholders' loans are unsecured, have no fixed terms of repayment, are not callable on demand and do not bear interest. The loans are owed to the minority shareholders in National Ceramic Industries Australia Proprietary Limited.

	2015 R000's	2014 R000's	2013 R000's
Balance at the end of the year	8 681	11 443	10 609

	2015 R000's	2014 R000's	2013 R000's
16. Deferred taxation			
The movement on the deferred taxation account is as follows:			
Balance at beginning of year	48 096	50 448	59 541
Profit or loss	(23 564)	(6 658)	(12 173)
– Current year	(22 377)	(6 670)	(12 149)
– Prior year over-provision	(1 187)	12	(24)
Other comprehensive income			
– current year	(3 206)	4 416	3 381
Translation differences	399	(110)	(301)
Balance at end of year	21 725	48 096	50 448
Balance at end of period is made up of:			
Deferred taxation assets	24 719	11 922	9 556
Deferred taxation liabilities	46 444	60 018	60 004
	21 725	48 096	50 448
Comprising:			
Capital allowances	60 472	48 033	53 818
Provisions	(34 463)	(27 046)	(28 321)
Foreign currency translation reserve	26 970	30 175	25 760
Estimated taxation losses	(31 254)	(3 066)	(809)
	21 725	48 096	50 448

In 2014 a deferred taxation asset amounting to R14,2 million had not been recognised. The unrecognised deferred taxation asset related to a portion of the current and historic tax losses incurred by National Ceramic Industries Australia Proprietary Limited ("NCIA"). Tax losses at that date amounted to approximately R71 million of which a deferred tax asset has not been raised in respect of R47,3 million of the tax losses. Only a partial deferred taxation asset was recognised as it was believed future taxable profits would not be available against which all the tax losses could be utilised. In 2015 however a net deferred taxation asset amounting to R21,9 million was recognised in National Ceramic Industries Australia Proprietary Limited. The available tax losses at 30 June 2015 amounted to R110,8 million. Management believe that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

Deferred taxation assets are reviewed by management at each reporting date and are reduced to the extent that is no longer probable that the related taxation benefit will be realised.

	2015 R000's	2014 R000's	2013 R000's
17. Short-term borrowings			
Short-term borrowings	–	12 458	6 903

The short-term borrowings relate to National Ceramic Industries Australia Proprietary Limited, a subsidiary of Ceramic Industries Proprietary Limited. The loan was raised to finance operations. The loan had no fixed-terms of repayments and was payable on demand.

	2015 R'000's	2014 R'000's	2013 R'000's
18. Trade and other payables			
Financial liabilities	252 294	181 995	143 500
Trade payables	233 306	158 356	124 959
Accruals	18 988	23 639	18 541
Non-financial liabilities	51 556	51 750	58 117
Liability for SARS and LTIP	11 055	23 052	33 859
Employee related liabilities	37 977	25 489	20 826
Other	1 370	1 514	1 552
VAT	1 154	1 695	1 880
	303 850	233 745	201 617

	2015 R'000's	2014 R'000's	2013 R'000's
19. Provision for rehabilitation			
Carrying amount at beginning of year	6 324	6 827	6 827
Additional provision raised	4 550	–	–
Provision utilised	(1 547)	(503)	–
Carrying amount at end of year	9 327	6 324	6 827

A provision is recognised for the rehabilitation of the quarries based on an assessment from an independent consultant working in conjunction with management. Reports on the rehabilitation assessment are lodged with the Department of Minerals and Energy each year.

The provision represents the best estimate of the discounted future costs of either restoring the quarries to their original state or eliminating adverse environmental impacts to an acceptable level over the long term.

20. Financial instruments

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

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

Currency risk

The Ceramic Group incurs currency risk as a result of purchases, borrowings and cash held in foreign currencies.

The foreign currencies in which the group primarily deals are Euros, US Dollars and British Pounds.

The Ceramic Group has exposure to foreign currency relating to the following assets/(liabilities) which have not been covered by forward exchange contracts at 30 June 2015.

	Foreign currency FC'000's	Currency	Rand equivalent R'000's
Trade and other payables			(34 125)
	(2 321)	EUR	(31 872)
	(184)	USD	(2 253)
Trade receivables			24 889
	1 710	EUR	23 485
	114	USD	1 404
Currency held in foreign bank accounts			1 557
	51	EUR	704
	5	GBP	101
	61	USD	752

20. **Financial instruments**

Currency risk (continued)

The following foreign currency balances have been consolidated in the Ceramic Group Audited Financial Statements, from which this Report of Historical Financial Information of the Ceramic Group has been derived, at 30 June 2015.

	Foreign currency FC'000's	Currency	Rand equivalent R'000's
Assets			
Property, plant and equipment	18 009	AUD	169 526
Deferred taxation asset	2 331	AUD	21 947
Inventories	6 746	AUD	63 500
Trade and other receivables	10 183	AUD	95 858
Cash and cash equivalents	537	AUD	5 055
Liabilities			
Shareholders' loans	(922)	AUD	(8 681)
Trade and other payables	(5 284)	AUD	(49 746)
Statement of comprehensive income			
Revenue	39 920	AUD	381 617
Cost of sales	(32 834)	AUD	(313 880)
Operating expenses	(5 614)	AUD	(53 666)
Finance income	(341)	AUD	(3 259)
Finance expense	1 412	AUD	13 489

The exchange rates used for the conversions are as follows:

	USD	EUR	AUD	GBP
Closing rate	12,26	13,73	9,41	19,29
Average rate	11,44	13,73	9,56	18,01

Australian dollar denominated loan balance

As a result of the Austrian dollar denominated loan balance, the Ceramic Group's statement of financial position can be affected by movements in the Australian dollar/rand exchange rate. Due to the nature of the loan, which is seen as part of the net investment in the foreign operations, any movements are recorded in other comprehensive income.

A 10 percent strengthening of the Rand against the Australian Dollar at 30 June would have decreased other comprehensive income and equity by R19 million in 2015, R20.1 million in 2014 and R4,8 million in 2013. The analysis assumes that all other variables remain constant.

Sensitivity analysis

A 10 percent strengthening of the Rand against the following currencies at 30 June would have increased/(decreased) other comprehensive income/equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity R000's	Profit or loss R000's	Other comprehensive income R000's
2015			
USD	*	*	*
EUR	1	1	–
GBP	*	*	*
AUD	(10 242)	(4)	(10 246)
2014			
USD	(398)	(398)	–
EUR	684	684	–
GBP	(9)	(9)	–
AUD	(7 408)	2	(7 408)
2013			
USD	(200)	(200)	–
EUR	410	410	–
GBP	(191)	(191)	–
AUD	(8 974)	37	(8 974)

** Less than R1 000*

20. Financial instruments *(continued)*

Currency risk (continued)

A 10 percent weakening of the Rand against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Credit risk

Credit risk primarily relates to exposure to cash and cash equivalents and trade receivables. The Ceramic Group only deposits cash surpluses with well-established financial institutions of high credit standing. Trade receivables comprise a widespread customer base. Ongoing credit evaluation of the financial position of customers is performed, and where appropriate, credit guarantee insurance is purchased. The granting of credit is made on application and is approved by management. Management does not consider there to be any material concentration of credit risk which has not been adequately provided for. Management consider the risk of irrecoverability as low. Disclosure of the exposure to credit risk with regards to trade and other receivables is included in Note 11.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount		
	2015 R000's	**2014 R000's**	**2013 R000's**
Trade and other receivables	360 183	318 037	242 652
Cash and cash equivalents	259 975	222 143	343 731
	620 158	540 180	586 383

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 Ceramic Group's cash surplus, due to floating interest rates.

As part of the process of managing the Ceramic Group's interest rate risk, interest rate characteristics of new borrowings are positioned according to expected movements in interest rates.

Liquidity risk

The Ceramic 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 (for example trade and other receivables and cash and cash equivalents) and projected cash flows from operations.

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

In terms of the Memorandum of Incorporation Ceramic's borrowing powers are unlimited.

20 Financial instruments *(continued)*

Liquidity risk (continued)

The table below summarises the maturity profile of the Ceramic Group's financial liabilities at year end, based on contractual undiscounted payments:

	Carrying amount R000's	Contractual cash flows R000's	Less than 1 year R000's	More than 1 year R'000
2015				
Non-derivative financial liabilities				
Shareholders' loans	8 681	8 681	–	8 681
Trade and other payables	252 249	252 294	252 294	–
Shareholders' for dividends	310	310	310	–
	261 285	261 285	252 604	8 681
2014				
Non-derivative financial liabilities				
Shareholders' loans	11 443	11 443	–	11 443
Short-term borrowings	12 458	12 458	12 458	–
Trade and other payables	181 995	181 995	181 995	–
Shareholders' for dividends	310	310	310	–
	206 206	206 206	194 763	11 443
2013				
Non-derivative financial liabilities				
Shareholders' loans	10 609	10 609	–	10 609
Long-term liabilities	6 903	6 903	6 903	–
Trade and other payables	143 500	143 500	143 500	–
Shareholders for dividends	336	336	336	–
	161 348	161 348	150 739	10 609

The Ceramic Group has cash and cash equivalents, net of borrowings, of R260 million for 2015, R209,7 million for 2014, R336,8 million for 2013 and unutilised credit facilities of R78,3 million for 2015 R85,7 million for 2014 and R102,9 million for 2013 in respect of which all conditions precedent have been met.

Fair value

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables, shareholders for dividends and loans from subsidiaries approximates fair value because of the short-term maturity of these instruments.

The fair value of the loans to subsidiaries equals their carrying value as they do not bear interest. Therefore the amounts that will be repaid in future will equate to the carrying amount.

Capital management

The primary objective of the Ceramic 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 Ceramic 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 Ceramic Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the periods ended 30 June 2015,30 June 2014 and 30 June 2013.

Capital includes equity attributable to the equity holders of the parent. Refer to Note 13 for a quantitative summary of authorised and issued share capital.

	2015 R000's	2014 R000's	2013 R000's
21. Commitments			
21.1 Capital commitments			
Capital expenditure authorised and contracted for	104 710	5 509	5 402
Capital expenditure authorised, but not yet contracted for	101 018	455 475	22 584
	205 728	460 984	27 986

The proposed capital expenditure will be financed by cash generated from operations.

21.2 Operating commitments

The Ceramic Group leases certain of its office equipment in terms of operating leases. The total future minimum lease payments under non-cancellable operating leases is:

	2015 R000's	2014 R000's	2013 R000's
Not later than 1 year	4 651	4 873	2 416
Between 1 and 5 years	3 266	6 464	6 491
	7 917	11 337	8 907

22. Retirement benefit information

In South Africa the Group contributes to defined contribution retirement funds for its employees.

The funds are administered by Alexander Forbes and NMG Personal Financial Services. All permanent employees are required to join the fund.

The present market value of the assets in the funds is R103,1 million (2015), R92,4 million (2014) and R73,5 million (2013). At period end the total number of permanent employees belonging to the funds was 948 (2015), 937 (2014) and 836 (2013).

In Australia the Ceramic Group contributes the legislated defined contribution amounts into the various superannuation funds specified by its 76 (2015), 85 (2014), 81 (2013) employees.

	For the year ended 30 June 2015 R000's	For the year ended 30 June 2014 R000's	For eleven months ended 30 June 2013 R000's
23. Notes to the statements of cash flows			
23.1 Cash generated by operations			
Profit before taxation	363 839	177 149	102 085
Adjustments for –			
Depreciation	112 952	125 839	117 167
Finance expense	4 174	2 605	2 507
Finance income	(14 855)	(11 316)	(13 659)
Movement in provision for rehabilitation costs	4 550		
Share of equity-accounted earnings, net of dividends received	(6 010)	(3 313)	(3 100)
Profit on disposal of property, plant and equipment	(579)	(146)	(234)
SARS interest and penalties	(15)	442	–
Share-based payments	25 387	18 143	8 070
Unrealised foreign currency loss	(5 964)	12 910	4 655
Changes in working capital			
Increase in inventories	(14 702)	(3 673)	(42 706)
(Increase)/decrease in trade and other receivables	(77 832)	(79 505)	14 531
Expenditure incurred on rehabilitation	(1 547)	(505)	
Increase in trade and other payables	70 105	32 130	6 397
	459 512	270 760	195 713
23.2 Dividends paid			
Shareholders for dividends at beginning of year	(310)	(336)	(340)
Dividends paid	(49 940)	(298 495)	(53 212)
Shareholders for dividends at end of the year	310	310	336
	(49 940)	(298 521)	(53 216)
23.3 Taxation paid			
Balance payable at beginning of year	(1 238)	(9 195)	(9 955)
Charge for the year	(113 010)	(64 074)	(46 200)
SARS interest and penalties	15	(442)	–
Balance payable at end of the year	(335)	1 238	9 195
	(114 568)	(72 473)	(46 960)

24. Related party transactions

Ceramic is controlled by Rallen Proprietary Limited which owns 61,00% of Ceramic's shares and all related transactions are concluded at arms 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 2015, 2014 and 2013, Ceramic has made an impairment allowance relating to amounts owed by related parties of R Nil, R2,8 million and R Nil respectively. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Sale transactions

Total sales to Rallen Proprietary Limited's subsidiary, Italtile Limited, its own stores and its franchised stores amounted to R1 150,1 million for 2015, R964 million for 2014 and R756 million for 2013.

Purchase transactions

Total purchases from Ser Export S.R.L, a company in which Italtile Limited has an equity share, amounted to R76,4 million for 2015, R71,7 million for 2014 and R65,1 million for 2013.

Outstanding balances

The total value of accounts receivable from Italtile Limited's own stores and franchised stores amounted to R75,2 million at year end 2015, R100,2 million at year end 2014 and R75,4 million at year end 2013.

Management fees

Management fees of R0,9 million (2015) R0,6 million (2014) and R0,6 million(2013) were paid to Rallen Proprietary Limited.

Loans to Ceramic Directors

There were no loans to Ceramic Directors or executive management, other than through their participation in the Share Trust at the end of each financial year for 2015, 2014 and 2013.

Ceramic Directors' remuneration and share options

Detailed disclosure of Ceramic Directors' remuneration is made in Note 25.

Compensation of prescribed officers and other key management personnel of the Ceramic Group

	Basic remuneration R000's	Other benefits R000's	Retirement and medical R000's	Incentives and bonuses R000's	Share option payments R000's	Total R000's
2015						
Prescribed officer 2	1 015	203	139	609	2 872	4 838
Prescribed officer 3	1 491	138	145	36	-	1 810
Prescribed officer 4	803	170	145	583	508	2 209
Prescribed officer 5	803	181	149	547	508	2 188
Prescribed officer 6	1 116	138	167	260	–	1 681
Prescribed officer 7	589	107	73	36	–	805
Prescribed officer 8	676	146	131	108	–	1 061
Prescribed officer10	592	164	146	68	–	970
Prescribed officer 11	960	148	209	195	–	1 512
	8 045	1 395	1 304	2 442	3 888	17 074
2014						
Prescribed officer 1	1 485	246	219	137	3 331	5 418
Prescribed officer 2	949	186	130	397	3 144	4 806
Prescribed officer 3	1 487	59	138	–	–	1 684
Prescribed officer 4	651	136	122	397	–	1 306
Prescribed officer 5	653	161	130	314	–	1 258
Prescribed officer 6	895	135	145	40	–	1 215
Prescribed officer 7	655	151	100	94	–	1 000
Prescribed officer 8	603	132	119	72	–	926
Prescribed officer 9	658	101	108	–	–	867
Prescribed officer 10	500	154	148	65	–	867
	8 536	1 461	1 359	1 516	6 475	10 347

Compensation of prescribed officers and other key management personnel of the Ceramic Group (continued)

	Basic remuneration R000's	Other benefits R000's	Retirement and medical R000's	Incentives and bonuses R000's	Share option payments R000's	Total R000's
2013						
Prescribed officer 1	1 029	195	174	258	144	1 800
Prescribed officer 2	726	164	102	383	963	2 338
Prescribed officer 3	1 305	89	117	–	–	1 511
Prescribed officer 4	506	122	96	407	152	1 283
Prescribed officer 5	523	142	110	300	152	1 227
Prescribed officer 6	670	118	114	45	–	947
Prescribed officer 7	350	64	54	4	–	472
Prescribed officer 8	237	53	47	–	–	337
Prescribed officer 10	408	135	110	53		706
Prescribed officer 12	1 078	182	177	386	1 205	3 028
Prescribed officer 13	364	94	59	116	–	633
Prescribed officer 14	539	146	67	102	–	854
	7 735	1 504	1 227	2 054	2 616	15 136

Details of options held by prescribed officers are as follows:

As at 30 June 2015, Prescribed officer 2 had 60 000 share options at an average price of R129,13 and 200 000 shares options at a price of R100,00.

As at 30 June 2015, Prescribed officer 4 had 50 000 share options at a price of R100,00.

As at 30 June 2014, Prescribed officer 5 had 50 000 shares options at a price of R100,00.

	Basic remuneration R000's	Other benefits R000's	Retirement and medical R000's	Incentives and bonuses R000's	Share-based payment expense R000's	Directors' fees R000's	Total R000's
25. Ceramic Directors' remuneration							
2015							
LA Foxcroft	1 835	254	262	623	2 872	–	5 846
DR Alston	1 648	237	239	498	2 872	–	5 494
Non-executive							
GAM Ravazzotti [1]							–
SD Jagoe [2]						115	115
EM Mafuna						83	83
N Nematswerani [3]						125	125
ND Orleyn [4]						103	103
LEV Ravazzotti						89	89
G Zannoni						57	57
	3 483	491	501	1 121	5 745	572	11 912
2014							
N Booth	1 860	434	247	736	364	–	3 641
DR Alston	1 552	186	168	442	3 259	–	5 607
Non-executive							
GAM Ravazzotti [1]	–	–	–	–	–	–	–
SD Jagoe [2]	–	–	–	–	–	115	115
EM Mafuna	–	–	–	–	–	109	109
N Nematswerani [3]	–	–	–	–	–	83	83
ND Orleyn [4]	–	–	–	–	–	109	109
LEV Ravazzotti	–	–	–	–	–	91	91
KM Schultz	–	–	–	–	–	41	41
G Zannoni	–	–	–	–	–	73	73
	3 412	620	415	1 178	3 623	621	9 869
2013							
Executive							
N Booth	1 705	372	287	432	320	–	3 057
DR Alston	1 337	170	190	259	1 465	–	3 421
Non-executive							
GAM Ravazzotti [1]	–	–	–	–	–	–	–
SD Jagoe [2]	–	–	–	–	–	133	133
EM Mafuna	–	–	–	–	–	83	83
N Nematswerani [3]	–	–	–	–	–	117	117
ND Orleyn [4]	–	–	–	–	–	117	159
LEV Ravazzotti	–	–	–	–	–	–	–
KM Schultz	–	–	–	–	–	133	133
G Zannoni	–	–	–	–	–	91	91
	3 042	542	418	691	1 785	674	7 152

Notes

1 *GAM Ravazzotti is paid by Rallen Proprietary Limited for his services as a director of Ceramic Industries Limited (refer Note 24).*

2 *SD Jagoe is also a non-executive director of National Ceramic Industries Australia Proprietary Limited and receives additional director's fees from this company.*

3 *Ceramic Director's fees for NS Nematswerani are paid to AKA Capital Proprietary Limited.*

4 *Ceramic Director's fees for ND Orleyn are paid to Peotona Group Holdings Proprietary Limited.*

25. **Ceramic Directors' remuneration** (continued)

Mr N Booth retired from the board on 30 June 2014 and has been replaced as the Chief Executive Officer by Mr LA Foxcroft who was appointed to the board on the same date.

The remuneration of the executive directors is determined by the remuneration committee. Other benefits include the fringe benefit value of a company car for the executive directors.

Ceramic Directors participate in Ceramic's Share Trust, which is designed to recognise the contributions of employees, including salaried directors and non-executive directors, to the continued growth of the company's business operations. Scheme shares are acquired at a price determined by the Ceramic Directors in accordance with the rules of the scheme. No non-executive director currently participates in the Share Trust.

The Ceramic Industries Proprietary Limited Equity Incentive Scheme ("EIS") was implemented with effect from 1 July 2013. The purpose of the scheme is to incentivise selected employees by giving them the opportunity to acquire shares in Ceramic. The scheme will also ensure that the goals of those employees will be aligned with the goals of the other shareholders.

26. Going concern

The Ceramic Directors have made an assessment of the ability of the company and its subsidiaries to continue as a going concern and have no reason to believe that the businesses will not be going concerns in the year ahead.

27. Events subsequent to reporting date

No events took place between the reporting date and the date of this report that would have a material effect on this Report of Historical Financial Information of the Ceramic Group.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE REPORT OF INTERIM HISTORICAL FINANCIAL INFORMATION OF THE CERAMIC GROUP FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

"The Directors
Italtile Limited
The Italtile Building
Corner William Nicol Drive and Peter Place
Bryanston
2021

16 August 2016

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE REPORT OF INTERIM HISTORICAL FINANCIAL INFORMATION OF THE CERAMIC GROUP FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

Introduction

The definitions commencing on page 3 of the Circular to which this letter is attached apply *mutatis mutandis* to this report.

At your request, and for the purposes of the Circular, we have reviewed the condensed financial statements of the Ceramic Group for the six months ended 31 December 2015, presented in the Report of Interim Historical Financial Information of the Ceramic Group, which comprises the statement of financial position as at 31 December 2015, statement of comprehensive income for the six months ended 31 December 2015, statement of changes in equity and cash flow statement and the notes, comprising a summary of significant accounting policies and other explanatory information of the Ceramic Group (the "Report of Interim Historical Financial Information of the Ceramic Group"), as presented in Annexure 4 to the Circular, in compliance with the Listings Requirements. The Report of Interim Historical Financial Information of the Ceramic Group has been prepared for the purposes of providing financial information to satisfy the requirements of Section 8 of the Listings Requirements and for no other purpose.

KPMG Inc. is the independent auditor and is the independent reporting accountant to the Ceramic Group in respect of the Circular.

Responsibility of the directors

The Directors are responsible for the compilation, contents and preparation of the Circular including the Report of Interim Historical Financial Information of the Ceramic Group in accordance with the Listings Requirements.

The Ceramic Directors are responsible for the preparation and fair presentation of the Report of Interim Historical Financial Information of the Ceramic Group, in accordance with IAS 34: *Interim Financial Reporting* and the Listings Requirements, and for such internal control as the Ceramic Directors determine is necessary to enable the preparation of the Report of Interim Historical Financial Information of the Ceramic Group that is free from material misstatement, whether due to fraud or error.

Responsibility of the Independent Reporting Accountant's

Our responsibility is to express a review conclusion on the Report of Interim Historical Financial Information of the Ceramic Group based on our review for the six months ended 31 December 2015, in accordance with *International Standard on Review Engagements ISRE 2410,* which applies to a review of historical financial information performed by the independent auditor of the entity.

Report of Interim Historical Financial Information of the Ceramic Group

We have reviewed the Report of Interim Historical Financial Information of the Ceramic Group attached as Annexure 4 to the Circular, prepared in accordance in accordance with IAS 34: *Interim Financial Reporting* and the Listings Requirements.

Scope of review

We conducted our review of the Report of Interim Historical Financial Information of the Ceramic Group in accordance with *International Standard on Review Engagements ISRE 2410,* which applies to a review of historical financial information performed by the independent auditor of the entity. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Report of Interim Historical Financial Information of the Ceramic Group.

Basis for Qualified Conclusion on the Report of Interim Historical Financial Information of the Ceramic Group

IAS 34: *Interim Financial Reporting,* requires a company to present comparative information in respect of the preceding period for all amounts reported in the current period's interim financial statements. Paragraph 8.7 of the JSE Listings Requirements, however, states that notwithstanding the requirements of IFRS, if reviewed interim financial information is being prepared for the purposes of paragraph 8.7, no comparative results need to be shown, if that interim financial information has been prepared using accounting policies that are identical to those contained in the historical financial information. Ceramic has, therefore, not presented comparative information for the six months ended 31 December 2015, as required by IAS 34: *Interim Financial Reporting.*

Conclusion on the Report of Interim Historical Financial Information of the Ceramic Group

Based on our review, except for the omission of the comparative information as described in the preceding paragraph, nothing has come to our attention that causes us to believe that the Report of Interim Historical Financial Information of the Ceramic Group included in the Circular is not prepared, in all material respects, in accordance with IAS 34: *Interim Financial Reporting* and the Listings Requirements.

Yours faithfully

Per **ML Watson**
Chartered Accountant (SA)
Registered Auditor
Director
KPMG Inc.

KPMG Crescent
85 Empire Road
Parktown
2193
(Private Bag 9, Parkview, 2122)"

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF THE CERAMIC GROUP FOR THE FINANCIAL YEARS ENDED 30 JUNE 2015, 2014 AND 2013

"The Directors
Italtile Limited
The Italtile Building
Corner William Nicol Drive and Peter Place
Bryanston
2021

16 August 2016

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF THE CERAMIC GROUP

Introduction
The definitions commencing on page 3 of the Circular to which this letter is attached apply *mutatis mutandis* to this report.

At your request, and for the purposes of the Circular, we have audited the historical financial information of the Ceramic Group for the years ended 30 June 2015 and 30 June 2014 and for the eleven months ended 30 June 2013 presented in the Report of Historical Financial Information of the Ceramic Group attached as Annexure 5 to the Circular, which comprises the statements of financial position as at 30 June 2015, 2014 and 2013, statements of comprehensive income for the years ended 30 June 2015 and 30 June 2014 and the eleven months ended 30 June 2013, statement of changes in equity and statements of cash flows and the related accounting policies and notes of the Group ("Report of Historical Financial Information of the Ceramic Group"), in compliance with the Listings Requirements. The Report of Historical Financial Information of the Ceramic Group has been prepared for the purposes of providing financial information to satisfy the requirements of Section 8 of the Listings Requirements and for no other purpose.

KPMG Inc. is the independent auditor and is the independent reporting accountant to the Ceramic Group in respect of the Circular.

Responsibility of the directors
The Directors are responsible for the compilation, contents and preparation of the Circular including the Report of Historical Financial Information of the Ceramic Group in accordance with the Listings Requirements.

The Ceramic Directors are also responsible for the preparation and fair presentation of the Report of Historical Financial Information of the Ceramic Group in accordance with IFRS and the Listings Requirements, and for such internal control as the Ceramic Directors determine is necessary to enable the preparation of the Report of Historical Financial Information of the Ceramic Group that is free from material misstatement, whether due to fraud or error.

Responsibility of the Independent Reporting Accountant's
Our responsibility is to express an audit opinion on the Report of Historical Financial Information of the Ceramic Group included as Annexure 5 to the Circular based on our audits.

Report of Historical Financial Information of the Ceramic Group
Introduction
We have audited the Report of Historical Financial Information of the Ceramic Group attached as Annexure 5 to the Circular, prepared in accordance with IFRS and the Listings Requirements.

Responsibility of the Independent Reporting Accountant's for the Report of Historical Financial Information of the Ceramic Group
Our responsibility is to express an opinion on the Report of Historical Financial Information of the Ceramic Group based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Report of Historical Financial Information of the Ceramic Group is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Report of Historical Financial Information of the Ceramic Group. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Report of Historical Financial Information of the Ceramic Group, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the Report of Historical Financial Information of the Ceramic Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Report of Historical Financial Information of the Ceramic Group.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The evidence included which we previously obtained during the conduct of our audits of financial statements of the Ceramic Group from which the Report of Historical Financial Information of the Ceramic Group has been derived.

Basis for Qualified Opinion on the Historical Financial Information of the Ceramic Group for the period ended 30 June 2013

IAS 1 Presentation of Financial Statements, requires a company to present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. Paragraph 8.4 of the JSE Listings Requirements, however, requires the Report of Historical Financial Information of the Ceramic Group to present the historical financial information for the three periods ended 30 June 2015. Ceramic has, therefore, not presented comparative information for the period ended 30 June 2013 as required by International Financial Reporting Standards.

Qualified Opinion on the Report of Historical Financial Information of the Ceramic Group for the period ended 30 June 2013

In our opinion, except for the omission of the comparative information described in the preceding paragraph, the historical financial information of the Ceramic Group for the eleven months ended 30 June 2013 presented in the Report of Historical Financial Information of the Ceramic Group presents fairly, in all material respects, the financial position of the Ceramic Group at 30 June 2013, and its financial performance and cash flows for the period then ended in accordance with IFRS and the Listings Requirements.

Unqualified opinion on the Report of Historical Financial Information of the Ceramic Group for the years ended 30 June 2014 and 2015

In our opinion, the historical financial information for the years ended 30 June 2014 and 30 June 2015 presented in the Report of Historical Information of the Ceramic Group presents fairly in all material respects, the financial position of the Ceramic Group at 30 June 2014 and 30 June 2015 and its financial performance and cash flows for the years then ended in accordance with IFRS and the Listings Requirements.

Yours faithfully

Per **ML Watson**
Chartered Accountant (SA)
Registered Auditor
Director
KPMG Inc.

KPMG Crescent
85 Empire Road
Parktown
2193
(Private Bag 9, Parkview, 2122)"

ITALTILE LIMITED

Incorporated in the Republic of South Africa
(Registration number 1955/000558/06)
Share code: ITE ISIN: ZAE000099123
("Italtile" or "the Company")

NOTICE OF GENERAL MEETING

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional adviser immediately.

All terms defined in the Circular to which this Notice of General Meeting is attached ("Circular") shall bear the same meanings herein.

Notice is hereby given in terms of section 62(1) of the Companies Act that a General Meeting of Shareholders of the Company will be held at 10:00 on Wednesday, 21 September 2016 at the registered office of Italtile, The Italtile Building, Corner William Nicol Drive and Peter Place, Bryanston, 2021, to consider, and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out below in the manner required by the Companies Act and the Listings Requirements.

The board of directors of the Company ("the Board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, the record date for the purposes of determining which Shareholders of the Company are entitled to receive notice of the General Meeting is Friday, 12 August 2016 and only Shareholders who are registered in the securities register of the Company on Friday, 16 September 2016, will be entitled to participate in and vote at the General Meeting. Accordingly, the last day to trade in Italtile Shares in order to be recorded in the Register in order to be entitled to attend, participate in and vote at the General Meeting is Tuesday, 13 September 2016.

In terms of Section 63(1) of the Companies Act, before any person may attend or participate in the General Meeting, that person must present reasonably satisfactory identification and the person presiding at the General Meeting must be reasonably satisfied that the right of the person to participate in and vote at the General Meeting, either as an Italtile Shareholder, or as a proxy for an Italtile Shareholder, has been reasonably verified.

SPECIAL RESOLUTION NUMBER 1 – FINANCIAL ASSISTANCE FOR THE SUBSCRIPTION OF SHARES IN TERMS OF SECTION 44(3)(a)(ii) OF THE COMPANIES ACT

"RESOLVED THAT, to the extent required by the Companies Act, the Board may, subject to compliance with the requirements of the memorandum of incorporation of the Company ("MOI"), the Companies Act and the Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to provide financial assistance to Italtile Ceramics, by discharging the Purchase Consideration payable to Ceramic Scheme Participants, for and on behalf of Italtile Ceramics, for the purpose of, and in connection with, the Acquisition."

Explanatory note

Section 44 of the Companies Act provides, *inter alia,* that the provision of any particular financial assistance must be pursuant to a special resolution of the Shareholders, adopted within the previous 2 years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category; and that the Board must be satisfied that (i) immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test, as such term is defined in section 4 of the Companies Act ("Solvency and Liquidity Test"); and (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

The reason for Special Resolution Number 1 is to obtain approval from the Shareholders to enable the Company to provide financial assistance to Italtile Ceramics to enable Italtile Ceramics to purchase the Ceramic Target Shares in a company which is inter-related to Italtile, being Ceramic. Ceramic is inter-related to Italtile as Rallen is a related person to both Italtile and Ceramic. The terms *"inter-related"* and *"related"* bear the meaning ascribed thereto in terms of the Companies Act.

The effect of Special Resolution Number 1 is that the Company will have the necessary authority to authorise and provide the financial assistance to Italtile Ceramics for the purpose of and in connection with the Acquisition.

The Board undertakes that, insofar as the Companies Act requires, it will not adopt a resolution to authorise such financial assistance, unless the Directors are satisfied that (i) immediately after providing the financial assistance, the Company would satisfy the Solvency and Liquidity Test; and (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

In terms of the Companies Act and the MOI, the minimum percentage of voting rights that is required for Special Resolution Number 1 to be adopted is 75% (seventy five percent) of the votes exercised on such special resolution by Shareholders present or represented by proxy at the General Meeting.

SPECIAL RESOLUTION NUMBER 2 – APPROVAL TO ISSUE THE SHARE CONSIDERATION IN TERMS OF SECTION 41(1) OF THE COMPANIES ACT

"RESOLVED THAT, subsequent to the passing of Special Resolution Number 1, the Directors be and are hereby authorised, to the extent required in terms of the provisions of section 41(1) of the Companies Act, to issue such number of Italtile Shares in the authorised but unissued share capital of the Company to those Ceramic Scheme Participants, falling within the ambit of section 41(1) of the Companies Act, being a Director of the Company or a person related or inter-related to the Company, as is necessary to settle the portion of the Share Consideration payable to such Ceramic Scheme Participants."

Explanatory note

The reason for this Special Resolution Number 2 is to permit Italtile to effect the issue of that portion of the Share Consideration which is payable to those Ceramic Scheme Participants falling within the ambit of section 41(1) of the Companies Act, being Mr Giovanni Alberto Mario Ravazzotti, who is a director of the Company and Rallen, who is related to the Company, to the extent required for purposes of implementation of the Acquisition and in accordance with the provisions of article 4.1(12) of the MOI.

The effect of Special Resolution Number 2 is to authorise the Directors of the Company, in terms of section 41(1) of the Companies Act, to issue that portion of the Share Consideration which is payable to those Ceramic Scheme Participants falling within the ambit of section 41(1) of the Companies Act, being Mr Giovanni Alberto Mario Ravazzotti and Rallen to the extent required for purposes of implementation of the Acquisition and in accordance with the provisions of article 4.1(12) of the MOI.

In terms of the Companies Act and the MOI, the minimum percentage of voting rights that is required for Special Resolution Number 2 to be adopted is 75% (seventy five percent) of the votes exercised on such special resolution by Shareholders present or represented by proxy at the General Meeting.

ORDINARY RESOLUTION NUMBER 1 – CERAMIC ACQUISITION

"RESOLVED THAT, subject to the passing of Special Resolutions Number 1 and 2 and in compliance with the Listings Requirements, the Acquisition be and is hereby approved by the Shareholders."

Explanatory note

The Acquisition constitutes a category 1 transaction in terms of the Listings Requirements and accordingly is subject to approval thereof by Shareholders by way of an ordinary resolution.

The reason for and effect of this Ordinary Resolution Number 1 is to approve and authorise the Acquisition as a category 1 transaction, as required by the Listings Requirements.

In terms of the Listings Requirements, a simple majority of the votes (ie more than 50%) entitled to be cast by Shareholders present or represented by proxy at the General Meeting, must be cast in favour of Ordinary Resolution Number 1 for it to be approved.

A portion of the Ceramic Target Shares will be acquired from Rallen. As Rallen is a material shareholder of Italtile, it is considered to be a related party in terms of the Listings Requirements and accordingly, Rallen and its associates, are precluded from voting on Ordinary Resolution Number 1. However, as Shareholders in Italtile, they may be taken into account in determining a quorum for purposes of the General Meeting.

ORDINARY RESOLUTION NUMBER 2 – AUTHORITY GRANTED TO DIRECTORS

"RESOLVED THAT each Director of Italtile be and is hereby individually authorised, on behalf of Italtile, to enter into, sign and/or despatch any and all such agreements, documents and notices, as may be necessary, expedient or desirable (in each case in the opinion of such Director) and do all such other things and procure the doing of all such things as may be necessary for or incidental to the implementation of the Acquisition, and should any such agreements, documents or notices have been signed, or any such action have been taken, before the date of this Ordinary Resolution Number 2, such signature or action, to the extent legally permissible, be and is hereby ratified and approved."

Explanatory note

The reason for this Ordinary Resolution Number 2 is to authorise any Director of the Company to sign all documents and do all such further acts and things as he may in his discretion consider appropriate to implement and give effect to all of the resolutions set out in this Notice of General Meeting.

The effect of Ordinary Resolution Number 2 is to authorise any Director to sign all documents and take all actions necessary as he may in his discretion consider appropriate to implement and give effect to all of the resolutions set out in this Notice of General Meeting.

In terms of the Companies Act and the MOI, the percentage of voting rights that is required for Ordinary Resolution Number 2 to be adopted is more than 50% (fifty percent) of the votes exercised on such ordinary resolution by Shareholders present or represented by proxy at the General Meeting.

VOTING AND PROXIES

Ordinary Resolution Numbers 1 and 2 to be adopted at the General Meeting require the support of a simple majority, which is more than 50% of the voting rights exercised on the resolutions.

On a show of hands, every Italtile Shareholder, present in person or represented by proxy, shall have one vote only. On a poll, every Italtile Shareholder, present in person or represented by proxy, shall have one vote for every Share held or represented.

A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a Shareholder of the Company. For the convenience of registered Shareholders of the Company, a form of proxy is enclosed herewith.

The attached form of proxy is only to be completed by those Shareholders who:

- hold Certificated Shares; or
- hold Dematerialised Shares and who have selected "own name" registration.

Shareholders who hold Dematerialised Shares through a CSDP or broker, but not with "own name" registration and who wish to attend the General Meeting, must instruct their CSDP or broker to provide them with the relevant letter of representation to attend the General Meeting in person or by proxy and vote.

If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Shareholders who hold Dematerialised Shares which are registered in their name or if they are the registered holder of Certificated Shares may attend the General Meeting in person, alternatively, they may appoint a proxy or proxies, who need not be a Shareholder of the Company to represent them at the General Meeting by completing the attached form of proxy in accordance with the instructions it contains. Forms of proxy should be forwarded to reach the Transfer Secretaries of the Company, Computershare Investor Services Proprietary Limited, at Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) at least 48 hours, excluding Saturdays, Sundays and South African public holidays, before the time of the General Meeting. Any form of proxy not delivered by this time may be handed to the Chairperson of the General Meeting immediately before the appointed proxy exercises any of the Shareholder's votes at the General Meeting.

Electronic Participation

Shareholders or their proxies may participate in (but not vote at) the General Meeting by way of a teleconference call and, if they wish to do so:

- must contact the Company Secretary (by email at the address *lizw@rootginger.co.za],* by no later than 10:00 on Monday, 19 September 2016 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the General Meeting,

provided that Shareholders and their proxies will not be able to vote telephonically at the General Meeting and will still need to appoint a proxy to vote on their behalf at the General Meeting.

Meeting participants, which include proxies, are required to provide identification reasonably satisfactory to the Chairperson of the General Meeting before being entitled to attend, participate in or vote at Shareholders' meeting. The Company will regard the presentation of participants' original drivers' licences, identity documents or passports to be satisfactory "identification".

By order of the Board

E J Willis
Company Secretary

Johannesburg
Tuesday, 23 August 2016

Registered office
The Italtile Building
Corner William Nicol Drive and Peter Place
Bryanston, 2021
(PO Box 1689, Randburg, 2125)

Transfer secretaries
Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

ITALTILE LIMITED
Incorporated in the Republic of South Africa
(Registration number 1955/000558/06)
Share code: ITE ISIN: ZAE000099123
("Italtile" or "the Company")

FORM OF PROXY

For use only by:
- holders of certificated ordinary shares in the Company; or
- holders of dematerialised ordinary shares in the Company ("Dematerialised Shareholders") held through a Central Securities Depository Participant ("CSDP") or broker and who have selected "own-name" registration,

at the general meeting of shareholders of the Company to be held at 10:00 on Wednesday, 21 September 2016 at the registered office of Italtile, The Italtile Building, Corner William Nicol Drive and Peter Place, Bryanston, 2021 ("General Meeting").

Dematerialised Shareholders holding shares in the Company other than with "own-name" registration, who wish to attend the General Meeting must inform their CSDP or broker of their intention to attend the General Meeting and request their CSDP or broker to issue them with the relevant letter of representation to attend the General Meeting in person or by proxy and vote. If they do not wish to attend the General Meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant Custody Agreement entered into between them and the CSDP or broker. **These Shareholders must not use this form of proxy.**

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the General Meeting. A proxy need not be a shareholder of the Company.

I/We

(full name/s in block letters)

of (address)

Telephone work ( ) Telephone home ( )

Cellphone number Email address

being the holder/custodian of ordinary shares in the Company, hereby appoint (see note):

1. or failing him/her,

2. or failing him/her,

3. the Chairperson of the General Meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the General Meeting convened for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against such resolutions, and/or to abstain from voting for and/or against the resolutions, in respect of the shares in the issued share capital of the Company registered in my/our name in accordance with the following instructions:

	For	Against	Abstain
Special Resolution Number 1 – Financial assistance for the subscription of Shares in terms of section 44(3)(a)(ii) of the Companies Act			
Special Resolution Number 2 – Approval to issue the Share Consideration in terms of section 41(1) of the Companies Act			
Ordinary Resolution Number 1 – Ceramic Acquisition			
Ordinary Resolution Number 2 — Authority granted to Directors			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If no directions are given, the holder of the proxy will be entitled to vote or abstain from voting as that proxy deems fit.

This proxy shall be valid only for the General Meeting of shareholders of the Company to be held on Wednesday, 21 September 2016 and any adjournment or postponement thereof.

Signed at on 2016

Signature

Assisted by (where applicable)

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

1. Summary of rights contained in section 58 of the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act")

   In terms of section 58 of the Companies Act:
   - a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders meeting on behalf of such shareholder;
   - a proxy appointment must be in writing, dated and signed by the shareholder;
   - except to the extent that the memorandum of incorporation of a company provides otherwise, a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to the different securities held by the shareholder;
   - except to the extent that the memorandum of incorporation of the company provides otherwise, a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
   - except to the extent that the memorandum of incorporation of the company provides otherwise, a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting;
   - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
   - irrespective of the form of instrument used to appoint a proxy, any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
   - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company;
   - the revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date (i) stated in a revocation instrument, if any; or (ii) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act;
   - if the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to the shareholder or the proxy or proxies, if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so;
   - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 5).
   - if a company issues an invitation to shareholders to one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
     – such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
     – the invitation or form of proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, contain adequate space to enable a shareholder to write in the name, and if so desired an alternative name, of a proxy chosen by the shareholder and provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or abstain from voting;
     – the company must not require that the proxy appointment be made irrevocable; and
     – the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

2. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".

3. All other beneficial owners who hold dematerialised shares through a CSDP or broker and wish to attend the General Meeting must provide the CSDP or broker with their voting instructions in terms of the relevant Custody Agreement entered into between them and the CSDP or broker.

4. A shareholder entitled to attend and vote at the General Meeting may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the General Meeting". The person whose name stands first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.

5. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.

6. A vote given in terms of an instrument of proxy shall be valid in relation to the General Meeting, notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the Company's Transfer Secretaries, Computershare Investor Services Proprietary Limited ("transfer secretaries"), not less than 48 (forty eight) hours before the commencement of the General Meeting.

7. If a shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the General Meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.

8. A shareholder's authorisation to the proxy including the Chairperson of the General Meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the General Meeting.

9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Transfer Secretaries or is waived by the Chairperson of the General Meeting.

11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the Transfer Secretaries.

12. Where there are joint holders of shares:
    - any one holder may sign the form of proxy;
    - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

13. Forms of proxy should be lodged with or mailed to the transfer secretaries:

Hand deliveries to:	**Postal deliveries to:**
Computershare Investor Services	Computershare Investor Services
Proprietary Limited	Proprietary Limited
Ground Floor	PO Box 61051
70 Marshall Street	Marshalltown
Johannesburg, 2001	2107

    to be received by no later than 10:00 on Monday, 19 September 2016 (or 48 (forty-eight) hours before any adjournment of the General Meeting which date, if necessary, will be notified on the Stock Exchange News Service of JSE Limited) or may be handed to the Chairperson of the General Meeting immediately before the appointed proxy exercises any of the shareholder's votes at the General Meeting.

14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

15. The proxy appointment remains valid only for the general meeting at which it is intended to be used and any adjournment or postponement thereof, subject to paragraph 1 above.