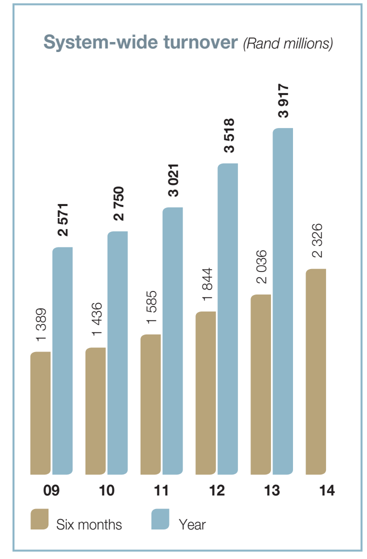
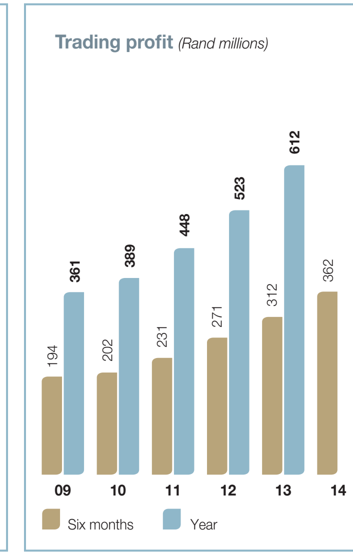
ITALTILE Limited

The style. The passion.





Reviewed Group results for the six months ended 31 December 2013 and interim cash dividend

Commentary

Overview for the six months ended 31 December 2013

Established 44 years ago, Italtile is South Africa's longest-standing and leading franchisor and retailer of local and imported tiles, sanitaryware, bathware, laminated wooden flooring and other related home-finishing products. The Group's brand portfolio comprises Italtile Retail, CTM and TopT and is represented locally by a national network of 98 stores with a further 16 stores situated in the rest of Africa. The brand offering targets homeowners in the LSM categories 3 to 10. Italtile's retail operation is underpinned by a strategic property investment portfolio and vertically integrated supply chain.

Trading environment

In the context of subdued economic growth and intensified pressure on consumer disposable income, participants in the building and construction industry were compelled to deliver optimal performances to retain and gain market share.

The renovations sector continued to experience greater activity than the new build sector, but generally, growth in these markets remained muted. Consumers in the middle income segment were particularly price sensitive, whereas entry-level and premium-end customers demonstrated greater resilience.

Financial highlights – continuing operations

Despite the testing trading conditions experienced, the Group delivered sound results for the six months under review.

During the reporting period the Group disposed of the following non-core businesses:

– The eight store CTM retail operation in Australia via a facilitated management buyout;

– Allmuss Properties Zambia Limited – a property holding company; and

– Cladding Finance Proprietary Limited – a niche provider of outsourced debtors' solutions.

Accordingly, the summarised financial information presented below refers to continuing operations only.

➢ System-wide turnover grew 15% to R2,30 billion (2012: R2,00 billion).

➢ Revenue from Group-owned stores and entities increased 31% to R1,37 billion (2012: R1,05 billion), significantly impacted by the conversion and contribution of nine previously franchised CTM stores to Group-owned stores during the period, and the opening of one new CTM.
Excluding the contribution from these ten stores, turnover from comparable Group-owned stores and entities increased by 15%.

➢ Reported trading profit rose 22% to R379 million (2012: R311 million). The Group's achieved gross margins remained relatively constant due to containment of sales related costs, improvement in the sales mix, and despite cost pressures in the supply chain which were largely absorbed to support price competitiveness of the retail operations. Average selling prices were inflation-linked.

➢ Basic earnings per share ("EPS") increased 19% to 28,6 cents per share (2012: 23,9 cents), while headline earnings per share ("HEPS") grew 16% to 28,0 cents per share (2012: 24,0 cents). HEPS have been adjusted for the post-taxation impact of the following once-off events:
– Profit of R2,4 million achieved on the sale of a property in South Africa; and
– Profit of R4,4 million achieved on the sale of Allmuss Properties Zambia Limited (referred to above).
Both the EPS and HEPS calculations include a R14 million IFRS 2 charge, of which R11 million is a once-off charge, related to an equity-settled staff share incentive scheme implemented during the six-month period.

➢ Inventory increased to R449 million due to the increase in company owned CTMs and higher stock holdings at the Group's two Distribution Centres and Cedar Point business – a deliberate strategy to promote an expanded merchandise range and support customer demand for always-in-stock product. The increase is also a function of anticipating supply delays while Chinese markets remain closed over that country's New Year celebrations. Management is satisfied that the stock on hand is current and saleable, and that levels should be reduced by year end.

➢ Capital expenditure of R102 million was incurred (2012: R95 million) largely aimed at enhancing the Group's global property investment portfolio and revamping store shop fittings and signage.

➢ Cash and cash equivalent reserves at the end of the period were R177 million reflecting capital expenditure, the payment during the reporting period of the special dividend of 50 cents per share declared for the 2013 financial year and repayment of R150 million of a R400 million short-term loan. The business continues to be strongly cash generative, and management is satisfied that the Group's capital structure is being adequately employed.

Key to the Group's growth

➢ In the current subdued economic climate, the Group's year-round value offering (comprising fashion, service, quality and price) continued to find favour with discerning, price-sensitive consumers.

➢ The Group's stated policy to offer the right product in the right place at the right time and price drove an increase in market share in an industry currently suffering from inconsistency of supply and quality. This strategy was supported by the Group's integrated supply chain which enabled competitive pricing and ensured stock availability.

➢ Intensified implementation of Best Practice disciplines enhanced systems and operations and improved the in-store shopping experience for customers.

➢ Cost containment and profitability remained a key performance indicator during the period and good progress was achieved in instilling practices to foster sustainable businesses.

➢ Ongoing implementation of IT innovation improved functionality in-store and increased the speed and quality of customer service. Further development of the Group's well-received on-line web-shopping offering is anticipated to continue to provide a material competitive advantage.

Operational review

Improved revenues were recorded by the retail operations and supply chain businesses, and the Group gained market share across most of its merchandise categories. Each of the three brands, Italtile Retail, CTM and TopT increased both their basket sizes and the number of transactions completed. Good growth was reported in all regions with the exception of Limpopo and the Free State. The improved performances delivered by the Western Cape and KwaZulu-Natal regions are attributable to the Group's deliberate strategy to re-invigorate underperforming regions through enhanced management structures, facilitating greater collaboration between stores regarding stock management and benchmark operating practices.

Italtile Retail

Entrenched as the industry fashion trend-setter, this brand advanced its growing presence in the up-market commercial projects sector, reporting solid growth in tile and sanitaryware sales. The business intends to expand this offering in the future.

One new store, The Glen, situated in Southern Johannesburg, was opened during the six months. The solid initial performance delivered by this store is expected to continue to improve.

CTM: South Africa

During the period good volume growth was reported by the business, particularly in the tile and bathroom furniture categories. The Group's Summer promotion proved very popular and innovations in marketing formats boosted customer awareness, resulting in sound growth in advertised products of brands such as Tivoli and Kilimanjaro.

CTM progressed its goal to deliver an appealing shopping experience, revamping 19 stores, 11 of which were major refurbishments. A further 12 stores will undergo revamps in the next six months.

Launched in April 2013, the CTM web-store underwent further enhancement and development, resulting in substantially increased pre-purchase online activity. This offering is a strong marketing tool and in-store enabler, affording the Group an important strategic advantage.

CTM: Rest of Africa

Good growth was achieved in the East African region, with the recently opened store in Nairobi trading soundly and a new store opened in Tanzania. However despite this performance and the strong demand from markets in the territory, logistical and infrastructural constraints continue to hamper expansion of the Group's store footprint.

Sales in neighbouring countries, Swaziland, Namibia, Lesotho and Botswana also increased due to improved stock availability and an enhanced offering.

CTM: Australia

During the period the Group disposed of its eight store CTM retail business in Australia via a facilitated management buyout. The intention in the short term is to retain and manage this operation's property portfolio; market conditions will determine the longer term strategy regarding this investment.

TopT

This business delivered strong growth in home-finishing products catering for entry-level price-sensitive consumers. During the review period four new stores were opened and are trading well. Management's goal is to implement an extensive roll-out campaign of the brand network over the next five years. In this regard, while sites have been located and markets identified, management's key challenge is to appoint and train suitable franchisees and store operators, an undertaking which is critical to the success of the TopT model.

Support services

The Group's vertically integrated supply chain comprises ITD (an importer and supplier of brassware), Distribution Centre (an importer and distributor of tiles and sanitaryware) and Cedar Point (an importer and supplier of laminated flooring, bathroom furniture and décor). During the period improvements in the supply chain were achieved, and despite increased input costs, each of the businesses played a critical role in supporting the retail operations through competitive pricing. Prudent inventory levels ensured consistent availability of product and assisted the Group in gaining market share in a volatile environment.

Investment in associates

Ceramic Industries Limited ("Ceramic")

Production difficulties experienced in certain of Ceramic's factories as reported at the year end were addressed in the review period, resulting in consistently improved product quality.

The Group's tactical investment in this business aimed at supporting its growth strategy proved particularly beneficial in the reporting period. Uninterrupted supply of sanitaryware was achieved during the second quarter when a general shortage developed in the market. In addition, Ceramic's high quality large format tiles provided an important alternative to imported product which became increasingly costly as the Rand devalued.

Across the business, an enhanced financial performance was delivered, resulting in a R10 million contribution to Group profit for the period.

During the six months under review, Ceramic distributed a special dividend to shareholders, thereby reducing the investment value of the business on Italtile's Statement of Financial Position.

Ezeetile

This business continued to improve its efficiencies as a result of enhanced business processes, including the bedding down of SAP. Good sales growth was experienced in both the Group's store network and amongst independent customers. Higher imported raw material costs and distribution costs offset the improved performance, and Ezeetile's contribution to Group profits for the period totalled R3 million (2012: R3 million).

Global Property Investment

The Group's retail operation is supported by a strategic property portfolio which comprises high profile, easily accessible stores that are well maintained and aesthetically attractive, serving to enhance the shopping experience for customers.

Capital expenditure of R58 million was incurred on store expansion, new build and acquisition of properties, bringing the total market value of the portfolio to in excess of R1,65 billion, and a carrying value of R1,18 billion.

Staff share scheme

During the reporting period an equity-settled staff share scheme was implemented, consistent with the Group's ethos of promoting partnership with its employees and incentivising them to participate in the growth and profitability of the business. As at 1 August 2013, 15 million shares were allocated to qualifying South African staff members, including those of franchised stores, with a minimum of three years of service, translating into 30 000 shares per individual. The shares have a three year vesting period, and the net shareholding at the end of the period is dependent on the appreciation of the Group's share price. A second allocation will be made on 1 August 2014 to all qualifying foreign staff and other staff members who achieve three years of service at this date.

Directorate

The Group has appointed Jan Potgieter, CA(SA), as Chief Operating Officer with effect from 1 August 2014. Mr Potgieter has extensive senior level experience in the retail and supply chain sectors having most recently served as Chief Executive Officer and formerly Financial Director at his previous company, a major national South African retailer.

Upon joining the Group on 1 August 2014, Mr Potgieter will also be apointed to the Italtile Limited Board.

Mr Potgieter's appointment follows that of Mr Nick Booth, who will assume the position of Chief Executive Officer with effect from 1 July 2014.

These key appointments are in line with the Board's strategy to enhance management depth and succession planning across the Group.

Prospects

The impact of rising living costs on disposable income will continue to constrain consumption, particularly in the middle income segment. Additional anticipated interest rate increases induced by rising inflation resulting from further Rand weakness, will exacerbate the hardship. Markets at the top and bottom ends of the LSM spectrum are likely to remain more buoyant and provide good growth prospects to retailers with unique offerings targeted at those consumers.

Inevitably the durable merchandise market segment will face increasing pressure as discretionary spend tightens further, and intensified price wars are likely to ensue. In this environment, the Group's stated policy is to adhere to its year-round value offering position (fashion, quality, price and service) and prioritise operational and supply chain efficiencies in order to provide consumers with pricing advantages wherever possible.

The Group will continue to focus on improving performance consistency across its stores through its Best Practices disciplines. Continued investment in systems and skills training will remain a priority, while innovation in products and technology will continue to underpin the Group's unwavering goal to retain and grow its market leadership position.

Basis of preparation of accounting policies

The Reviewed Interim Profit Announcement has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and contains the information required by International Accounting Standard 34, Interim Financial Reporting. These results have been prepared under the supervision of Chief Financial Officer, Mr B G Wood CA(SA).

Subsequent events

No events have occurred subsequent to the reporting period that require any additional disclosures or adjustments.

Cash dividend

The Group has maintained its dividend cover of three times. The Board has declared an interim gross cash dividend of 9,0 cents per share (2012:8,0 cents), a 13% increase.

Dividend announcement

The Board has declared an interim gross cash dividend (number 95) for the six months ended 31 December 2013 of 9,0 cents per ordinary share to all shareholders recorded in the books of Italtile Limited.

Shareholders are hereby advised that the dividend will be subject to the Dividends Tax. In accordance with paragraphs 11.17 (a) (i) to (x) and 11.17 (c) of the JSE Listings Requirements, the following additional information is provided:

- The dividend has been declared out of income reserves.
- The local dividend tax rate is 15% (fifteen percent).
- There are Secondary Tax on Companies ("STC") credits to be utilised to the amount of R1 million or 0,09798 cents per share.
- The gross local dividend amount is 9,00000 cents per share for shareholders exempt from the Dividends Tax.
- The net local dividend amount is 7,66470 cents per share for shareholders liable to pay the Dividends Tax.
- The local dividend withholding tax amount is 1,33530 cents per share for shareholders liable to pay the Dividends Tax.
- Italtile's income tax reference number is 9050182717.
- Italtile has 1 033 332 822 shares in issue including 25 488 781 shares held by the Share Incentive Trust and 88 000 000 shares held as BEE treasury shares.

The cash dividend timetable is structured as follows: the last day to trade cum dividend in order to participate in the dividend will be Friday, 28 February 2014. The shares will commence trading ex dividend from the commencement of business on Monday, 3 March 2014 and the record date will be Friday, 7 March 2014. The dividend will be paid on Monday, 10 March 2014. Share certificates may not be dematerialised or rematerialised between Monday, 3 March 2014 and Friday, 7 March 2014, both days inclusive.

For and on behalf of the board

G A M Ravazzotti
Chief Executive Officer

B G Wood
Chief Financial Officer

The Reviewed Group Results Announcement has been reviewed by Ernst & Young Incorporated ("EY"). EY's unqualified review opinion does not necessarily report on all of the information contained in this Reviewed Group Results Announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of auditors' engagement, they should obtain a copy of EY's unqualified review opinion together with the accompanying financial information from the Company Secretary at the Company's registered office.

Johannesburg
12 February 2014

System-wide turnover analysis

For the six months ended 31 December 2013 (Rand millions unless otherwise stated)

	% increase	Reviewed six months to 31 December 2013	Reviewed six months to 31 December 2012	Audited year to 30 June 2013
Group and franchised turnover (continuing operations)				
– By Group owned stores and entities		**1 372**	1 048	2 047
– By franchise owned stores (unaudited)		**923**	956	1 776
Total	15	**2 295**	2 004	3 823

Condensed Group statements of comprehensive income

For the six months ended 31 December 2013 (Rand millions unless otherwise stated)

	% increase	Reviewed six months to 31 December 2013	Reviewed six months to 31 December 2012	Audited year to 30 June 2013
Continuing operations				
Turnover		**1 372**	1 048	2 047
Cost of sales		**(840)**	(635)	(1 241)
Gross profit	29	**532**	413	806
Other operating income		**128**	132	241
Operating expenses		**(288)**	(233)	(451)
Profit/(loss) on sale of property, plant and equipment		**7**	(1)	15
Trading profit	22	**379**	311	611
Financial revenue		**5**	18	26
Financial cost		**(11)**	(12)	(17)
Income from associates		**13**	3	11
Profit before taxation from continuing operations	21	**386**	320	631
Taxation		**(114)**	(87)	(168)
Profit for the period from continuing operations	17	**272**	233	463
Discontinued operations				
(Loss)/profit after tax for the period from discontinued operations		**(12)**	2	1
Profit for the period	11	**260**	235	464
Other comprehensive income, net of taxation				
Items that may be reclassified subsequently to profit or loss:				
Currency translation difference		**2**	2	13
Other comprehensive income from associates		**–**	2	–
Total comprehensive income for the period	10	**262**	239	477
Profit attributable to:				
– Equity shareholders		**251**	222	444
– Non-controlling interests		**9**	13	20
	11	**260**	235	464
Total comprehensive income attributable to:				
– Equity shareholders		**253**	226	457
– Non-controlling interests		**9**	13	20
	10	**262**	239	477
Earnings per share (all figures in cents):				
– Earnings per share	13	**27,3**	24,2	48,3
– Headline earnings per share	15	**27,8**	24,3	47,4
– Diluted earnings per share	11	**26,6**	24,1	48,2
– Diluted headline earnings per share	12	**27,1**	24,2	47,3
Earnings per share from continuing operations (all figures in cents):				
– Earnings per share	19	**28,6**	23,9	48,2
– Headline earnings per share	16	**28,0**	24,0	47,3
– Diluted earnings per share	17	**27,9**	23,8	48,1
– Diluted headline earnings per share	14	**27,4**	23,9	47,2
– Dividends per share	13	**9,0**	8,0	16,0

Condensed Group statements of financial position

As at 31 December 2013 (Rand millions unless otherwise stated)

	Reviewed six months to 31 December 2013	Reviewed six months to 31 December 2012	Audited year to 30 June 2013
ASSETS			
Non-current assets	**1 839**	1 850	1 850
Property, plant and equipment	**1 290**	1 252	1 246
Investments	**–**	4	4
Investments in associates	**504**	553	553
Long-term assets	**20**	26	24
Goodwill	**6**	6	6
Deferred taxation	**19**	9	17
Current assets	**826**	961	777
Inventories	**449**	346	335
Trade and other receivables	**196**	149	121
Cash and cash equivalents	**177**	453	303
Taxation receivable	**4**	13	18
Assets classified as held-for-sale	**–**	–	26
TOTAL ASSETS	**2 665**	2 811	2 653
EQUITY AND LIABILITIES			
Share capital and reserves	**2 049**	2 167	2 303
Stated capital	**818**	818	818
Non-distributable reserves	**97**	86	93
Treasury shares	**(474)**	(477)	(474)
Share option reserve	**53**	39	36
Retained earnings	**1 485**	1 624	1 774
Non-controlling interests	**70**	77	54
Discontinued operations reserves	**–**	–	2
Non-current liabilities	**62**	251	53
Interest-bearing loans	**50**	243	44
Deferred taxation	**12**	8	9
Current liabilities	**554**	393	297
Trade and other payables	**264**	250	252
Provisions	**47**	39	43
Interest-bearing loans	**238**	100	–
Taxation	**5**	4	2
TOTAL EQUITY AND LIABILITIES	**2 665**	2 811	2 653
Net asset value per share (cents)	**223**	236	251

Store network

At 31 December 2013

Region	2013 Franchise	2013 Other	2013 Total	2012 Franchise	2012 Other	2012 Total
South Africa						
– Italtile	**–**	**8**	**8**	–	8	8
– CTM	**31**	**36***	**67**	40	25	65
– TopT	**18**	**6**	**24**	9	8	17
Rest of Africa	**11**	**5**	**16**	12	5	17
Australia	**–**	**–**	**–**	–	8	8
	60	**55**	**115**	61	54	115

*Includes CTM webstore.

Share code: ITE **ISIN:** ZAE000099123 **Registration number:** 1955/000558/06
Incorporated in the Republic of South Africa ("Italtile" or "the Group" or "the company")
Registered office: The Italtile Building, cnr William Nicol Drive and Peter Place, Bryanston (PO Box 1689, Randburg 2125)
Transfer secretaries: Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001. (PO Box 61051, Marshalltown 2107)
Executive directors: G A M Ravazzotti (Chief Executive Officer), B G Wood (Chief Financial Officer)
Non-executive directors: S G Pretorius (Non-executive chairman), S M Du Toit, S I Gama, P Langenhoven#, P D Swatton*, A Zannoni**
(*British **Italian #Australian)
Company secretary: E J Willis **Sponsor:** Merchantec Capital **Auditors:** EY

ITALTILE LIVE BEAUTIFULLY CTM top TIVOLI TAPS Life's more beautiful with Italian design elf Laminates KILIMANJARO Capture the African Landscape

Condensed Group cash flow statement

For the six months ended 31 December 2013 (Rand millions unless otherwise stated)

	Reviewed six months to 31 December 2013	Reviewed six months to 31 December 2012	Audited year to 30 June 2013
Cash flow from operating activities	**(344)**	181	376
Cash flow from investing activities	**(26)**	(645)	(694)
Cash flow from financing activities	**244**	–	(296)
Net movement in cash and cash equivalents for the period	**(126)**	(464)	(614)
Cash and cash equivalents at the beginning of the period	**303**	917	917
Cash and cash equivalents at the end of the period	**177**	453	303

Group statement of changes in equity

For the six months ended 31 December 2012 (Rand millions unless otherwise stated)

	Stated capital	Non-distributable reserves	Treasury shares	Share option reserve	Retained earnings	Discontinued operations	Total	Non-controlling interest	Total equity
Balance at 30 June 2012	**818**	**82**	**(478)**	**9**	**1 500**	**–**	**1 931**	**77**	**2 008**
Profit for the period					222		222	13	235
Other comprehensive income for the period		4					4		4
Total comprehensive income for the period	–	4	–	–	222	–	226	13	239
Dividends paid					(66)		(66)	(2)	(68)
Transactions with non-controlling interests							–	(11)	(11)
Reinstatement of BEE share incentive reserve				30	(30)		–		–
Share incentive costs (including vesting settlement)			1		(2)		(1)		(1)
Balance at 31 December 2012	**818**	**86**	**(477)**	**39**	**1 624**	**–**	**2 090**	**77**	**2 167**

For the six months ended 31 December 2013 (Rand millions unless otherwise stated)

	Stated capital	Non-distributable reserves	Treasury shares	Share option reserve	Retained earnings	Discontinued operations	Total	Non-controlling interest	Total equity
Balance at 30 June 2013	**818**	**93**	**(474)**	**36**	**1 774**	**2**	**2 249**	**54**	**2 303**
Profit for the period					**251**		**251**	**9**	**260**
Other comprehensive income for the period		**2**					**2**		**2**
Total comprehensive income for the period	**–**	**2**	**–**	**–**	**251**	**–**	**253**	**9**	**262**
Dividends paid					**(540)**		**(540)**	**(7)**	**(547)**
Discontinued operations		**2**				**(2)**	**–**		**–**
Transactions with non-controlling interests							**–**	**14**	**14**
Share incentive costs (including vesting settlement)				**17**			**17**		**17**
Balance at 31 December 2013	**818**	**97**	**(474)**	**53**	**1 485**	**–**	**1 979**	**70**	**2 049**

Segmental report

For the six months ended 31 December 2013 (Rand millions unless otherwise stated)

	Retail	Franchising	Properties	Supply and support services	Inter-group eliminations	Group	Discontinued operations
Reviewed period to December 2013							
Turnover	**1 163**	**–**	**–**	**681**	**(472)**	**1 372**	**31**
Gross margin	**407**	**–**	**–**	**68**		**475**	**11**
Other income*	**20**	**130**	**134**	**82**	**(174)**	**192**	**–**
Overheads	**(338)**	**(12)**	**(29)**	**(83)**	**174**	**(288)**	**(23)**
Trading profit	**89**	**118**	**105**	**67**	**–**	**379**	**(12)**
Reviewed period to December 2012							
Turnover	802	–	–	543	(297)	1 048	32
Gross margin	293	–	–	64	–	357	13
Other income*	16	119	117	65	(130)	187	–
Overheads	(240)	(10)	(24)	(89)	130	(233)	(12)
Trading profit	69	109	93	40	–	311	1

Other income includes franchise fees, rentals, royalties and rebates received, as well as profit or loss on disposal of property, plant and equipment.

Notes

1. Commitments and contingencies

As previously disclosed, legal proceedings have been instituted against Majuba Aviation Proprietary Limited, a subsidiary company of the Group providing aircraft charter services, for which there is insurance cover.

There were no material contingent assets or liabilities at 31 December 2013 in addition to the above.

Capital commitments at 31 December 2013:	Rand millions
– Contracted	**10**
– Authorised, not contracted	**108**
Total	**118**

2. Changes in accounting policy

The accounting policies adopted and methods of computation are in terms of International Financial Reporting Standards ("IFRS") and consistent with those of the previous financial year except for the adoption of new and amended IFRS and IFRIC interpretations which became effective during the current financial year. The application of these standards and interpretations did not have a significant impact on the Group's reported results and cash flows for the six months ended 31 December 2013 and the financial position at 31 December 2013.

Certain items within Other income (R56 million) have been reclassified to Cost of sales for the half year ending December 2012 to ensure the consistent treatment of these items with the year end results. This reclassification will have no impact on the profit for the year and Statement of Financial Position.

3. Fair values of financial instruments

The Group does not fair value its financial assets or liabilities in accordance with quoted prices in active markets or market observables, as there is no material difference between the fair value and carrying value due to the short-term nature of these items, and/or existing terms are equivalent to market observables. There were no transfers into or out of Level 3 during the period.

4. Sale of non-controlling interests in Cedar Point Trading 326 Proprietary Limited

As previously reported, the Group sold a 20% stake in Cedar Point Trading 326 Proprietary Limited to two new business partners during the period. This stake was sold at a cost of R14 million, and reduces the Group's interest in this entity to 80%.

5. Discontinued operations

The Group disposed of the following non-core businesses (date of disposal disclosed in brackets):

– Cladding Finance Proprietary Limited – the entity used to extend and manage credit to the contractors market (30 September 2013);

– The eight store CTM retail operation in Australia (31 October 2013); and

– Allmuss Properties Zambia Limited – a property holding company (31 December 2013).

The results of these businesses have thus been recorded as discontinued operations in these results. Cladding Finance Proprietary Limited and Allmuss Properties Zambia Limited's contribution to Group earnings is immaterial, although R4 million profit was realised on the sale of the latter. The sale of the Australian retail operation was concluded via a management buyout, and was preceded by fixed asset impairment and other rationalisation costs totalling R10 million.

6. Staff Share Scheme

During the period, the Group implemented a share incentive scheme for all employees of the Group and its franchisees in South Africa that had been in the employ of the Group and/or franchise network for a period of three uninterrupted years as at 31 August 2013. This has resulted in the issue of 15 million of the Group's shares held by the Italtile Empowerment Trust to qualifying staff members. The allotment is funded by the Group and the shares are restricted instruments which will vest with employees following a further three years of employment. Until vesting, the shares will continue to be accounted for as treasury shares, although this does have an impact on the diluted weighted average number of shares.

The scheme is classified as an equity settled scheme in terms of IFRS 2, Share-based Payment, and has resulted in a charge of R14 million to the Group's income (R11 million thereof being a once-off charge for franchisee staff). Given the unique nature of the scheme, a comprehensive review of the accounting treatment adopted will be undertaken, although it is likely that the current treatment is appropriate.

7. Earnings per share	Reviewed six months to 31 December 2013	Reviewed six months to 31 December 2012	Audited year to 30 June 2013
Reconciliation of shares in issue (all figures in millions):			
– Total number of shares issued	**1 033**	1 033	1 033
– Shares held by Share Incentive Trust	**25**	26	25
– BEE treasury shares	**88**	88	88
Shares in issue to external parties	**920**	919	920
Share numbers used for earnings per share calculations (all figures in millions):			
– Weighted average number of shares	**920**	919	919
– Diluted weighted average number of shares	**941**	922	921
Reconciliation of headline earnings (Rand millions):			
– Profit attributable to equity shareholders	**251**	222	444
– (Profit)/loss on sale of property, plant and equipment	**(5)**	1	(13)
– Impairment of Australian property, plant and equipment	**10**	–	5
Headline earnings	**256**	223	436
Reconciliation of headline earnings for continuing operations (Rand millions):			
– Profit attributable to equity shareholders	**263**	220	443
– (Profit)/loss on sale of property, plant and equipment	**(5)**	1	(13)
– Impairment of Australian property	**–**	–	5
Headline earnings	**258**	221	435

BASTION GRAPHICS