Notes to the financial statements continued

for the year ended 30 June 2017

33. RELATED-PARTY TRANSACTIONS (continued)

Company

The Company owns 100% of the issued share capital of Italtile Ceramics (Pty) Ltd and receives dividends and management fees from its subsidiary.

The Company receives preference share dividends from Four Arrow Investments 256 (Pty) Ltd. This is a special purpose entity set up as part of the BEE transaction. Previously, the Italtile Foundation Trust acquired the Italtile Limited shares which were held by Arrow Creek Investments 74 (Pty) Ltd – the transaction was funded by an interest free loan from Italtile Limited (refer to note 6 for further details).

The Company receives interest from the loan to the Italtile Empowerment Trust. This entity was set up by the Board as part of the BEE transaction.

All related-party transactions are concluded at arm's length with the exception of the Foundation Trust loan which is interest free. There have been no guarantees provided or received for any related-party receivables or payables. For the year ended 30 June 2017, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2016: Rnil) nor incurred any bad debt expense in the current year (2016: Rnil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Details of related-party transactions are as follows:

		Aggregate value of transactions		Balances owing at year end	
Related party	Nature of transactions	**2017 Rm's**	2016 Rm's	**2017 Rm's**	2016 Rm's
Four Arrows Investments 256 (Pty) Limited	Preference share dividends	**11**	10	**125**	125
Italtile Empowerment Trust	Interest	**—**	—	**68**	12
Italtile Ceramics (Pty) Ltd	Dividends and management fees	**336**	287	**545**	591
Italtile Foundation Trust	Interest free loan	**—**	—	**121**	121

Refer to notes 6, 15, 16 and 20 for further disclosure relating to terms of balances owing at year end.

Key management personnel and prescribed officers comprise only the executive Board. Remuneration paid to key management personnel of the Company is provided above. No balances were owing at year end (2016: nil).

34. SEGMENT REPORT

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. The chief operating decision-maker has been identified as the executive directors of the Group.

On this basis, the Group has six operating segments:

Segment	**Nature of business**
Retail	– Retailers of tiles, brassware, laminated flooring, bathroomware and accessories.
Franchising	– Bearer of South African and non-South African trademarks.
Properties	– Property investments.
Supply and Support Services	– Distributor of tiles, shower enclosures, brassware, laminated flooring, accessories, and tiling tools. – Group administration and management services. – Outsourced debtor solutions. – Procurement.
Franchise stores	– Franchisee retailers of tiles, brassware, laminated flooring, bathroomware and accessories.
Associates	– Strategic manufacturing investment.

All intersegmental transactions are concluded at arm's length.

34. SEGMENT REPORT (continued)

The following measures, as included in the quarterly management report reviewed by the chief operating decision-makers, are used to assess performance:

	Turnover			Gross margin			Net profit before tax		
(Rand millions unless otherwise stated)	June 2017	June 2016	% change	June 2017	June 2016	% change	June 2017	June 2016	% change
Retail	**5 714**	5 441	5	**1 099**	1 072	3	**256**	285	(10)
– Group stores	**3 174**	3 025	5	**1 099**	1 072	3	**256**	285	(10)
– Franchise stores	**2 540**	2 416	5	**—**	—		**—**	—	
Franchising							**210**	200	5
Properties							**256**	249	3
Supply and Support Services	**1 966**	1 934	2	**183**	183	—	**366**	358	2
Associates							**96**	96	—
Total	**7 680**	7 375	4	**1 282**	1 255	2	**1 184**	1 188	—
Franchise stores	**(2 540)**	(2 416)	5						
Consolidation entries	**(1 470)**	(1 420)	4	**6**	(22)	127	**6**	(22)	127
Total Group	**3 670**	3 539	4	**1 288**	1 233	4	**1 190**	1 166	2

Geographical analysis

(Rand millions unless otherwise stated)	South Africa	Rest of Africa	Inter-group entities	Group	Disposal group*
Year ended 30 June 2017					
Turnover	**4 717**	**423**	**(1 470)**	**3 670**	**—**
Non-current assets	**3 166**	**148**	**(593)**	**2 721**	**—**
Year ended 30 June 2016					
Turnover	4 562	397	(1 420)	3 539	
Non-current assets	2 775	115	(601)	2 289	112

* *Australia.*

35. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Cedar Point Trading 326 (Pty) Ltd

The Group acquired the remaining 10% non-controlling stake in Cedar Point Trading 326 (Pty) Ltd at the beginning of the period under review, held by the previous business partner at a cost of R14 million of which R8 million was cash-settled and R6 million the repayment of an outstanding loan. At the same time the Group sold a 10% stake in Cedar Point Trading 326 (Pty) Ltd at the beginning of the period under review to a new business partner. This stake was sold at a cost of R16 million, funded via a loan to the new partner, and kept the Group's interest in this entity at 90%.

International Tap Distributors (Pty) Ltd

The Group acquired a 19% non-controlling stake in International Tap Distributors (Pty) Ltd at the end of March 2017, held by the previous business partners at a cost of R76 million, increasing the Group's interest in this entity to 98%.