Notes to the financial statements continued

for the year ended 30 June 2017

2. DEFINITIONS

2.1 Cost of sales

Cost of sales is calculated as the weighted average cost of inventory, including distribution costs incurred in bringing the inventory to the retail locations, net of rebate income and settlement discounts.

2.2 Cash and cash equivalents

The cash and cash equivalent amounts comprise cash in hand, deposits held on call with banks and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value.

2.3 Treasury shares

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

2.4 Cash-generating unit

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

Company			Group	
2017 Rm's	2016 Rm's		**2017 Rm's**	2016 Rm's
		3. REVENUE		
		Total revenue comprises:		
		Turnover	**3 670**	3 539
		Rental income, including sub-leases	**139**	133
		Rental income – investment property	**3**	4
332	293	Finance income	**32**	25
		Royalty income from franchising	**133**	127
		Other franchise income	**70**	60
4	4	Management fee		
336	297		**4 047**	3 888
		Turnover represents net sales, excluding value added tax and intercompany sales. All the rental income pertains to properties that are leased to franchised stores. These rentals are turnover related and can therefore not be predetermined.		
		4. COST OF SALES		
		Cost of sales consists largely of the cost of inventories recognised as an expense	**2 182**	2 117

Company 2017 Rm's	Company 2016 Rm's		Group 2017 Rm's	Group 2016 Rm's
		5. TRADING PROFIT		
		Trading profit is stated after taking into account the following terms:		
		Auditors' remuneration		
#	#	– Audit fee	**4**	4
#	#	– Other fees	**#**	1
#	#	– Expenses	**#**	#
#	#		**4**	5
		Depreciation		
		Owned and leased		
		– Buildings	**15**	20
		– Plant and machinery	**5**	6
		– Vehicles	**11**	8
		– Computer equipment	**12**	8
		– Furniture and fittings	**42**	37
			85	79
		Operating lease expense		
		– Properties	**50**	28
		All the operating leases pertain to properties that are rented and then sublet to Group-owned and franchised stores. There are no trading restrictions on any of the leases.		
		Total of future minimum contracted operating lease payments:		
		Within 1 year	**42**	31
		Within 2 to 5 years	**90**	76
		Later than 5 years	**108**	106
			240	213
		Employee remuneration		
		– Salaries and wages	**244**	198
		– Profit share	**33**	31
		– Contributions to retirement benefits	**22**	19
			299	248
		Other		
		Profit on sale of property, plant and equipment	**15**	11
		Profit on sale of subsidiary	**37**	–
		Share-based payment expense	**51**	40

 # Less than R1 million.