Cashbuild

INTEGRATED REPORT 2019

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CELEBRATIN
40 YEA

The first Cashbuild store opened on 6 December 1978 in King Williamstown. The store is still trading in the same location to this day.

The Group listed on the JSE in 1986. Turnover and profit, at the time of listing, were R87 million and R3 million respectively. The Company had 27 stores.

The Group today has 315 stores trading in seven countries across southern Africa.

HOW TO READ THIS REPORT

DOCUMENTS AVAILABLE ON THE COMPANY'S WEBSITE:

www.cashbuild.co.za

- King IV Application Register
- Stakeholder engagement and materiality issues identified by stakeholders
- Cashbuild's Equality and Diversity Policy Statement

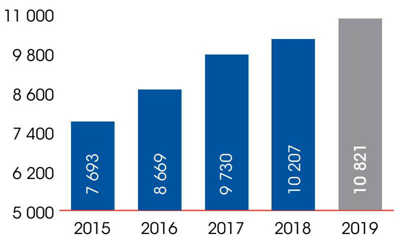
ABBREVIATIONS AND DEFINITIONS

The abbreviations and definitions used throughout this Integrated Report are detailed on page 155.

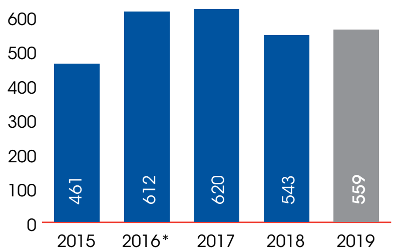
FINANCIAL HIGHLIGHTS

for the 53 weeks ended 30 June 2019

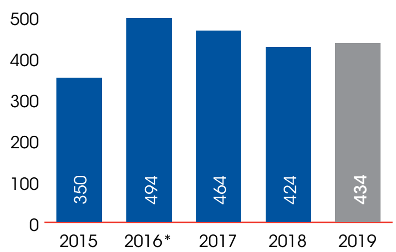
REVENUE (Rm)



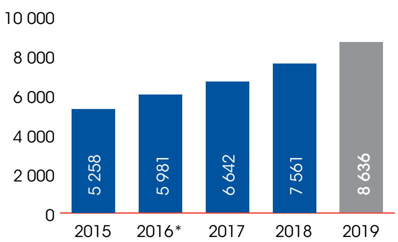
OPERATING PROFIT (Rm)



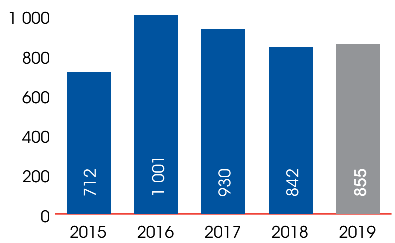
HEADLINE EARNINGS (Rm)



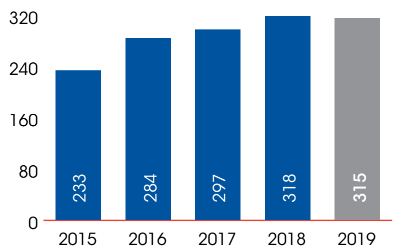
NAV PER SHARE (cents)



TOTAL DIVIDEND PER SHARE (cents)



SPACE GROWTH (stores)



* 2016 Excludes BEE transaction

ABOUT THE REPORT

This Integrated Report provides an overview of our activities for the financial year ended 30 June 2019.

This report was prepared in accordance with IFRS, the requirements of the Companies Act, the JSE Listings Requirements, the principles of King IV Report and the International Integrated Reporting Framework by the International Integrated Reporting Council and strives to provide information on all aspects of Cashbuild's activities in an integrated manner.

SCOPE AND BOUNDARY

This Integrated Report aims to provide a balanced, understandable and comprehensive review of the business by reporting on the financial and non-financial performance of the Group. It deals with the material issues, risks and opportunities faced by the Group in the ordinary course of business as well as the Group's governance, social and environmental responsibilities to create value for each of its identified stakeholders and the communities in which we operate.

There are no material changes to the content of this report compared to the 2018 Integrated Report. Cashbuild continues to enhance the report and follows the guidelines provided by the International Integrated Reporting Framework in terms of reporting according to the Six Capitals. This report reflects on the Group's current and anticipated financial performance in line with its strategic objectives. The Company has also published its application of the Principles, in terms of the JSE Listings Requirements, on its website.

The Board has considered the volume and complexity of the information in this Integrated Report and is of the opinion that it does not warrant a summarised version. However, additional information pertaining to certain sections in this report has been placed on the Group's website.

DISCLAIMER

This Integrated Report may contain certain forward looking statements concerning the Group's strategy, financial conditions, growth plans and expectations. Such views involve both known and unknown risks, assumptions, uncertainties and important factors that could materially influence the actual performance of the Group. No assurance can therefore be given that these views will prove to be correct and no representation or warranty expressed or implied is given as to the accuracy or completeness of such views.

It is the Board's responsibility to ensure the integrity of this report. The Board has applied its mind to the report and in its opinion, this report addresses the material issues and represents fairly, the integrated performance of the Group.

MATERIALITY

This Integrated Report is intended to provide insight into issues identified as most relevant and material to Cashbuild and our various stakeholder groups, that could potentially impact the Group as a going concern. Comprehensive information, pertaining to stakeholder engagement and material issues relevant to the various stakeholder groups, has been placed on the Group's website.

The Board, specifically the Audit and Risk Committee and the Social and Ethics Committee, plays a pivotal role in the determination of Cashbuild's material risks as well as opportunities that arise in the course of conducting our business activities and further detail pertaining to these risks and opportunities is detailed on pages 25 to 29 of this report.

ASSURANCE

Although some parts of the Sustainability Report have not been independently assured, certain information contained in it has been scrutinised by the Group's own internal control functions, as well as by external assurance providers where this has been deemed relevant and necessary.

The Company will consider the need for such assurance and will implement the required processes as it deems appropriate.

In accordance with the Companies Act and the JSE Listings Requirements, the Annual Financial Statements of Cashbuild have been audited by PricewaterhouseCoopers Inc. and the Independent Auditor's Report can be found commencing on page 87 of this report.

Cashbuild has an Internal Audit Department and together with the Audit and Risk Committee, assesses the internal and external assurances obtained and matches these to its identified risks.

An independent accredited empowerment rating agency has provided assurance on the B-BBEE scorecard for the current financial year. Please refer to page 40 for more detail on our scorecard and current B-BBEE rating. In accordance with paragraph 16.20(g) and Appendix 1 to Section 11 of the JSE Listings Requirements, notice is hereby given that the Company's annual compliance report in terms of Section 13G(2) of the Broad-Based Black Economic Empowerment Act has been published on the Group's website.

ANY QUERIES REGARDING THIS INTEGRATED REPORT OR ITS CONTENTS SHOULD BE ADDRESSED TO:

Belinda Rabé
Cashbuild Group Financial Manager
E-mail: brabe@cashbuild.co.za
Tel: +27 11 248 1500

ANY QUERIES REGARDING CASHBUILD'S INVESTOR RELATIONS SHOULD BE ADDRESSED TO:

Marlize Keyter
Investor Relations Consultant
Keyter Rech Investor Solutions CC
E-mail: mkeyter@kris.co.za
Tel: +27 87 351 3810

ABOUT CASHBUILD

01

GROUP HIGHLIGHTS

Cashbuild delivered the following highlights for the year ended 30 June 2019 following its strategic sustainability approach and aligning them with the Six Capitals as set out in the International Integrated Reporting Framework:

		% change	30 June 2019	30 June 2018
Financial capital				
Revenue	R'000	6	**10 821 235**	10 206 730
Operating profit	R'000	3	**559 025**	543 195
Profit before taxation	R'000	3	**612 713**	594 180
Attributable earnings	R'000	2	**427 357**	420 514
Headline earnings	R'000	2	**433 957**	423 970
HEPS	Cents	2	**1 910**	1 867
Dividend per share	Cents	2	**855**	842
NAV per share[1]	Cents	14	**8 636**	7 561
Cash and cash equivalents	R'000	(39)	**590 150**	952 929
Manufactured capital				
Number of stores[2]		(1)	**315**	318
Number of trading weeks		2	**53**	52
Average basket size	Rand	3	**586**	569
Total wealth created/distributed and reinvested	Rand	3	**1 614 553**	1 568 685
Rental prepayments on store developer contracts	R'000	(97)	**674**	24 697
Number of store developer contracts		(13)	**7**	8
Human capital				
Number of employees		–	**6 295**	6 316
Revenue per employee	R'000	6	**1 719**	1 616
B-BBEE rating level		–	**8**	8
New employees		(5)	**1 334**	1 268
Intellectual capital				
Learnerships granted		(17)	**165**	198
Social capital				
Number of schools contributed to		(20)	**263**	327
Value of school contributions	R'000	(21)	**3 945**	4 995
Various social initiatives	R'000	>100	**1 119**	479
Payments for delivery driver contractors	R'000	4	**154 661**	149 373
Total CSI spend	R'000	3	**159 725**	154 847
Natural capital				
Total number of stores converted through energy conservation projects to date		18	**187**	158

1 *Based on ordinary number of shares in issue.*
2 *Includes one (2018: seven) Cashbuild DIY stores.*
3 *2019 includes 53rd week trading.*

OUR GROUP AT A GLANCE

Cashbuild is a southern African-based retailer of building materials and products providing these materials and products at the best value, directly to the public.

Our achievements in store growth, **broadening our footprint as well as our relationships** built in the past have stood us in good stead given the current economic climate across southern Africa.

We continue to **strengthen our relationships through** our commitment to mutual growth and our **sound strategies for sustainability.**

Cashbuild **opened its first store in 1978 and was listed on** the Main Board of **the JSE in 1986.**

P&L Hardware, **acquired on 1 June 2016,** was founded in 1982 and has a business model aligned to that of Cashbuild.

Our footprint encompasses 315 stores (2018: 318 stores) including 59 (2018: 60) P&L Hardware stores and 1 (2018: 7) Cashbuild **DIY pilot store** spread across **seven countries throughout southern Africa.**

We employ 6 295 (2018: 6 316) committed employees 336 (2018: 331) **equally committed delivery contractors** as at 30 June 2019.

VISION, MISSION AND CORE VALUES

OUR VISION

WHAT WE STRIVE FOR

Our vision is to be the preferred retailer and integrated supplier of building materials, associated products and services across all market segments in selected countries.

OUR MISSION

OUR UNDERTAKING

We are the preferred retailer and integrated supplier of building materials, associated products and services, through chosen brands, across all market segments in selected countries.

We conduct business in a socially and environmentally responsible manner and continuously seek to maximise returns to all our stakeholders through:

- our ability to understand our customers and markets, which enables us to offer a focused range of products and services suited to the specific needs of each of these markets;
- our mutually beneficial relationships with our suppliers, substantial buying power and ability to control costs, which enables us to offer quality, best value products and services at convenient locations, to all our customers;
- our progressive human resources practices, which promote a challenging and productive working environment and ensures that all our people develop to their fullest potential and are recognised and rewarded for outstanding performance;
- improving the lives of people where we trade, by providing best value products and services, offering employment opportunities, promoting enterprise development and supporting selected community projects; and
- optimally utilising all our resources and applying industry and technology best practices through the Cashbuild Way, thereby providing superior and sustainable financial returns to our shareholders.

OUR VALUES

OUR PRINCIPLES

Our values form the basis for all our engagements, both within the Group and externally. Rather than merely being an aspiration, these values are demonstrated in the Group on a daily basis, with every employee being accountable for acting in accordance with them at all times.

OUR CORE VALUES ARE:

- we **follow through** to be successful;
- we **strive** to do it right first time, every time;
- we **aim to deliver** exceptional service and total customer satisfaction;
- we **take pride** in what we do and show respect and honesty in all our dealings;
- we **empower, recognise** and **reward** our people; and
- we **manage** and **improve** our business through the Cashbuild Way.

THE "CASHBUILD WAY"

Ethical sourcing is an imperative, quality is our priority and keeping costs low is our strategy.

HOW WE DO THINGS

As a retailer our business is simple: we buy and we sell but we do it the Cashbuild Way.

The Cashbuild Way is a set of policies and procedures which guide how we do things throughout the Group and conduct our relationships with external stakeholders. The Cashbuild Way refers not only to our documented policies but also to all our dealings with various stakeholders.

We buy quality building materials and associated products, while supporting local suppliers as far as possible. We aim to support local growth and development, positively influence the upstream value chain and build mutually beneficial long-term relationships.

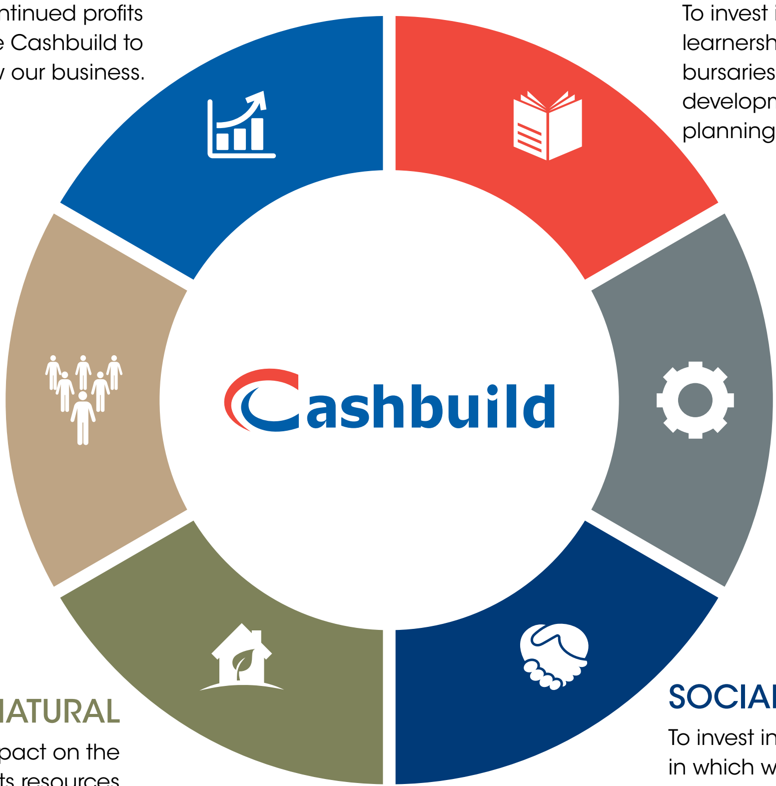
We then sell quality building materials and associated products to our customers at the best value. We aim to ensure a pleasant shopping experience for all our customers in each of our 315 stores located throughout southern Africa with conveniently located stores, quality products, reputable brands and value-added services. Our customers are provided with in-store expertise, advice, service and assistance as well as various loyalty programmes, credit services, online shopping and a free local delivery service.

The Cashbuild Way aims to benefit each and every one of our stakeholders so that our customers as well as our employees, shareholders, suppliers and communities gain value from our operations. Our business model on pages 12 and 13 illustrates this.

The Cashbuild and P&L Hardware values are aligned.

THE CASHBUILD CAPITALS

WHAT WE STRIVE FOR



FINANCIAL

To generate continued profits which will enable Cashbuild to expand and grow our business.

INTELLECTUAL

To invest in our people through learnership programmes and bursaries, create opportunities for skills development and ensure succession planning.

HUMAN

To ensure that our staff complement is diverse, motivated, skilled, ethical and safe.

MANUFACTURED

To expand our footprint and build stores responsibly to best serve our customers.

NATURAL

To minimise our impact on the environment and its resources and expect our stakeholders to do the same.

SOCIAL

To invest in the communities in which we operate to ensure upliftment through support of local entrepreneurs, creating local employment opportunities and to ensure that our procurement and supply chain management is in line with our ethical values to meet our customers' needs and expectations.

OUR BUSINESS MODEL

INPUTS

FINANCIAL CAPITAL

- Risk management
- New opportunities
- Strategic planning
- Strong financial position
- Investor meetings and presentations

HUMAN CAPITAL

- Internal recruitment process
- Training and development
- Discipline
- Employee forums
- Code of Ethics
- Health and Safety
- Transformation
- Industrial relations

SOCIAL CAPITAL

- New store openings
- Free local customer delivery
- Delivery driver programme
- Local brick and block makers
- Glass cutters

INTELLECTUAL CAPITAL

- Experienced Board and Executive Management
- Learnership programmes
- Bursaries
- Opportunities for local artisans

MANUFACTURED CAPITAL

- Procurement and supply chain
- Product responsibility
- Customer service
- Security and crime prevention
- Growing store footprint

NATURAL CAPITAL

- Energy and carbon management
- Water conservation
- Waste generation and recycling

OPERATIONS

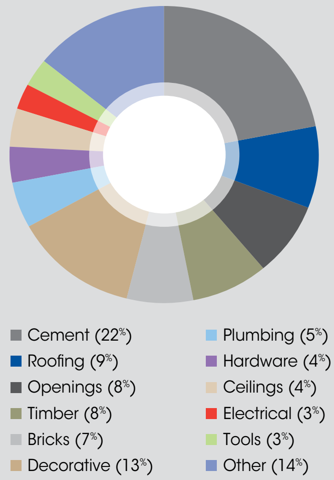
SUPPLIERS

Using local suppliers, as far as possible, we strategically source quality building materials and associated products.

PRODUCTS

Our product range consists of building materials such as cement, timber, bricks and associated products such as tools, hardware and plumbing.

PRODUCTS



STORES

Our products are delivered directly to our stores to ensure that we minimise costs and that we are always in stock and ready for business.

CUSTOMERS

Our customers are building contractors, home improvers, farmers, traders and anybody looking for quality building material at the lowest prices.

SERVICES

In addition to our in-store expertise, advice and assistance we provide clients with a free local delivery service, an online store, credit services and various loyalty programmes.

OUTPUTS

FINANCIAL CAPITAL
- Revenue growth
- Cost savings
- New, refurbished and relocated (where necessary) stores
- Informed shareholders

HUMAN CAPITAL
- Skilled workforce
- Lower staff turnover
- Healthy staff morale
- Minimise injuries
- Increased employment of HDSA's

SOCIAL CAPITAL
- Create local employment opportunities
- Art-at-Heart (Schools donations)
- Support entrepreneurs
- Loyal customers

INTELLECTUAL CAPITAL
- Established management team
- Succession plan
- Policies and procedures aligned to best practice

MANUFACTURED CAPITAL
- Good quality products at best value
- No "grey" goods
- "Every day best value" – marketing
- Loyal customers

NATURAL CAPITAL
- Energy efficiency
- Lower carbon footprint
- Reduced water consumption
- Ensure a clean environment

OUTCOMES

FINANCIAL CAPITAL
- Increased profitability
- Market share growth
- Improved total shareholder return
- Industry leadership

HUMAN CAPITAL
- Considered employer of choice
- Attract and retain best people
- Staff experience and skilled workforce
- Profit sharing
- Improved HDSA management representation

SOCIAL CAPITAL
- Community upliftment
- Encourage entrepreneurship
- Improved brand loyalty
- Good corporate citizenship

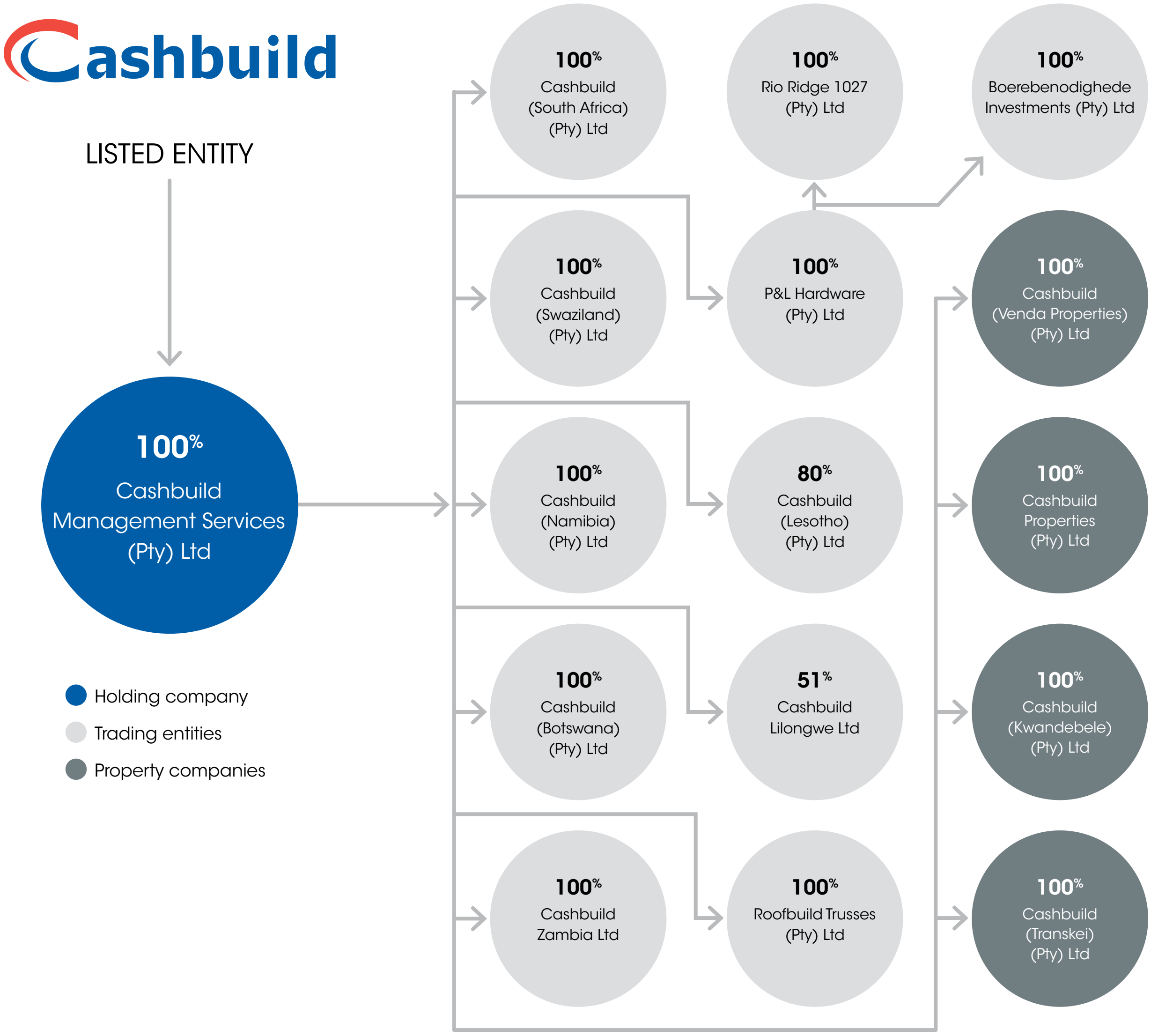
INTELLECTUAL CAPITAL
- Maintain robust policies and procedures
- Considered employer of choice

MANUFACTURED CAPITAL
- Expanded stores and customer base
- Suppliers with shared ethical values
- Continued safe environment
- Sustainable profits

NATURAL CAPITAL
- Sustainable business practices

OUR ORGANISATIONAL STRUCTURE

The Group's reporting structure differs from its organisational structure. The Group is organised into different operational areas, headed by an Operations Executive, who in turn reports to the Divisional or Operations Directors. The Operations Executives, Divisional Directors and Operations Directors are members of the Executive Management Team.



Cashbuild

***Operations Director:* Shane Thoresson**

Divisional Director: Disemelo Masala

OPS 1 MPUMALANGA, LIMPOPO, GAUTENG AND NORTH WEST – *Trainee Operations Executive:* Tyron Myburgh

OPS 2 EASTERN CAPE, GAUTENG, KWAZULU-NATAL, MALAWI, MPUMALANGA AND ZAMBIA – *Operations Executive:* Hennie Roos

OPS 3 GAUTENG, LIMPOPO, MPUMALANGA AND SWAZILAND – *Operations Executive:* Willie Dreyer

OPS 4 BOTSWANA, EASTERN CAPE, FREE STATE, GAUTENG, LESOTHO, LIMPOPO, NAMIBIA AND NORTH WEST – *Operations Executive:* Ian McKay

OPS 5 GAUTENG – *Trainee Operations Executive:* Christopher Vengesa

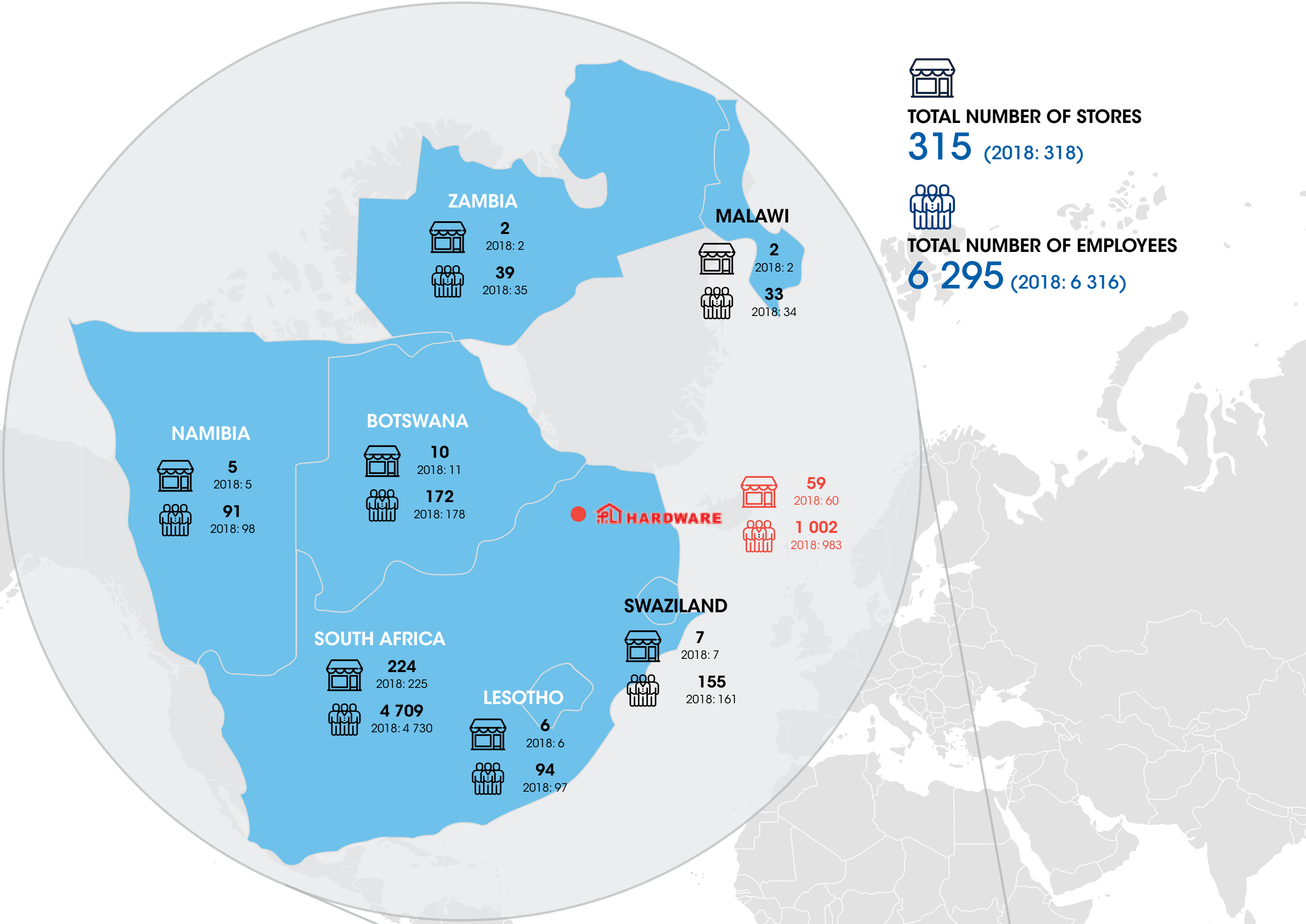
OPS 7 WESTERN CAPE, EASTERN CAPE, NORTH WEST AND NORTHERN CAPE – *Trainee Operations Executive:* Mark Scholes

P&L Hardware

***Operations Director:* Anton Hattingh**

EASTERN CAPE, GAUTENG, LIMPOPO AND MPUMALANGA

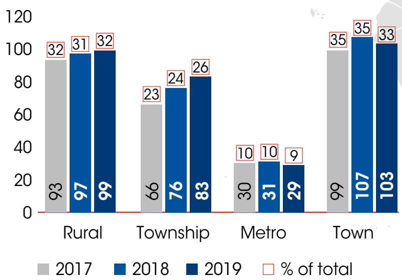
OUR GEOGRAPHICAL FOOTPRINT



TOTAL NUMBER OF STORES
315 (2018: 318)

TOTAL NUMBER OF EMPLOYEES
6 295 (2018: 6 316)

LOCATION OF STORES



Cashbuild positions its stores to bring quality building materials at best value to communities and strives to enhance the community in which each store trades. Store locations are selected on the basis of in-depth feasibility studies and extensive stakeholder engagement. We will for the foreseeable future continue our strategy of store expansion, relocation and refurbishment, applying the same rigorous analysis and decision-making processes.

OUR STAKEHOLDERS

ENGAGING WITH OUR STAKEHOLDERS

Our key stakeholder groups are identified on the basis of Board deliberations, risk identification and other internal processes, as well as on feedback received at operational management level in the regions in which the Group's stores are located.

The Group's material issues are evaluated on an annual basis. The material issues identified are based on both strategic imperatives and stakeholder feedback, and reflect the key mutual interests of Cashbuild and its stakeholders.

SUPPLIERS, SERVICE PROVIDERS, SPECIALISTS AND INDUSTRY PARTNERS

Form of interaction

- Strategic sourcing meetings
- Meetings and correspondence
- Industry conferences and functions

CUSTOMERS AND COMMUNITIES

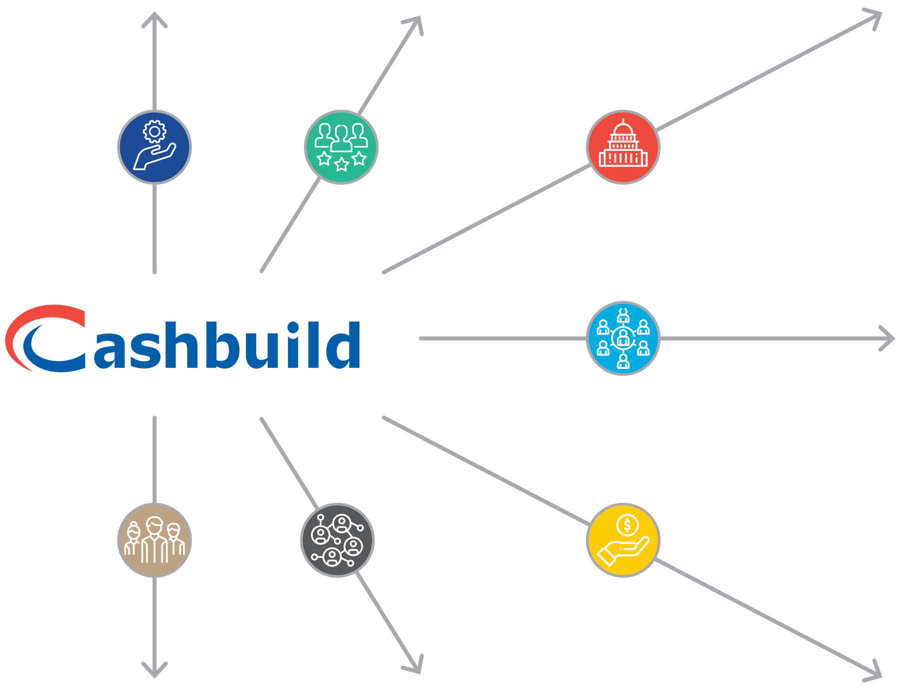
Form of interaction

- Direct engagement at store openings
- Marketing surveys
- Customer care and feedback mechanisms

LOCAL AND PROVINCIAL GOVERNMENTS AND REGULATORY BODIES (LABOUR, HEALTH, SARS ETC)

Form of interaction

- National builders forums
- Audit and related meetings
- Employment equity plan
- Tax compliance



SHAREHOLDERS, INVESTORS, ANALYSTS AND MEDIA

Form of interaction

- Final and interim results presentations
- Investor roadshows
- Media interviews
- Annual General Meeting
- Investor relations consultant

EMPLOYEES, LEARNERS, CONTRACTORS AND SUB-CONTRACTORS

Form of interaction

- Employee forums
- Informal social meetings
- Employee surveys
- Management road shows
- Health, safety and wellness forums
- Learnerships and bursaries

GENERAL FORMS OF INTERACTION

- Website and social media
- SENS announcements
- Newspaper articles
- Advertisements
- Community participation
- Integrated Report

JSE AND OTHER LOCAL AND INTERNATIONAL REGULATORY BODIES

Form of interaction

- Business associations
- Written communications and presentations
- Sponsor presentations

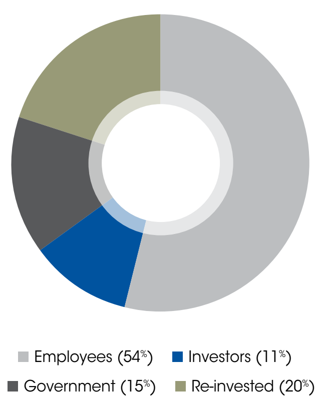
For the comprehensive interaction with stakeholders, each group's expectations and concerns, how their expectations and concerns were addressed and how it links with the Group's sustainability strategy, please refer to the Group's website.

VALUE-ADDED STATEMENT

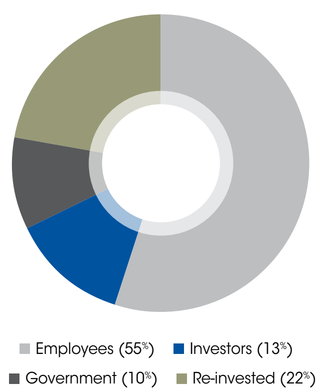
A measure of the wealth created by Cashbuild, for various stakeholders, is the amount spent on the cost of goods and services provided, the remuneration paid to its employees, money paid to providers of equity and debt, taxes paid to Government and capital reinvested in the Group.

R'000	**30 June 2019**	**%**	30 June 2018	%
Revenue	**10 821 235**		10 206 730	
Less: Cost of merchandise and expenses	**(9 164 395)**		(8 692 173)	
Value-added from trading operations	**1 656 841**		1 514 557	
Interest received from investments	**59 380**		54 128	
Total wealth created	**1 716 221**	**100.0**	1 568 685	100.0
Allocated as follows:				
To employees – salaries and benefits	**923 439**	**53.8**	861 795	54.9
To Government – Group taxation	**251 414**	**14.6**	149 745	9.6
To providers of capital:	**189 792**	**11.1**	208 900	13.3
– Dividend to shareholders	**179 038**	**10.4**	201 209	12.8
– Interest on borrowings	**5 692**	**0.4**	3 052	0.2
– Minorities' interest	**5 062**	**0.3**	4 639	0.3
Wealth distributed	**1 364 645**	**79.5**	1 220 440	77.8
Retained for re-investment in the Group	**351 576**	**20.5**	348 245	22.2
– Depreciation, amortisation and impairment of property	**137 897**	**8.0**	137 988	8.8
– Income retained in the business	**213 679**	**12.5**	210 257	13.4
Total wealth distributed and reinvested	**1 716 221**	**100.0**	1 568 685	100.0
Statistics				
Number of employees	**6 295**	**–**	6 316	
Wealth created per employee	**256**	**3**	248	
Wealth distributed per employee	**201**	**4**	193	
Revenue per employee	**1 719**	**6**	1 616	

2019



2018



OUR STRATEGY

Cashbuild has identified a number of strategic business imperatives based on identified risks and opportunities, aimed at maximising the profitability and sustainability of the Group in the medium-to long-term.

KEY STRATEGIC BUSINESS IMPERATIVES

The key strategic initiatives approved by the Board as per this illustration

OUR STRATEGIC BUSINESS IMPERATIVES

(derived from business strategy, risks and opportunities)

- Sustainable customer base and customer loyalty
- Increased market share, continued growth
- Stable operating environments
- Internal excellence (people, processes, systems)
- Strategic relationships and partnerships
- Good governance and controls
- Staying ahead of the competition
- Store growth (urban and rural)
- Supplier loyalty

WHAT IS MOST IMPORTANT TO OUR STAKEHOLDERS

- Availability of quality goods
- Excellent service
- Sustainability of community initiatives
- Good governance and compliance
- Clear and transparent reporting
- Total shareholder return growth
- Local employment opportunities
- Development and growth opportunities
- Economic empowerment and transformation
- Free delivery

Naturally, no organisation operates in isolation, and these strategic imperatives are therefore, influenced directly and indirectly by the broader macro-economic environment in which the Group operates. The Group invests significant time and effort to understand the complexities and potential impacts of this environment in order to place itself in the best possible position to deal with future events and the uncertainties that these might create.

STRATEGY FOR CORPORATE SUSTAINABILITY

In the broadest possible sense, sustainability is defined by Cashbuild as "maximising the Group's chances of continued profitable existence in the future". More specifically, and borrowing from the established definition of sustainable development, it can be defined as the utilisation of current resources without being detrimental to future generations. For Cashbuild, the concept of sustainability is not limited to the Group's impact on investors, society and the environment, but also includes the impact of social and environmental considerations on the Group's ability to continue sustaining itself and supporting those individuals and organisations that depend on its success.

The concept of value creation is becoming increasingly recognised within Cashbuild as a measure of the Group's sustainability. In this context, the value created by the Group is certainly not limited to financial returns, but also includes the somewhat less tangible value that the Group adds through its operations to the communities in which its stores are located, as well as the value that can be created through mitigation of the Group's environmental impacts (for example through emissions reduction initiatives). These various measures of value, and the interdependencies that they represent, all play a significant role in the Group's efforts to grow and develop in the future.

The broader external environment in which the Group operates, including the various macro-economic and geo-political factors identified elsewhere in this report, will of course influence the Group's attempts to create value for its stakeholders. In response, Cashbuild will continue to proactively and consistently monitor these factors, and take the required action.

In developing any sustainability-related initiatives programmes or strategies aimed at creating value for stakeholders, the Board and Executive Management are required to adopt a precautionary approach, in order to ensure that neither Cashbuild nor any of its key stakeholder groups are in any way disadvantaged by the decisions taken or strategies implemented by the organisation.

CHAIRMAN'S REPORT

Celebrating 40 years of existence, the Group will continue its store expansion, relocation and refurbishment strategy in a controlled manner, applying the same rigorous process as in the past, but remaining conscious of the strained economic climate in South Africa.

I hereby present my last Chairman's Report for the year ended 30 June 2019. Despite the tough trading conditions and challenges faced by the Group, I am proud to introduce the 2019 Integrated Report for Cashbuild, which has now been in existence for 40 years and listed on the JSE for 33 years.

Unfortunately, this past year proved again, to be one of the most difficult years in Cashbuild's history. Trading conditions worsened in South Africa, with the consumer placed under even more pressure given increasing fuel, electricity and other living costs. The low business and consumer confidence does not bode well for the economy, which is at risk of falling into recession again.

The May 2019 general elections and both State of the Nation addresses delivered by President Cyril Ramaphosa to date unfortunately did not alleviate local market conditions as much as was anticipated, with consumer confidence barely improving. We acknowledge that President Ramaphosa can't fix what has been "broken" for over 10 years in his short tenure as president, but we are hopeful that, in the long-term, his strategy for the country will deliver the much-needed impetus to boost the economy. The already strained economy is also now being impacted by weakening global market conditions. The introduction of the Carbon Tax Act with effect from 1 June 2019, further resulted in increased costs to cement manufacturers, who emit carbon when they use coal to burn limestone and other raw materials. Imports into South Africa from China, Pakistan and more recently Vietnam, together with independent cement blenders are placing tremendous strain on local cement producers, thereby also affecting our largest product category.

The Group invests significant time and effort to understand the complexities and potential impacts of the macro-economic environment, in order to place itself in the best position possible to deal with future events and the uncertainties that these might present. Rest assured, that Cashbuild's strategy remains robust, and the in-depth quality product range that is tailored to the specific needs of the communities the Group serves, as well as the adherence to the Cashbuild Way, positions the Group well, for any slight upswing in the economy.

With a tsunami of governance-related scandals hitting corporate South Africa over the past 12 to 18 months, the Group wishes to re-emphasise its commitment to good corporate governance, adhering not only to the codes, rules and regulations enshrined as good practice – including the recommendations of the King IV, the JSE Listings Requirements and the International Integrated Reporting Council's International Integrated Reporting Framework – but perhaps more importantly, to the spirit of what corporate governance is intended to achieve.

From an Environment, Social and Governance (ESG) perspective, our culture of ethics and integrity defines who we are as a Group, and how we as colleagues treat each other, our customers, our suppliers and all other stakeholders. Our business success rests on a foundation of values – upholding integrity, serving our customers, growing our people and accepting responsibility – and our reputation depends on us continuing to make the right choices, every day.

The Corporate Governance Report, which can be found on pages 53 to 62 of this Integrated Report, sets out the Group's principles and policies in more detail, while the material risks, the risk management approach, as well as the opportunities facing the Group, are set out on pages 25 to 29.

This past year, the Group invested R160 million (2018: R155 million) in CSI projects focused on the communities in which we operate, an increase of 3% from prior year spend. CSI initiatives undertaken by Cashbuild are detailed within the Sustainability Report and can be found on pages 42 to 47 of this report.

Cashbuild's approach to environmental matters is set out in the section Natural Capital on pages 51 to 52 of this report, and covers energy and carbon management, electricity usage, the Group's carbon footprint, transportation, water conservation, waste generation and recycling.

I would like to express my sincere thanks to Werner de Jager and his team for their hard work and dedication during the year and extend my gratitude to my fellow Board members for your support, experience and knowledge that contributes to the continued success of the Group.

I would also like to welcome Marius Bosman as a new member of the Board.

As I will be retiring as a director of the Group following the Annual General Meeting in November 2019, I would like to bid farewell to my colleagues. It has been an honour and a privilege to serve on the Cashbuild Board for seven years, four of which were as Chairman. I hand over the reins to Alistair Knock and wish him well in his new role.

Stefan Fourie
Chairman

2 September 2019

CHIEF EXECUTIVE'S REPORT

This has been my toughest year in my 15-year tenure at Cashbuild.

THE YEAR AT A GLANCE

Cashbuild reported a solid set of results for the year ended 30 June 2019 despite the harsh trading environment the Group continued to experience during the reporting period. This has been my toughest year in my 15-year tenure at Cashbuild. Both the second half of 2018 and the first half of 2019 were disappointing, but I am pleased to report that due to the tremendous efforts by the Cashbuild team to control costs, the second half of 2019 improved.

The Group reported:

- Revenue growth of 6% to R10.8 billion;
- Gross profit growth of 6% to R2.7 billion;
- Operating expenses increasing by 3% in existing stores; and
- Headline earnings of R434 million, an increase of 2%.

Cashbuild, as at June 2019, had 315 outlets, made up of 255 Cashbuild stores, 59 P&L Hardware stores and one Cashbuild DIY outlet. During the 2019 financial year we added 11 stores, consisting of nine new Cashbuild stores and two P&L Hardware stores, refurbished 26 stores, relocated six stores and closed 14 stores.

During our 40th anniversary year, it was also the first year in which a store achieved the milestone of R100 million turnover in a year.

Recognition to Mr Mokgato Mokoena, store manager of Lebowakgomo Central in achieving R100m turnover in a year.

FINANCIAL REVIEW

Group revenue for the year increased by 6% to R10.8 billion from R10.2 billion (June 2018). The increase is primarily attributable to sales growth experienced by the 34 stores opened since 1 July 2017 contributing 3% of the increase.

Transactions through the tills increased by 2% to that of the previous comparative year, with new stores contributing 4% of the increase whilst existing stores decreased by 3%. Selling inflation was 3% at the end of June 2019 which is consistent with the prior year. The gross profit margin percentage was slightly lower to that reported in the prior year.

Operating expenses increased by 6%, with our new and acquired stores contributing 3% of the increase. Operating profit increased by 3% to R559 million from R543 million in the prior year. The Group reported an operating profit margin of 5.1% compared to the 5.2% achieved in 2018.

Headline earnings per share increased by 2% from 1 867 cents (June 2018) to 1 910 cents. There was an increase in NAV per share of 14% from 7 561 cents

(June 2018) to 8 636 cents. The Group's net cash position decreased by 38% from R953 million (June 2018) to R590 million. The decrease was mainly as a result of working capital for the year under review showing a marked decrease in cash and creditors due to the cut-off date of the financial year being later than the prior reporting period because of this being a 53-week reporting period. The effect of the 53rd week trading is disclosed in the Directors report.

A closer look at the different reporting segments:

South Africa

The Cashbuild business in South Africa performed at acceptable levels bearing in mind the weak economic environment. Gross margins improved, notwithstanding the highly competitive trading conditions. Expenses were well controlled resulting in a 9% increase in operating profits. On the other hand the P&L Hardware business experienced good sales growth at 11%. Gross profit margins were however under pressure and this linked to cost growth emanating from to new stores, resulted in a substantial drop in operating profit. Apart from some once off business combination costs, corrective action plans to address the gross margin are already underway. Cashbuild took full control of the business on 1 June 2019.

Namibia, Swaziland and Lesotho

This grouping also referred to as other members of the common monetary area experienced the same tough trading conditions, as these economies are closely linked to South Africa. Sales and gross margins were comparable to the prior year, but expense growth exceeding the gross margin growth, resulted in a slight decrease in operating profits. Swaziland being the area that was under the most pressure, with Namibia tracking the prior year and Lesotho experiencing a good year.

Botswana, Malawi and Zambia

Reported sales growth of 13% is misleading as the two new stores in Zambia do not have comparative figures. Our venture into Zambia has also been more challenging than initially anticipated. During the year we approved the opening of one new store in Lusaka, which will happen in the first quarter of the new financial year. The plan is not to open more stores until the situation has improved in that country. The business in Botswana and Malawi performed very well with good sales growth and double digit operating profit growth.

DIVIDENDS

The Board declared a total dividend for the year ended 30 June 2019 of 855 cents, an increase of 2% on the total dividend for 2018 of 842 cents per share. The dividend policy of 50% payout ratio has been consistently applied as the Board recognises the importance of rewarding its shareholders.

STRATEGIC OVERVIEW AND INITIATIVES

We remain committed to our strategy of being one of the leading southern African-based retailer of building materials and products, providing these materials and products at the best value, directly to the public.

Our strategy is underpinned by our vision, mission and values, which is set out on page 18 of this Integrated Report, all of which remain unchanged.

We continue to subscribe to the highest ethical standards of business practice as endorsed by our Code of Ethics and our business is aligned with both local and international corporate governance best practice, set out in the Cashbuild Way.

The upliftment and training of our employees are of utmost importance to the sustainability of Cashbuild and, since the introduction of our bursary programme in 2014, we have enrolled a total of 13 students in various degrees. Since 2009 Cashbuild has offered the Retail Operations NQF Level 2 learnership programme to 543 unemployed individuals. Full-time employment was offered to all learners upon completion of the programme. 175 of these employees are still with the Company, with five having progressed into management. It is planned to offer employment to a further 109 unemployed youth on the Yes-4-Youth programme.

Cashbuild's strategic sustainability initiatives and governance-related matters are set out in the Sustainability and Corporate Governance sections of this Integrated Report, commencing on pages 34 and 53, respectively.

LOOKING AHEAD

We are expecting the DIY retail market to remain exceptionally competitive going into the first half of FY2020 given the immense financial pressure under which all consumers find themselves and the muted South African macro-economic growth. The alarming increase in retrenchments across all industries does not bode well for our market. The DIY retail market remains fragmented and we believe there are consolidation opportunities and, when they arise, we will consider them.

The Carbon Tax Act which came into effect on 1 June 2019, will have a significant indirect impact on some of our major product categories, like cement, and we will continue to monitor the impact. The woes faced by the cement producers are likely to continue unless decisive Government intervention is taken to support and protect the local cement producers by stemming imports and imposing stricter control and regulation over the quality of secondary blenders' products.

For the first six weeks of FY2020, total sales amounted to R1.2 million, representing an increase of 1% over the prior period, which is an indication of the continued tough trading conditions.

APPRECIATION

Cashbuild's Chairman, Stefan Fourie, has tendered his notice to retire after serving seven years on the Board of which four years were as Chairman. On behalf of Cashbuild and myself, I would like to thank Stefan for his valuable contribution to the Board and we wish him well for the next phase of his life and a well-earned retirement.

As mentioned in my opening statement, this year has been one of the most challenging years in my 15-year tenure at the Company and I extend my sincerest appreciation and thanks to all my colleagues in management and staff for your extraordinary efforts and loyalty, which enabled us to produce the results for the year ended 30 June 2019.

I would like to extend my gratitude to all our loyal customers and shareholders for your continued support this past year, and to all our industry partners, suppliers, contractors, formal and informal partners for enhancing our product and service offering.

In conclusion, I express my sincere appreciation to all members of the Cashbuild Board for their commitment, advice and positive contributions during the year.

Werner de Jager
Chief Executive

2 September 2019

OUR MATERIAL RISKS

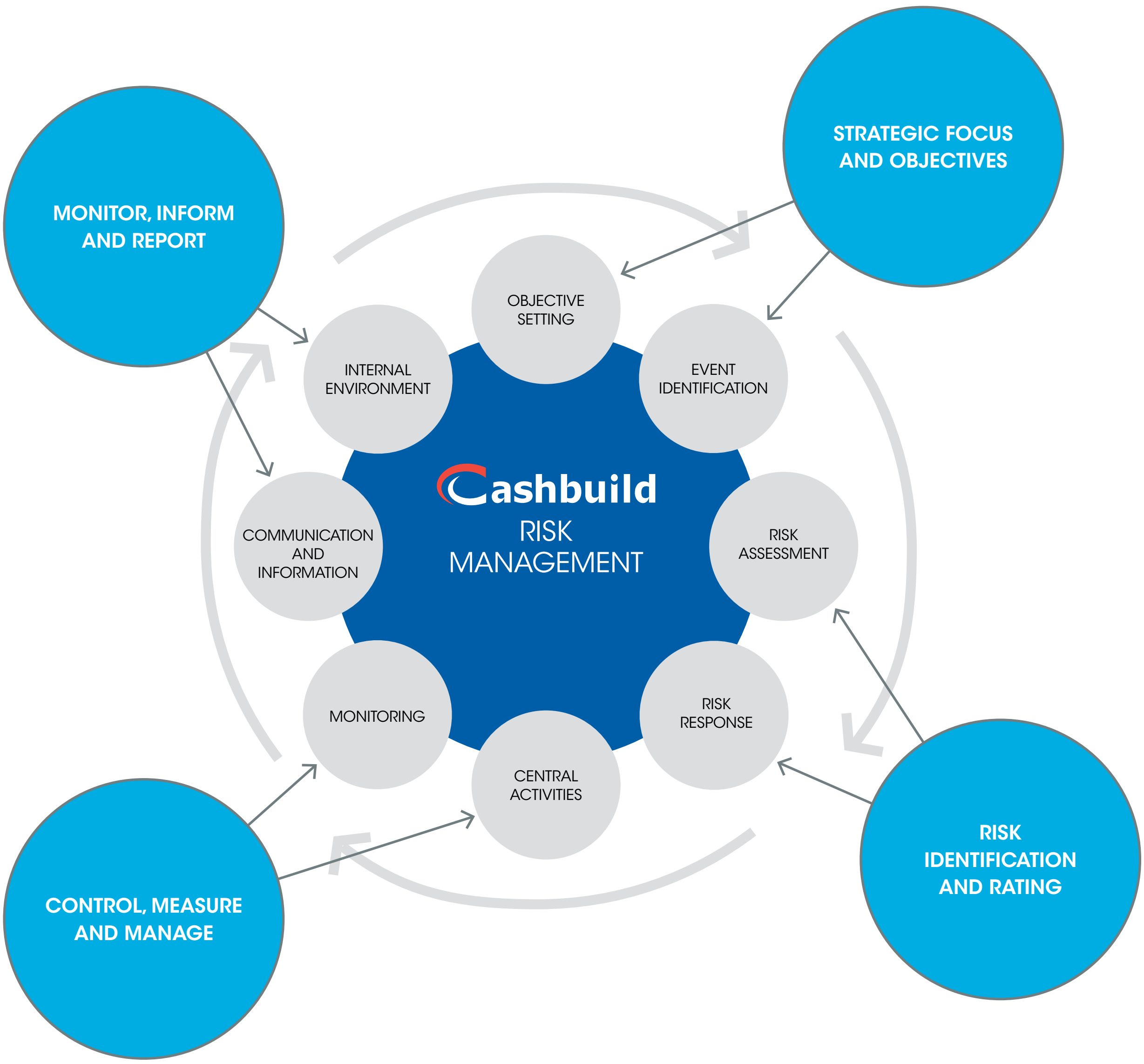
RISK MANAGEMENT

Enterprise Risk Management and Compliance is a formal response to address corporate risk that may hamper the achievement of Cashbuild's strategic objectives. It is a structured systematic process integrated into existing management responsibilities. This is a continuous process that responds to all types of risks in all parts of the Group and is an inherent part of the management philosophy of Cashbuild. Cashbuild has adopted a conservative approach to risk management and has a low tolerance for risk. Calculated risk taking is however acknowledged as an inherent part of business decision-making.

Each risk identified and recorded on the Group's risk register is assigned an impact and a likelihood rating based on a standard 10-point scale. The multiplied effect of the impact and likelihood rating provides the risk rating which ranks as High, Medium or Low.

There is ongoing monitoring of the status of actions to mitigate identified risks, with regular reports made to the Executive Management team and to the Board via quarterly Audit and Risk Committee meetings.

The responsibility for risk management is discussed in the Audit and Risk Committee Report on page 80 of this Integrated Report.



OUR MATERIAL RISKS CONTINUED

MATERIAL PRINCIPAL RISKS RELEVANT TO CASHBUILD

The material risks identified are correlated with the Group's materiality determination and stakeholder engagement processes. The material principal risks and opportunities identified and attended to by Cashbuild are set out in the table below where the Group's top risks as at 30 June 2019 are ranked in order of ranked risk level.

Key business strategic risks of which three are ranked as high and two as medium are:

Strategic risk description	Mitigation plan
Distribution model of cement is changing in the industry and Cashbuild needs to stay ahead of managing this risk (opportunity).	• Prioritised interaction and negotiation with local providers of cement to counter the effect of blended cement distributors competing with standard cement distributed by Cashbuild through creation of a fighting brand competing at competitive prices. • Improved negotiation on prices by operations with suppliers on a regional basis.
Increased trend of prices negotiated with suppliers being undercut by unsustainable pricing practises of competitors.	• Improvement and testing of pricing policy. • Increased advertising focus on better prices. • Increased negotiation of better prices with suppliers. • Optimisation of pricing and margins inter-relationship.
Failure to meet expected returns of Cashbuild's investment into Zambia.	• Detailed assessment of the current status and cause of lack of expected returns done. • Coordinated detailed action plan put in place with results assessed and acted upon. • Opening of store in Lusaka, to use as monitoring benchmark for continued investment in Zambia. • Reduce stock imports where practically possibly while stock levels in northern stores (Kabwe and Ndola) are brought down to target stock levels. • Update range of products in Zambia and focus on local suppliers.
Sub-optimal speed of taking new initiatives to market.	• Innovation forming an integral part of current business strategic initiative. • Multi-functional teams introduced, comprising various levels of staff and management within the organisation introduced to focus on specific identified initiatives with required authority to implement solutions.
Macro-economic challenges placing strain on achievement of business objectives.	• Continued monitoring of the macro-economic factors and trends and responding to that through continued execution of business model with focus placed on low price of quality product and improved customer service.
Exposure to cyber threats resulting in financial loss, disruption to our operations or damage to regulation.	• Regular review of Information System Management Systems (SMS) processes and controls based on the International Standard ISO/IEC 27001, including an incident response plan. • Maintaining a comprehensive security posture that includes a combination of technologies such as firewalls, endpoint protection, intrusion prevention, access controls and cyber threat and vulnerability monitoring. • Cyber-insurance in place.

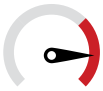
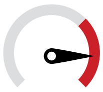
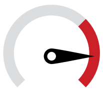
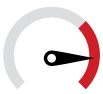
Key business operational risks of which all five are ranked as medium are:

Strategic risk description	Mitigation plan
Excessive stock levels at some stores.	• Assessing process of stock re-ordering parameters and doing a parallel run with Cashbuild SOQ process to provide comparative analysis and identify any potential gaps to be attended to. • Action plan to address slow moving stocks including updating of planograms with new products. • Detailed adequacy assessment or the SOQ process has been done in conjunction with original developer confirming that current process is adequate.
Sales growth of a number of Cashbuild stores being below expectation.	• Detailed store specific action plans put in place to address sales trends in these identified stores. • Identifying the root cause of sales growth being below expectation and pro-actively addressing the issues. • Giving consideration towards closing down stores unable to turn repeated loss-making situations around.
Management action plans to address loss-making stores not having the desired impact.	• Deployment of a dedicated team assessing root causes of factors leading to losses in stores and facilitating action plans. • Regular review of implemented action plans at executive level. • Recurring loss-making trends will lead to a decision relating to store management changes or possible store closure.
Increased community unrest events and resultant lost trading days.	• Giving priority attention to the safety of staff and customers by closing the store should incidents be considered harmful in any way to persons in the store at the time of the incident. • Investigation of the adequacy of SASRIA insurance coverage with the intention of improving coverage should that be identified as a viable action.
Proposed new stores, relocations and refurbishment initiatives not achieving feasibility targets.	• Feasibility model is more rigidly applied. • Business exposure to this risk remains a priority requiring continuous management attention and monitoring. • Improved validation of parameters impacting on store performance when considering revamp/relocation.

OUR MATERIAL RISKS CONTINUED

MACRO-ECONOMIC CHALLENGES AND CONCERNS

The following table details the macro-economic challenges and concerns relevant to Cashbuild's operations and activities, taking into account social and environmental issues as well as key concerns by various stakeholder groups.

Challenges/concerns	Potential impact	Probability	Response	Outcome
Current constrained economic conditions in areas we trade.			Protect market share with competitive pricing and stringent cost control.	11 new stores opened Margin stable at 25.1% Cost of existing stores increased by only 3%
High unemployment in areas we trade.			By opening new stores, Cashbuild employs between 14 and 20 employees per new store opened.	1 334 new employees
Macro-economic developments such as exchange rate volatility, credit rating fluctuations and global economic slowdown.			Monitoring purchase price inflation and imported cement prices.	Purchase price inflation was at acceptable levels Listing imported cement where local suppliers are not competitive
Skills shortage (including attraction, retention, and inadequate or sub-standard education and skills development.			Through Cashbuild's Training courses as well as Learnership and Bursary Programmes, we uplift and empower our employees who are keen to further their skills and qualifications. With each new, relocated or refurbished store, R120 000 is contributed to schools in the areas that are in need.	During 2019: 4 909 Staff attended training courses 87 NQF Level 2 Learners 32 NQF Level 3 Learners 37 NQF Level 4 Learners 9 NQF Level 5 Learners 10 Bursary students
Political instability in run-up to elections and thereafter.			Incidents of civil unrest are escalating.	179 Incidents 251 Retail days lost R18.7 million potential lost sales

OUR OPPORTUNITIES

Cashbuild's sustainable business model incorporates the identification of opportunities such as store expansion, relocation and refurbishment, customer growth and other opportunities.

The communication models incorporate factors as diverse as regional demographics, specialised retail advertising and corporate branding partnerships, all of which enable the Group to accurately develop, predict and take advantage of market trends, and thereby exceed customer expectations.

STORE EXPANSION, RELOCATION AND REFURBISHMENT

A critical element in the achievement of our strategic objectives is a sustained and sustainable increase in the number of Cashbuild stores, as well as the physical location of each store within its catchment area. The Group plans to open on average 10 new stores per year. These additional stores are approved on the basis of identified locations showing clear potential to meet strict financial and operational criteria. Furthermore, from a human resources perspective, investment in a new store requires significant operational and store management experience to be available within the Group for deployment into new locations.

The Cashbuild store base is reviewed and critically analysed on an ongoing basis, particularly as and when leases are due for renewal, at which time a decision is made on whether to extend the lease or relocate to a site with greater potential.

With regard to store refurbishment, Cashbuild's strategy is to refurbish and/or upgrade all stores on a rolling six-year basis. During the 2019 financial year, 26 stores (2018: 27 stores) were refurbished and six stores (2018: six stores) were relocated. As in the case of new store openings, store relocations are approved on meeting strict financial and operational criteria.

The decision taken in the previous year to discontinue the Cashbuild DIY store project (mainly due to non-viability) and to rather expand on the P&L Hardware store concept is still in force. During the 2019 financial year, six stores (2018: two stores) were closed. There is one DIY store left which is also due for closure in the foreseeable future.

Cashbuild has an e-commerce channel which its currently limited to Gauteng and kept at a small scale to fully understand impact on our business. The planning phase of allowing e-commerce functionality in every store is complete, and the first phase of revamping the website to support this initiative is close to completion. Expected roll out will be in the 2020 calendar year, and we will maintain our normal cautious approach.

CUSTOMER GROWTH

Cashbuild's customer model is one that encourages and enables communities to build, renovate, repair and decorate their homes and businesses throughout southern Africa. The Group prioritises and actively supports the work of local councils and other local government bodies to build schools, clinics and housing in every community in which it trades. As a result, Cashbuild has become the first choice retailer of quality branded building materials within these communities.

As part of maintaining this position, the Group has developed proven methods of communicating with customers in the most effective manner possible, taking into account geographical, socio-economic and other factors. These models are continually being refined. This process will continue in the future, with particular emphasis being placed on exposing potential new customers to Cashbuild, encouraging and supporting customers to carry out their own home building and improvements.

The "Be Great" customer service programme was introduced during the 2018 financial year in order to increase customer growth and improve customer service through positive "word-of-mouth" advertising. This "Be Great" programme enables the Group to improve its service throughout our stores.

In getting to know our customers better and improve direct communication, we launched the Cashbuild Shopper initiative in October 2018. This required customers to provide their cell phone number at point of sale which has allowed us to monitor details of every transaction and run focused marketing campaigns.

In our database we have in excess of 1.1 million unique cell phone numbers. This platform was used to celebrate our 40th birthday of which more than 12 000 customers received prizes varying from products to cash. Product focused campaigns with suppliers have also proven extremely successful. Customer surveys now provide information per store, which is used to improve our customer service and experience.

Further enhancements are planned that will allow us to better reward our loyal customers with various value-added services and rewards, that will be in line with the latest technology trends.

REST OF AFRICA EXPANSION

Although Cashbuild has an Africa expansion strategy, the process of opening a store cross border is onerous and time-consuming. The Group opened its first store in Zambia on 24 August 2018, and the second store later that year. A third store was opened during August 2019. Opportunities to expand further into the rest of Africa will continue to be carefully considered and their viability assessed, as and when they become evident.

Zambia is currently not performing as expected due to various factors which have been identified and addressed or are in the process of being resolved. The cost of getting stock into Zambia from South Africa is excessive and negatively contributes to our competitiveness in that country. Through a logistics company, a process is being explored and will be introduced with a view to reducing the cost of getting stock into Zambia. Furthermore, an aggressive drive is in place to engage with more local suppliers which will improve our competitiveness. In addition, the medium of marketing has been revisited and a new strategy, more applicable to the local environment, has been put in place, which includes increasing the brand's awareness. Excessive stock levels and slow moving stock have also been addressed with effective reduction plans in place.

OUR DIRECTORATE

EXECUTIVE DIRECTORS

WF de Jager (48)

Chief Executive
CA(SA)
1 December 2004

Werner obtained his CA(SA) qualification in 1994 and completed his articles with PwC. He joined Cashbuild on 1 December 2004 as Finance Director. Prior to joining Cashbuild, he worked in the retail industry where he gained invaluable knowledge. On 1 March 2011, he was appointed Marketing and Procurement Director and on 1 March 2012, Chief Executive of the Group. Werner is a member of the Board of the Global Home Improvement Network.

A Hattingh (53)

Operations Director and Managing Director of P&L Hardware
1 January 2018

Anton has over 30 years of retail experience. He joined Cashbuild in October 2007 as a Divisional Manager and was appointed as an Operations Director of Cashbuild on 1 January 2018. Anton also serves as the Managing Director of P&L Hardware.

AE Prowse (55)

Financial Director
CA(SA)
1 March 2011

Etienne obtained his CA(SA) qualification in 1990 and completed his articles at Deloitte & Touche. He gained experience in various industries and joined Cashbuild in June 2005 as Financial Controller. He was appointed as the Financial Director of Cashbuild on 1 March 2011.

SA Thoresson (56)

Operations Director
27 March 2007

Shane joined Cashbuild on 22 August 2005 and has over 30 years of operations experience in the retail sector, over 20 years of which was in sub-Saharan African countries. He has worked for well-respected retail companies such as Woolworths, Foschini and the Mr Price Group.

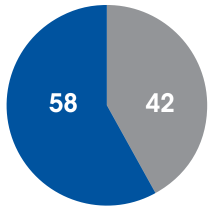
WP van Aswegen (52)

Commercial and Marketing Director
CA(SA)
2 April 2018

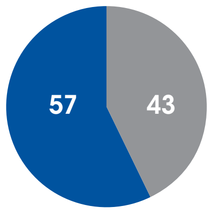
Wimpie joined Cashbuild in April 2008 as General Manager Creditors. In 2010 he became Procurement Executive. He was appointed as the Commercial and Marketing Director of Cashbuild on 2 April 2018.

BOARD COMPOSITION

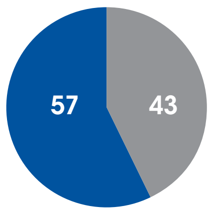
DIRECTORS (%)



DEMOGRAPHICS (%)



GENDER (%)



BOARD AND BOARD COMMITTEE MEETINGS ATTENDANCE

	Board	Audit and Risk Committee	Remuneration Committee	Social and Ethics Committee	IT Governance Committee	Investment Committee	Nomination Committee
Non-executive							
IS Fourie	C – 4/4	I – 4/4	M – 3/3	M – 4/4	I – 4/4	C – 1/1	C – 4/4
M Bosman#	M – 1/1	I – 1/1	–	–	–	–	–
HH Hickey	M – 4/4	C – 4/4	–	M – 4/4	–	M – 1/1	–
AGW Knock	M – 4/4	I – 4/4	C – 3/3	–	C – 4/4	–	M – 4/4
DSS Lushaba	M – 4/4	M – 4/4	M – 3/3	–	–	–	–
NV Simamane	M – 4/4	M – 4/4	–	C – 4/4	–	–	–
GM Tapon Njamo	M – 4/4	M – 4/4	–	–	M – 4/4	–	–
Executive							
WF de Jager	M – 4/4	I – 4/4	I – 3/3	M – 4/4	M – 4/4	M – 1/1	I – 4/4
A Hattingh	M – 3/4*	I – 3/4*	–	–	–	–	–
AE Prowse	M – 4/4	I – 4/4	I – 3/3	M – 4/4	M – 4/4	M – 1/1	–
SA Thoresson	M – 4/4	I – 4/4	–	–	I – 4/4	–	–
WP van Aswegen	M – 4/4	I – 4/4	–	–	I – 4/4	–	–

C Chairperson of the Board/Committee
M Member of the Committee
* *Apologies noted*
I Attendance by invitation
\# *Appointed 1 March 2019*

INDEPENDENT NON-EXECUTIVE DIRECTORS

IS Fourie (72)

Chairman of the Board, Investment and Nomination Committees
CA(SA)
1 July 2012

Stefan is a former Chief Operating Officer of PwC southern Africa and a former member of the PwC Global Board.

M Bosman (62)

B.ACC (Hons)
CA(SA)
1 March 2019

Marius has been with the Shoprite group for more than 25 years, serving on the boards of the material subsidiaries and served as Shoprite Holdings' Chief Financial Officer from 2014 until his retirement in July 2018. Currently serves on the boards of Shoprite Insurance Company Limited.

HH Hickey (65)

Chairperson of the Audit and Risk Committee
CA(SA)
1 July 2012

Hester serves on various boards including Barloworld Limited, Pan African Resources Plc, Northam Platinum Limited and African Dawn Limited. She also performs board evaluations for the Institute of Directors of Southern Africa.

AGW Knock (68)

Chairperson of the IT Governance and Remuneration Committee

Pr Eng, BSc (Eng)(Wits), MSc (Eng)(Wits), MDP (Cape Town)
1 July 2011

Alistair is a former board member of the Mining SETA, Chairman of the African SAP User Group NPA and the Minerals and Mining Standards Generating Body as well as Council Member of the Association of Mine Managers.

Dr DSS Lushaba (53)

BSc (Hons) (Zululand), MBA (Wales), DBA (UKZN)
1 July 2011

Simo performs board assessments and director training for the Institute of Directors of Southern Africa. His other directorships include Harmony Gold Limited, GVSC (Pty) Ltd, South Africa Day NPC.

NV Simamane (60)

Chairperson of the Social and Ethics Committee
BSc (Chemistry & Biology) (Hons)
1 September 2004

Nomahlubi has extensive business, marketing and communications experience, she previously held the positions of Marketing Manager at Unilever, Marketing Director of British American Tobacco and Managing Director of BLGK Bates Advertising Agency. She is currently the CEO of Zanusi Brand Solutions. She is also a non-executive Director of, amongst others, The Foschini Group, Oceana Group, Hollard Insurance Company, and the South African Post Office.

GM Tapon Njamo (41)

BCom (UCT), CA(SA)
2 April 2018

Gloria completed her articles with PwC in 2004. She has over 15 years leadership experience with working knowledge of operations in over 10 African countries. She has worked for JP Morgan, Woolworths Financial Services, SGM, and GE Transportation Africa. She is currently with Santam.

SUSTAINABILITY AND CORPORATE GOVERNANCE

02

SUSTAINABILITY REPORT

CASHBUILD'S APPROACH TO SUSTAINABILITY

Cashbuild reports its corporate sustainability in terms of the Six Capitals as set out in the International Integrated Reporting Framework.

The underlying objective of following the Six Capitals is to ensure that Cashbuild focuses the appropriate degree of attention on each of these areas, taking into account the impact of each aspect on the Group's performance, as well as the impact that the Group has on its stakeholders in each area. This in turn ensures that Cashbuild maximises its opportunities for sustained financial and non-financial success in the short, medium and long-term.

In the complex southern African environment in which Cashbuild operates, many valuable lessons have been learnt over the Group's history, spanning 40 years. Particularly in terms of cultural sensitivities, community priorities, and the absolute necessity to build lasting, open relationships with all stakeholders.

The sustainability policies and practices adopted and implemented by the Group, of which our local managers who have the greatest understanding of the nuances of the communities in which their stores operate, have proven to be one of the Group's greatest advantages, and have significantly assisted in risk mitigation during the establishment of Cashbuild's operations in new and often challenging environments.

Cashbuild's management approach for mutually beneficial sustainability initiatives can be summarised as follows:

- Applying a "common sense" approach.
- Direct linkage to the Group's strategic objectives (i.e. providing tangible benefits to both the Group and its stakeholders), or directly addressing strategic risks and/or opportunities.
- Association with reputable suppliers who share similar values and principles.
- Influencing the Group's value chain (upstream and downstream).
- Investing holistically and in line with strategic objectives, rather than on the basis of charity or philanthropy.
- Flexibility within the Group's Sustainability Model, so as to evolve as required and rapidly implement lessons learnt.
- Sensitivity to and respect for cultural nuances, particularly in communication with different stakeholder groups.
- The development of strong long-term relationships with all stakeholders and partner communities, and effective engagement to understand their issues and concerns.
- Displaying genuine responsible corporate citizenship and influencing other organisations to do the same.

ASSURANCES OBTAINED

Although this Integrated Report has not been independently assured as a whole, the following external assurances were received from the providers listed in the table below:

Compliance category	External service and assurance providers
Finance	PricewaterhouseCoopers Inc. – Independent Auditor's Report (page 87 of this report), provides auditing, tax and advisory services.
Legal compliance	Webber Wentzel Incorporated and Van der Vyver Incorporated provide legal services for contractual agreements. Exclaim Innovations & Solutions provides software to perform internal legal assurance reviews performed by the Compliance Officer on relevant pieces of legislation.
IT compliance	IT Internal Audit was outsourced to Deloitte and Ernst & Young. Assurance is provided by Deloitte on risk-based key focus areas included in a three-year rolling Internal Audit Plan. A new service provider was selected (Ernst & Young). BCX Solutions provides IT support services.
SANS 4001-BT1	South African Bureau of Standards.
Health and safety	Health and safety is a key focus area on which assurance is provided by Cashbuild Internal Audit. Additional, albeit limited, assurance together with advisory services is provided by SHE Consultants (Scott Safe).
B-BBEE Scorecard	Empowerdex (Accredited by SANAS) currently under review.
Environmental	GCX Africa.

Non-compliance issues and recommendations arising from audits or reports from external advisers are managed closely to ensure compliance is achieved and maintained through management interventions.

FINANCIAL CAPITAL

The management of Cashbuild's Financial Capital is pivotal to the sustainability of the Group in order to generate continued profits which enables Cashbuild to utilise funds towards expansion and growth of the business. The growth of Financial Capital is dependent on all of the other Capitals functioning optimally.

FIVE-YEAR PERFORMANCE REVIEW		June 2019 53 weeks	June 2018 52 weeks	June 2017 52 weeks	June 2016 52 weeks	June 2015 52 weeks
Group income statement						
Revenue	Rm	**10 821**	10 207	9 730	8 670	7 693
Profit before tax	Rm	**613**	594	657	619	499
Earnings attributable to owners of the Company	Rm	**427**	421	465	437	357
Group statement of financial position						
Total assets	Rm	**3 995**	4 300	3 740	3 539	3 051
Total equity	Rm	**2 187**	1 917	1 679	1 465	1 345
Total liabilities	Rm	**1 807**	2 383	2 061	2 074	1 706
Group cash flow						
Net cash from operations	Rm	**(42)**	609	451	622	593
Working capital movements	Rm	**(532)**	71	(119)	76	168
Capital investment	Rm	**(196)**	(302)	(193)	(592)	(169)
Key performance statistics						
Returns and profitability						
Revenue per employee	R'000	**1 719**	1 616	1 529	1 550	1 553
Operating profit margin	%	**5.2**	5.3	6.4	6.3	6.0
Profit before tax on revenue	%	**5.7**	5.8	6.8	7.1	6.5
Profit before tax per employee	R'000	**97**	94	103	105	101
Basic EPS	cents	**1 881**	1 852	2 048	1 920	1 547
Basic HEPS	cents	**1 910**	1 866	2 045	1 892	1 519
Total dividend per share	cents	**855**	842	930	1 001	712
NAV per share^	cents	**8 636**	7 561	6 642	5 776	5 258
Return on shareholders' funds	%	**20.8**	23.4	29.5	31.0	27.8
Return on average capital employed	%	**24.1**	23.7	29.9	32.2	28.2
Total asset turn	times	**2.7**	2.4	2.6	2.6	2.5
Total assets per employee	R'000	**638**	681	583	587	616
Solvency and liquidity						
Dividend payout ratio	%	**50**	50	50	50	50
Current ratio	times	**1.2**	1.2	1.2	1.1	1.3
Total liabilities to total shareholders' funds	times	**0.8**	1.3	1.2	1.4	1.3
Interest-free liabilities to total assets	times	**0.5**	0.6	0.5	0.6	0.6
Share performance						
Market value per share						
– At year-end	cents	**26 715**	31 439	35 900	35 500	30 100
– Highest (year to 30 June)	cents	**30 900**	50 477	44 295	36 900	31 479
– Lowest (year to 30 June)	cents	**24 500**	31 000	32 100	25 528	12 162
PE ratio at year-end	times	**15.6**	18.7	19.3	17.7	21.3
Market capitalisation – at year-end	Rm	**6 676**	7 857	8 971	8 871	7 582
Volume traded (year to 30 June)	'000	**8 150**	7 120	6 785	9 688	12 286
Weighted number of shares	'000	**22 716**	22 711	22 708	22 779	23 055
Issued shares at 30 June	'000	**24 990**	24 990	24 990	24 990	25 190
Other statistics						
Number of employees		**6 295**	6 316	6 365	6 029	4 953
Number of stores		**315**	318	297	284	233

^ *Based on ordinary number of shares in issue.*

WHY INVEST IN CASHBUILD

The Cashbuild Way business outlook together with Cashbuild's strategy and its corporate sustainability approach focused on the Six Capitals for the year ended 30 June 2019 is presented below:

- We are the largest retailer of quality building materials and associated products in Southern Africa.
- We have an experienced Board and Executive Management Team.
- We strive to grow our employee base on an annual basis and invest extensively in the communities in which we trade.
- Our financial position is healthy and robust, allowing us to take advantage of growth opportunities when they arise.
- We continue to successfully open new stores and refurbish or relocate existing stores.
- We reward our shareholders by paying dividends – applying a consistent 50% payout ratio.

OUR DIFFERENTIATORS

WHAT MAKES US UNIQUE

We focus on our customers, ensuring that our stores:

- are always in stock and ready for business;
- carry quality branded products at best value;
- provide free local customer delivery services; and
- are ready to go the extra mile.

We focus on our communities, ensuring that:

- we approach each new region with cultural sensitivity and awareness;
- we develop and empower the community sustainably; and
- we create direct and indirect employment opportunities.

We focus on our people, ensuring that:

- our management approach is consistent;
- internal growth and development opportunities are supported by the best in class;
- HR systems, policies, processes are fair and equitable;
- our store managers feel empowered and supported; and
- we take pride in the Cashbuild and P&L Hardware brands and act according to our core values.

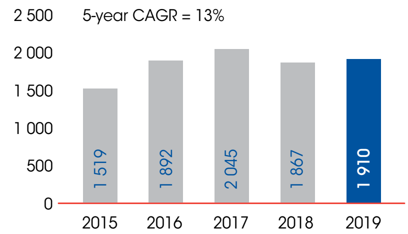
We focus on our suppliers ensuring that:

- we use local suppliers and support their growth and development;
- we build long-term relationships based on common value sets;
- we positively influence the upstream value chain; and
- we create opportunities to partner for mutual growth.

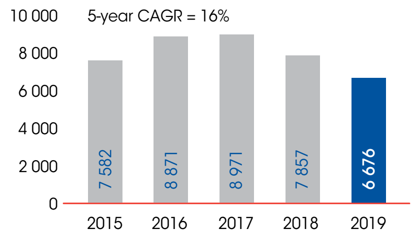
We focus on sound governance and compliance, ensuring that:

- the Cashbuild Way is aligned to ISO 9001;
- we apply the principles of King IV;
- we live by our core values; and
- we apply a triple catch auditing system.

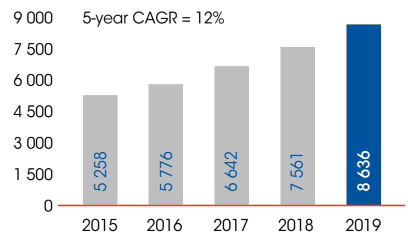
HEPS (cents)



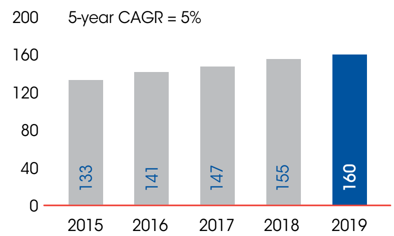
MARKET CAPITALISATION (Rm)



NAV PER SHARE (cents)



CSI SPEND (Rm)



HUMAN CAPITAL

Cashbuild's Human Capital strategy is integral to the Group's overall sustainability strategy and actively contributes to value creation for key stakeholders in the short, medium and long-term.

The Group's mature procedures and processes in this area, in particular the Cashbuild Way, drive institutional imperatives of internal excellence, entrepreneurship and innovation.

The Group established a variety of Social Capital initiatives to create support, involvement and commitment from the communities in which the Group's stores are located. We focus on recruiting local talent into all our stores from the regions in which we trade.

Through investment in our Human Capital, we ultimately will enhance our Intellectual Capital where we support PDI's through a Bursary Programme, train local artisans, employ unemployed learners through our leadership programme, as well as a variety of other initiatives.

OUR EMPLOYEES

The recognition and reward of employees is a key component of Cashbuild's pursuit of employee excellence. Our employee share schemes, the Cashbuild Empowerment Trust and the Operations Management Member Trust are incentive schemes aimed at encouraging excellence and teamwork at all levels in the Group, while at the same time financially empowering employees, encouraging loyalty and improving retention.

Cashbuild acknowledges and rewards exceptional performance throughout the Group. At store level, each manager identifies and recognises an 'Employee of the Month'. At the annual Cashbuild Hall of Fame awards event, employees are rewarded for extended length of service (in excess of 20, 30 and 35 years) as well as for exceptional performance by individuals and teams. At the awards ceremony, the Group recognises, based on internal criteria covering growth in profits, expense management and controls, audited financial results and growth in new stores amongst others and financially rewards the top five Store Managers and top three Divisional Managers for the preceding financial year.

Recruitment and succession planning is based on a three-year view which considers internal development and planned store growth and is closely aligned to the Group's transformation objectives and short to medium-term growth strategies. This ensures the necessary human capital to successfully execute its ongoing programme of store expansion and development.

The Group's HR policies can be summarised as follows:

- We employ directly and locally, where each of our stores are located.
- We make extensive use of decentralised employee forums to promote fair internal growth and development, with significant support from our Social and Ethics Committee and Support Office driving a transformation agenda.
- We provide ongoing opportunities for training through our internal skills development and learnership programmes, with the firm intention that once qualified, learners will be absorbed into the Group as permanent employees.

As at 30 June 2019, Cashbuild employed, on a permanent basis, 6 295 (2018: 6 316) individuals, across the Group. These individuals have clearly demonstrated, by constantly striving to understand and meet their customers' needs, that they are the right people for Cashbuild.

The Group's Employee Steering Committee continues to facilitate harmonious working relationships within the Group by providing a formal communication structure between management and employees.

Cashbuild has 16 (2018: 15) full-time human resource employees who are responsible for supporting line managers in (and holding them accountable for) the ongoing training and development of all employees. We are extremely proud of the success that has been achieved by the growing wealth of enthusiastic, committed and capable talent that the Group has attracted and retained over many years, at all levels of the business.

The ongoing promotion of continued adherence to the Cashbuild Way, as well as various incentive and reward schemes based on revenue and profit growth, have all resulted in improved employee productivity, and retention.

HUMAN CAPITAL CHALLENGES

Cashbuild continues to be affected by the general skills shortage in the country's labour market, and the resulting challenges related to employee retention.

Cashbuild's policy of promoting staff from within, aimed at creating and maintaining an organisational culture based on employee loyalty and growth, has to some degree inhibited the Group's ability to transform the structures of the Cashbuild Support Office due to low staff turnover.

To address this issue, the Group's medium to long-term HR strategy directs significant levels of investment into the development of the current employee base to fill vacancies as they arise over time.

A detailed transformation and succession strategy relating to Executive Directors and other Executive Management and key personnel has been developed. This strategy is reviewed and updated on a regular basis.

All Executive Directors and other Executive Management and key personnel have identified back-ups for any short-term or unforeseen absences.

Cashbuild's influence over suppliers regarding their respective transformation programmes is limited and considered adequate at these levels.

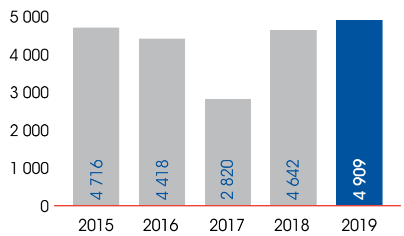
EMPLOYEE TRAINING AND DEVELOPMENT

Cashbuild staff members undergo training courses in areas such as customer service, management, role-specific functional training and product knowledge enhancement.

This training was for the most part internal and non-accredited e-learning. A total of 4 909 (2018: 4 642) staff members underwent this training during the year, at a cost of R7.2 million (2018: R6.9 million).

Cashbuild was registered as an accreditation provider with the Wholesale and Retail SETA this year.

STAFF TRAINED



OCCUPATIONAL HEALTH AND SAFETY

Cashbuild considers occupational health and safety to be the direct responsibility of all management within the Group, including the office of the Chief Executive. The Group's policies and practices in this area are enforced at all levels across all operational areas, through intensive and ongoing training as well as the continued engagement of our external partner possessing specialist health and safety skills.

Health and safety representatives, with at least one appropriately trained and qualified first aid provider, are appointed for each store and nine representatives have been appointed to perform the function at the Support Office. The Group also strictly adheres to appropriate regulatory requirements and OHASA guidelines regarding the availability of medical and first aid supplies at Cashbuild stores and the Support Office.

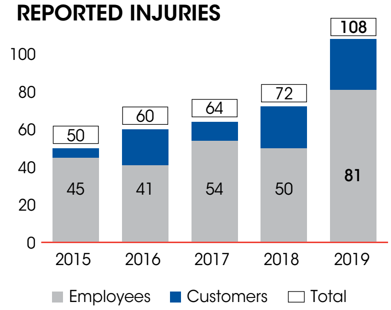
An external service provider undertakes independent audits of the Group's practices in this area, and provides guidance and advice regarding areas where Cashbuild not only meets, but exceeds its legislated responsibilities.

Injuries in the year were 108 (2018: 72) and largely impacted staff. The year on year increase is a direct result of increased awareness raised amongst staff members resulting in more diligent reporting of injuries. Staff injuries are mainly as a direct result of non-compliance to Cashbuild's OHASA policy and appropriate disciplinary action was taken against these staff members. No incidents were identified in which the Group deviated from its legal or regulatory responsibilities. The injuries did not result in any disruption or any significant downtime to our operations. Furthermore, there were no fatalities or permanent disabilities as a result of these reported injuries.

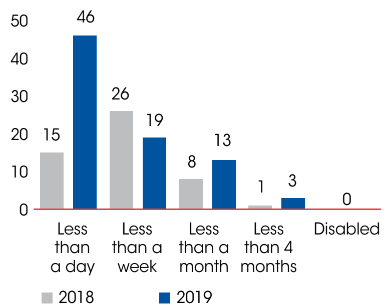
Cashbuild is committed to continued improvement in this area, and to maintaining a safe working environment for its employees and customers.

The seriousness of employee incidents is measured by the recovery period.

REPORTED INJURIES

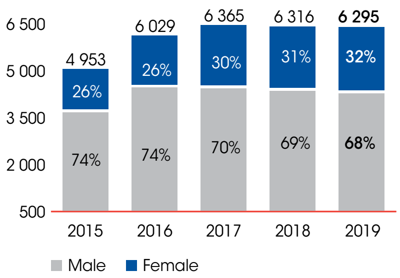


SERIOUSNESS OF EMPLOYEE INCIDENTS, MEASURED IN TERMS OF RECOVERY PERIOD

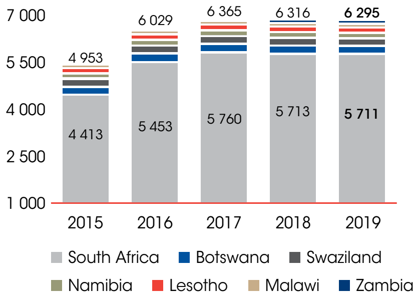


HUMAN CAPITAL CONTINUED

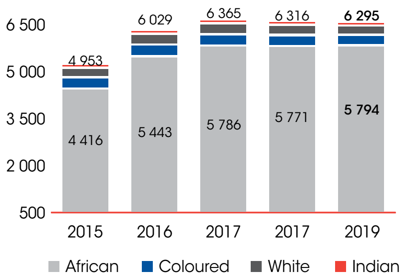
EMPLOYEES BY GENDER



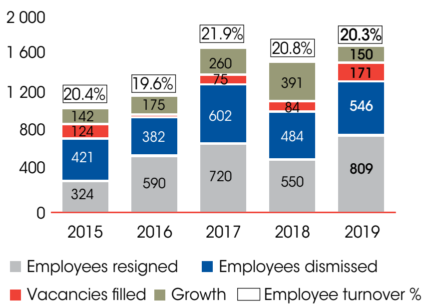
EMPLOYEES PER GEOGRAPHY



EMPLOYEES PER ETHNIC GROUP



EMPLOYEE MOVEMENT



ETHICS

Our culture of ethics and integrity defines who we are as a Group, and how we as colleagues treat each other, our customers and our suppliers. Our business success rests on a foundation of values – upholding integrity, serving our customers, growing our people and accepting responsibility – we believe our reputation depends on us continuing to make the right choices, every day. Our values set us apart from others and have become a competitive advantage that we can never compromise in our actions and decisions. Our Code of Ethics contains principles that provide guidance for our behaviour.

As a team, it is our responsibility to continue building on our already strong ethical foundation, retain and further enhance Cashbuild's standing as an excellent and highly ethical organisation. With this in mind, an ethics awareness programme consisting of 21 ethical principles underpinned by four core values is ongoing and a diversity management training programme has been rolled out to increase support and enhance the ethics within the Group.

Each store and Support Office department facilitates communication and training programmes for employees on values, standards and compliance to procedures. Proficiency in these areas is taken into consideration when assessing the suitability of prospective employees and candidates for promotion and in delegating discretionary authority. Cashbuild has a zero-tolerance approach towards fraud, theft, corruption, illegal behaviour, and non-compliance to our ethical standards as recorded in our philosophy, values, and the Cashbuild Way. Any employee found behaving in a manner contrary to our ethical standards is subject to disciplinary proceedings, which may lead to dismissal from the Group.

Compliance with the Cashbuild Way is monitored by the Internal Audit function. Audits are done on each store at least three times a year and Support Office processes are audited on a periodic basis that depends on the risk-based priority assigned to specific business support focus areas. Cashbuild is contracted to Tip-offs Anonymous, which is administered by Deloitte and provides a secure system for staff to report unethical or risky behaviour. All tip-offs logged are investigated and appropriate action taken to address any instances of non-compliance.

Acceptance of gifts from third parties is governed by a policy requiring detailed declaration and approval that is targeted towards removing any potential conflicts of interest.

The directors are fully committed to the ethical principles entrenched in the Group and supports unwavering enforcement thereof.

TRANSFORMATION AND B-BBEE

Cashbuild remains fully committed to the principles and practices of empowerment and transformation. The broad geographical footprint of our stores provides us with a richly diverse workforce.

Cashbuild is an equal opportunity employer, promoting non-discriminatory, fair and equal treatment in all employment and HR practices, in line with the Group's commitment to the UN Global Compact Principles.

As at 30 June 2019, Cashbuild had 509 (2018: 503) HDSA's in management level positions, which equates to 80.2% (2018: 71.8%) of management level employees.

Cashbuild continues to give preference to local employees drawn from the areas in which the stores are located, and is constantly increasing its support for targeted B-BBEE initiatives. The Group also continues to develop and implement the HR strategies necessary to drive internal cultural change, transformation and wealth creation amongst employees.

Cashbuild's B-BBEE rating is a Level 8 on the generic construction sector scorecard. The Group has put a supplier and enterprise development improvement strategy in place, has implemented a three-year skills development plan to increase learnerships, will employ unemployed youth in line with the Yes-4-Youth programme and implementing a B-BBEE-aligned and targeted recruitment plan, particularly, at management level. Cashbuild is committed to economic empowerment, and plans to continually increase its transformation efforts.

INDUSTRIAL RELATIONS

Union membership within the Group is 4.1% (2018: 3.1%). Discussions regarding remuneration, working conditions and other relevant issues takes place primarily through the Group's Employee Forum. For more information regarding the role, function and composition of this Forum, refer to page 61 under the Corporate Governance section of this report.

Cashbuild manages its industrial relations internally and we use outsourced service providers for any specialist or technical advice.

Cashbuild follows the principles of the International Labour Organisation protocol on decent work and working conditions. It involves opportunities for work that is productive and derives a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.

Cashbuild subscribes to the UN Global Compact Principles and is a member of the Global Home Improvement Network (GHIN), an international organisation representing home improvement retailers across the globe.

Communication with employees takes place through a number of channels, including the monthly Employee Forum meeting, weekly CB mails, monthly P&L Hardware newspaper, and through the intranet, with all this being aimed at informing employees of developments taking place within the Group.

CHILD LABOUR, FORCED AND COMPULSORY LABOUR

In line with its commitment to the UN Global Compact Principles, the Group has a zero-tolerance policy with regard to child labour and forced or compulsory labour amongst the delivery contractors, delivery drivers and suppliers that the Group conducts business with.

GENDER EQUALITY

Cashbuild's policy and goal towards achieving gender equality is guided by a vision of fairness and acknowledges the principle that gender plays no part in merit and will actively manage its human resource development to ensure women and men have equal opportunity to participate in management at all levels. Cashbuild's female:male ratio deteriorated from 31.7%:68.3% in 2018 to 31.0%:69.0% in 2019. Neither women nor men can be considered as a homogenous group and that individual capabilities will drive advancement. Women and men have different skill sets whereby either or both can be developed for the advancement of the Group. However, our policy acknowledges that the means of developing various gender skills may require different emphasis and practices. Cashbuild rejects any form of unfair discrimination based on gender in the Group. Refer to the Group's website for the Gender Equality Policy.

SOCIAL CAPITAL

Cashbuild is committed to a number of CSI, supplier development and entrepreneur support initiatives. These are mainly focused on the communities within which the Group trades to create tangible mutual benefits.

The growth in our Financial Capital allows us to invest more in our Social Capital. Our Human Capital is also affected by these CSI initiatives as it enhances the communities in which our employees live and where their children go to school. By investing in our driver employment initiative, Intellectual Capital is created.

CSI

A major trigger point for many of these CSI initiatives is the opening of new stores, relocation of existing, or the re-opening of refurbished stores. During each such event, an established sequence of events takes place, aimed at providing the maximum benefit for both Cashbuild and the surrounding community. Local community leaders are actively engaged by store management prior to and following the store opening.

Cashbuild's CSI Strategy has been developed and is streamlined to focus on education, local enterprise assistance and small builder support programmes. These three pillars, which anchor our strategy, will be complemented by a focus on local skills development and a structured and impactful community support initiatives that seek to leave a lasting legacy in communities where we trade. Given Cashbuild's geographical footprint with stores located in the middle of communities, our biggest opportunity is in stimulating the local economy through assistance of local enterprises. This is in recognition that economic development is a force for social change and creates tangible mutual benefits for both Cashbuild and the communities where our stores are located.

During this reporting period Cashbuild approved a donation for the building of a soccer field in the community of Orlando West, in Soweto. The soccer field will benefit six surrounding schools and four local soccer teams. Adjacent to it will be an outdoor gym. The gym is in response to the growing problem of lifestyle diseases, mainly in poor urban areas as a result of sedentary lifestyle. The facility will be freely accessible and available to the neighbouring community. A donation was also made to help improve output for the local food producers in the area. To assist local community food producers, Cashbuild has collaborated with Food and Trees for Africa. Their intervention is anticipated to significantly improve output and quality of the fresh produce that comes out of the community garden. The community garden will further sustain local livelihoods through generation of income for local producers. In line with our vision to be a community partner, Cashbuild will ensure that the entire precinct is maintained and kept to impeccable standards. As part of this community upliftment, we have contracted a local landscaping company to maintain and administer this facility on behalf of the community. To effect this, a formal lease agreement has been signed with The City of Jo'burg, who are the owners of this land. Cashbuild will enjoy the right to put marketing signage around this precinct.

As part of our on-going support and participation in Nelson Mandela International Day we joined hands with our partners, Nelson Mandela Foundation and The Habitat for Humanity to assist an indigent family in Lawley, south of Johannesburg. We also embarked on another project in Katlehong where we renovated a pre-school located in the area. The pre-school is a typical township based pre-school with poor infrastructure and broken windows. Through Cashbuild's donation the facility has been significantly improved. We also formally launched various activities through Cashbuild's Give-a-Brick Trust which included a donation to a home-based care centre located in Mkhuhlu, Mpumalanga. The main goal of the centre is to improve the health and education of community members with a particular focus on Orphans and Vulnerable Children (OVCs) and people living with HIV and AIDS. In this project, The Trust collaborated with Savanna Private Game Reserve who are the primary sponsors of the centre.

In line with this objective, Cashbuild has approved a construction of Local Enterprise Hub to be located outside our store in Mabopane, north of Pretoria. The Hub will be tenanted by small businesses coming from the community, a clear tangible demonstration of Cashbuild's commitment to positive social change. Their businesses will benefit greatly from Cashbuild's foot traffic and it is hoped that they will also attract a new customer base to Cashbuild. Shipping Containers will be used to build this new structure, forming a major land mark within the township. A training space will be available within the centre allowing both local small businesses and youth access to information, receive training and conduct workshops.

STORE OPENINGS AND RELOCATIONS

In the year under review 11 (2018: 25 of which 8 were acquired) new stores were opened which was significantly lower than the previous year. This growth was realised despite the harsh retail trading environment that persists in the geographies we trade. These new stores created between 14 and 20 new local employment opportunities per store opening.

For every new store we empower our communities in the following way:

- new staff employed (150 people were employed in our 11 new stores during this financial year);
- local delivery drivers formally employed by Cashbuild are provided with support in the development of their own enterprises; and
- local artisans (glass cutters, brick makers etc.) are trained and supported in the establishment and development of their own enterprises, either on the Cashbuild premises, or in close proximity to stores.

For every new, relocated and refurbished store, Cashbuild:

- donates R120 000 worth of building materials to various schools, orphanages and day care centres in the neighbouring community;
- awards, through the Company's Art-at-Heart programme, prizes to local scholars. Their artwork is displayed in the store for a period of six years; and
- actively engages, through the store management team, the local community leaders prior to and following the store opening.

6 Community — Soweto Urban Orlando | Friday, 3 May, 2019

The Cashbuild staff that volunteered towards the construction of the soccer field sponsored by the material retailer store.

Cashbuild builds a soccer field in Orlando West

Lwando Mqokweni

The community of Orlando West will soon have a new soccer field thanks to Cashbuild's contribution.

The building material retailer, Cashbuild, is actively involved in community development initiatives and building a soccer field in Orlando West is another one of these valuable initiatives. After being approached by the community of Orlando West, Cashbuild agreed to make a donation towards building a proper soccer field in the area.

Community development is very close to the business' heart and as part of its vision to make a positive contribution to every community in which is trades, Cashbuild has been contributing to local schools for almost 20 years.

Improving learning and development for students is a key focus area for Cashbuild and this is why Cashbuild is excited to contribute to this project. The soccer field will benefit more than six schools in the area, including Anchor Combined High School and become a home to four local soccer teams. The contribution will also assist with building an outdoor gym and creating a local community garden which will be located close to the soccer field.

Last month, Cashbuild staff and the community members joined hands in the construction phase.

The Head of Community Support Initiatives at Cashbuild, Thembelani Tukwayo said that this donation confirms Cashbuild's commitment to community upliftment. "I am thrilled that we are able to make this donation. Sport is an important element in building community cohesion and what a great way to do this by building a soccer field in a community that has given South Africa two of its biggest soccer teams. I have no doubt that future soccer stars in this country will also hone their skills in this field."

The Councillor for the area, Celokuhle Nkosi expressed gratitude for what Cashbuild has done. "This has been a long journey we have travelled with Cashbuild which has now resulted in this soccer field. This demonstrates to us that Cashbuild is truly a dependable community partner. This project is going to be of great benefit to this community. I can see a lot of games that will be played here."

Nkosi we on to say that facilities such as these are not only important for building future Bafana Bafana stars but they also become a platform that gives the youth an outlet for their energies. Building a better community is at the core of what Cashbuild represents and this project is a clear demonstration of that.

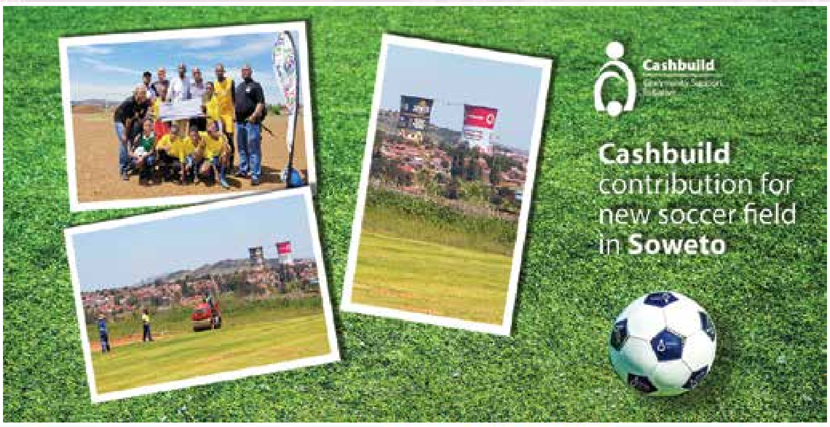
Tukwayo says many community members will gain something from this project. "We're making quite a substantial contribution for this community not just with the soccer field and outdoor gym but also a community garden that will help sustain livelihoods. Cashbuild has also arranged for Food and Trees for Africa to assist a group of local women to grow vegetables and to sell to the local market."

Cashbuild has always worked towards truly being part of the local community and it believes that when the community prospers, the business prospers a well.

Local management agreed and are really looking forward to seeing the value that this project will add to the community. The construction of the soccer field is currently underway and the grand opening is anticipated to be held in May 2019.

Volunteers painting goal posts for installation.

The soccer field is said to be a proper one. ThIS means goal posts need to be long lasting as well, hence the concrete for a solid installation.



SOCIAL CAPITAL CONTINUED

MEADOWLANDS URBAN
SPORT
Friday 11 January, 2019 www.sowetourban.co.za FREE

MEADOWLANDS URBAN NEWS: Circulation 27 500 - Audited by the Audit Bureau of Circulation

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LEARNERS IN DISTRESS

WATCH: 'Don't let exam anxiety to get you down'.

We like likes :)

This week, we welcome Deidre Miller, Hendrick Sepeng, Xolani Madondo & Nkosco B. Madunas who decided they wanted to stay up to date on news in the area. Welcome!

Find us on facebook/sowetourban

On the go? Follow us

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Calendar

January 11 – Pimville
Party animals kick off this weekend with a celebration of January babies. It's Shushu and Sphamandla's Birthday Celebration with DJ Stokie. On the decks will be Stumza, Stokie, Mpower, Timbre, Junior SA and the gig will be hosted by King Dlomo. The venue is Urban Grill at number 1208 Modjaji Street Pimville, Zone One.

January 12 – Ndofa
It's still summer vibes and it's all about the sun and pool parties. BBW Pool Parties proudly presents the first annual Flaunt Your Curves BBW Pool Party taking place at Disoufeng Pub this weekend. Get your swimwear and come out to play and get wet in the swimming pool while sipping on your favourite drink. On the ones-and-twos is TKay, DJ Pro, Deep R, Vill Gazi, Mayibuye and many more. Entrance is free and door open at 13:00. The venue is Disoufeng Pub at Shinkova Street, Meadowlands Zone 10.

January 26 – Eldos
The biggest Vdub Camp Fest is the biggest VW gathering of the year and it promises to be even bigger this year. As a build up to this festival, petrol heads are invited to a Pre Park off which will sure build the excitement and momentum for the big event. The park off will be held in Eldorado Park at the Shoprite Centre Parking on January 26 and entrance is free of charge. The Park Off is in its second edition this year and is a not-to-be-missed event.

The U13 Killarney Eagles FC were invited to take part in the handover ceremony which was organised by the councillor and Cashbuild.

Giving the youth a sporting chance

Lesego Mphelane
@leigh-ceego

The old Killarney and Meadowlands Zone 11 sports grounds will be getting a new facelift after Cashbuild came on board to assist the community by upgrading the recreational spaces in these communities.

This after a plea from the councillor's office and residents who have tried getting hold of various stakeholders to help them out.

The old grounds only served soccer teams and did not accommodate other sporting codes in the community which many viewed as unfair. According to a number of soccer players, the uneven pitch resulted in numerous injuries which caused the players to stop using the pitch.

Community representative Victor Monnapula said, "We will be able to host tournaments and spectators will be able to come through and watch the games that will be taking and show more support for the budding sporting talent in our community."

"We are very grateful as a community that Cashbuild is willing to help us in developing the sporting abilities of the youth in the community and to encourage them to do well in terms of sports and representing us out there," he continued.

The state of the field forced local teams to always play games on their hosts' home grounds because the field did not meet the criteria expected by the coaches.

Councillor Celokuhle Nkosi was very happy to see that the community would not be only getting their grounds fixed, but that new equipment would be provided for the community to use.

A boost for local sporting talent.

Nkosi expressed his gratitude and thanked Cashbuild for the R 1 million donation which will be used towards helping the community to have one of the best facilities in Soweto and Ward 40 in particular.

The facility will consist of an outdoor gym, a soccer pitch and adjacent garden which will be changing lives and creating employment for residents as well as senior citizens who will be able to utilise the facility to exercise in the morning.

He added that it wasn't easy getting this donation as it took them years trying to involve stakeholders, soccer, netball teams, schools, churches, political parties and the City of Johannesburg but stressed that they were happy that the project was finally ready to be kickstarted following the much-needed cash injection.

Habitat for Humanity® South Africa

Cashbuild

Dear Team Cashbuild

On behalf of **Habitat for Humanity South Africa**, I would like to thank you for the role that your employees played in the many successes that we enjoyed on site during the Nelson Mandela Day Build Week from 16-20 July 2018.

Tat'u Madiba called us to **"build dignity and humanity"** for those most in need. Thank you for joining your hearts, hands and voices to answer this call and for being part of his legacy as we celebrated the momentous occasion of what would have been his centenary year. Cashbuild contributed toward a lasting gift for the beneficiary families who have stayed in substandard dwellings by providing them with decent shelter in Lawley. These families will be living in warmer, drier, safer conditions and as a result, they will lead healthier lives, thanks to the efforts of your volunteer teams.

In Barack Obama's address at the 16th Annual Nelson Mandela Lecture on July 17th, he reminded us that, "Madiba taught us that some principles really are universal – and the most important one is the principle that **we are bound by a common humanity** and that **each individual has inherent dignity and worth**." As South Africans, we have the responsibility to affirm this truth every day in the way we engage with our neighbours – within and beyond our boundary walls.

At Habitat for Humanity SA, we believe that this sense of dignity and self-worth is what is needed to turn the tide on the cycle of poverty in South Africa – **it begins with a decent home**. It is only through coming together and offering a hand up to low-income families that they can travel the path toward **improved livelihoods** and **economic freedom**.

Again, thank you for your invaluable support and service.

Habitat for Humanity SA looks forward to continuing to grow its partnership with Cashbuild into the future as we continue to work toward a common goal of **a decent place to live for all**.

Yours Sincerely,

Patrick Kulati
National Director

Building **strength**, **stability** and **self-reliance** through ***shelter***

SOCIAL CAPITAL CONTINUED

Cashbuild Donations Helps Tiyimiseleni Upgrade Facilities

The Tiyimiseleni home based care centre in Mabarhule Village gets new facilities thanks to donation from Cashbuild

Savanna Private Game Reserve is the primary sponsor for Tiyimiseleni Home Based Care Centre, a community-based organization in Mabarhule village. The organisation was founded in 2006 by a group of twelve local women in response to the HIV and AIDS disaster.

Tiyimiseleni's main goal is to improve the health and education of community members in Mabarhule village, with a particular focus on Orphans and Vulnerable Children (OVCs) and people living with HIV and AIDS. Currently, Tiyimiseleni supports approximately 300 OVCs affected by HIV.

Every day, the women who run the centre prepare a nutritious meal, provide homework help and HIV education and facilitate recreational activities, including cultural dancing and dramas, for all of the children who come to Tiyimiseleni after school. The women trained as health caregivers also visit the homes of each of the children to be sure they are safe, healthy and have an adequate food supply.

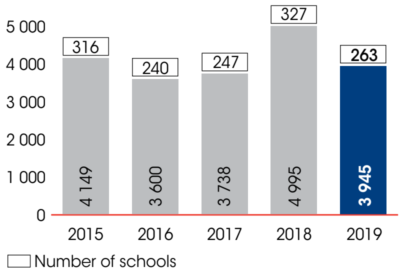
As needed, the women deliver food parcels to the homes, purchase school uniforms for the children to be able to go to school and take them to nearby health clinics for check-ups and treatment.

The Cashbuild Give a Brick Trust donation enabled us to build a new ablution block at Tiyimiseleni to replace the existing pit latrines on site. The new flushing toilets and hand-washing stations provide much safer and more sanitary options for the children and staff.

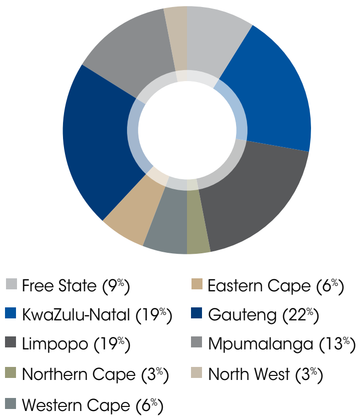
The Head of Community Support Initiatives at Cashbuild, Thembelani Tukwayo said that this donation confirms Cashbuild's commitment to community upliftment. "I am thrilled that we are able to make this donation.

Education and especially early childhood development forms an important building block for human development and it needs our attention as a collective. We cannot solve the problem by working alone. It was such a wonderful opportunity to work with Savanna Lodge."

SCHOOL CONTRIBUTIONS (R'000)



SCHOOL CONTRIBUTIONS BY PROVINCE AND COUNTRY



INDIGENOUS RIGHTS

The Group is committed to community engagement and makes every effort to respect and collaborate with local leadership structures, both elected and traditional (where relevant).

In this regard, Cashbuild is not aware of any incidents of violation of indigenous rights, across any of its operations and in particular during the establishment of new stores, during the reporting period.

Although we have employed 1 334 new employees in our new stores and to fill vacancies due to staff turnover, the total number of staff is largely at similar levels to those reported last year, reflecting a marginal decrease. This is mainly as a result of us applying our internal benchmarks together with the lack of sufficient sales growth in the Group.

DELIVERY DRIVER CONTRACTORS

Cashbuild's policy of free local deliveries provides a value-added service to customers and directly supports local entrepreneurship and employment creation. As at the end of the financial year, 336 (2018: 331) delivery drivers are contracted across the Group's stores. For this service Cashbuild spent R154.7 million (2018: R149.4 million), an increase of 3.5%.

SCHOOL DONATIONS

Over the past 20 years Cashbuild has, in conjunction with new store openings and/or re-openings, conducted a programme of donations of building materials to schools, orphanages and day-care centres in each community in which such an opening or relaunch takes place. Access to these building materials is strictly controlled by the Cashbuild Store Manager, in order to ensure that they are used for the intended school improvement purpose. Since the inception of the programme Cashbuild has donated building materials worth R42.6 million to 3 623 schools. Refer to the Group's website for the detailed list of schools at each store opening and/or relaunch.

Store	Date*	Province	**Total per school**
Alice	2018/07/26	Eastern Cape	**120 000**
Apel	2018/10/18	Limpopo	**120 000**
Bethlehem Mall	2018/11/30	Freestate	**120 000**
Bloemfontein	2018/11/22	Freestate	**120 000**
Dr Nelson Mandela Drive	2019/04/04	Lictchenburg	**120 000**
Edenvale	2018/08/08	Gauteng	**120 000**
Emalahleni Central	2019/01/25	Mpumalanga	**120 000**
Ganyesa	2018/09/06	Northern Cape	**120 000**
Giyani Masingita	2019/04/18	Limpopo	**120 000**
Highgate	2018/08/24	Gauteng	**120 000**
Howick	2018/08/23	KwaZulu-Natal	**120 000**
Humansdorp	2018/10/18	Eastern Cape	**120 000**
Kanyamazane	2019/05/16	Mpumalanga	**120 000**
Landsdowne	2019/02/21	Western Cape	**120 000**
Lebowakgomo Central	2019/06/06	Limpopo	**120 000**
Mamelodi East	2019/02/07	Gauteng	**120 000**
Metz	2018/10/26	Limpopo	**120 000**
Nelspruit	2018/09/05	Mpumalanga	**120 000**
Njoli Square – Daku	2018/11/07	Eastern Cape	**120 000**
Nqutu	2018/11/22	KwaZulu-Natal	**120 000**
Ontdekkers	2019/05/09	Gauteng	**120 000**
Oudtshoorn	2019/04/25	Western Cape	**120 000**
Richards Bay	2018/08/21	KwaZulu-Natal	**120 000**
Rocklands	2018/11/23	Freestate	**120 000**
Seshego	2018/11/29	Limpopo	**120 000**
Shallcross	2018/11/01	KwaZulu-Natal	**120 000**
Sky City Mall	2019/05/23	Gauteng	**120 000**
Stanger	2018/08/22	KwaZulu-Natal	**120 000**
Theku Plaza	2019/04/17	KwaZulu-Natal	**120 000**
Tibanifontein	2018/10/17	Limpopo	**105 000**
Tonga	2019/04/26	Mpumalanga	**120 000**
Vosloorus	2018/12/05	Gauteng	**120 000**
Zamdela	2019/02/21	Gauteng	**120 000**
Total contributions 2019 (263 schools)			**3 945 000**
Total contributions to date (3 623 schools)			**42 615 546**

** New, refurbished and relocated store opening dates.*

INTELLECTUAL CAPITAL

Investment in the Group's Intellectual Capital is intended to support and enable our employees to perform their jobs optimally and to ensure succession planning is addressed.

LEARNERSHIP PROGRAMMES

Cashbuild's learnership programme is implemented through the Wholesale and Retail SETA and is intended to support staff continuity and succession planning.

To date, 910 learnerships have been successfully completed within the Group. As at the end of the 2019 financial year, 424 of these learners are still employed within the Group.

The below table illustrates the learnerships granted during the current year:

NQF	2019	2018
Level 2	**87**	141
Level 3	**32**	35
Level 4	**37**	12
Level 5	**9**	10
Total	**165**	198

BURSARIES

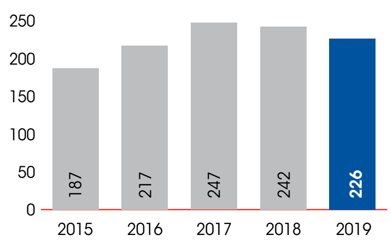
During the 2014 financial year, Cashbuild established a Bursary Programme extended to the children of HDSA's. The bursary includes all tuition, books and accommodation, and where required, a monthly allowance. In addition, Cashbuild guarantees employment to its bursars on successful completion of their studies. Cashbuild will continue to spend approximately R1 million per annum on its bursary programme. We currently have 10 bursary students comprised as follows:

Degree	Year of study	Number of bursary students
BCom Finance	3rd year	**1**
BCom Finance	2nd year	**1**
BTech Retail	4th year	**3**
BTech Retail	3rd year	**2**
BTech Retail	2nd year	**1**
BTech Retail	1st year	**2**
Total bursary students		**10**

OPPORTUNITIES FOR LOCAL ARTISANS

The Group remains committed to its programme of supporting local artisans and entrepreneurs, including brick makers, glass cutters and glazers. This programme offers entrepreneurs the opportunity to produce products such as bricks, blocks and lintels, which are purchased and resold by Cashbuild. It also offers glass cutters and glazers the opportunity to work rent-free on Cashbuild premises. Currently, Cashbuild is collaborating with a cement supplier to assist local block makers in Gauteng. The scoping of the needs has been concluded, a solution model is being formulated with the aim of launching it in the next financial year. Cashbuild has made a firm commitment to offer successful entities access to market through procurement of bricks and concrete products for sale at our stores. It is anticipated that this programme will be rolled out countrywide once it has been fully tested.

NUMBER OF GLASS CUTTERS



MANUFACTURED CAPITAL

As Cashbuild does not manufacture any products, its Manufactured Capital focuses on the Group's procurement policies to ensure the quality of the products sold in its stores are manufactured in line with its own values.

Cashbuild strives to do business with companies that conduct their activities in a responsible and ethical manner. This imperative is increasingly driven by the possibility of negative impacts or "risk by association" arising from doing business with companies that act unethically or irresponsibly.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

Cashbuild's association with key suppliers has developed over a significant period of time, and is based on communication, trust and mutual benefit. The Group has, up to now, not identified a requirement to develop a quantitative method for assessing the environmental and social sustainability performance of its suppliers, but this will be further investigated as part of Cashbuild's own sustainability journey.

PRODUCT RESPONSIBILITY

Cashbuild is not involved in the production or manufacturing process of the products it retails. The Group is committed to sourcing products that comply with applicable building industry standards, such as those developed by the SABS and other relevant certification agencies.

In line with Cashbuild's drive to be a responsible retailer, the Group only sources products that comply with legislative requirements related to product labelling, including warning labels. The production of the Champion branded products, cement, tile adhesive and paint, is outsourced to current suppliers. Cashbuild shares the labelling compliance with the manufacturers. However, Cashbuild collaborates on an ongoing basis with suppliers to ensure compliance in this regard.

In certain instances, particularly with regard to products with finite lifespans, such as paint or cement, Cashbuild constantly updates its procurement and inventory management practices to eliminate wastage arising from the disposal of expired products that can no longer be sold.

With regard to customer communication, the Group will, where appropriate, make use of in-store communication and signage, to both advise customers of inherent risks associated with certain products and to educate customers regarding their proper use.

SECURITY, CRIME PREVENTION AND COUNSELLING

Crime and in particular theft at Cashbuild stores remains an ongoing challenge, and the Group promotes continuous vigilance within stores to combat this issue.

An area of particular emphasis is the prevention of any instances of crime that directly or indirectly affect employees or our community members.

Cashbuild remains committed to offering the victims of such crimes appropriate counselling at both an individual and a group level, through an external service provider. The majority of crimes committed at the Group's stores during the 2019 financial year included 98 (2018: 72) burglaries and 31 (2018: 23) armed robberies.

MANUFACTURED CAPITAL CONTINUED

Cashbuild subscribes to an anonymous tip-off service line where employees can report incidents of theft, fraud, mismanagement or unauthorised expenditure. All tip-offs are investigated to identify their root causes and address the issues. The status of tip-offs logged is administered by Cashbuild's Group Risk Management department with regular updates provided to the Executive Management team and quarterly reporting to the Social and Ethics Committee. During the past financial year, 98 (2018: 86) such incidents were reported, with each of these being directly addressed by the Group and the appropriate disciplinary action being implemented where found warranted.

This issue is also linked to the rate of employee turnover within Cashbuild. In the reporting period, a total of 468 (2018: 484) employees were dismissed across Cashbuild's operations, with the majority of these dismissals related to incidents of theft or corruption.

The Group outsources security personnel where needed and is not aware of any human rights violations committed by security personnel in the execution of their responsibilities.

During the 2019 financial year, Cashbuild had 179 (2018: 144) incidents of community unrest which resulted in our stores being closed for 251 (2018: 260) trading days. Trading days affected resulted in an estimated loss in sales and damages of R18.7 million (2018: R17.4 million).

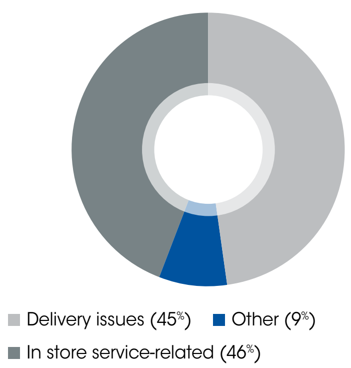
CUSTOMER SATISFACTION AND COMPLAINTS

Cashbuild model complaints from customers slightly decreased from the prior year. In addition to formal complaints, we receive informal feedback in-store. The Divisional Managers' details are displayed in-store to allow customers to contact them directly with service-related issues.

	2019	2018	2017	2016
Total customer complaints	**400**	410	401	539
Complaints as a percentage of total sales transactions (%)	**0.002**	0.002	0.002	0.003

P&L Hardware complaints from customers are now being tracked for future inclusion in this report.

NATURE OF THE COMPLAINTS (%)



NATURAL CAPITAL

As a responsible corporate citizen, Cashbuild recognises the need to minimise its environmental impacts through whatever available and financially viable means, so as to maximise both the economic and non-economic value generated by the Group for key stakeholder groups.

The key driver for the implementation of environmental impact reduction initiatives is mostly for efficiency gains or cost savings that can be realised through such initiatives.

Cashbuild has identified energy consumption as the principal environmental issue. In 2014 the Group embarked on pilot projects with the aim of reducing energy consumption across its operations, at both individual store and Support Office level, by 50%.

ENERGY AND CARBON MANAGEMENT

In all its operations, Cashbuild is primarily dependent on electricity supplied by national or municipal electricity generation utilities. As a result, the Group has historically found itself constantly subject to electricity supply interruptions and price increases. To minimise disruptions in operations, each Cashbuild store is equipped with an auto start generator which is tested at least once a week.

In regard to Cashbuild's carbon footprint, the overwhelming bulk of the electricity supplied by the national power utility to Cashbuild stores is generated from low grade coal, resulting in significant inefficiencies in the generation process and consequently, high levels of carbon emissions per kWh consumed by the Group.

ELECTRICITY USAGE

In accordance with its goal of improving energy efficiency, Cashbuild has rolled out energy efficient LED lighting to 25 existing stores (2018: 27) and 4 (2018: 6) relocated stores during the financial year, with an average energy reduction in lighting of 50%.

As at 30 June 2019, 187 stores (June 2018: 158 stores) had been retrofitted with energy saving Highbay luminaires.

The focus on store cost efficiency also encompasses an ongoing analysis of each store's utility billing and meter readings. The benefits of this focus are that:

- baseline consumption patterns have been calculated; and
- stores with high cost patterns are identified and appropriate measures taken to align them to benchmark, and reduce consumption.

The analysis also extends to electricity consumption, rates and taxes, sewerage and water consumption. Savings have been achieved in all these spheres.

The management of electricity consumption by Cashbuild has resulted in savings by way of both reduced monthly billings and lower registered kWh usage.

Over the period of this initiative and factoring in average municipal increases in utilities, monthly savings are being achieved. These continue to be closely monitored to ensure that the savings are maintained.

The number of queries on municipal accounts is increasing with issues raised relating to exceptionally high billing, and back charges levied by councils.

CARBON FOOTPRINT

With the coming into law of the Carbon Tax Act in South Africa on 1 June 2019, Cashbuild is undertaking a comprehensive carbon footprint analysis across its operations, the results of which will be disclosed over time.

NATURAL CAPITAL CONTINUED

TRANSPORTATION

The distribution of products to the network of Cashbuild stores is the responsibility of the Group's suppliers, and is in most instances outsourced to specialist logistics and transportation companies. In this regard, Cashbuild has implemented a number of practices with its suppliers, aimed at optimising transportation efficiencies and therefore minimising the respective carbon footprints of these suppliers.

With regard to the delivery drivers that are subcontracted by Cashbuild stores to deliver products to customers, this programme presents minimal opportunities for efficiency improvement interventions on the part of the Group. From a carbon footprint perspective, the fact that these delivery drivers are not employed by Cashbuild, means that their respective carbon footprints fall outside the scope of the Group's responsibility. At the same time, Cashbuild assists the drivers in minimising their emissions through effective route planning and scheduling of deliveries.

WATER CONSERVATION

Due to the nature of the business, Cashbuild does not consider water usage in its stores and Support Office to be a material issue or risk. Cashbuild has embarked on the following initiatives for cost saving and water conservation:

- a borehole has been installed at Support Office to minimise reliance on municipal water supply. Various tests are currently being undertaken to ensure quality of water achieved is acceptable and sustainable;
- for stores that regularly experience water outages, water storage tanks are installed to ensure continuous supply to the stores; and
- new stores include water harvesting from gutters to provide water for ablution facilities.

The Group is cognisant of the fact that the construction industry, on which its core business relies, is particularly water intensive, in both the upstream and downstream components of the value chain. Cashbuild works with suppliers and customers to minimise the water footprint of their activities, but given the nature of the business, the opportunities for meaningful interventions are limited.

The failure by municipalities to timeously read water meters is resulting in delays in identifying water leaks or losses. To safeguard against this, a pilot project for remote water metering has been instituted at the Greenstone store to monitor consumption and reduce losses. This initiative has resulted in 50% reduction in water use/loss to date. The initiative will be rolled out to other high water usage stores over time.

WASTE GENERATION AND RECYCLING

Cashbuild has in the past not measured the volume of waste generated in its operations. However, as a matter of policy, the Group contracts with responsible waste collection agencies (whether public or private) to remove, recycle and dispose of waste, mostly bulk packaging materials that are generated, particularly at our stores. We are currently in the process of rolling out bio-degradable plastic bags.

At Support Office level, used paper is confidentially shredded through outsource partners and pulped, the proceeds from this process are donated to various charity organisations by the Company. Other recycling initiatives are in place, which at this stage are of immaterial impact due to the size of our business.

As a retail operation, Cashbuild's opportunities to meaningfully influence the environmental impacts arising from either the manufacture or application of its products are limited. However, Cashbuild remains committed to making full use of those opportunities that do present themselves to affect positive changes particularly in the following areas:

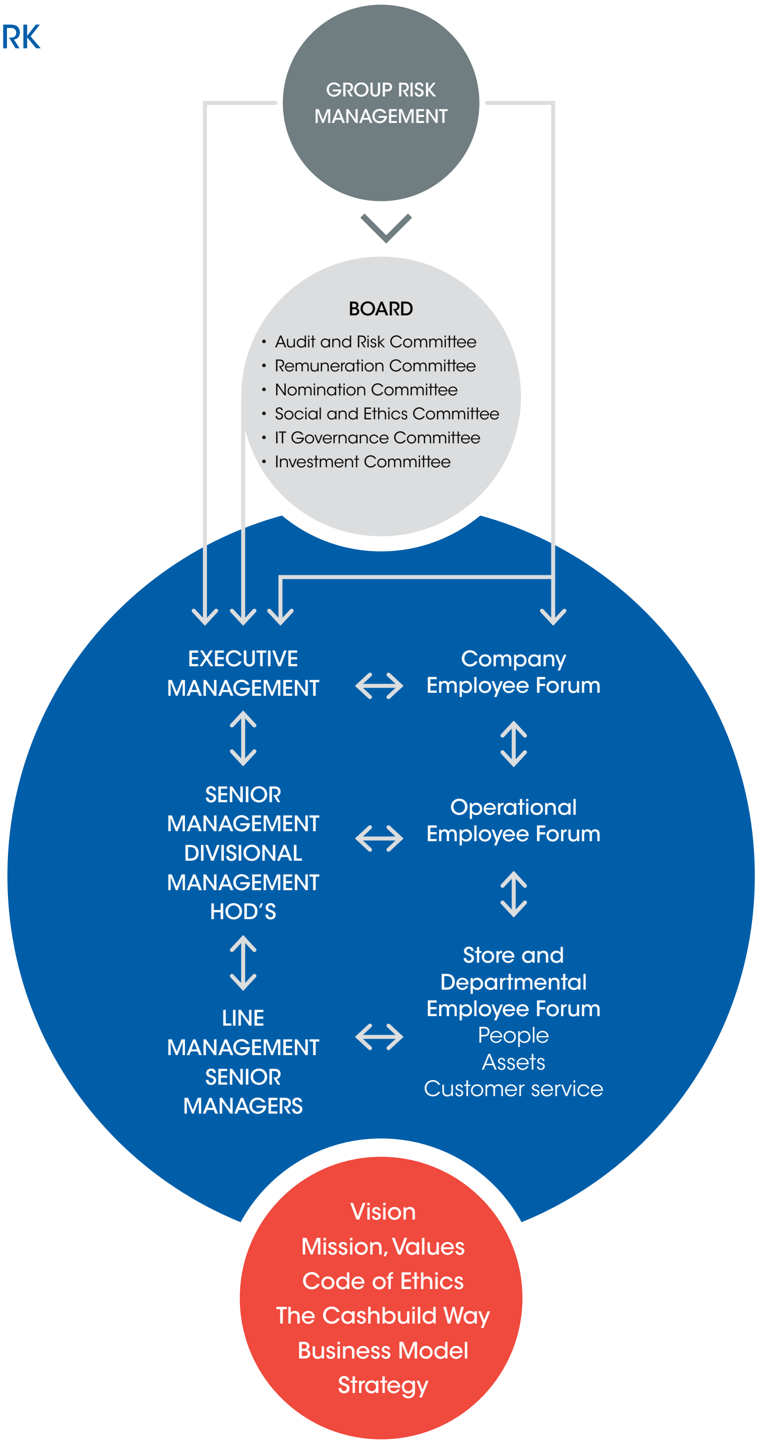
- energy efficiency;
- greenhouse gas emissions reductions;
- water conservation;
- waste management;
- product stewardship (in both manufacture and disposal); and
- biodiversity conservation.

CORPORATE GOVERNANCE REPORT

We believe that our governance practices are sound and comply with the JSE Listings Requirements, Report on Corporate Governance for South Africa 2016 (King IV) as well as guidelines provided by the International Integrated Reporting Council's framework in terms of reporting according to the Six Capitals.

GOVERNANCE FRAMEWORK AND STRUCTURE AT A GLANCE

There are no material changes to the content of this report as compared to the 2018 Integrated Report. Cashbuild endorses and continuously assesses the principles of King IV and, where applicable, tailors these as appropriate to the organisation.



CORPORATE GOVERNANCE CONTINUED

The following is a summary of Cashbuild's King IV application assessment as at 30 June 2019:

Principle 1: Ethical Leadership: The governing body should lead ethically and effectively.

The Cashbuild Board leads within the framework provided by the Group's Core Values, The Cashbuild Way (policies and procedures), Code of Ethics, Corporate Approvals Framework, the Board Charter, and Terms of Reference of the committees of the Board.

Board members, whose performance is subject to formal annual review, have sufficient working knowledge and guidance to discharge their responsibilities ethically and effectively.

Principle 2: Organisational values, ethics and culture: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The Board has ensured that a code of conduct and ethics-related policies, through which ethical standards are clearly articulated, is established and implemented. Understanding of the code of ethics is entrenched as part of staff induction and compulsory training of all staff members on the subject.

The Board sets the values to which the Group adheres to and these are formulated in the Group's code of conduct. Cashbuild's vision, mission and core values as set by the Board, are documented and communicated throughout the Group and form the basis of the Group's Ethics Charter and Company policies.

Monitoring of organisational ethics is the role and responsibility of the Social and Ethics Committee that relies on amongst others, assurance provided by management, external auditors, and the Cashbuild Group Risk Management function which includes Internal Audit.

Principle 3: Responsible corporate citizenship: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The Board considers not only financial performance, but also the potential impact of the Group's operations on society and the environment. Reporting on the impact of the Group's operations on society and the environment is done in the Integrated Report.

Measurable corporate citizenship programmes and policies are developed and implemented. Corporate citizenship programmes and policies are established in Cashbuild and are continuously improved on as part of Cashbuild's corporate citizenship growth journey. Measured projects (with related Company policies in place) as reported in the Integrated Report involves store expansion, relocation and refurbishment; customer growth; local recruitment practices; contractor funding; employment and transformation (including B-BBEE targets), employee training and development, community investment (which includes investment in local schools), and energy and carbon footprint.

Monitoring Cashbuild's CSI in the workplace, with specific reference to employment equity, fair remuneration, safety, health, dignity and development of employees is done by the Board via the Social and Ethics Committee and the Remuneration Committee.

Principle 4: Strategy implementation and performance: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The Board takes cognisance of risks, opportunities, and significant matters influencing the area in which Cashbuild operates and constructively challenges the strategy which results in a well-considered and relevant inclusive strategy for the Group. Ongoing oversight by the Board on implementation of strategy and related operational plans against performance measures and targets takes place via Board meetings, Board Committee meetings, and the annual strategy workshop.

Principle 5: Reports and disclosure: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.

Cashbuild's Integrated Report provides insight into issues identified as the most relevant and material to it and its various stakeholder groups. Comprehensive information pertaining to stakeholder engagement and material issues relevant to various stakeholder groups are placed on the Group's website. The Board, specifically the Audit and Risk Committee and the Social and Ethics Committee, play a central role in the determination of Cashbuild's material risks as well as opportunities that may arise.

Assurance is provided on the financial portion of the Integrated Report. Any issues of concern identified by external audit regarding accuracy, validity and integrity is highlighted for management action. The Board takes ultimate responsibility to ensure the integrity of the Integrated Report.

Principle 6: Primary role and responsibility of the governing body: The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The role and responsibility of the Board is duly documented in the Board Charter, and that of its committees in the relevant terms of reference which are reviewed annually. Non-executive directors have unrestricted authority to consult with executive directors and executive management to obtain information about the Company, its operations, assets or liabilities as stipulated in the Board Charter. Cashbuild's Board discloses its satisfaction regarding fulfilment of its responsibilities through reports of the Chairman, the Chief Executive and Board Committees.

Principle 7: Composition of the governing body: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The Board, consisting of five executive and seven independent non-executive directors, has an appropriate balance of knowledge, skills, experience, diversity, and independence to objectively discharge its governance roles and responsibilities. The Chairman of the Board is an independent non-executive director. Refer to the "Our Directorate" section of the Integrated Report for, amongst others, the qualifications and experience, period of service, age, and other professional positions held by the directors.

Principle 8: Committees of the governing body: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of its duties.

Roles and responsibilities of Board members and Board Committees are clearly defined in the Board Charter and committees' terms of reference. Delegation is also appropriately dealt with within the governance structure in accordance with legal requirements. Refer to the "Board" and "Board Committees" sections of the Integrated Report for further information on the role of the Board and each of its committees.

Principle 9: Performance evaluations: The governing body should ensure that the evaluation of its performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

An annual evaluation of directors (which includes their independence) is performed by the Nomination Committee and confirmed by the Board. The performance assessment of the Board and its committees, including that of the Chair, is facilitated by the Company Secretary.

Principle 10: Delegation to management: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

Cashbuild has a formal delegation of approvals framework which is approved by the Board. This delegation framework sets the direction and parameters which are to be reserved for the Board, and those that are delegated to management. Any changes to this delegation framework are subject to approval by the Board. The Nomination Committee considers appointments of Board members and makes recommendations to the Board for approval.

The Board (via the Nomination Committee) participates in the review of succession and emergency planning for key senior executive positions. The directors periodically discuss succession planning and evaluate that, in the event of any executive and senior management transition, plans are in place to ensure a smooth transition.

Provisions of the Companies Act with regards to appointment, removal, evaluation and duties of the Company Secretary as outlined in the Board Charter is adhered to. The office of the Company Secretary is duly empowered and carries the necessary authority to discharge its duties.

Principle 11: Risk Governance: The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.

The Board's responsibility for risk governance is set out in the charters of the Board and terms of reference of the Audit and Risk Committee. Risk governance encompasses both opportunities and associated risks for consideration when developing strategy.

Risk responses focus to a large extent on actions taken to mitigate risks at hand. Consideration is always given to exploration of opportunities to improve the performance of the Group when preparing action plans to mitigate risks. These are recorded in the risk register which is made available to the Board quarterly via Audit and Risk Committee meetings.

Principle 12: Technology and IT Governance: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

The Board and IT Governance Committee take responsibility for the governance of IT in the Group. Cashbuild's IT Governance Committee performs the oversight role that ensures integration of people, technologies, information and processes across the organisation. Management is responsible for the implementation of all the structures, processes and mechanisms for the IT governance framework. Prime responsibility for this has been delegated to the IT Executive reporting to the Chief Executive.

Principle 13: Compliance Governance: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

The Board has, as an objective that Group policies and procedures and adherence thereto take account of the context of law and how applicable laws relate to one another. Compliance with legislation is duly considered during approval of Cashbuild policies and procedures. Legal advice is obtained during preparation and completion of Company policy as and when required.

The Board receives assurance on the effectiveness of the internal controls intended to ensure compliance with laws, rules, codes and standards through internal and external audit service delivery. The status of assurance obtained is monitored with the Group's combined assurance and legal compliance process.

Principle 14: Remuneration Governance: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and-long term.

The Remuneration Committee, on behalf of the Board, assumes responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis. The Remuneration Committee is responsible for ensuring that the remuneration policy is kept current and remuneration is in line with industry norms, and that it addresses the governance objective of remunerating fairly, responsibly, and transparently in the promotion of the achievement of strategic objectives and positive business outcomes.

Principle 15: Assurance: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

The Board assumes responsibility for assurance by setting the direction concerning the arrangements for assurance services and functions. The Board delegates to the Audit and Risk Committee the responsibility for overseeing that arrangements (internal controls, combined assurance process, and external audit service delivery) are effective in achieving the objective of supporting the integrity of information used for internal decision-making by management, the Board and its committees.

The Board oversees that the combined assurance model, as contained in the Cashbuild Way, is designed and implemented to cover effectively the organisation's significant risks and material matters through a combination of assurance service providers and functions considered appropriate for the organisation.

The Board assumes responsibility for internal audit by setting the direction for the internal audit arrangements needed to provide objective and relevant assurance that contributes to the effectiveness of governance, risk management and control processes. This is done through the approval of the Internal Audit Charter and the Internal Audit. The Board delegates oversight of internal audit to the Audit and Risk Committee.

Principle 16 Stakeholders: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

The Board assumes responsibility for the governance of stakeholder relationships by setting the direction for how stakeholder relationships should be approached and conducted in the organisation.

The Board has delegated to management the responsibility for implementation and execution of effective stakeholder relationship management and exercise ongoing oversight of stakeholder management and in particular, oversee that it results in methodologies for identifying individual stakeholders and stakeholder groupings.

Note: Above summarised results are supported by the detailed King IV Application Register available on www.cashbuild.co.za

BOARD RESPONSIBILITIES

The Board is accountable and responsible for the performance and affairs of the Company. The terms of reference outlining its responsibilities are contained in the Board Charter. The Board takes responsibility for guiding and monitoring compliance with all applicable laws, regulations and codes of business practice, maintains oversight over compliance and risk management, but delegates operational control to management.

The Board has defined levels of materiality, has delegated relevant matters to the executive directors and senior management based on detailed authority levels and believes it has full and effective control over the Group and oversight of management activities. The Board meets on a quarterly basis. All directors are encouraged to attend each meeting.

All directors are bound by and comply with the JSE Listings Requirements.

BOARD COMPOSITION

The Board operates a unitary board structure comprising five executive and seven independent non-executive directors. The Chairman of the Board is an independent non-executive director and the role of Chairman and Chief Executive is separated. The Nomination Committee reviews the composition of the Board annually, in accordance with King IV recommendations and it considers the number of directors, and the collective knowledge, skills and experience required for conducting the business of the Board. The Nomination Committee is satisfied with the composition of the Board and its committees. The non-executive directors, who are trained and experienced, bring insight and expertise to Board deliberations. There is a policy in place which ensures a clear balance of power and authority at Board level and that no one director has unfettered powers of decision-making.

The Board acknowledges its responsibility towards equality and diversity at Board level. Changes were made to the Board during the course of the financial year, with due consideration of the Equity and Diversity Policy Statement. Refer to pages 30 and 31 for our Board composition at year-end.

BOARD APPOINTMENTS

The appointment of new directors is approved by the Board as a whole on the recommendation of the Nomination Committee. Directors are appointed through a formal and transparent process, outlined in the Board Charter, which includes the identification of suitable members and performance and background checks prior to nominations. Executive director appointments are formalised through an agreed contract of service between the Company and the director.

Generally, directors have been and will be nominated based on their calibre, knowledge, experience and the impact they are expected to have, as well as the time and attention they can devote to their roles. New directors are taken through a formal induction programme and are provided with all the necessary background and information to familiarise them with issues affecting the Board.

BOARD MEETINGS

The Board met four times during the year. The Chairman of the Board and the Chief Executive meet monthly. A strategy meeting involving all members of the Board is held annually. The Chairman of the Board and Chief Executive, in consultation with the Company Secretary, take responsibility for setting the agenda of each Board meeting. Board meetings are scheduled well in advance and management ensures that Board members are timeously provided with all the relevant information and facts necessary to enable the Board to meet its objectives and make well-informed decisions.

The Board meeting attendance is noted on page 30 of this Integrated Report.

INDEPENDENCE OF DIRECTORS

King IV requires the Board to holistically review the independence of non-executive directors. The Board conducted the review for the financial year and was satisfied that all of the non-executive directors are independent of the Company. In terms of the review, the Board formally assessed each director in line with the independence guidelines of King IV and satisfied itself of the independence of the directors. The Board is satisfied that NV Simamane's length of service as a director (15 years) has not impaired her independence, character or judgement.

The matter of independence of directors is addressed during the recruitment process and revisited annually when directors are required to declare any conflict of interests. No conflict of interest or any factor hampering independence of any director has been identified during the 2019 financial year.

CORPORATE GOVERNANCE CONTINUED

BOARD AND COMMITTEE PERFORMANCE EVALUATION

Cashbuild undertakes annual Board evaluations, as recommended by King IV. During the year under review, the internal evaluation process was conducted as follows:

- By the Chairmen of the various committees, using questionnaires completed by each member and attendee. The results of which were deliberated upon at each relevant committee, and presented to the Board for its consideration.
- By the Chairman of the Board using questionnaires completed by each member on the Board. The results of which were presented to the entire Board for its consideration.
- Through one-on-one discussions between the Chairman of the Board and each member of the Board. The results of which were reported on formally to the Board for consideration.
- By Board members (excluding the Chairman), evaluating the performance of the Chairman. The results of which were formally reported to the Board by the Chairman of the Remuneration Committee.

Each of the performance assessments indicated that the Board, the Board Committees, the Board members and the Chairman of the Board were performing their duties and responsibilities effectively and efficiently.

DIRECTOR APPOINTMENTS AND ROTATION

In terms of the MOI, one third of the non-executive directors retire by rotation every year and, if eligible and available, offer themselves for re-election by the Shareholders at the Annual General Meeting. Amongst other matters, the Board considers the performance of each director due for re-election at the Annual General Meeting. Directors appointed during the financial year are required to be ratified by the Shareholders at the first Annual General Meeting after their appointment. The details of the directors due for re-election, and new directors appointed during the year are as reflected in the notice of Annual General Meeting to be held on 25 November 2019.

The Board applies its Gender and Diversity policy in filling directorship positions with a view of ensuring a balance of gender, race and ethnic diversity on the Board. Cashbuild will review its gender and diversity policy during the 2020 financial year to include voluntary targets.

CONFLICTS OF INTEREST AND OTHER DIRECTORSHIPS

The directors declare actual, potential and perceived conflicts of interest to their fellow directors and ensure that the declarations are included in the minutes of the Board meetings. They also recuse themselves from the relevant Board meeting while their fellow directors decide on the matter.

Executive directors do not hold directorships outside the Group and participate in various industry bodies and associations in different capacities. The Board believes that other directorships held by non-executive directors do not affect their ability to fully discharge their responsibilities as Cashbuild directors. Details of other directorships held by Cashbuild directors are provided on pages 30 and 31 of this report.

SHARE DEALINGS

The Company has a share dealing policy requiring all directors, management and the Company Secretary to obtain prior written clearance from the Chairman to deal in the Company's shares. Should the Chairman wish to deal in Cashbuild shares, he will in turn require prior written clearance from the Chairman of the Audit and Risk Committee. Closed periods (as defined in the JSE Listings Requirements) are observed as prescribed. During these periods, the directors, management and employees are not permitted to deal in the Company's securities. Additional closed periods are enforced when the Group commences with a corporate activity and where a cautionary announcement (as defined in the JSE Listings Requirements) is published.

LEGAL COMPLIANCE

The Board takes full responsibility for legislative and regulatory compliance in the Company. There were no cases of material legislative or regulatory non-compliance during the year and no penalty sanctions were imposed on the Group or any of its directors or officers during the year. A detailed regulatory compliance risk assessment involving the Cashbuild Executive Management and Senior Management was completed during 2014/15 and was repeated during 2017/18. Cashbuild's Compliance Officer is tasked with conducting compliance reviews, utilising appropriately designed and supported legal compliance software supplied by a reputable external service provider. Acts identified as core to the Cashbuild business during the 2017/18 legal compliance risk assessment resulted in the prioritisation of risks and a three-year action plan being drawn up that will be due for revision during of the 2020/21 financial year.

ACCESS TO INFORMATION

Directors have full and unrestricted access to all relevant Company information. Non-executive directors enjoy unrestricted access to the Executive Management Team and frequently meet with the Executive Management to discuss Group affairs. All directors have unrestricted access to independent professional advice at the Company's expense, by arrangement with the Finance Director and the approval of the Chief Executive.

COMPANY SECRETARY

The Company Secretary provides guidance to the Board as a whole and to individual directors, in the ordinary course of the discharge of their responsibilities. The Company Secretary is empowered to fulfil his duties and the Board is satisfied that the responsibilities of the Company Secretary are exercised in a meaningful and competent manner. The Company Secretary is not a director of the Company and maintains an arms-length relationship with the Board. With effect from 18 September 2018 the Company Secretary is Mr T Nengovhela. The Board considered his competence, qualifications and experience at its meeting held on 2 September 2019, and is satisfied that he is competent and has the appropriate qualifications and experience to serve as the Company Secretary.

BOARD COMMITTEES

The directors have delegated specific functions to committees to assist the Board in meeting its oversight responsibilities. The committees all have documented mandates which are reviewed annually. The Chairman of each committee reports back to the Board on matters discussed in the committees at every Board meeting.

The Board has six Board committees, namely the:

- Audit and Risk Committee;
- Remuneration Committee;
- Nomination Committee;
- Social and Ethics Committee;
- IT Governance Committee; and
- Investment Committee.

All of these committees are chaired by an independent non-executive director and operate in accordance with the respective committees' terms of reference which are approved by the Board. The committees operate independently and report to the Board. Each committee is evaluated annually by its Chairman using questionnaires completed by each member on the committee and reports the outcomes to the Board.

AUDIT AND RISK COMMITTEE

Members: Ms HH Hickey (Chairperson); Mr M Bosman; Dr DSS Lushaba and Ms GM Tapon Njamo.

In terms of the Companies Act, the members of the Audit and Risk Committee were individually elected at the Annual General Meeting on 26 November 2018 by the shareholders. Ms NV Simamane resigned as a Member of the Committee and Mr M Bosman was appointed in her stead with effect from 27 May 2019. All Members of the Committee are standing for election at the Annual General Meeting to be held on 25 November 2019.

The Audit and Risk Committee initiated a project during the financial year for the implementation of the Mandatory Audit Firm Rotation ("MAFR") for the Group. In terms of the MAFR requirements, the Company must be compliant by 30 June 2024. The Committee has determined to make a recommendation at the Annual General Meeting to be held during 2021.

The Audit and Risk Committee performs its statutory duties in accordance with section 94(7) of the Companies Act. Further details of the role, responsibilities and functions of the Audit and Risk Committee are set out in the Audit and Risk Committee Report on pages 78 to 82 of this Integrated Report.

REMUNERATION COMMITTEE

Members: Mr AGW Knock (Chairman); Mr IS Fourie and Dr DSS Lushaba

The Remuneration Committee is responsible for providing an overview and oversight of the remuneration policy and related processes in meeting the strategy of the business. The scope of this responsibility includes incentive trusts, pension fund, and medical aids associated with Cashbuild. Further details pertaining to the responsibilities and functions of the Remuneration Committee are set out in the Remuneration Committee Report on page 63 of this Integrated Report.

NOMINATION COMMITTEE

Members: Mr IS Fourie (Chairman); Mr AGW Knock and Ms NV Simamane.

All Board and sub-committee appointments are done in a formal and transparent manner. Ms NV Simamane was appointed as a Member of the Committee with effect from 27 May 2019.

The Nomination Committee is responsible for developing selection criteria and identifying appropriate candidates for appointment to the Board.

Further details of the role, responsibility and functions of the Nomination Committee are set out in the Nomination Committee Report on page 75 of this Integrated Report.

SOCIAL AND ETHICS COMMITTEE

Members: Ms NV Simamane (Chairperson); Mr IS Fourie, Ms HH Hickey; Mr WF de Jager and Mr AE Prowse.

The Social and Ethics Committee operates in terms of section 72(8) of the Companies Act and the details pertaining to the Committee's duties, responsibilities and functions are set out in the Social and Ethics Committee Report on pages 72 to 74 of this Integrated Report.

IT GOVERNANCE COMMITTEE

Members: Mr AGW Knock (Chairman); Mr AE Prowse; Mr WF de Jager and Ms GM Tapon Njamo.

The details pertaining to the responsibilities and functions of the IT Governance Committee are set out in the IT Governance Committee Report on page 70.

INVESTMENT COMMITTEE

Members: Ms HH Hickey (Chairperson); Mr M Bosman; Mr WF de Jager and Mr AE Prowse.

The following changes were made to the Committee with effect from 27 May 2019: Ms HH Hickey was appointed as Chairperson, Mr M Bosman was appointed as a Member, and Mr IS Fourie resigned as a Member.

The Investment Committee is responsible for assessing investment opportunities to ensure that the Group makes sound capital investments taking into account all risks pertaining to such transactions.

CORPORATE GOVERNANCE CONTINUED

EXECUTIVE MANAGEMENT

RESPONSIBILITY

Authority has been granted by the Board to the Chief Executive, supported by the Executive Management Team, to determine and implement Group strategy. The Board is apprised of progress through Board meetings and communication with management.

Formal Executive Management Team meetings chaired by the Chief Executive are held once a week (every Monday) with members of the Executive Management Team invited on an "as required" basis to monitor and review progress and achievement of business objectives, which includes the appropriate discharge of corporate governance responsibilities in all areas of the business.

The Cashbuild Executive Management Team takes full responsibility for corporate governance within the Company and consists of Executive Directorate and the following members:

EXECUTIVE MANAGEMENT CASHBUILD

Peter Champion
Human Resource Executive

Willie Dreyer
Operations Executive

Andre Havenga
Risk and Audit Executive

Disemelo Masala
Divisional Director

Zandile Matolo
Financial Controller

Ian McKay
Operations Executive

Tyron Myburgh
Trainee Operations Executive

Hennie Roos
Operations Executive

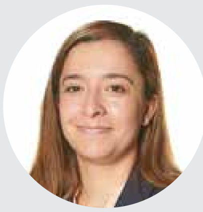
Mark Scholes
Trainee Operations Executive

Hennie Steenberg
IT Executive

Tawanda Vengesa
Trainee Operations Executive

EXECUTIVE MANAGEMENT P&L HARDWARE

Mpeyake Khosa
General Manager Procurement



Daniela Tatsis
Chief Financial Officer

Jacques van Deventer
Marketing Manager

SUCCESSION PLANNING AND CONTINUITY OF MANAGEMENT

The Board regularly participates in the review of succession planning for key senior executive positions. The directors periodically discuss succession planning and are re-evaluating that, in the event of any executive and senior management transition, plans are in place to ensure a smooth transition. No members of the Executive Management Team gave indication of their intention to resign or retire during the financial year or the foreseeable future.

PRESCRIBED OFFICERS

Prescribed Officers are defined as Cashbuild employees who:

- report to the Chief Executive; or
- exercise general management control over members of Cashbuild senior management: or
- have general management control over a significant portion of Cashbuild's business defined as:
  - more than 15% of Cashbuild's total number of stores;
  - more than 15% of Cashbuild's total turnover; and
- are eligible for appointment as a Director or Prescribed Officer in terms of Section 69 of the Companies Act.

During the financial year, the Board approved that Divisional Directors would be prescribed officers. The current Divisional Director, Ms DS Masala, was classified as a prescribed officer in April 2019, and she replaces Messrs I McKay and W Dreyer who were the previous prescribed officers. Mr A Prinsloo resigned as an employee of P&L Hardware on 31 May 2019 (in line with the P&L Hardware purchase agreement) and ceased to be a prescribed officer.

Ms Masala acknowledged and accepted all responsibilities and obligations associated with this designation.

EMPLOYEE FORUM

EMPLOYEE FORUM STRUCTURE

Cashbuild's Employee Forum structure allows Store Representatives more direct access to the Senior and Executive Management Team.

ROLE OF THE EMPLOYEE FORUM

Employee Forum meetings are established to facilitate interaction and consultation between management and employees in the workplace. The role of the Store Employee Forum is to discuss and reach agreement on store and departmental specific issues with regards to operational results, shrinkage results, audit results, customer service issues, training needs, staff scheduling, succession planning, and general issues of concern raised by employees within the store or department.

GROUP STEERCOM

Members include:

- All Divisional representatives
- Payroll manager
- HR executive

Meets twice a year

DIVISIONAL EMPLOYEE FORUM (ONE PER DIVISION)

Members include:

- Divisional manager
- HR manager
- Employee-elected representative per store

Meets quarterly

SUPPORT OFFICE FORUM

Members include:

- One representative per department
- HR executive

Meets quarterly

STORE/DEPARTMENT FORUM

Members include:

- Store/Department manager
- Store/Department employees
  - Discuss: assets, people and customer service

Meets monthly

CORPORATE GOVERNANCE CONTINUED

The role of the Group Steering Committee is to ensure store forums are functioning effectively, discuss Group specific issues and any general issues of concern raised by employees within divisions but not resolved at divisional level are dealt with. This Committee monitors, implements and ensures the achievement of agreed strategies. The Group Steering Committee is also responsible for the formation of the Operations Area Employment Equity Committee to be consulted with by the Company in a specific geographical area.

It also forms the Training Committee for the Group to identify consolidated training needs in line with its strategy. The forum monitors implementation and achievement of agreed strategies, and forms the Group Employment Equity Committee to be consulted with by the Group as required by the Employment Equity Act.

Employee Forums form an integral part of Cashbuild Governance Framework and aim to optimise the governance relationship between Cashbuild management and staff.

The Cashbuild Employee Forum constitutes the principal means of communication between employees and the Executive Management Team.

In addition, various mechanisms exist for employees and other stakeholders to engage directly with members of the Board (particularly non-executive). The most direct of these is the Group's Annual General Meeting. In extraordinary circumstances however, the possibility exists for stakeholders to engage directly with non-executive directors.

GOING CONCERN

The Board is satisfied that the Company has adequate resources to continue in operation for the next 12 months and into the foreseeable future. The Audit and Risk Committee has, based on input from the Finance Director, assessed and recommended to the Board that the financial statements be prepared on a going concern basis. The Board is satisfied with the Company's going concern status as assessed at the Board meetings coinciding with the interim and year-end results.

REMUNERATION REPORT

The Remuneration Committee ("the Committee") strives to ensure that our staff complement is diverse, motivated, skilled, ethical and safe. Cashbuild's sustainability initiatives are set out in the Sustainability Report under Human Capital in this Integrated Report.

REMUNERATION COMMITTEE

Chairperson	AGW Knock
Members	IS Fourie, DSS Lushaba
Independence	All Committee members are independent non-executive directors
Meetings	Three times per annum
Role and function	The Committee's role is delegated to it by the Board to ensure that: • the Remuneration Policy is kept current; • remuneration packages are in line with industry norm; and • criteria for performance measurement and remuneration packages for Cashbuild's Executive Management team is maintained and updated. In addition, the Committee: • facilitates a transparent process of performance review and evaluation for executive directors on behalf of the Board; • ensures that remuneration, in particular as it relates to Executive Management, is motivated by the dual criteria of delivering sustainable financial return to shareholders and the recognition and reward for outstanding performance; and • ensures that executive compensation is linked to the achievement of both the organisation's financial and non-financial goals.
Responsibilities	The Committee's responsibilities include: • that all positions are graded using the Patterson grading methodology; • remuneration packages are benchmarked every three years by way of formal salary surveys using external remuneration specialists; • Cashbuild's policy is to remunerate staff at the 50th percentile, with scarce skills pitched at the 75th percentile; and • that the executive directors' remuneration mix, in respect of "guaranteed pay" and "non-guaranteed/variable pay", is appropriate, so as to align the directors' interests with those of shareholders.
Assurance	The Committee is governed by good corporate governance principles and the Group's value statement. The Members of the Committee hereby confirm that they were diligent in exercising their duties of care and skill and that they have taken reasonable steps to ensure that they performed their duties in accordance with the Committee's mandate.

REMUNERATION REPORT CONTINUED

In terms of King IV, the Company should obtain the endorsement of its shareholders pertaining to the Company's Remuneration Policy and the Implementation Report of this policy at the AGM. If more than 25% of the total votes cast by the shareholders, present and by proxy, are against either resolution, the Company will issue an announcement on SENS inviting shareholders who voted against the Resolutions to meet with the Members of the Committee. The process to be followed will be set out in a SENS announcement.

The Company's Remuneration Policy has remained consistent in all material respects with the prior year.

The Company's Remuneration Policy and Implementation Report received support from the shareholders at the most recent and prior AGMs as follows:

Percentage of "For" votes	26 November 2018 %	27 November 2017 %
Endorsement of the Remuneration Policy	88.2	84.0
Endorsement of the implementation of the Remuneration Policy	89.2	82.1

For the year under review, Executive Management met with shareholders who voted against the aforementioned Resolutions to take their questions in regard only to the publicly available information. The Company remains open to engaging on votes against Resolutions, off the basis of information publicly available.

ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

During the year under review, the Committee reviewed the Remuneration Policy to ensure that it is aligned with applicable regulations and remuneration principles contained in the Group's value statement as well as corporate governance guidelines.

The Remuneration Report is aligned to King IV Principles to articulate and demonstrate the link between strategy, value creation, performance and remuneration.

The Committee also reviewed the remuneration packages and structure of executives to ensure that they are competitive in the relevant market and are aligned with shareholders' interest as well as with the Group's strategy and performance.

SECTION A

REMUNERATION POLICY

In order to achieve the Group strategy and maintain the high performance expected of individuals within Cashbuild, the attraction, motivation and retention of staff at all levels is critical. Reward and recognition play an important role in the achievement of these objectives. All permanent employees potentially qualify for two salary increases per annum. The first one being in July of each year, aligned to the financial year, where an annual cost-of-living increase is given to all staff, irrespective of individual performance.

The average CPI percentage over the preceding 12 months plus an agreed factor is used as the basis for the calculation of the annual cost-of-living increase. This formula and final percentage cost-of-living increase is discussed with and agreed to by the Group Employee Forum. This year a 5.5% (2018: 6.0%) cost-of-living increase was agreed to for the year ahead for all staff with senior and Management receiving a 5.0% (2018: 6.0%) increase.

The second potential salary increase is given over and above the annual cost-of-living increase, as agreed to with the Cashbuild Employee Forum. This rewards exceptional performance by individuals by means of a secondary salary increase in October and is based on agreed performance parameters. This increase varies between 1% and 3% for those that qualify.

In addition, there are monthly and quarterly bonuses that employees at stores can earn based on store and divisional performance. An annual bonus is available to all store and divisional management, based on their areas' performance with Support Office staff and Executive Management qualifying for annual bonuses based on the Group's results and performance.

EXECUTIVE EMPLOYEE CONTRACTS

All executive directors and managers have employment contracts requiring one month's notice of resignation and do not contain any restraint of trade clauses in the ordinary course of business.

The Group supports the principle of malus and clawback clauses in executive management contracts. The current executive management contracts do not cater for such clauses. The Remuneration Committee aims to implement the clauses, supported by company policy, by the end of the 2020 financial year.

REMUNERATION STRUCTURE

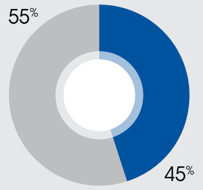
The Group's remuneration is structured between guaranteed and non-guaranteed or variable pay and the balance between these categories varies depending on the employee's Patterson grading within the organisation. Guaranteed pay consists of basic pay, allowances and employee benefits whilst the components of non-guaranteed pay consist of Short-Term Incentive (STI), the bonus scheme for all staff and a Long-Term Incentive (LTI) being the BEE trust, Operations Management Member Trust and the Forfeitable Share Plan (FSP).

There are specific contractors in the operations environment of the business whose remuneration structure consists of a base pay and performance-based commission.

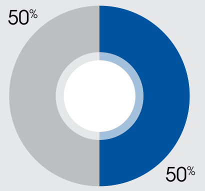
The pie charts adjacent indicate the components of the remuneration structure for various roles of employees in the Group.

REMUNERATION STRUCTURE

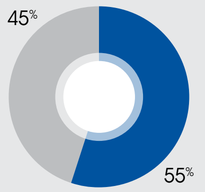
Chief Executive



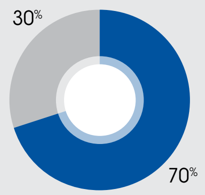
Director



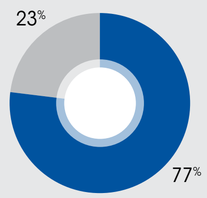
Executive Management



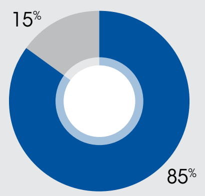
Management



Staff (Store)



Staff (SO)



■ Guaranteed portion
■ Variable portion

GUARANTEED PAY

BASIC SALARY

Management and staff are paid on a cost-to-company basis. The guaranteed cost-to-company package for all employees is set in line with the three-yearly salary survey conducted by an external remuneration specialist. The next survey is scheduled for the 2020 financial year.

Executive directors and senior management packages are benchmarked against medium-sized market capitalisation companies on the JSE.

REMUNERATION REPORT CONTINUED

The rationale behind this benchmarking exercise is the retention of key members of the Company's executive directors and senior management. The potential loss of key senior personnel was previously identified by Cashbuild's risk management system as a significant risk faced by the Group. This measure is one of those identified to mitigate this risk.

The sustainability of the business is paramount in determining remuneration. The Board is satisfied that the current structure of remuneration for executive directors and senior management does not encourage increased or undue risk taking.

Details of all executive and non-executive directors' remuneration are detailed on pages 68 and 69 of this report.

The set performance of the Chief Executive is assessed against pre-defined performance criteria, by the Chairman and the Remuneration Committee, while the performance of executive directors and senior managers is evaluated against similar performance criteria set by the Chief Executive and reviewed by the Remuneration Committee. Any increases given over and above the July cost-of-living increase are directly related to the individual's performance as well as market remuneration levels.

RETIREMENT FUNDS

Membership of the retirement fund is compulsory for all permanent employees. The retirement fund is part of the Alexander Forbes Umbrella Fund. The fund has performed well in comparison to other such funds and benchmarks set. The fund is managed by a management committee that meets twice a year and consists of 50% employer and 50% employee elected representatives. In order to facilitate financial decision-making aligned to Group policies, the Group's Remuneration Committee Chairman, Chief Executive and Finance Director are all employer elected members of this Committee. P&L Hardware provident fund is planned to be incorporated into the Alexander Forbes Umbrella Fund and align benefits of P&L Hardware staff to the Group's benefits.

MEDICAL AID

Membership of a medical aid is optional. The medical schemes offered to Cashbuild South Africa employees are Discovery and Momentum. Approximately 2% of employees have elected to join these medical schemes and this level is consistent with that of the prior year.

The sourcing of affordable health care, and the promotion of membership in medical schemes by employees remains a focus area. However, most staff, particularly, in South Africa have elected to not belong to one of the above medical schemes unless subsidised by the Group.

SHORT-TERM INCENTIVE SCHEME (STI)

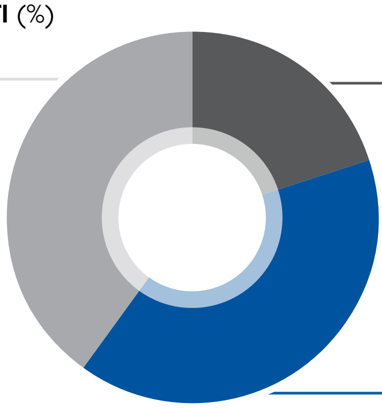
Operations management and staff participate in a monthly, quarterly and annual STI scheme which is directly related to the financial performance of their operating unit.

The criteria for these awards relate to sales, transactions and gross contribution targets.

Executive Directors targets are set on the Group's performance. Management and staff targets are set on either Cashbuild or P&L Hardware performance depending on the area of responsibility. Once the criterion has been met and dependent on the occupational level, an incentive of between 9% and 50% of annual cost-to-company for employees is calculated.

In general, the STI awards are assessed as per the graphic below.

COMPOSITION OF STI (%)



40%

FINANCIAL OBJECTIVES
Revenue
Gross profit
Profit before tax

2019 STI Awarded
Directorate – No
Cashbuild – Yes
P&L Hardware – No

40%

NON-FINANCIAL OBJECTIVES
Project-based achievements predetermined for each individual during the year – provided Group meets the profit before tax target

2019 STI Awarded
Directorate – No
Cashbuild – Yes
P&L Hardware – No

20%

PERSONAL OBJECTIVES
Personal objectives set for each individual

2019 STI Awarded
This component is payable on individual achievement of agreed objectives irrespective of the criteria set

CASHBUILD EMPOWERMENT TRUST

The philosophy of having all staff share in the success of the Group, and in so doing create a sense of belonging and ownership, is embodied in the Cashbuild Empowerment Trust to which all permanent staff, irrespective of seniority or length of service, belong. Additionally, it aligns the goals of staff with those of the shareholders.

This Trust owns 1 764 999 shares, 7.06% of the issued share capital at 30 June 2019. Dividends are paid twice per year to all members of the Trust on an equal basis. In the last financial year, a total of R11.0 million (2018: R12.4 million) was paid and shared between all permanent members of staff. Since inception in 2005, the Trust has disbursed a total of R256 million to staff.

STORE OPERATIONS MANAGEMENT MEMBER TRUST

The Store Operations Management Member Trust was established in 2011. Its objectives are to:

- promote the continued growth and profitability of stores within the Group, and the growth of the Group, by recognising and rewarding qualifying members;
- empower and retain management members in the Group;
- foster an ethical mindset of ownership, responsibility and accountability within the Group; and

- promote black economic empowerment and increased broad-based and effective participation in the Group by previously disadvantaged persons.

This Trust pertains to management of stores, divisions and operational areas achieving predetermined targets for the financial year as set out in the trust deed. The managers of these areas receive a share of profits in excess of predetermined targets generated by their store, division or operations area, divided equally into cash and shares. The share portion will vest on the third anniversary of the financial year in which these were awarded, on condition that the employee is still employed by Cashbuild at the time of vesting. Dividends accrue to the individual from date of award.

Since inception in 2011, a total of R30.1 million (R15.05 million in cash and R15.05 million in shares after qualification of the vesting period) (2018: R25.0 million) will have been paid, to 185 (2018: 158) store managers and five divisional managers.

Scheme	Number of shares	Share and cash value	Employees qualified
2019	**9 007**	**R5.1 million**	**27**
2018	4 996	R3.2 million	21
2017	1 594	R1.1 million	16
2016	13 343	R9.5 million	56
2015	9 685	R5.8 million	35
2014	3 524	R1.2 million	8
2013	2 980	R0.2 million	3
2012	16 760	R4.0 million	19
Total		R30.1 million	185

LONG-TERM INCENTIVE PLAN (LTI)

In line with local and global best practice, as approved by shareholders, in 2015, Cashbuild implemented a new share incentive plan, namely the Cashbuild Forfeitable Share Plan ("FSP") for executive directors, senior management and management at Paterson D2 band and above.

Under the FSP, participants become owners of the performance shares and/or retention shares from the award date and immediately benefit from dividends and have shareholder voting rights in respect of the performance shares and/or retention shares over the vesting period. The shares cannot be disposed of by the participants prior to the vesting date and will be subject to forfeiture conditions until the vesting date.

The number of performance shares awarded to a participant is based on the participant's annual salary and grade.

The vesting of performance shares subject to predetermined performance conditions and the employment condition. The performance conditions are summarised as follows:

Criteria	Weighting of LTI	Threshold (30% vesting)	Target (100% vesting)
EPS	**50%**	**CPI +2% p.a. (i.e. 2% real growth p.a.)**	**CPI +10% p.a. (i.e. 10% real growth p.a.)**
Relative TSR	**30%**	**Median of peers***	**Upper quartile of peers***
ROCE	**20%**	**Cashbuild WACC**	**Cashbuild WACC +10% p.a.**
Total	**100%**		

** Based on the constituents of the INDI+25 as at the award date.*

Linear vesting will be applied for performance between the above levels provided threshold has been achieved. The Remuneration Committee will set appropriate performance conditions, performance periods, employment conditions and employment periods as relevant for each award taking into account the business environment at the time of making the awards. These will be conveyed to the participant in their award letter. The rules of the FSP are flexible in order to allow for settlement in any of the following manners:

- by way of a market purchase of shares;
- use of treasury shares; or
- issue of shares.

The employer companies, as regulated by the recharge policy, remain responsible to procure the settlement of shares under the FSP to the participants employed by them at all times, at the expense and cost of the employer companies. In order to effect any forfeiture of awards, performance shares and retention shares are held by an escrow agent on behalf of the participants until the vesting date.

The maximum aggregate number of shares which may at any time be allocated in respect of this FSP together with the Group's existing share scheme to all participants shall not exceed 5% of the issued shares.

The maximum number of shares allocated to any participant in respect of all vested and unvested awards under the FSP together with the Group's existing share scheme shall not exceed 0.5% of the issued shares.

Limits apply to shares allocated in total over multiple award years, it is still not envisaged that any limits will be exceeded in the foreseeable future.

The Remuneration Committee may alter or vary the rules of the FSP as it deems fit. However, in the following instances, the FSP may not be amended without the prior approval of the JSE and a resolution by the shareholders of 75% of the voting rights:

- the category of persons who are eligible for participation in the FSP;
- the number of shares which may be utilised for the purpose of the FSP;
- the individual limitations on benefits or maximum entitlements;
- the basis upon which awards are made;
- the amount payable upon the award, settlement or vesting of an award;
- the voting, dividend, transfer and other rights attached to the awards, including those arising on liquidation of the Group;
- the adjustment of awards in the event of a variation of capital of the Group or a change of control of the Group; and
- the procedure to be adopted in respect of the vesting.

REMUNERATION REPORT CONTINUED

SECTION B

REMUNERATION

The remuneration of the Executive Directors and Prescribed Officers who served during the year under review was as follows:

R'000	Year	Basic salary	Bonus[1]	Expenses and travel allowance	Other material benefits[2]	Pension scheme	Total
Executive directors							
WF de Jager	**2019**	**4 425**	**509**	**201**	**158**	**415**	**5 708**
	2018	3 923	414	156	85	356	4 934
A Hattingh	**2019**	**2 449**	**193**	**195**	**–**	**230**	**3 067**
	2018	1 153	182	76	–	109	1 520
AE Prowse	**2019**	**3 136**	**245**	**161**	**–**	**242**	**3 784**
	2018	2 707	193	210	–	203	3 313
SA Thoresson	**2019**	**2 810**	**223**	**204**	**–**	**250**	**3 487**
	2018	2 433	177	196	–	212	3 018
WP van Aswegen	**2019**	**2 282**	**188**	**214**	**–**	**220**	**2 904**
	2018	536	177	57	–	52	822
Total	**2019**	**15 102**	**1 358**	**975**	**158**	**1 357**	**18 950**
	2018	10 752	1 143	695	85	932	13 880
Prescribed officers							
W Dreyer[3]	**2019**	**1 796**	**259**	**119**	**92**	**179**	**2 445**
	2018	1 852	38	121	92	184	2 287
A Hattingh	**2019**	**–**	**–**	**–**	**–**	**–**	**–**
	2018	1 018	–	144	–	96	1 258
I McKay[3]	**2019**	**1 656**	**199**	**307**	**61**	**146**	**2 369**
	2018	1 650	35	262	61	146	2 154
A Prinsloo[4]	**2019**	**2 528**	**–**	**483**	**–**	**–**	**3 011**
	2018	2 040	–	541	–	–	2 581
DS Masala[5]	**2019**	**439**	**85**	**41**	**28**	**47**	**640**
	2018	–	–	–	–	–	–
Total	**2019**	**6 419**	**543**	**950**	**181**	**372**	**8 465**
	2018	6 560	73	1 067	153	426	8 280

1. *Bonuses differ to the Notes to the Annual Financial Statements on pages 133 and 134 as these values have subsequently been approved for payment by the Remuneration Committee.*
2. *Other material benefits include contributions to medical aid.*
3. *W Dreyer and I McKay ceased being Prescribed Officers with effect from 6 May 2019. Remuneration is for appointment period.*
4. *A Prinsloo resigned with effect from 31 May 2019. Remuneration is for appointment period.*
5. *DS Masala was appointed as the Prescribed Officer with effect from 15 April 2019. Remuneration is for appointment period.*

NON-EXECUTIVE DIRECTORS

Non-executive director fees are recommended by the Remuneration Committee supported by the Board and approved at the Annual General Meeting. Fees are based on market-related fees obtained via salary surveys conducted by external remuneration specialists. All non-executive members receive the same standard amounts for participation in committees dependent on the seniority of the committee and their position as member or chairperson.

The fees paid to the non-executive directors who served during the year under review were as follows:

	2019 R'000	2018 R'000
Non-executive directors		
IS Fourie	**725**	719
M Bosman*	**96**	–
HH Hickey	**454**	413
AGW Knock	**512**	469
Dr DSS Lushaba	**440**	425
NV Simamane	**452**	437
GM Tapon Njamo	**335**	90
Total	**3 014**	2 553

* *Appointed effective 1 March 2019.*

FSP SHARES AWARDED TO DIRECTORS AND PRESCRIBED OFFICERS

The following table sets out the FSP awards held by the executive directors and prescribed officers during the year:

	Number of shares^	**Award face value R'000**
Executive directors		
WF de Jager	**34 279**	**11 773**
AE Prowse	**23 187**	**7 944**
SA Thoresson	**21 171**	**7 258**
A Hattingh	**15 995**	**5 363**
WP van Aswegen	**15 591**	**5 227**
Total	**110 223**	**37 565**
Prescribed officers		
DS Masala	**10 117**	**3 481**
W Dreyer*	**11 904**	**4 136**
I McKay*	**10 544**	**3 642**
Total	**31 565**	**11 259**

^ *These shares are subject to forfeiture restrictions based on the Group performance.*

* *Ceased being prescribed officers on 6 May 2019.*

INTERESTS OF DIRECTORS IN THE SHARE CAPITAL OF CASHBUILD

The aggregate beneficial holdings of the directors of the Company and their immediate families in the issued ordinary shares of the Company are detailed below. There have been no changes in these shareholdings between 30 June 2019 and the date of approval of this report.

	Number of shares held			
	30 June 2019		30 June 2018	
	Direct	**Indirect**	Direct	Indirect
Beneficial				
WF de Jager	**1 000**	**–**	1 000	–
AE Prowse	**500**	**10 000**	27 500	10 000
NV Simamane	**1 200**	**–**	1 200	–
Total	**2 700**	**10 000**	29 700	10 000

There are no interests held by associates, and no non-beneficial shareholdings for the abovementioned directors.

AGW Knock
Remuneration Committee Chairman

2 September 2019

INFORMATION AND TECHNOLOGY GOVERNANCE REPORT

Information technology is critical to the strategic transformation and organisational performance of Cashbuild. The Information and Technology Governance Committee ("ITGov") strives to ensure that the IT application systems are well suited and maintained to adequately support and enhance the Group's requirements.

ITGOV COMMITTEE

Chairperson	AGW Knock
Members	WF de Jager, AE Prowse, GM Tapon Njamo
Independence	Two of the ITGov members are independent non-executive directors. As this is a committee of the Board and integral to the day-to-day operations of the Group, the Board is comfortable with the composition of ITGov.
Meetings	Four times per annum.
Role and function	The ITGov assists the Board in monitoring Cashbuild's governance and risk management of its responsibilities of the IT infrastructure.
Responsibilities	ITGov is responsible for: • governance of Cashbuild's Information Technology (IT) projects; • strategic alignment of IT with the business and collaborative solutions; • value delivery of IT concentrating on optimising expenditure and proving the value of IT; • risk management addressing the identification, assessment, monitoring and tracking of IT projects and Group-wide IT risks; • IT resource management which includes optimising IT knowledge and infrastructure; and • business continuity management (BCM) plans formulated and validated through testing.
Assurance	This report is prepared in accordance with the requirements of the Companies Act and describes how the ITGov has discharged its statutory duties in terms of the Companies Act and the additional duties assigned to it by the Board in respect of the financial year ended 30 June 2019. The ITGov is satisfied that it has fulfilled all its duties during the year under review and has made further progress in formalising all relevant policies and implementing identified plans.

ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

During the year under review, the ITGov:

- monitored the achievement of Committee's objectives at the IT Governance meetings held quarterly as IT governance is an integral part of Cashbuild's business;
- ensured that the appropriate IT risks and related business objectives are properly addressed;
- addressed a number of focus areas which were identified during continuing IT risk assessments conducted by the IT audit function, a service which is currently outsourced to Ernst & Young. The main areas addressed include among others, cyber risk assessment and reviews of SAP GL application controls and Qlickview;
- continuously refine and improve Cashbuild's integrated Active Retail and SAP All-in-One solutions. Business imperative items receive continued and focused attention including daily balancing of transactional data between Active Retail and SAP;
- monitored the implementation of the IT Management Framework in respect to the audit results and guidance provided by PwC;
- monitored the implementation of the IT Strategy and ensuring alignment to the Group's Business Strategy;
- established an IT project management office that serves to ensure effective management of IT project deliverables;
- reviewed, with the view to improve, Cashbuild's integrated Active Retail and SAP All-in-one solutions. The improvements were facilitated by the establishment of an Integrated Resolution Forum which ensures that integration related matters are resolved timeously;
- addressed the requirements and implementation of the required controls to obtain PCI Compliance thereby ensuring that card holder data is effectively secured to prevent dissemination of information;
- identified and considered further improvements of the required Protection of Personal Information Act processes and controls in order to ensure compliance to the legislative act;
- monitored the establishment of enhanced Disaster Recovery capabilities for Cashbuild's information systems to ensure their long-term sustainability;
- establishment of the SAP S4/HANA roadmap including a high-level scope and cost assessment; and
- continued to evaluate the best means of monitoring cyber-crime and appropriate application of defenses to mitigate risks and threats.

AGW Knock
Information Technology Governance Committee Chairman

2 September 2019

SOCIAL AND ETHICS REPORT

As fully outlined in the Ethics section of the Sustainability Report on page 40, Cashbuild subscribes to the highest ethical standards of business practices and has a well-entrenched and defined business philosophy around its customers, staff, business partners, systems and finances. The philosophy is underpinned by the Group's vision, mission, and values, as well as the Cashbuild Way.

The Group is also guided by its Code of Ethics and the staff ethics awareness programme, both of which employees are expected to adhere to. Cashbuild also promotes an inclusive approach to governance and takes account of the impact of its operations on stakeholders. The Group's approach to corporate governance strives to include all these groupings, and is based on good communication and is integrated into every aspect of the business.

SOCIAL AND ETHICS COMMITTEE ("SECOM")

Chairperson	NV Simamane
Members	IS Fourie, HH Hickey, WF de Jager, AE Prowse
Independence	Three SECOM members are independent non-executive directors. As social and ethical behaviour are integral to the Cashbuild Way, the Board is comfortable with the composition of the SECOM.
Meetings	Four times per annum.
Role and function	The SECOM is a Committee of the Board and its role is governed by Terms of Reference approved by the Board. These Terms of Reference are subject to an annual review by the SECOM and approval by the Board. The SECOM's main objective is to assist the Board in monitoring the Group's performance as a good and responsible corporate citizen, thereby helping the Board to achieve one of its important values, namely doing business ethically. To do this, the SECOM monitors the sustainable development practices of the Group. It also monitors relevant legislation, legal requirements and prevailing codes of best practice relating to social and economic development, good corporate citizenship, labour and employment, the environment, health and public safety, and consumer relationships.
Responsibilities	The SECOM is responsible for developing and reviewing the Group's policies with regard to its commitment to governance and reporting of sustainable development performance, as well as for making recommendations to management and/or the Board in this regard.
Assurance	This report is prepared in accordance with the requirements of the Companies Act and describes how the SECOM has discharged its statutory duties in terms of the Companies Act and the additional duties assigned to it by the Board in respect of the financial year ended 30 June 2019. SECOM is satisfied that it has fulfilled all its duties during the year under review and has made significant progress in formalising all relevant policies and implementing identified plans.

ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

During the year, the SECOM reviewed and improved the Group's:

- Code of Business Conduct and Ethics;
- Transformation Strategy, including the submission of the Employment Equity Report;
- Equality and Diversity Policy;
- Stakeholder Engagement Policy;
- Security and Crime Prevention Policy;
- Fraud Prevention Policy, including guidelines on Gifts;
- Corporate Social Investment Policy;
- Occupational Health and Safety Policy;
- Public Relations and Investor Relations Policy; and
- Legislative Compliance.

Policies and procedures were established to fulfil the requirements of the Protection of Personal Information Act when this was enacted by the South African Government.

Refurbishment of our Support Office to enable the accessibility of the building to physically disabled people has been completed.

The SECOM is also responsible for annually revising or determining, in conjunction with senior management, the Group's material sustainability issues. These have been reported on and are set out in the Sustainability Report on page 34.

In the execution of its statutory duties, the SECOM monitors the Group's activities, with regard to matters relating to:

- Social and economic development, including the Group's standing in terms of the goals and purposes of:
  - the 10 principles set out in the UN Global Compact Principles;
  - the OECD (Organisation for Economic Co-operation and Development) recommendations regarding corruption;
  - the Employment Equity Act; and
  - the Broad-Based Black Economic Empowerment Act.
- Good corporate citizenship, including the Group's:
  - promotion of equality, prevention of unfair discrimination and reduction of corruption;
  - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
  - record of sponsorships, donations and charitable giving.
- The environment, health and public safety, including the impact of the Group's activities and its products or services.
- Stakeholder engagement and consumer relationships, including the Group's advertising, public relations, investor relations and compliance with consumer protection laws.
- Labour and employment, including:
  - the Group's standing in terms of the International Labour Organisation protocol on decent work and working conditions; and
  - the Group's employment relationships, and its contribution towards the educational development of its employees.

In fulfilling its functions, the SECOM has received and reviewed reports on:

HUMAN RIGHTS PRACTICES WITHIN THE GROUP

There have been no incidents of human rights abuses instituted against the Group in the year under review.

LABOUR AND EMPLOYMENT PRACTICES

The SECOM reviewed the employee headcount, progress of employment initiatives undertaken during the year, employment equity reporting, skills development reporting and legislative updates. Reports on Employment Equity were submitted to the Department of Labour timely. A new three-year Employment Equity Plan, for the period 1 October 2018 to 30 September 2021, was approved by the Employment Equity Committee. Progress on this plan is monitored by the Employment Equity Committee and the SECOM on a quarterly basis.

SECURITY AND CRIME PREVENTION

Cashbuild remained vigilant in maintaining compliance to policies and procedures which together with its Code of Ethics and Core Values forms the basis of its crime prevention drive.

TRANSFORMATION

The SECOM reviewed the Group's performance against the new B-BBEE codes. Legislation was passed in 2018 which resulted in Cashbuild now being reviewed and measured under the Construction Sector as opposed to the previous generic codes. The Group undertook a gap analysis to ascertain areas requiring focus, leading to the formulation of action plans and targets being set for the various elements of the B-BBEE score card with particular emphasis on Preferential Procurement and Enterprise & Supplier Development, an area in which Cashbuild does not meet the sub-minimum of the Construction Sector codes.

CORPORATE SOCIAL INVESTMENT

The Group's CSI strategy was revisited to ascertain areas of focus and a revised plan was approved. The expenditure on planned initiatives during the year was assessed and found to be satisfactory.

Cashbuild has registered with the Youth Employment Services (Yes-4-Youth) initiative and will be taking on at least 109 eligible persons in the 2019/2020 financial year. The Group remains committed to positively impacting the lives of people in communities in which we trade and in the current year, made various donations, both monetary and in time, through the Cashbuild Give-a-Brick Trust and directly to beneficiaries identified in the various communities where our business operates.

ANTI-CORRUPTION, ETHICS AND COMPLIANCE

During the year, the SECOM received various reports on ethics and compliance, and it was further noted that relevant information is being communicated to all employees through workshops and have been incorporated into the Cashbuild Way. Additionally, requested our external auditors provide feedback on how they ensure quality control within their operation and ensure that the highest ethical standards are achieved and maintained.

OCCUPATIONAL HEALTH AND SAFETY ACT

Compliance and Incident Reports were reviewed at all meetings and occurring incidents were recorded and appropriately dealt with.

CUSTOMER RELATIONSHIPS

The SECOM received and reviewed reports on the Group's advertising and public relations activities together with stakeholder relations initiatives. Analysts and customer feedback including complaints were also reviewed and plans to correct issued raised, implemented.

LEGISLATION

An update of legislative compliance is provided to the SECOM at quarterly meetings, incorporating acts and legislation of neighbouring countries in which Cashbuild trades. During the period under review, Cashbuild appointed a Compliance Officer, and a compliance adequacy assessment was conducted with a view to ensuring that all legislation affecting the Group is continuously monitored and remedial actions implemented where deemed necessary.

On occasion, the SECOM will draw matters within its mandate to the attention of the Board and report to the shareholders at the Annual General Meeting on the matters within its mandate.

ASSESSMENT

SECOM is satisfied that it has fulfilled all its duties during the year under review and has made significant progress in formalising or improving all relevant policies and implementing identified plans.

NV Simamane
Social and Ethics Committee Chairperson

2 September 2019

NOMINATION COMMITTEE REPORT

The Nomination Committee ("the Committee") has an independent role and ensures that the Board has the appropriate composition; that directors are appointed through a formal process; directors' induction and ongoing training and development of directors take place; and formal succession (and emergency) plans for the Board, Chief Executive, Executive Directors and Executive Management are in place.

NOMINATION COMMITTEE

Chairperson	IS Fourie
Members	AGW Knock, NV Simamane
Independence	All Committee members are independent non-executive directors
Meetings	At least two per annum
Responsibilities	The Committee's responsibilities include: Recommendations to the Board on the appointment and re-appointment of executive and non-executive directors; including the assessment of the appropriate balance between executive and non-executive directors. Ensuring the establishment of a formal process for the appointment of non-executive directors, the Chief Executive and the Financial Director. Annually reviewing the independence of non-executive directors, taking into account all applicable corporate governance requirements. Assesses succession planning at executive and senior management levels. The Chief Executive, in consultation with the Committee, is responsible for ensuring that adequate succession (and emergency) plans are in place. From time to time, reviewing the Board structure, size and composition. Recommendation of the directors retiring by rotation for re-election at the Annual General Meeting. Overseeing the development of a formal induction programme for new directors and the implementation of a continuous development programme for directors.
Assurance	The Committee is governed by good corporate governance principles and the Group's value statement. The Members of the Committee hereby confirms that they were diligent in exercising their duties of due care and skill and that they have taken reasonable steps to ensure that they performed their duties in accordance with the Committee's mandate.

Some of the activities undertaken by the Committee during the year include:

Review of the Board structure and composition and assessed the need for a new director appointment to further enhance the Board's retail and financial experience. A new independent non-executive director was appointed on 1 March 2019 consequent of that process.

The Committee also reviewed the emergency plans for the positions of Chief Executive, Financial Director, Operations Directors, and Executive Management and satisfied itself, and the Board, that adequate plans were in place in this regard.

The Board and Chairman succession plans were considered and confirmed by the Board.

IS Fourie
Nomination Committee Chairman

2 September 2019

ANNUAL FINANCIAL STATEMENTS

03

AUDIT AND RISK COMMITTEE REPORT

1. INTRODUCTION

The Audit and Risk Committee has pleasure in submitting this report, as required by section 94 of the Companies Act of South Africa, as amended and the JSE Listings Requirements. The Audit and Risk Committee acts for the Company and all its subsidiaries, and is accountable to the Board. It operates within a documented Charter and complies with all relevant legislation, regulation and governance codes and executes its duties in terms of the requirements of the King IV.

The performance of the Audit and Risk Committee is evaluated against the Charter on an annual basis and was found to be satisfactory for the year under review.

The Audit and Risk Committee consists of four independent non-executive directors:

HH Hickey (Chairperson)

M Bosman (appointed 27 May 2019)

Dr DSS Lushaba

GM Tapon Njamo

2. MEETINGS HELD BY THE AUDIT COMMITTEE

The Committee held four meetings during the year under review. Attendance has been set out on page 30 of the Directors' Report.

The internal and external auditors also attended all of the Committee meetings during the year and reported their activities and findings at these meetings. The Board Chairman, Executive directors and relevant senior managers attended meetings on a "by invitation" basis.

Audit and Risk Committee meetings commenced with a confidential meeting between the Committee members, non-executive directors and the internal and external auditors, as well as another confidential meeting held with the Chief Executive and Finance Director. Executive directors and relevant senior managers join the formal meeting once the confidential meetings have been concluded.

3. FUNCTIONS OF THE COMMITTEE

Responsibilities and duties

The Audit and Risk Committee fulfils its responsibilities and duties as set out in its Charter.

The functions of the Audit and Risk Committee include oversight of:

- reviewing of the interim and year-end financial statements and Integrated Report culminating with a recommendation to the Board;
- reviewing the external audit reports, after audit of the interim and year-end financial statements;
- assessing the external auditors' independence and performance;
- approving the audit fees in respect of both the interim and year-end audits;
- specifying guidelines and authorising contract conditions for the award of non-audit services by the external auditors;
- reviewing the internal audit and risk management reports with, when relevant, recommendations being made to the Board;
- ensuring that a combined assurance model has been applied to provide a co-ordinated approach to all assurance activities;
- evaluating the appropriateness and effectiveness of risk management, internal controls and the governance processes; and
- dealing with concerns relating to accounting practices, internal audit, the audit or content of Annual Financial Statements and internal financial controls.

External auditor

Independence

During the year under review, the Audit and Risk Committee reviewed the independence of the auditor.

PwC is the Group's external auditor with Mr AJ Rossouw as the independent individual registered auditor who will undertake the Group's audit for the ensuing year. Before recommending to the Board the re-election of PwC and being proposed to shareholders, the Committee satisfied itself of PwC's independence.

This assessment was made after considering the following:

- confirmation from the external auditor that their employees, or their immediate family, do not hold any direct or indirect financial interest or have any material business relationship with Cashbuild. The external auditors also confirmed that they have internal monitoring procedures to ensure their independence;
- the auditor does not, other than in their capacity as external auditors or rendering permitted non-audit services, receive any remuneration or other benefits from us;
- the auditor's independence was not prejudiced as a result of any previous appointment as auditor. In addition, an audit partner rotation process is in place in accordance with the relevant legal and regulatory requirements;
- the criteria specified for independence by the Independent Regulatory Board for Auditors;
- the audit firm and the designated auditor are accredited with the JSE; and
- PWC submitted reports relating to quality assessment reviews undertaken internally and by the Independent Regulatory Board for Auditors and the Public Company Accounting Oversight Board, together with progress on any remedial actions necessary. There are no significant matters to report to the shareholders in this regard.

Ordinary resolution number four set out in the Notice of the Annual General Meeting proposes the re-appointment of PwC as external auditor and Mr AJ Rossouw as the independent individual registered auditor of the Company.

External audit fees

The Committee:

- approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2019 financial year;
- reviewed and approved the non-audit services fees for the year under review and ensured that the fees were within limit and in line with the non-audit service policy; and
- determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services.

External audit performance

The Audit Committee reviewed:

- and approved the external audit plan, ensuring that material risk areas were included and that coverage of the significant business processes was acceptable; and
- reviewed the external audit reports and managements response, considered their effect on the financial statements and internal financial controls.

The Committee confirms that the external auditor has functioned in accordance with its terms of reference for the 2019 financial year.

Key audit matters

The Audit Committee has considered the matters noted in the independent auditor's report and reviewed the process followed by the auditor. Discussions have also taken place with management and the Committee is satisfied that the procedures followed by management are appropriate to address the matters noted being: impairment, testing of goodwill, and indefinite life intangible assets allocated to the P&L Hardware cash-generating unit and accuracy of supplier rebates.

AUDIT AND RISK COMMITTEE REPORT
CONTINUED

Financial statements

Responsibility

The Committee reviewed the interim results and year-end financial statements, including the public announcements of the Group's financial results, and made recommendations to the Board for their approval. In the course of its review, the Committee:

- took appropriate steps to ensure that the financial statements were prepared in accordance with IFRS;
- considered the appropriateness of accounting policies and disclosures made; and
- completed a detailed review of the going concern assumption, confirming that it was appropriate in the preparation of the financial statements.

The Committee was not required to deal with any complaints relating to accounting practices or Internal Audit, nor to the content or audit of the financial statements, nor internal financial controls and related matters.

Expertise and experience of Financial Director

As required by JSE Listings Requirement 3.84(h), the Audit and Risk Committee has satisfied itself that the Finance Director, Mr AE Prowse, has the appropriate expertise and experience to meet the responsibilities of his appointed position as required by the JSE Listings Requirements.

Adequacy of finance function

The Audit and Risk Committee has considered and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

Quality of earnings

The reconciliation between attributable earnings and headline earnings is set out in note 3 of the Annual Financial Statements.

Internal controls

The Cashbuild Way

Internal controls within Cashbuild are based on established policies and procedures contained in The Cashbuild Way. The Cashbuild Way is aligned with ISO 9001 principles and provides a uniform Company-wide standard regarding the defining, implementation and maintenance of policies, procedures and templates within all Cashbuild support and operational areas. Internal controls as contained in The Cashbuild Way are communicated throughout the Company and form the baseline of training provided to staff members.

Internal Audit team

Internal audit within the Cashbuild Group consists of a team of 32 members with two auditors and an internal audit manager dedicated to the auditing of support office-based audits, and 23 auditors dedicated to the auditing of key processes at stores. Two internal audit managers and three senior internal auditors take responsibility for quality assurance within the internal audit function. An Administrator assists the Audit and Risk Executive with the monitoring and reporting on Issues Management (e.g. tipoffs, burglaries and robberies, OHSAct incidents, etc.). Cashbuild's Audit and Risk Executive, heading up Internal Audit reports functionally to the Chief Executive with a reporting line to the Chairman of the Audit and Risk Committee. Internal Audit results are reported to the Audit and Risk Committee with emphasis placed on areas of high risk requiring management attention as identified in terms of non-compliance to key controls.

Internal Audit approach and methodology

Cashbuild's internal audit approach and methodology is risk-based in that key controls addressing identified business control risks are the focus areas driving Internal Audit service delivery. Cashbuild has a 95% target for compliance to key controls designed to mitigate business risk and diligently monitors achievement of this target through review and follow up of internal audit results. Detailed audit results are shared with store and line management for follow-up and correction.

In terms of the King Report on Governance, Internal Audit have provided a written assessment of the effectiveness of the Company's system of internal control and risk management. The principle further states that internal audit have provided an assessment regarding internal financial controls which should be reported specifically to the Audit and Risk Committee.

Service delivery by the Group Risk Management department, which includes risk management, issues management and internal audit aims to achieve the following best practice guidelines during performance of its internal control assessment process:

- identify strategic, sustainability, operational, compliance and financial objectives;
- assess risks that prevent the achievement of these objectives; and
- perform tests and gather evidence relating to the internal controls in place to manage these risks and the adequacy and effectiveness of such internal controls.

The content of the quarterly Audit and Risk Committee pack is designed in such a way as to provide the necessary information to members of the Audit and Risk Committee to obtain a level of assurance of the Company's system of internal control and risk management. In order to do this, the content of each quarterly Audit and Risk Committee pack is aimed at providing the reader sufficient information on the following topics:

- the scope of internal auditing activities, which includes the appropriate level and quality of work based on the Company's risks;
- the cycle on which audit plans are based;
- consideration of the control components and limitations of control;
- the status of follow-up activities;
- an expression on the pervasive effects being considered;
- a discussion of serious problems and solutions; and
- the overall assessment statement for the year.

Risk management

The Board is responsible for risk governance within Cashbuild. Responsibility for the monitoring thereof has been allocated to the Audit and Risk Committee.

Cashbuild management is responsible for the design, implementation and maintenance of a risk management approach, methodology and systems. Monitoring of the status of risks is the responsibility of management risk owners. Formalised monitoring and updating on the status of risks by the Executive Management team takes place on a quarterly basis during scheduled Company risk management review workshops.

Integrated Report

The Committee fulfils an oversight role regarding our Integrated Report and the reporting process. Accordingly it has:

- considered this Integrated Report and has assessed the consistency with operational, financial and other information known to the Audit and Risk Committee members, and for consistency with the Annual Financial Statements. The Committee is satisfied that this Integrated Report is materially accurate, complete and reliable and consistent with the Annual Financial Statements; and
- the Committee has recommended the Integrated Report for approval by the Board.

4. COMBINED ASSURANCE

The creation of a Combined Assurance Framework as recommended by the King Report on Governance has been completed and enacted in policy format. The purpose of this policy is integration and alignment of assurance processes in Cashbuild to minimise the risk of governance and control deficiencies, and optimise overall assurance to the Audit and Risk Committee as recommended by the King Report on Governance. Implementation of the policy, with the objective of optimising effective coordination across assurance providers (internal and external to Cashbuild), was completed during the 2019 financial year.

Financial statements

The Directors' Report is set out in pages 85 and 86.

External audit

The Independent Auditor's Report is set out on pages 87 to 92.

AUDIT AND RISK COMMITTEE REPORT
CONTINUED

Quality

PwC submitted reports relating to quality assessment reviews undertaken internally and by the Independent Regulatory Board for Auditors (IRBA) and the Public Company Accounting Oversight Board, together with progress on any remedial actions necessary.

The Audit Committee reviewed the following in terms of the Limited Listings Requirements:

A summary report of the most recent IRBA inspection policy report and decision letter from IRBA, the findings report and a copy of the proposed remedial action plan.

A summary of the information on the designated auditor, Mr AJ Rossouw, the results of which were satisfactory.

The JSE accreditation letter from the firm which included the designated auditor.

The IRBA letters for the latest reviews of the firm (2019) and designated auditor (2014).

The PWC Commitment to Audit Quality document.

The Audit Committee concluded that there were no matters of concern that would prevent the appointment of PWC as the auditors of the Group.

Key audit matters

The Audit Committee has considered the matters noted in the independent auditor's report and reviewed the process followed by the auditor.

The area of "Impairment testing of goodwill and indefinite life intangible assets allocated to the P&L Hardware cash-generating units" was reviewed by the auditors in depth. The Audit Committee has this area on its ongoing agenda and the Board is also informed of the progress on P&L Hardware on a regular basis. The Audit Committee agrees with the process followed by the external auditors and is satisfied with the judgement involved and the outcome noted in the financial statements.

The other Key Audit Matter is "Accuracy of supplier rebates" which is also under continuous focus of the Audit Committee. The Committee agrees that the processes followed by the external auditors are appropriate and that management have appropriately accounted for this.

In addition to the above the Audit Committee spent time understanding the other areas of significant judgement including, but not limited to, Inventory and the provisions related thereto as well as the IFRS 9 and IFRS 15 reporting and the introduction of IFRS 16 for future reporting.

The processes followed included discussions with management, understanding of the process, consideration of procedures followed and review of the final reporting. Confirmation of the appropriate reporting is then obtained from the external auditors as a final procedure.

Internal audit

Considering all of these factors set out in the Internal control and Risk management paragraphs above, the following assessment statement is presented by Cashbuild's Internal Audit: "Work performed by the Cashbuild Group Risk Management department during the current reporting period (July 2018 to June 2019) supports the assertion that Cashbuild's system of internal controls and risk management is effective, and that any serious problem and/or concern identified by the Group Risk Management Department during performance of its risk management, issues management and internal audit duties are reported on in quarterly Audit and Risk Committee Reports".

On behalf of the Audit Committee

HH Hickey
Audit and Risk Committee Chairperson

Johannesburg
2 September 2019

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act, 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the Group's and Company's Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Group's and Company's Annual Financial Statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the Group's and Company's Annual Financial Statements.

The Group's and Company's Annual Financial Statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Group's and Company's Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the year to 30 June 2020 and, in light of this review and the current financial position, they are satisfied that the Group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Group's and Company's Annual Financial Statements. The Group's and Company's Annual Financial Statements have been examined by the Group's external auditors and their report is presented on pages 87 to 92.

The Group's and Company's Annual Financial statements set out on pages 93 to 141, which have been prepared on the going concern basis under the supervision of the Financial Director, Mr A E Prowse CA(SA), were approved by the Board of Directors on 2 September 2019 and were signed on their behalf by:

Signed on behalf of the Board of Directors by:

Stefan Fourie
Chairman

Werner de Jager
Chief Executive

2 September 2019

COMPANY SECRETARY'S CERTIFICATION

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the Group has lodged with the Commissioner all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

Takalani Nengovhela

Company Secretary

2 September 2019

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the Annual Financial Statements of Cashbuild Limited for the year ended 30 June 2019.

1. NATURE OF THE BUSINESS

Cashbuild is southern Africa's largest retailer of quality building materials and associated products, selling direct to a cash-paying customer base through our chain of stores (315 at the end of this financial year which includes one DIY store and 59 P&L Hardware stores). Cashbuild carries an in-depth quality product range tailored to the specific needs of the communities we serve. Our customers are typically home-builders and improvers, contractors, farmers, traders, as well as all other customers requiring quality building materials at the best value.

Cashbuild has built its credibility and reputation by consistently offering its customers quality building materials at the best value and through a purchasing and inventory policy that ensures customers' requirements are always met.

2. FINANCIAL HIGHLIGHTS

Revenue for the year increased by 6%. Revenue for stores in existence prior to July 2017 (pre-existing stores – 281 stores) increased with 3% and our 34 new stores provided 3% increase. Gross profit increased by 6% with gross profit percentage decreasing from 25.2% to 25.1%. This was achieved in tough trading conditions with selling price inflation of 3%.

Operating expenses, including new stores, remained well controlled and increased by only 7% (existing stores 3% and new stores 4%) resulting in operating profit increasing by 3%. Basic earnings per share increased by 2% with headline earnings per share also increasing by 2% from the prior year.

The effective tax rate of 29.4% for the period is higher than that of the previous period due to a decrease in exempt income and an increase in disallowable charges relating to share-based payments.

Cash and cash equivalents decreased by 38% to R590 million as a result of payments to suppliers effected prior to year-end close resulting from the 53rd week (note 3). Stock levels, including new stores, remained constant with overall stockholding at 84 days (2018: 88 days) at year end. Net asset value per share has increased by 14%, from 7 561 cents (June 2018) to 8 636 cents.

During the year, Cashbuild opened 11 new stores (nine Cashbuild stores and two P&L Hardware stores), refurbished 26 stores and relocated four Cashbuild stores. Cashbuild closed 14 stores (five Cashbuild stores, six DIY stores and three P&L Hardware stores). Cashbuild will continue its store expansion, relocation and refurbishment strategy in a controlled manner, applying the same rigorous process as in the past.

3. REPORTING PERIOD

The Group adopts the retail accounting calendar, which comprises the reporting period ending on the last Sunday of the month June 2019: 30 June (53 weeks); June 2018: 24 June (52 weeks). The 53rd week includes revenue of R199 097 000, profit before tax of R51 587 000 and profit after tax of R36 289 000.

4. SHARE CAPITAL

There have been no changes to the authorised or issued share capital during the year under review.

5. DIVIDENDS

The Board has declared a final dividend (No. 53), of 420 cents (2018: 346 cents) per ordinary share out of income reserves to all shareholders of Cashbuild Limited. The dividend per share is calculated based on 24 989 811 (2018: 24 989 811) shares in issue at date of dividend declaration. Net local dividend amount is 336 cents per share for shareholders liable to pay Dividends Tax and 420 cents per share for shareholders exempt from paying Dividends Tax. Local dividend tax is 20%.

Relevant dates for the declaration are as follows: Date dividend declared: Monday, 2 September 2019; Last day to trade "CUM" the dividend: Monday, 23 September 2019; Date to commence trading "EX" the dividend: Wednesday, 25 September 2019; Record date: Friday, 27 September 2019; Date of payment: Monday, 30 September 2019. Share certificates may not be dematerialised or rematerialised between Wednesday, 25 September 2019 and Friday, 27 September 2019, both dates inclusive.

6. SHARE INCENTIVE SCHEME

Refer to note 16 of the Annual Financial Statements for details of the Group share incentive scheme.

7. DIRECTORATE

The directors in office at the date of this report are as follows:

WF de Jager (48)	Chief Executive, CA(SA)	Executive
A Hattingh (53)	Operations Director	Executive
AE Prowse (55)	Finance Director, CA(SA)	Executive
SA Thoresson (56)	Operations Director	Executive
W van Aswegen (52)	Commercial and Marketing Director, CA(SA)	Executive
M Bosman* (62)	CA(SA)	Independent non-executive
IS Fourie (72)	Chairman, CA(SA)	Independent non-executive
HH Hickey (65)	CA(SA)	Independent non-executive
AGW Knock (68)	BSc Eng (Hons); MSc (Engineering); MDP	Independent non-executive
Dr DSS Lushaba (53)	BSc Advanced Biochemistry (Hons), MBA, DBA, CD(SA)	Independent non-executive
NV Simamane (60)	BSc Chemistry and Biology (Hons)	Independent non-executive
GM Tapon Njamo (41)	CA(SA)	Independent non-executive

* *Mr M Bosman was appointed as an independent non-executive director effective 1 March 2019.*

8. BOARD COMMITTEES AND ATTENDANCE

Refer to page 30 of this Integrated Report.

9. DIRECTORS' INTERESTS IN CONTRACTS

During the financial year, no contracts were entered into in which directors or officers of the Group had an interest and which significantly affected the business of the Group.

10. INTERESTS IN SUBSIDIARIES AND OTHER INVESTMENTS

Details of material interests in subsidiary companies, associates and joint arrangements are presented in the consolidated Annual Financial Statements in notes 6 and 8.

11. BORROWING POWERS

In terms of the Memorandum of Incorporation of the Company, the borrowing powers of Cashbuild Limited are unrestricted. Flexible term general banking facilities available are R622 million (June 2018: R622 million).

12. EVENTS AFTER THE REPORTING PERIOD

On 5 August 2019 a resolution was passed to wind up the Share incentive Trust.

13. AUDITOR

PricewaterhouseCoopers Inc. were the auditors for the Company and its subsidiaries for the year ended 30 June 2019.

14. SECRETARY

The Company Secretary is Mr Takalani Nengovhela.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cashbuild Limited

Report on the audit of the consolidated and separate financial statements

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Cashbuild Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

Cashbuild Limited's consolidated and separate financial statements set out on pages 93 to 141 comprise:

- the consolidated and separate statements of financial position as at 30 June 2019;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended;
- the accounting policies; and
- the notes to the annual financial statements.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

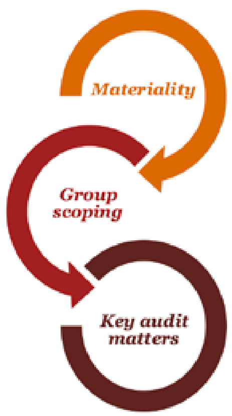
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

OUR AUDIT APPROACH

OVERVIEW



Overall group materiality

- R30.6 million, which represents 5% of the Group profit before taxation.

Group audit scope

- Our audit included full scope audits, review procedures and specified procedures of the various reportable segments within the Group.

Key audit matters

- Impairment testing of goodwill and indefinite life intangible assets allocated to the P&L Hardware reportable segment.
- Accuracy of supplier rebates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

MATERIALITY

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R30.6 million
How we determined it	5% of the Group profit before taxation
Rationale for the materiality benchmark applied	We chose group profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

HOW WE TAILORED OUR GROUP AUDIT SCOPE

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

As described in note 3 to the financial statements, the Group consists of four reportable segments which comprise operations in seven different African countries, with the South African operations trading under the Cashbuild and P&L Hardware store models, and other African countries trading under the Cashbuild model. The Group's financial statements comprise a consolidation of seventeen components, which includes the Group's retail business, property companies and trusts.

Our audit included a full scope audit of the Cashbuild South Africa and P&L Hardware reportable segments due to their financial significance to the Group, with specified and/or review procedures performed over the remaining reportable segments. All testing was performed centrally by the Group audit team. The values of the reportable segments for which a full scope audit was not performed, were considered to be within acceptable levels individually and in aggregate considering their contributions to the Group's consolidated financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

CONSOLIDATED FINANCIAL STATEMENTS

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill and indefinite life intangible assets allocated to the P&L Hardware reportable segment At reporting date, the Group has goodwill with a carrying value of R309.1 million of which R196.3 million is allocated to the P&L Hardware reportable segment, and indefinite life intangible assets, that comprise of trademarks, with a carrying value of R96.5 million (Refer to note 5: Impairment of assets and note 7: Intangible assets in this regard). The residual goodwill relating to Cashbuild of R112.8 million has significant headroom and is therefore not considered as part of the key audit matter. Goodwill acquired in a business combination and intangible assets with an indefinite useful life are required to be tested for impairment on an annual basis, pursuant to the requirements of IAS 36 - *Impairment of assets*. The impairment test for goodwill and intangible assets with indefinite useful lives, is performed for the Group of cash-generating units to which these assets have been allocated which is not larger than an operating segment. Management applied the value in use method to determine the recoverable amount of the P&L Hardware reportable segment. In determining the value in use of the P&L Hardware reporting segment, management makes assumptions and applies significant judgement in relation to the values assigned to the key assumptions made in the calculation such as the discount rate (pre-tax), working capital days and growth projections. Refer to accounting policy 1.22: Critical estimates and judgements and note 5: Impairment of assets where the key assumptions used and judgements applied by management have been disclosed. We considered this matter to be of most significance to the audit due to the significance of the judgements and assumptions applied by management in assessing whether the carrying values of goodwill and indefinite life intangible assets allocated to the P&L Hardware reportable segment are impaired.	For the goodwill balance and indefinite useful life intangible assets allocated to the P&L Hardware reportable segment, we performed the following procedures, among others, in respect of management's value in use calculation: • verified the mathematical accuracy of management's valuation models and agreed the relevant data, including assumptions on timing of future capital and reportable expenditure, to the latest budgets, and noted no exceptions; and • assessed the reasonableness of the budgeting process by comparing current year actual results with the prior year budgeted results and determined that management's budgeting techniques applied are reasonable. By utilising our valuation expertise, we assessed the reasonableness of the assumptions and inputs applied as follows: • assessing the reasonableness of the working capital and growth projections applied by management in their impairment assessment by comparing them to historically achieved growth rates, margins and target net working capital days and considered these to be reasonable; • assessing the appropriateness of the discount rate used by management in the cash flow forecast, by comparing the discount rate against our own internally developed range of acceptable discount rates, which took into account current and forecast economic conditions. While our range is, in itself, subjective, the discount rate adopted by management fell within our internally developed range. We held discussions with management, and obtained an understanding of the rationale for the discount rate applied and we considered this to be reasonable; and • applying a sensitivity analysis to management's assumptions using our own independent model and found this to be within an acceptable range.

Key audit matter	How our audit addressed the key audit matter
Accuracy of supplier rebates The Group has agreements with suppliers whereby value rebates, volume-related rebates and advertising rebates are earned in connection with the purchase of inventories for resale from those suppliers (collectively referred to as "supplier rebates"). Supplier rebates are accounted for as a reduction in the cost of inventories and result in a reduction of cost of sales as inventories are sold (Refer to the accounting policy for Cost of sales in Note 1.20). Management use a customised system ("Ryto") that interfaces with the Group's primary Enterprise Resource Planning ("ERP") system ("SAP"), to determine supplier rebates. Ryto's supplier rebate calculation is reliant on the following: • volumes and values purchased per supplier are obtained via an interface between the Ryto system and the creditors sub-ledger maintained in SAP; and • the contractual rebate percentages are obtained via an interface with the supplier master files maintained in SAP. Rebate percentages are manually captured as and when contracts are negotiated or amended. The supplier arrangements contain unique considerations in relation to the calculation of the rebate. These include: • volumes and/or value purchased; • period covered; and • the contractual rebate percentage applied to purchases from each supplier. In addition to calculating the value of rebates, the apportionment of rebates between inventories sold and those that remain on hand at period end needs to be assessed. We considered the calculation of supplier rebates to be a matter of most significance to the current period audit because it includes a number of unique considerations and an error in the calculation could result in a material misstatement.	We obtained a detailed understanding of the supplier rebate process and evaluated the design and implementation of controls that the Group has established over supplier rebates. We recalculated the supplier rebate income recognised in the Ryto system by using computer assisted auditing techniques and noted no material differences. On a sample basis, we tested the inputs used to determine the supplier rebates as follows. We: • compared cash receipts of supplier rebates earned through inspection of the bank statement to the supplier rebates recognised in the current period; • obtained confirmation from suppliers of the total rebates earned for the period and the underlying rebate calculation data including volumes and values purchased during the period and the rebate percentage applicable and reconciled those confirmations to the accounting records; and • agreed the rebate percentage per the supplier master files to signed contracts. No material differences in the above inputs were noted from the sample tested. We reconciled the total purchases recorded in SAP to the total purchases included in the Ryto supplier rebate calculation. We discussed the reconciling items with management and corroborated these to the appropriate supporting evidence. Supplier rebates included as a reduction in the cost of inventories were tested by comparing management's unrealised rebate calculation to our independent assessment thereof. In determining our independent assessment we applied analytical procedures which included calculating a rebate percentage per inventory category and applying this to the respective inventories remaining on hand at period end. No material differences were noted.

SEPARATE FINANCIAL STATEMENTS

We have determined that there are no key audit matters in respect of the separate financial statements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Cashbuild Limited and its Subsidiaries Consolidated Annual Financial Statements for the year ended 30 June 2019", which includes the Directors' Report, the Audit Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Cashbuild Integrated Report 2019", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT CONTINUED

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Cashbuild Limited for 21 years.

PricewaterhouseCoopers Inc.

Director: AJ Rossouw
Registered Auditor

Johannesburg

3 September 2019

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2019

		Group			Company	
Figures in Rand thousand	Notes	**2019**	Restated* 2018	Restated* 2017	**2019**	2018
Assets						
Non-current assets						
Property, plant and equipment	4	**1 129 283**	1 100 132	978 615	**–**	–
Intangible assets	7	**426 398**	433 467	397 015	**–**	–
Investments in subsidiaries	8	**–**	–	–	**79 137**	65 509
Investment property	6	**28 158**	–	–	**–**	–
Loan to subsidiary	8	**–**	–	–	**33 617**	39 534
Deferred tax	9	**65 781**	45 695	26 732	**–**	–
Prepayments	10	**66 470**	85 707	80 328	**–**	–
		1 716 090	1 665 001	1 482 690	**112 754**	105 043
Current assets						
Inventories	11	**1 541 295**	1 538 708	1 314 634	**–**	–
Trade and other receivables	12	**117 807**	118 489	122 462	**–**	–
Prepayments	10	**25 747**	20 360	14 402	**–**	–
Cash and cash equivalents	13	**590 150**	952 929	801 420	**2 776**	5 554
Non-current assets held for sale	14	**3 576**	4 510	4 345	**–**	–
		2 278 575	2 634 996	2 257 263	**2 776**	5 554
Total assets		**3 994 665**	4 299 997	3 739 953	**115 530**	110 597
Equity and liabilities						
Equity						
Equity attributable to equity holders of parent						
Share capital	15	**(274 187)**	(274 187)	(275 192)	**1 274**	1 274
Reserves		**81 286**	62 575	48 988	**79 137**	65 509
Retained income/(loss)		**2 349 602**	2 101 206	1 881 901	**(9 690)**	(3 896)
		2 156 701	1 889 594	1 655 697	**70 721**	62 887
Non-controlling interest		**30 699**	27 725	23 208	**–**	–
		2 187 400	1 917 319	1 678 905	**70 721**	62 887
Liabilities						
Non-current liabilities						
Finance lease liabilities		**–**	115	1 052	**–**	–
Operating lease liability	19	**187 378**	162 930	137 051	**–**	–
Deferred tax	9	**36 907**	42 180	37 480	**–**	–
Contingent consideration		**–**	–	22 886	**–**	–
		224 285	205 225	198 469	**–**	–
Current liabilities						
Trade and other payables	20	**1 554 567**	2 102 343	1 799 724	**2 378**	5 279
Finance lease liabilities		**–**	936	1 191	**–**	–
Current tax payable	30	**28 413**	74 174	61 664	**–**	–
Loans from group companies	18	**–**	–	–	**42 431**	42 431
		1 582 980	2 177 453	1 862 579	**44 809**	47 710
Total liabilities		**1 807 265**	2 382 678	2 061 048	**44 809**	47 710
Total equity and liabilities		**3 994 665**	4 299 997	3 739 953	**115 530**	110 597

The accounting policies on pages 99 to 107 and the notes on pages 108 to 141 form an integral part of the annual financial statements.

** The impact of the change in accounting policies are disclosed in note 2.*

INCOME STATEMENTS

for the year ended 30 June 2019

Figures in Rand thousand	Notes	Group 2019	Group Restated* 2018	Company 2019	Company 2018
Revenue	21	**10 821 235**	10 206 730	**195 170**	221 410
Cost of sales	22	**(8 101 229)**	(7 638 277)	**–**	–
Gross profit		**2 720 006**	2 568 453	**195 170**	221 410
Other income	23	**15 397**	30 926	**–**	–
Selling and marketing expenses	24	**(1 884 034)**	(1 778 355)	**–**	–
Administrative expenses	24	**(279 056)**	(267 566)	**(5 794)**	(5 892)
Other operating expenses	24	**(13 288)**	(10 263)	**–**	–
Operating profit	24	**559 025**	543 195	**189 376**	215 518
Finance income	25	**57 878**	54 128	**–**	–
Finance costs	26	**(4 190)**	(3 143)	**–**	–
Profit before taxation		**612 713**	594 180	**189 376**	215 518
Tax expense	27	**(180 294)**	(169 027)	**–**	–
Profit for the year		**432 419**	425 153	**189 376**	215 518
Profit attributable to:					
Owners of the parent		**427 357**	420 514	**189 376**	215 518
Non-controlling interest		**5 062**	4 639	**–**	–
		432 419	425 153	**189 376**	215 518

Earnings per share for profit attributable to the ordinary equity holders of the Company per share information

	Notes	Group 2019	Group Restated* 2018	Company 2019	Company 2018
Per share information					
Basic earnings per share (cents)	28	**1 881.3**	1 851.6	**757.8**	862.4
Diluted earnings per share (cents)	28	**1 880.6**	1 850.9	**757.5**	862.1
		3 761.9	3 702.5	**1 515.3**	1 724.5

The accounting policies on pages 99 to 107 and the notes on pages 108 to 141 form an integral part of the annual financial statements.

** The impact of the change in accounting policies are disclosed in note 2.*

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Group		Company	
Figures in Rand thousand	**2019**	Restated* 2018	**2019**	2018
Profit for the year	**432 419**	425 153	**189 376**	215 518
Other comprehensive income:				
Items that may be reclassified to profit or loss:				
Owners of the parent (note 17)	**5 083**	5 395	**–**	–
Non-controlling interests	**(375)**	922	**–**	–
Total movement in foreign currency translation reserve (FCTR)^	**4 708**	6 317	**–**	–
Other comprehensive income for the year net of taxation	**4 708**	6 317	**–**	–
Total comprehensive income	**437 127**	431 470	**189 376**	215 518
Total comprehensive income attributable to:				
Owners of the parent	**432 440**	425 909	**189 376**	215 518
Non-controlling interest	**4 687**	5 561	**–**	–
	437 127	431 470	**189 376**	215 518

The accounting policies on pages 99 to 107 and the notes on pages 108 to 141 form an integral part of the annual financial statements.

** The impact of the change in accounting policies are disclosed in note 2.*

^ Movement in foreign currency translation reserve is net of tax.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2019

Figures in Rand thousand	Share capital	Share premium	Total share capital
Group			
Balance as at 30 June 2016 (Restated*)	227	(275 384)	(275 157)
Total comprehensive income for the year	–	–	–
Share-based payments	–	–	–
Shares purchased by the Share Incentive Trust	–	(2 561)	(2 561)
Shares sold by the Share Incentive Trust	–	2 526	2 526
Dividends paid	–	–	–
Balance at 30 June 2017 (Restated*)	227	(275 419)	(275 192)
Total comprehensive income for the year	–	–	–
Share-based payments	–	–	–
Shares purchased by the Operations Management Trust	–	(605)	(605)
Shares sold by the Operations Management Trust	–	1 610	1 610
Dividends	–	–	–
Balance at 30 June 2018 (Restated*)	227	(274 414)	(274 187)
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**
Dividends	**–**	**–**	**–**
Balance at 30 June 2019	**227**	**(274 414)**	**(274 187)**
Notes	15	15	15

** The impact of the change in accounting policies are disclosed in note 2.*

Figures in Rand thousand	Share capital	Share premium	Total share capital
Company			
Balance as at 1 June 2016	250	1 024	1 274
Total comprehensive income for the year	–	–	–
Share-based payments	–	–	–
Dividends paid	–	–	–
Balance at 30 June 2017	250	1 024	1 274
Total comprehensive income for the year	–	–	–
Share-based payments	–	–	–
Dividends	–	–	–
Balance at 30 June 2018	250	1 024	1 274
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**
Dividends	**–**	**–**	**–**
Balance at 30 June 2019	**250**	**1 024**	**1 274**
Notes	15	15	15

FCTR	Share-based payments reserve	Total reserves	Retained income/ (loss)	Non-controlling interest	Total equity
10 645	52 985	63 630	1 651 042	21 948	1 461 463
(18 974)	–	(18 974)	464 882	2 636	448 544
–	4 332	4 332	–	–	4 332
–	–	–	–	–	(2 561)
–	–	–	–	–	2 526
–	–	–	(234 023)	(1 376)	(235 399)
(8 329)	57 317	48 988	1 881 901	23 208	1 678 905
5 395	–	5 395	420 514	5 561	431 470
–	8 192	8 192	–	–	8 192
–	–	–	–	–	(605)
–	–	–	–	–	1 610
–	–	–	(201 210)	(1 044)	(202 254)
(2 934)	65 509	62 575	2 101 205	27 725	1 917 318
5 083	**–**	**5 083**	**427 357**	**4 687**	**437 127**
–	**13 628**	**13 628**	**–**	**–**	**13 628**
–	**–**	**–**	**(178 960)**	**(1 713)**	**(180 673)**
2 149	**79 137**	**81 286**	**2 349 602**	**30 699**	**2 187 400**
17	16				

FCTR	Share-based payments reserve	Total reserves	Retained income/ (loss)	Non-controlling interest	Total equity
–	52 985	52 985	6 282	–	60 541
–	–	–	252 609	–	252 609
–	4 332	4 332	–	–	4 332
–	–	–	(256 895)	–	(256 895)
–	57 317	57 317	1 996	–	60 587
–	–	–	215 518	–	215 518
–	8 192	8 192	–	–	8 192
–	–	–	(221 410)	–	(221 410)
–	65 509	65 509	(3 896)	–	62 887
–	**–**	**–**	**189 376**	**–**	**189 376**
–	**13 628**	**13 628**	**–**	**–**	**13 628**
–	**–**	**–**	**(195 170)**	**–**	**(195 170)**
–	**79 137**	**79 137**	**(9 690)**	**–**	**70 721**
17	16				

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2019

		Group		Company	
Figures in Rand thousand	Notes	**2019**	2018	**2019**	2018
Cash flows from operating activities					
Cash generated from operations	29	**213 079**	781 720	**(8 695)**	(6 605)
Finance income – non-investing	25	**337**	389	**–**	–
Dividends received		**–**	–	**195 170**	221 410
Finance costs	26	**(4 190)**	(3 143)	**–**	–
Tax paid	30	**(251 414)**	(169 776)	**–**	–
Net cash (utilised)/from operating activities		**(42 188)**	609 190	**186 475**	214 805
Cash flows from investing activities					
Purchase of property, plant and equipment	4	**(201 869)**	(239 041)	**–**	–
Proceeds on disposal of assets held for sale	4	**–**	1 189	**–**	–
Proceeds on disposal of property, plant and equipment	32	**8 050**	6 579	**–**	–
Finance income	26	**57 541**	53 739	**–**	–
Purchase of intangible assets	7	**(1 684)**	(9 958)	**–**	–
Business combinations	7	**–**	(72 573)	**–**	–
Loans advanced to group companies		**–**	–	**5 917**	6 331
Net cash (used in)/from investing activities		**(137 962)**	(260 065)	**5 917**	6 331
Cash flows from financing activities					
Shares sold by Cashbuild Trusts	15	**–**	1 610	**–**	–
Shares purchased by Cashbuild Trusts	15	**–**	(605)	**–**	–
Payment on lease liabilities		**(1 051)**	(1 192)	**–**	–
Dividends paid	31	**(178 960)**	(201 210)	**(195 170)**	(221 410)
Dividends paid to non-controlling interests	31	**(1 713)**	(1 044)	**–**	–
Net cash used in financing activities		**(181 724)**	(202 441)	**(195 170)**	(221 410)
Total cash movement for the year		**(361 874)**	146 684	**(2 778)**	(274)
Cash at the beginning of the year		**952 929**	801 420	**5 554**	5 828
Effect of exchange rate movement on cash balances		**(905)**	4 825	**–**	–
Total cash at end of the year	13	**590 150**	952 929	**2 776**	5 554

ACCOUNTING POLICIES

for the year ended 30 June 2019

Corporate information

Cashbuild Limited and its Subsidiaries is a public company incorporated and domiciled in South Africa.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate Annual Financial Statements are set out below.

1.1 BASIS OF PREPARATION

The consolidated and separate annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act, 71 of 2008 of South Africa, as amended.

These annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Group and Company's functional currency.

These accounting policies are consistent with the previous period, except for the adoption of the new standards IFRS 9 and IFRS 15 set out in note 2.

1.2 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2 below. The other standards amendments did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

The below new or amended standards became applicable for the current reporting period commencing 1 July 2018:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2 below. The other standards amendments did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

1.3 CONSOLIDATION

Basis of consolidation

The annual financial statements incorporate the annual financial statements of the Company and all subsidiaries. Subsidiaries are entities which are controlled by the Group.

The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through using its power over the entity.

The results of subsidiaries are included in the annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.4 INVESTMENT PROPERTY

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less depreciation less any accumulated impairment losses.

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets which the Group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost, which includes all of the expenditure which is directly attributable to the acquisition or construction of the asset. Subsequently property, plant and equipment is measured at historical cost less accumulated depreciation and accumulated impairment losses.

Expenditure incurred subsequently to refurbish, expand or replace property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Maintenance costs are included in profit or loss in the year in which they are incurred.

Assets are depreciated when an asset is available for use, and depreciated on a straight-line basis over its expected useful lives. Assets which are expected to have a material disposal value are allocated residual values, these assets are depreciated up to residual value and useful lives are re-evaluated annually. Depreciation on buildings ceases when they are classified as held for sale under the requirements of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Land is not depreciated.

The details including the useful lives of items of property, plant and equipment have been disclosed in note 4.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.6 INTANGIBLE ASSETS

Goodwill

Goodwill arises on the acquisition of a business combination, and is the amount by which the fair value of consideration transferred and the amount of any non-controlling interest recognised exceeds the identifiable assets and liabilities recognised in accordance with IFRS 3.

Trademark

Trademarks which have a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 10 years.

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. At year-end this consists of the acquired tradename of P&L Hardware which is considered to have an indefinite useful life.

This intangible asset is regarded as having an indefinite useful life due to there being, based on all relevant factors, no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. No impairment will arise if the present value of the expected net cash inflows in perpetuity support the fair value of the intangible acquired.

Computer software

Computer software is capitalised on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortised on a straight-line basis over their estimated useful lives of three to five years.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Computer software is carried at cost less accumulated depreciation. Refer to note 7 for details of the Group's intangible assets.

1.7 FINANCIAL INSTRUMENTS

Classification

The Group classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost.
- Financial liabilities measured at amortised cost.

Financial assets at amortised cost

The Group's financial assets at amortised cost category comprises trade and other receivables as well as loans to Group companies.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables have been classified at amortised cost because their contractual terms give rise, on specified dates to cash flows that are solely payments of the principal and interest and the Group's business model is to collect the contractual cash flows on trade and other receivables. Collection is expected in one year or less and therefore the trade receivables have been classified as current assets.

Loans to group companies are financial assets classified as receivables, and relate to funding provided to subsidiaries or trusts within the Group.

Financial liabilities measured at amortised cost

Trade payables and loans from Group companies are financial liabilities measured at amortised cost. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. Borrowings consist of overdraft facilities available to the Group. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the financial position date.

Financial assets at amortised cost

Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group has made use of the practical expedient where the Group presumes that a trade receivable does not have a significant financing component as the expected term is less than one year. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Loans to group companies are initially recognised at the amount of the advance to group companies. Subsequently loans to group companies are measured at amortised cost.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.7 FINANCIAL INSTRUMENTS (CONTINUED)

Recognition and measurement

Financial liabilities measured at amortised cost

Trade payables are initially measured at fair value plus transaction costs, if any, and are subsequently measured at amortised cost, using the effective interest rate method.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and redemption value is recognised in the statement of profit or loss and other income over the period of the borrowings using the effective interest rate method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As a practical expedient, the Group uses a provision matrix based on the Group's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. Refer to note 12 for the impact of the expected credit loss.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Foreign currency bank accounts are translated into the functional currency using the exchange rates prevailing at the statement of financial position date. Foreign exchange gains and losses resulting from the revaluation of these balances are recognised in the income statement.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

1.8 INVENTORIES

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories includes a "right to returned goods asset" which represents the Group right to recover products from customers where customers exercise their right of return under the Group returns policy. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. A corresponding adjustment is recognised against cost of sales.

Refer to note 11 for disclosures of inventory and related values.

1.9 IMPAIRMENT OF ASSETS

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill acquired in a business combination for impairment every reporting period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken every reporting period or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Refer to note 5 for details thereof.

Trademarks are assessed for impairment annually or more frequently if indicators of impairment exist.

The significant assets considered for impairment during the year are the goodwill and trademark acquired from the P&L Hardware business combination. Refer to note 5 for details thereof.

1.10 SHARE CAPITAL AND EQUITY

Ordinary shares are classified as equity. Where group companies purchase the Company's share capital, the consideration paid including attributable transaction costs (net of income taxes), is deducted from equity attributable to the Company's equity holders as treasury shares until they are cancelled, re-issued or sold. Where such shares are subsequently sold or re-issued, any consideration received net of directly attributable incremental transaction costs and related income tax effects is included in shareholders' funds.

The shares held by The Cashbuild Empowerment Trust, Cashbuild Management Member Trust and Cashbuild (South Africa) Proprietary Limited are classified as treasury shares.

Dividends received on treasury shares are eliminated on consolidation, except the dividends on which participants are entitled to in terms of The Cashbuild Empowerment Trust deed, which is accounted for as a staff expense in the statement of profit or loss and other income.

Detail of share capital and share premium including the impact of treasury shares is disclosed in note 15.

1.11 EMPLOYEE BENEFITS

Short-term employee benefits

Long service awards

The Group has an obligation to pay long service awards to employees who reach certain predetermined milestone periods of service. Costs incurred in relation to the obligation are debited against the liability as incurred. Movements in the liability arising from the valuation are charged to income upon valuation. Gains and losses are recognised immediately in full.

Bonuses

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the revenue and profit before tax. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Defined contribution plans

The Group provides for retirement benefits for employees by payments to independent defined contribution funds and contributions are expensed. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions, if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating losses.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

1.13 JOINT ARRANGEMENTS

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint operations

The Company recognises the following in relation to its interests in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

1.14 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are carried at cost less any accumulated impairment losses.

1.15 PREPAYMENTS

Prepayments comprises of rental prepayments to store developers and general prepayments for goods or services to be provided in future years. Current prepayments relate to general prepayments as well as the portion of the rental prepayment that will realize within 12 months after period end. Non-current prepayments relate to the portion of the rental prepayments that will realize between 1 to 11 years.

1.16 TAX

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

For details of deferred tax assets and liabilities at year end refer to note 9.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Components of the tax expense and effective tax rate is disclosed in note 27.

1.17 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.18 SHARE-BASED PLANS AND RELATED PAYMENTS

The Group operates a number of equity-settled, share-based compensation plans:

Cashbuild Forfeitable Share Scheme ("FSP")

Shares are offered under a share purchase and a share award scheme to executive directors and selected management. Schemes have a vesting period of three years. The impact is recognised directly in the statement of profit or loss and other income, with a corresponding adjustment to equity. The effect of all shares issued under this scheme is taken into account when calculating the diluted basic and headline earnings per share.

The fair value determined at the award date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value is based on a Black Scholes option pricing model. A vested share option is exercised when the Group delivers the share to the director or employee on receipt of payment of the grant (strike) price. The grant date fair value will not be remeasured subsequently. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the shares vest.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.18 SHARE BASED PLANS AND RELATED PAYMENTS (CONTINUED)

Cashbuild Operations Management Member Trust

Share incentives under this operational managers scheme entitles qualifying store management members to receive a bonus that is split in equal proportion between cash and shares. The cash portion will be received immediately and the share portion will vest at the end of a three year period, or such earlier dates as provided in the Trust Deed.

Dividends from The Cashbuild Empowerment Trust

Amounts paid to beneficiaries of the trust, being employees of the Group, are treated as staff cost in the income statement. The amounts paid out by the members is equal to dividends received by the trust less specific cost incurred by the trust.

Additional detail relating to distributions made by the trust is disclosed in note 36.

1.19 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it satisfies the performance obligation. The performance obligation would be the sale of goods and this would be satisfied at the point of sale.

The following is a description of principal activities where the Company generates revenue. The Company has disclosed the nature, timing of satisfaction of performance obligations and significant payment terms.

Sale of goods – retail

There are no significant changes to the Group's revenue recognition policy attributable to product sales. The Company is now required to disclose the revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

The group operates a chain of retail stores selling building materials. Revenue from the sale of goods is recognised when a group entity sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the building materials and takes delivery in store. It is the Group's policy to sell its products to the end customer with a right of return. Therefore, a refund liability (included in trade and other payables) is recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Refer to note 2 for details of the change in accounting policy and the impact on the financial statements.

1.20 COST OF SALES

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related settlement discounts and rebates received on inventories are deducted from cost of sales.

Cost of sales is reduced by the amount recognised in inventory as a "right to returned goods asset" which represents the Group right to recover products from customers where customers exercise their right of return under the Group returns policy.

1.21 TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions and Group translation

Stores which trade in foreign entities trade in foreign currencies being Botswana Pula, Malawian Kwacha, Zambian Kwacha and US dollar. These are translated into reporting currency (Rands) at the end of the reporting period.

The results of and financial positions of all the Group entities (none of which have the currency of a hyperinflation economy) that have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- income and expenses for each statement of profit or loss and other income are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions);
- assets and liabilities for each financial position presented are translated at the closing rates at the date of that financial position; and
- all resulting exchange differences are recognised through other comprehensive income.

On consolidation exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. If a foreign entity were to be sold, such exchange differences would be recognised in the statement of profit or loss and other income as part of the gain or loss on sale.

If goodwill and fair value adjustments were to arise on the acquisition of foreign entities they would be treated as assets and liabilities of the foreign entity and translated at closing rates. Exchange differences arising are recognised in other comprehensive income.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.22 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying the Group's accounting policies. These are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements. The key estimates and assumptions relating to these areas are disclosed in the relevant notes to the financial statements.

All estimates and underlying assumptions are based on historical experience and various other factors that management believe are reasonable under the circumstances. The results of these estimates form the basis of judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any affected future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

- Inventory net realisable value – Impairment allowances are raised against inventory when it is considered that the amount realisable from such inventory's sale is considered to be less than its carrying amount. The impairment allowance is estimated with reference to an inventory age analysis, stock turnover and margin which have an element of estimation uncertainty. Refer to note 11 for more information.
- Goodwill impairment – Assumptions made in the calculation of the value-in-use of operating segment's such as discount rates, working capital and growth projections carry a significant amount of estimation uncertainty and are revised based on continuing company performance and market indicators. Refer to note 5 for more information.
- Indefinite life of intangible assets – Judgements used in determining that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Refer to note 5 for more information.
- Investment property – Cashbuild has elected to recognise the investment property at cost which is a critical judgement. Refer to note 6 for more information.

2. CHANGES IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

The group has adopted IFRS 9 Financial Instruments as at 1 July 2018. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) impairment for financial assets. Details of these new requirements as well as their impact on the Group's financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. The Group has elected not to restate the prior periods, with any material difference between the previous carrying amount and the carrying amount at the beginning of the current year going through retained earnings.

After assessing the trade debtors and rebate debtors and their provisions, no material impact was noted on the financial statements. The adoption of IFRS 9 Financial Instruments from 1 July 2018 therefore had an immaterial impact on the financial statements. Therefore no restatement was done for prior periods, refer to note 12 for more details.

The adoption of IFRS 9 had the following impact on the Group:

- Change from the IAS 39 incurred loss model to the expected credit loss (ECL) model to calculate impairments of trade receivables; and
- Change in classification of the measurement categories for financial instruments.

IFRS 9 introduces new measurement categories for financial assets. From 1 July 2018 the Group classifies financial assets in each of the IFRS 9 measurement categories based on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset. Measurement category under IAS 39 was "Loans and receivables" under IFRS 9 category would be "financial assets at amortised cost" as these assets are held within a business model with the objective to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Reclassification into the new measurement categories of IFRS 9 did not have a significant impact on the Group.

Application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers.

The Group has applied IFRS 15 with an initial date of application of 1 July 2018 in accordance with the fully retrospective transitional approach. The comparative information has therefore been restated.

The main changes are explained below:

Right of return

Adjustments made relate to expected sales returns. An exercise was performed based on sales for the last six months to determine the average percentage of sales returned for credit. This percentage was applied to the sales figure at each period end starting with June 2016, and a provision was raised in this respect. The average return period is 6.25 days after the original sale.

In terms of IFRS 15, revenue with a right of return requires an entity to recognise a refund liability if the entity receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received (or receivable) for which the entity does not expect to be entitled to (i.e. amounts not included in the transaction price). The refund liability shall be updated at the end of each reporting period for changes in circumstances.

Revenue and cost of sales are reduced with the expected credit return. The corresponding refund liability (classified under trade and other payables) and right-of-use asset (classified under inventory) are recognised. Deffered tax implications on the refund liability and right-of-use asset are recognised in the statement of profit and loss and the deferred tax balance in the statement of financial position.

Customers occasionally buy goods and return them for a number of reasons. Whatever the reason, Cashbuild will accept the return provided that the goods are identified as Cashbuild stock, the goods are in a condition to be resold and the Customer produces a receipt for the goods, or the Store Manager authorises the return without the original receipt.

In summary, the following adjustments were made at the date of initial application:

Impact on the financial statements for prior period presented

Statement of profit and loss (R'000)	**30 June 2018 as originally presented IAS 18**	Impact of change IFRS 15	30 June 2018 Restated
Revenue	**10 207 603**	(873)	10 206 730
Cost of sales	**(7 639 019)**	742	(7 638 277)
Gross profit	**2 568 584**	(131)	2 568 453
Operating profit	**543 326**	(131)	543 195
Profit before income tax	**594 311**	(131)	594 180
Income tax expense	**(169 063)**	36	169 027
Profit for the period	**425 248**	(95)	425 153

Statement of financial position (R'000)	30 June 2018 as originally presented IAS 18	Impact of change IFRS 15	30 June 2018 Restated	30 June 2017 as originally presented IAS 18	Impact of change IFRS 15	30 June 2017 Restated
Deferred tax asset	44 090	1 605	45 695	25 164	1 568	26 732
Inventories	1 512 823	25 885	1 538 708	1 289 491	25 143	1 314 634
Retained earnings	(2 105 371)	4 165	(2 101 206)	(1 885 972)	4 071	(1 881 901)
Trade and other payables	(2 070 688)	(31 655)	(2 102 343)	(1 768 942)	(30 781)	(1 799 723)

Earnings per share for profit attributable to the ordinary equity holders of the Company	**30 June 2018 as originally presented IAS 18**	Impact of change IFRS 15	30 June 2018 Restated
Basic earnings per share (cents)	**1 852.0**	(0.4)	1 851.6
Diluted earnings per share (cents)	**1 851.0**	(0.9)	1 851.9

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

3. SEGMENTAL INFORMATION

The Executive Directors are the chief operating decision makers and are responsible for allocating resources and assessing performance of each operating segment.

Cashbuild's operating segments include the Cashbuild model stores (based in South Africa, Botswana, Swaziland, Lesotho, Namibia, Malawi and Zambia) as well as the P&L Hardware model stores (based only in South Africa).

Cashbuild's operating segments are also considered to be reportable segments. Cashbuild's reportable segments are as follows:

- Cashbuild South Africa (based in South Africa)
- P&L Hardware model stores (based in South Africa)
- Cashbuild common monetary operations (Swaziland, Lesotho and Namibia)
- Cashbuild non-common monetary operations (Botswana, Malawi and Zambia)

All operating segments are in the business of retail of building materials and associated products.

The Group evaluates the performance of its operating segments based on revenue and operating profit. Operating profit is the earnings before interest and tax.

June 2019

	Revenue		Separately disclosable items				
30 June 2019 (R'000)	**Total segment revenue**	**Revenue from external customers**	**Operating profit/ (loss)**	**Depreciation and amortisation**	**Interest revenue**	**Interest expense**	**Taxation**
Cashbuild South African operations	**8 475 594**	**8 475 594**	**526 040**	**(109 929)**	**34 062**	**2 357**	**(169 622)**
P&L Hardware operations	**1 258 394**	**1 258 394**	**(8 493)**	**(11 583)**	**294**	**(645)**	**3 742**
Cashbuild common monetary operations	**613 587**	**613 587**	**35 074**	**(8 234)**	**20 334**	**(5 154)**	**(13 776)**
Cashbuild non-common monetary operations	**473 660**	**473 660**	**6 404**	**(8 152)**	**3 188**	**(748)**	**(638)**
Total	**10 821 235**	**10 821 235**	**559 025**	**(137 898)**	**57 878**	**(4 190)**	**(180 294)**

June 2018 – Restated

	Revenue			Separately disclosable items				
30 June 2018 – Restated (R'000)	Total segment revenue	Inter-segmental	Revenue from external customers	Operating profit/ (loss)	Depreciation and amortisation	Interest revenue	Interest expense	Taxation
Cashbuild South African operations	8 043 313	–	8 043 313	478 776	(114 485)	29 408	(2 660)	(149 103)
P&L Hardware operations	1 138 739	(2 686)	1 136 053	21 388	(8 388)	1 043	(377)	(5 845)
Cashbuild common monetary operations	606 637	–	606 637	36 266	(7 599)	20 559	(55)	(14 200)
Cashbuild non-common monetary operations	420 727	–	420 727	6 765	(7 515)	3 078	(51)	121
Total	10 209 416	(2 686)	10 206 730	543 195	(137 987)	54 088	(3 143)	(169 027)

The table below provides information on segment assets and liabilities as well as a reconciliation to total assets and liabilities as per the statements of financial position.

June 2019

Figures in Rand thousand	**Capital investment**	**Total assets**	**Total liabilities**
Cashbuild South African operations	**166 203**	**2 435 673**	**(795 192)**
P&L Hardware operations	**12 037**	**768 877**	**(737 174)**
Cashbuild common monetary operations	**19 642**	**529 141**	**(127 073)**
Cashbuild non-common monetary operations	**5 674**	**260 974**	**(147 826)**
Total	**203 556**	**3 994 665**	**(1 807 265)**

June 2018 – Restated

Figures in Rand thousand	Capital investment	Total assets	Total liabilities
Cashbuild South African operations	119 772	2 787 079	(1 418 988)
P&L Hardware operations	81 638	719 003	(635 375)
Cashbuild common monetary operations	23 954	528 377	(172 615)
Cashbuild non-common monetary operations	18 635	265 538	(155 700)
Total	243 999	4 299 997	(2 382 678)

+ Capital investment relates to total additions during the year of property, plant and equipment and intangible assets.

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for the year ended 30 June 2019

4. PROPERTY, PLANT AND EQUIPMENT

		2019	
Figures in Rand thousand **Group**	**Cost**	**Accumulated depreciation**	**Carrying value**
Land and buildings	**637 474**	**(47 887)**	**589 587**
Furniture and equipment	**1 214 825**	**(792 041)**	**422 784**
Vehicles	**38 639**	**(14 964)**	**23 675**
Leasehold improvements	**185 724**	**(97 764)**	**87 960**
Property held under joint operation	**–**	**–**	**–**
Aircraft	**5 479**	**(202)**	**5 277**
Total	**2 082 141**	**(952 858)**	**1 129 283**

Reconciliation of property, plant and equipment – Group – 30 June 2019

Figures in Rand thousand	**Opening balance**	**Additions**	**Additions through business combinations**	**Disposals**
Land and buildings	**531 497**	**–**	**–**	**(4 933)**
Furniture and equipment	**429 896**	**6 186**	**–**	**(11 714)**
Vehicles	**29 420**	**1 971**	**–**	**(2 522)**
Leasehold improvements	**86 941**	**479**	**–**	**(1 746)**
Property held under joint operation	**17 048**	**–**	**–**	**(17 048)**
Aircraft	**5 330**	**–**	**–**	**–**
Capital work in progress*	**–**	**193 234**	**–**	**–**
	1 100 132	**201 870**	**–**	**(37 963)**

Reconciliation of property, plant and equipment – Group – 30 June 2018

Figures in Rand thousand	Opening balance	Additions	Additions through business combinations	Disposals
Land and buildings	456 468	–	12 500	(10)
Furniture and equipment	400 241	14 647	3 406	(8 279)
Vehicles	23 399	11 727	3 018	(3 077)
Leasehold improvements	76 210	990	153	(799)
Property held under joint operation	17 048	–	–	–
Aircraft	5 249	–	–	–
Capital work in progress*	–	211 677	–	–
	978 615	239 041	19 077	(12 165)

** Capital work in progress mainly relates to store refurbishments during the period.*

Reconciliation of property, plant and equipment – Group – 2017

Figures in Rand thousand	Opening balance	Additions	Additions through business combinations	Disposals
Land and buildings	413 440	–	–	–
Furniture and equipment	426 516	–	307	(11 656)
Vehicles	16 970	–	395	(1 690)
Leasehold improvements	67 035	–	–	(185)
Property held under joint operation	–	–	–	–
Aircraft	5 202	–	–	–
Capital work in progress*	–	192 973	–	–
	929 163	192 973	702	(13 531)

2018 Restated* Cost	Accumulated depreciation	Carrying value	2017 Cost	Accumulated depreciation	Carrying value
575 173	(43 676)	531 497	497 293	(40 825)	456 468
1 116 164	(686 268)	429 896	1 000 455	(600 214)	400 241
39 190	(9 770)	29 420	32 417	(9 018)	23 399
168 556	(81 615)	86 941	147 098	(70 888)	76 210
17 048	–	17 048	17 048	–	17 048
5 479	(149)	5 330	5 629	(380)	5 249
1 921 610	(821 478)	1 100 132	1 699 940	(721 325)	978 615

Classified as held for sale	**Transfers**	**Foreign exchange movements**	**Depreciation**	**Impairment loss**	**Closing balance**
–	**69 393**	**(2 159)**	**(4 211)**	**–**	**589 587**
–	**105 355**	**(1 166)**	**(105 773)**	**–**	**422 784**
–	**–**	**–**	**(5 194)**	**–**	**23 675**
–	**18 486**	**(51)**	**(16 149)**	**–**	**87 960**
–	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**(53)**	**–**	**5 277**
–	**(193 234)**	**–**	**–**	**–**	**–**
–	**–**	**(3 376)**	**(131 380)**	**–**	**1 129 283**

Classified as held for sale	Transfers	Foreign exchange movements	Depreciation	Impairment loss	Closing balance
4 510	59 792	1 163	(2 926)	–	531 497
–	128 838	934	(109 092)	(799)	429 896
–	(1 073)	14	(4 588)	–	29 420
–	23 905	98	(13 616)	–	86 941
–	–	–	–	–	17 048
–	215	–	(134)	–	5 330
–	(211 677)	–	–	–	–
4 510	–	2 209	(130 356)	(799)	1 100 132

Classified as held for sale	Transfers	Foreign exchange movements	Depreciation	Transfer to joint operation	Closing balance
(1 614)	61 303	(3 041)	(1 785)	(11 835)	456 468
–	96 626	(2 589)	(108 963)	–	400 241
–	8 912	(56)	(1 132)	–	23 399
–	20 539	(168)	(11 011)	–	76 210
–	5 213	–	–	11 835	17 048
–	380	–	(333)	–	5 249
–	(192 973)	–	–	–	–
(1 614)	–	(5 854)	(123 224)	–	978 615

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for the year ended 30 June 2019

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Buildings	Straight-line basis – 50 years
Leasehold improvements	Straight-line basis – 10 years (limited to lease term)
Furniture and equipment	Straight-line basis – 3 to 15 years
Vehicles	Straight-line basis – 5 to 6 years
Aircraft (engine)	Flight hours – 2 000
Forklifts	Straight-line basis – 6 years

Amounts recognised in profit and loss for the year:

	Group			Company	
Figures in Rand thousand	**2019**	Restated 2018	Restated 2017	**2019**	2018
Loss/(profit) on disposal of property, plant and equipment and assets held for sale	**(8 340)**	(5 586)	(739)	**–**	–
Repairs and maintenance expenditure	**44 433**	42 514	35 693	**–**	–

5. IMPAIRMENT OF ASSETS

The below impairment assessment consideration was performed over the goodwill arising on acquisition of P&L Hardware and indefinite lived intangible assets relating to the P&L Hardware trademark.

The value-in-use of P&L Hardware and Cashbuild South Africa at 30 June 2019 was determined using assumptions regarding company profitability, growth rates, discount rates and target net working capital days. These assumptions and sensitivity thereof are presented below.

Key assumptions used to determine value-in-use and sensitivity thereof

The recoverable amount of the P&L Hardware operating segment has been determined based on a value-in-use calculation for the forecast period. This forecast period covers the period up to June 2023, after which a terminal value has been determined. The recoverable amount of Cashbuild South Africa operating segment has also been determined based on a value-in-use calculation covering a period of five years with a terminal value applied.

Based on the value-in-use calculated for the operating segments, no impairment has been identified or recognised by management.

Listed below are the assumptions applied in the value-in-use calculation as well as the sensitivity of the relevant assumptions indicating the level they can fluctuate to before there is an impairment. The recoverable amount determined in terms of the value-in-use of the P&L Hardware operating segment is R16.4 million (June 2018: R1.9 million) higher than the carrying amount.

P&L Hardware operating segment:

	June 2019 Assumptions applied	**June 2019 Sensitivity**	June 2018 Assumptions applied	June 2018 Sensitivity
Growth rate	**6.0%**	**3.5%**	6.0%	4.5%
Terminal growth rate	**5.3%**	**4.0%**	5.3%	4.6%
Discount rate	**18.1%**	**18.7%**	18.2%	18.5%
Target net working capital days	**11 days**	**14 days**	11 days	14 days

Cashbuild South Africa operating segment:

	June 2019 Assumptions applied	June 2018 Assumptions applied
Growth rate	**4.5%**	4.6%
Terminal growth rate	**4.5%**	4.6%
Discount rate	**16.0%**	15.9%

Growth rates are based on current inflation levels and where applicable adjusted further for expected unit growth. Terminal growth rates are also largely inflation based, however, are referenced to a long-term inflation rate. Discount rates used are derived from company pre-tax weighted average cost of capital (WACC).

No sensitivity has been disclosed for the Cashbuild South Africa operating segment, due to there being no impairment resulting from any reasonable possible change in any of the assumptions.

Goodwill allocation	
P&L Hardware	196 302
Cashbuild (South Africa) (Pty) Ltd	112 833
Total goodwill as per intangible assets note 7	**309 135**
P&L Hardware indefinite life trademark as per intangible assets note 7	**96 409**

Buffalo Building Supplies (Pty) Ltd – trademark impairment

In September 2017 Roofbuild Trusses (Pty) Ltd purchased the business of Buffalo Building Supplies (Pty) Ltd with the intention that the businesses trade as P&L Hardware stores. This acquisition is in line with Cashbuild's strategy for growing the P&L Hardware brand. The Building Supplies (Pty) Ltd trademark amounting to R2.2 million was acquired as part of this business combination.

Cashbuild does not use the brand, as the stores have been branded as P&L Hardware stores. During the current financial year this trademark has been impaired. Refer to note 7 for more details.

6. INVESTMENT PROPERTY

Joint operations

During the 2014 financial period, Cashbuild entered into a joint operation agreement for the Nasrec Corner Shopping Centre in Johannesburg South Africa. This consortium comprises a right to extend and develop a shopping centre. Cashbuild has 50% participation and control in the owner consortium with the other 50% participant S-Identity Holdings (Pty) Ltd.

Joint operation	Country of incorporation	% Ownership interest	
		June 2019	June 2018
Investment in Nasrec Corner Shopping Centre	RSA	**50%**	50%

Cashbuild has contributed infrastructure development cost to the project totalling R5.2 million cash (paid in previous financial years) as well as an amount of R22.0 million being a portion of the property owned by Cashbuild allocated for the development. Cashbuild's share of the property will be classified as investment property.

S-Identity Holdings (Pty) Ltd has in its own capacity raised finance from a third party to fund the remaining construction of the shopping centre. Neither of the operators are entitled to receive any share in the profits of the joint operation until the financed amounts are repaid to the third party.

The year-end of the joint operation is 28 February.

The fair value of Cashbuild's share in the investment property is R59 million based on the external valuation obtained in November 2018.

Reconciliation

Figures in Rand thousand	**30 June 2019**	30 June 2018	30 June 2017
Investement in Nasrec – joint operations	**27 208**	–	–
Kranskop Unit 4, Stand 1237, Monument Park Ext 2, Tshwane, South Africa	**950**	–	–
	28 158	–	–

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for the year ended 30 June 2019

7. INTANGIBLE ASSETS

Figures in Rand thousand **Group**	**2019** **Cost**	 **Accumulated Amortisation**	 **Carrying value**
Trademarks^	**99 403**	**(2 940)**	**96 463**
Computer software	**102 805**	**(82 005)**	**20 800**
Goodwill	**309 135**	**–**	**309 135**
Total	**511 343**	**(84 945)**	**426 398**

Reconciliation of intangible assets – Group – 30 June 2019

Figures in Rand thousand	**Opening balance**	**Additions**	**Additions through business combinations**
Trademarks^	**98 694**	**–**	**–**
Computer software	**25 638**	**1 684**	**–**
Goodwill	**309 135**	**–**	**–**
	433 467	**1 684**	**–**

Reconciliation of intangible assets – Group – 30 June 2018

Figures in Rand thousand	Opening balance	Additions	Additions through business combinations
Trademarks	96 488	–	2 218
Computer software	28 296	4 958	–
Goodwill	272 231	–	36 991
	397 015	4 958	39 209

Reconciliation of intangible assets – Group – 2017

Figures in Rand thousand	Opening balance	Additions	Additions through business combinations
Trademarks^	96 500	–	–
Computer software	34 735	5 462	–
Goodwill	268 454	–	3 807
	399 689	5 462	3 807

Amortisation rates

Trademarks (excluding indefinite lived)	Straight-line basis – 10 years
Computer software	Straight-line basis – 5 years

^ *Includes indefinite lived trademarks of R96 409 (refer note 5 for the impairment testing).*

* *The impairment relates to the Buffalo Building Supplies (Pty) Ltd trademark acquired in the business combination. The stores acquired have subsequently been branded as P&L Hardware stores.*

2018 Restated* Cost	2018 Restated* Accumulated Amortisation	2018 Restated* Carrying value	2017 Cost	2017 Accumulated Amortisation	2017 Carrying value
99 403	(709)	98 694	97 184	(696)	96 488
101 138	(75 500)	25 638	96 178	(67 882)	28 296
309 135	–	309 135	272 231	–	272 231
509 676	(76 209)	433 467	465 593	(68 578)	397 015

Disposals	**Transfers**	**Foreign exchange movements**	**Amortisation**	**Impairment loss***	**Closing balance**
–	**–**	**–**	**(13)**	**(2 218)**	**96 463**
(23)	**–**	**6**	**(6 505)**	**–**	**20 800**
–	**–**	**–**	**–**	**–**	**309 135**
(23)	**–**	**6**	**(6 518)**	**(2 218)**	**426 398**

Disposals	Transfers	Foreign exchange movements	Amortisation	Impairment loss*	Closing balance
–	–	–	(12)	–	98 694
(20)	23	–	(7 619)	–	25 638
–	–	(87)	–	–	309 135
(20)	23	(87)	(7 631)	–	433 467

Disposals	Transfers	Foreign exchange movements	Amortisation	Impairment loss*	Closing balance
–	–	–	(12)	–	96 488
(43)	–	–	(11 858)	–	28 296
–	–	(30)	–	–	272 231
(43)	–	(30)	(11 870)	–	397 015

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

8. INVESTMENTS IN SUBSIDIARIES

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries.

Group

	Issued share capital	Nature of business	**% Holding June 2019**	% Holding June 2018	% Holding June 2017
Cashbuild (Botswana) (Pty) Ltd	P1 500 000	A	**100**	100	100
Cashbuild Kanye (Pty) Ltd	P2	B	**100**	100	100
Cashbuild (Lesotho) (Pty) Ltd	M100 000	A	**80**	80	80
Cashbuild Lilongwe Ltd	MWK100 000	A	**51**	51	51
Cashbuild (Namibia) (Pty) Ltd	N$1	A	**100**	100	100
Cashbuild (South Africa) (Pty) Ltd	R54 000	A	**100**	100	100
Cashbuild (Swaziland) (Pty) Ltd	E500	A	**100**	100	100
Roofbuild Trusses (Pty) Ltd	R100	A	**100**	100	100
Cashbuild Zambia (Pty) Ltd	ZMK 2	A	**100**	100	100
P&L Hardware (Pty) Ltd	R100	A	**100**	100	100
P&L Boerebenodighede Investments (Pty) Ltd	R1 000	A	**100**	100	100
Rio Ridge 1027 (Pty) Ltd	R100	A	**100**	100	100
Tradebuild (Pty) Ltd	R4	B	**100**	100	100
Cashbuild (Kwandebele) (Pty) Ltd	R200 000	C	**100**	100	100
Cashbuild (Transkei) (Pty) Ltd	R250 000	C	**100**	100	100
Cashbuild (Properties) (Pty) Ltd	R1	C	**100**	100	100
Cashbuild (Venda Properties) (Pty) Ltd	R1	C	**100**	100	100
Cashbuild (Properties Holdings) (Pty) Ltd	R1	C	**100**	100	100
Cashbuild Management Services (Pty) Ltd	R4 000	D	**100**	100	100

A – Trading company
B – Dormant company
C – Property holding company
D – Holding company of subsidiaries

The carrying amounts of subsidiaries shown below are net of impairment losses where applicable. The loan accounts are unsecured, non-interest-bearing with no fixed repayment terms. Refer to note 16 for details of the share option schemes.

	Group			Company	
Figures in Rand thousand	**2019**	Restated 2018	Restated 2017	**2019**	2018
Share-based payment capital contribution	**–**	–	–	**79 137**	65 509
Loan to subsidiary	**–**	–	–	**33 617**	39 534
	–	–	–	**112 754**	105 043

The loan advanced to Cashbuild Management Services is recoverable as Cashbuild Management Services is a wholly-owned subsidiary of Cashbuild Limited, and therefore if Cashbuild Management Services has no sufficient liquid assets to pay the loan, Cashbuild Management Services would utilise some of the dividends received from the underlying trading entities to repay the loan before declaring the dividends to Cashbuild Limited. The expected credit loss is therefore 0%.

Non-controlling interests

There are no individual subsidiaries within the Group that have material non-controlling interests. The aggregate non-controlling interest is also not material to the Group, therefore no additional disclosures required by IFRS 12: Disclosure of Interests in Other Entities have been included.

9. DEFERRED TAX

	Group			Company	
Figures in Rand thousand	**2019**	Restated 2018	Restated 2017	**2019**	2018
Deferred tax liability:					
Property, plant and equipment	**(50 146)**	(41 113)	(41 258)	**–**	–
Prepayments	**(3 971)**	(2 063)	(867)	**–**	–
Intangible assets	**(28 068)**	(27 616)	(26 995)	**–**	–
Inventory	**–**	(5 629)	(2 145)	**–**	–
Third party contingency	**766**	766	64	**–**	–
Bad debts provision	**(28)**	83	83	**–**	–
Unrealised foreign exchange differences on intergroup loan	**2 691**	(73)	–	**–**	–
IFRS 15 – sales return provision	**(106)**	–	–	**–**	–
Total deferred tax liability	**(78 862)**	(75 645)	(71 118)	**–**	–
Deferred tax asset:					
Provisions and accruals	**30 735**	19 471	18 522	**–**	–
Straight-lining of leases	**53 093**	46 167	38 956	**–**	–
Assessed losses	**23 908**	11 901	698	**–**	–
Unrealised foreign exchange difference on intergroup loans	**–**	16	626	**–**	–
IFRS 15 – sales return provision	**–**	1 605	1 568	**–**	–
Total deferred tax asset	**107 736**	79 160	60 370	**–**	–

The deferred tax assets and the deferred tax liabilities have been presented in the statement of financial position as follows:

Deferred tax liability	**(36 907)**	(42 180)	(37 480)	**–**	–
Deferred tax asset	**65 781**	45 695	26 732	**–**	–
Total net deferred tax liability	**28 874**	3 515	(10 748)	**–**	–

10. PREPAYMENTS

Cashbuild has entered into agreements with store developers whereby advances were granted to the developers in exchange for reduced rentals over the period of the lease. The total advances to date amounted to R101.3 million (June 2018: R100.8 million), which will be amortised and recognised as a lease expense over the period of the lease.

Current rental prepayments relate to the portion of the advance that will realise within 12 months after period end. Non-current rental prepayments relate to the portion of the advance that will realise in one to 11 years. The current portion is disclosed under the prepayments section on the statement of financial position.

Total prepayments on the statement of financial position can be summarised as follows:

Rental prepayment: Non-current portion*	**66 470**	85 707	80 328	**–**	–
Total non-current prepayments	**66 470**	85 707	80 328	**–**	–
Rental prepayment: Current portion	**4 539**	7 488	3 417	**–**	–
Other current prepayments**	**21 208**	12 872	10 985	**–**	–
Total current prepayments	**25 747**	20 360	14 402	**–**	–

** During September 2018, the Pongola land and store development was settled early amounting to R18.9 million.*

***Other current prepayments relate mostly to prepaid advertising, IT expenses and workman's compensation.*

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11. INVENTORIES

Figures in Rand thousand	Group			Company	
	2019	Restated 2018	Restated 2017	**2019**	2018
Merchandise	**1 541 295**	1 538 708	1 314 634	**–**	–

Cost of inventories recognised as an expense and included in cost of sales amounted to R8.809 million (June 2018: R8.284 million; June 2017: R7.917 million).

The provision for the net realisable value of inventory at year-end is R76.5 million (June 2018: R95.6 million: June 2017: R86.6 million).

The right-of-use asset relating to the sales returns provision included in the amount above is R27.6 million (June 2018: R25.9 million; June 2017: R25.1 million).

Cost of inventories written off and included in cost of sales amounted to R29.9 million (June 2018: R21.5 million; June 2017: R25.7 million).

12. TRADE AND OTHER RECEIVABLES

Figures in Rand thousand	Group 2019	Group Restated 2018	Group Restated 2017	Company 2019	Company 2018
Financial instruments:					
Trade receivables	**128 117**	124 837	127 583	**–**	–
Loss allowance	**(20 272)**	(18 216)	(16 369)	**–**	–
Trade receivables at amortised cost	**107 845**	106 621	111 214	**–**	–
Other receivables*	**5 291**	3 373	4 932	**–**	–
Non-financial instruments:					
VAT	**4 671**	8 495	6 316	**–**	–
Total trade and other receivables	**117 807**	118 489	122 462	**–**	–

* *The impact of the expected credit loss model in terms of IFRS 9 is immaterial.*

Credit risk of trade and other receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. Refer to note 2 for details of the impact of the change in accounting policy.

The expected credit losses for trade receivables have been grouped based on shared credit risk characteristics and the days past due. The status of the current nature of the client as well as trade experience are also considered.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 60 days past due. If still unpaid after 90 days, the debtor is handed over to the insurer and becomes a legal debtor and will be written off after three years when the debt prescribes.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Charge cards

Cashbuild is primarily a cash business, but credit is offered at all Cashbuild Stores in the form of charge cards. Developers and contractors doing specific contracts with/for Cashbuild can apply for this form of credit. Credit checks are performed and credit limits set by submitting applications to the insurer and retrieving credit ratings. A memo is compiled with the information received to be approved by management based on the credit limit applied for. Expected credit loss (ECL) is limited to the uninsured portion of the credit given to customers.

ECL are a probability-weighted estimate of credit losses. A credit loss is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive discounted at the original effective interest rate. Because ECL consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

Legal debtors

Charge cards outstanding for more than 90 days are moved to legal debtors and are handed over to the insurer. This is when the debtor is considered credit impaired and therefore is fully provided for.

Rebate debtors

The amount owing on rebate debtors are for suppliers who owe us money for rebate and advertising contributions as per trade agreement with them. The contribution is based on purchases made and is calculated on either a percentage of purchases or on volume.

The loss allowance as at 30 June 2019 for trade receivables for which the provision matrix has been applied is determined as follows:

Group

	2019	**2019**	2018	2018	2017	2017
Figures in Rand thousand **Expected credit loss rate**	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**	Estimated gross carrying amount at default	Impairment loss	Estimated gross carrying amount at default	Impairment loss
Sundry debtors						
Current	**18 214**	**(4 668)**	19 847	(5 190)	18 192	(2 661)
Legal debtors						
Current	**6 686**	**(7)**	4 234	–	2 307	(11)
30 days past due	**461**	**(19)**	142	–	195	(182)
60 days past due	**637**	**(289)**	498	(40)	36	(2)
90 days past due	**258**	**(46)**	19	(32)	194	(110)
120 days past due	**269**	**(6)**	340	(104)	243	(177)
150 days past due	**15 597**	**(13 984)**	11 358	(11 358)	12 108	(12 108)
	23 908	**(14 351)**	16 591	(11 534)	15 083	(12 590)
Charge cards						
Current	**25 462**	**(4)**	21 215	–	17 296	–
30 days past due	**12 676**	**(376)**	11 031	–	9 340	–
60 days past due	**1 572**	**(222)**	2 979	–	3 097	–
90 days past due	**626**	**(196)**	1 672	(524)	1 172	(438)
120 days past due	**64**	**(25)**	243	(133)	311	(170)
150 days past due	**500**	**(22)**	1 361	(835)	792	(510)
	40 900	**(845)**	38 501	(1 492)	32 008	(1 118)
Rebate debtors						
Current	**45 096**	**(408)**	49 898	–	61 957	–
Total	**128 118**	**(20 272)**	124 837	(18 216)	127 240	(16 369)

Rebate debtors were immaterially affected by the IFRS 9 expected loss calculation due to these amounts being highly recoverable as we have the ability to deduct it from the related purchases.

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for the year ended 30 June 2019

13. CASH AND CASH EQUIVALENTS

	Group			Company	
Figures in Rand thousand	**2019**	Restated 2018	Restated 2017	**2019**	2018
Cash and cash equivalents consist of:					
Cash on hand	**1 556**	1 547	1 487	**–**	–
Bank balances	**588 594**	951 382	799 933	**2 776**	5 554
	590 150	952 929	801 420	**2 776**	5 554

14. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale include land and buildings which were placed on the market after approval by the Board. The Group is engaged in an active plan to sell these assets, it is highly probable that the assets will be sold in the next financial period.

Land and buildings held for sale					
– Plot 2461 Serowe – Botswana	**878**	862	831	**–**	–
– Kranskop Unit 8, Stand 1237, Monument Park Ext 2, Tshwane, South Africa	**–**	–	950	**–**	–
– Kranskop Unit 4, Stand 1237, Monument Park Ext 2, Tshwane, South Africa	**–**	950	950	**–**	–
– Remaining extent of portion 6 (a portion of portion 5) of the farm De Rust #12, Hazyview, South Africa	**1 614**	1 614	1 614	**–**	–
– Erf 214 Thohoyandou	**1 084**	1 084	–	**–**	–
	3 576	4 510	4 345	**–**	**–**

These land and buildings were initially purchased as the location for Cashbuild stores. The stores were relocated and the land and buildings were left vacant. These land and buildings were placed on the market after approval by the Board.

The values of these assets are disclosed at the lower of carrying amount or fair value less costs to sell.

The Serowe property has been up for sale for many years and is yet to be sold at period end. This is due to continuous unexpected issues with the Land Board in Botswana. The movement in the Serowe property's net book value is due to foreign exchange differences on Group consolidation at year-end. Property sale agreement is signed and monies are in the attorney trust fund. Awaiting deed transfer to receive funds from attorney trust. Registration is expected within next financial year.

The Kranskop property is not expected to be sold within the next 12 months even after renovations were completed. It has therefore been classified back to investment property.

The Hazyview property was classified as held for sale in the 2017 financial year. The initial buyer who paid a deposit was unable to secure financing from the bank and as a result the deal fell through. A new buyer has been located, and the sale agreement has been signed. The municipality wants the seller to contribute R1.3 million to bulk services, this is currently being disputed.

With regards to the property in Thohoyandou, the full purchase price has been received from the buyer. This money is held in Escrow. A Government official has to sign the transfer request.

15. SHARE CAPITAL

Authorised

	Group			Company	
Figures in Rand thousand	**2019**	Restated 2018	Restated 2017	**2019**	2018
35 000 000 ordinary shares of 1 cent each	**350**	350	350	**350**	350

There has been no change in the authorised share capital in the current or previous financial year.

Reconciliation of number of shares issued:

Reported as at 1 July 2018	**250**	250	250	**250**	250
Less: Treasury shares held	**(23)**	(23)	(23)	**–**	–
Opening balance: 2 256 430 shares	**(23)**	(23)	(23)	**–**	–
Total issued shares	**227**	227	227	**250**	250
Share premium					
Opening balance	**(274 414)**	(275 419)	(275 384)	**1 024**	1 024
Shares purchased for The Cashbuild Trusts	**–**	(605)	(2 561)	**–**	–
Shares sold by The Cashbuild Trusts	**–**	1 610	2 526	**–**	–
Total share premium	**(274 414)**	(274 414)	(275 419)	**1 024**	1 024
Consisting of:					
Share premium	**3 935**	3 935	3 935	**1 024**	1 024
Treasury share premium	**(278 349)**	(278 349)	(279 127)	**–**	–
	(274 414)	(274 414)	(275 192)	**1 024**	1 024

16. SHARE-BASED PAYMENTS

Forfeitable Share Plan

Cashbuild adopted and implemented a new share incentive plan in the 2017 financial year being the Cashbuild Limited Forfeitable Share Plan ("FSP") for executive directors and senior management. Under the FSP, participants will become owners of performance shares and/or retention shares shortly after the award date and will immediately benefit from dividends and have shareholder voting rights in respect of the shares over the vesting period. The shares cannot be disposed of by the participants prior to the vesting date and will be subject to forfeiture conditions until the vesting date.

The fair value at award date is independently determined using an adjusted form of the Black-Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the share awarded, the impact of dilution (where material), the share price at award date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the vesting period and the correlations and volatilities of the peer group companies.

16. SHARE-BASED PAYMENTS (CONTINUED)

The number of performance shares awarded to a participant is based on the participant's annual salary and grade. Details of the first, second and third share option awards under this scheme are as follows:

	Group		Company	
Figures in Rand thousand	**2019**	2018	**2019**	2018
Opening balance	**126 852**	66 185	**126 852**	66 185
Share movement	**112 471**	60 667	**112 471**	60 667
Total performance shares awarded	**239 323**	126 852	**239 323**	126 852

Outstanding options	**1st Award**	**2nd Award**	**3rd Award**
Grant date	27 Sep 2016	4 Dec 2017	1 Oct 2018
Vesting date	27 Sep 2019	4 Dec 2020	1 Oct 2021
Exercise price	Nil	Nil	Nil
Expected option lifetime	3 years	3 years	3 years
Share price at grant date	R408.37	R383.20	R285.06
Expected share price volatility	10%	10%	10%

Vesting conditions consist of company performance conditions as set out below and a retention condition that the employees remain in the employ of the Company for three years.

Performance conditions:	**Threshold**	**Target**
EPS	CPI +2% p.a. (i.e. 2% real growth p.a.)	CPI +10% p.a. (i.e. 10% real growth p.a.)
Relative TSR	Median of peers*	Upper quartile of peers*
ROCE	CB WACC	CB WACC +10% p.a

* *Based on the constituents of the INDI 25 Index as at the award date.*

Executive directors:	**Number of shares as at 30 June 2019# R'000**	**Award face value* R'000**
WF de Jager	**34 279**	**11 773**
A Hattingh	**15 995**	**5 363**
AE Prowse	**23 187**	**7 944**
SA Thoresson	**21 171**	**7 258**
W van Aswegen	**15 591**	**5 227**
	110 223	**37 565**
Key management:		
PA Champion	**11 712**	**4 041**
W Dreyer	**11 904**	**4 136**
AHS Havenga	**10 938**	**3 801**
DS Masala	**10 117**	**3 481**
I McKay	**10 544**	**3 642**
H Steenberg	**7 738**	**2 519**
	62 953	**21 620**

* *Face value of awards calculated as a percentage (65% to 90%) of total annual cost to company, before adjusting for any probability or attrition.*
# *These shares are subject to forfeiture conditions.*

Operations Management Member Trust Schemes

The operational managers scheme considers all stores that generate an operating margin in excess of 10%. The profit share amount is determined with reference to a specified hurdle rate that takes into account the prior period operating margin of the qualifying store. The calculated profit share is split equally between a cash bonus and an amount utilised for the purchase of Cashbuild Limited shares. The cash bonus is recognised as an expense in the period in which the store qualifies. The attributable equity portion is treated as an equity-settled share-based payment expense and recognised equally over the four-year period which is linked to employment. At the end of the period (third anniversary of the date of distribution) the shares will vest to the employees.

The first, second, third and fourth schemes (2012, 2013, 2014 and 2015 schemes respectively) have fully vested. The fifth year 2016 scheme qualified for 9 371 shares, the sixth 2017 scheme has qualified for 1 291 shares at the end of June 2017. The seventh 2018 scheme qualified for 5 328 shares and the eighth 2019 scheme provisionally qualified for 9 007 shares at the end of June 2019.

Summary of share-based payments for all schemes

The Group's expense and related movement in the share-based payment reserve is R13.6 million (June 2018: R8.2 million). The movement in the share-based payments reserve for the various share schemes can be summarised as follows:

Share-based payments reserve:

	Group		Company	
Figures in Rand thousand	**2019**	2018	**2019**	2018
Opening balance	**65 509**	57 317	**65 509**	57 317
– Forfeitable Share Scheme: 1st award	**3 713**	3 830	**3 713**	3 830
– Forfeitable Share Scheme: 2nd award	**4 467**	2 694	**4 467**	2 694
– Forfeitable Share Scheme: 3rd award	**4 166**	–	**4 166**	–
– Operations Management Member Trust Schemes	**1 281**	1 668	**1 281**	1 668
	79 136	65 509	**79 136**	65 509

17. FOREIGN CURRENCY TRANSLATION RESERVE (FCTR)

The foreign currency translation reserves arise as a result of foreign exchange differences calculated on the conversion of foreign operations into the Group reporting currency, accounted for directly in the statement of other comprehensive income. The movement is due to the weakening of the Malawian Kwacha against the Rand during the current period compared to prior periods when this currency was stronger.

	Group			Company	
Figures in Rand thousand	**2019**	Restated 2018	Restated 2017	**2019**	2018
Opening balance	**(2 934)**	(8 329)	**10 645**	–	–
Currency translation differences	**5 083**	5 395	**(18 974)**	–	–
Closing balance	**2 149**	(2 934)	**(8 329)**	–	–

18. LOANS FROM GROUP COMPANIES

The Cashbuild Share Incentive Trust The loan is unsecured, non-interest-bearing with no fixed repayment terms	**-**	–	–	**(42 431)**	(42 431)

19. OPERATING LEASE LIABILITY

The Group has entered into various operating leases in respect of premises. Rentals comprise minimum monthly payments and additional payments based on turnover levels.

Operating leases with fixed escalation charges are recognised in the income statement on a straight-line basis and the liability has been allocated to deferred operating lease liability. Deferred lease incentives are recognised as income over the lease period of the underlying operating lease.

Deferred operating lease liability	**185 746**	162 268	136 033	**-**	–
Deferred lease incentives received	**1 998**	1 006	1 350	**-**	–
Realised lease incentives portion in profit and loss	**(366)**	(344)	(332)	**-**	–
	187 378	162 930	137 051	**-**	–

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for the year ended 30 June 2019

20. TRADE AND OTHER PAYABLES

	Group			Company	
Figures in Rand thousand	**2019**	Restated 2018	Restated 2017	**2019**	2018
Financial instruments:					
Trade payables	**910 870**	1 438 761	1 311 760	**–**	–
Employee-related accruals	**72 090**	115 409	60 384	**–**	–
Accruals	**82 379**	187 401	124 865	**2 378**	5 279
Retirement awards and gifts	**7 484**	7 479	5 678	**–**	–
Non-financial instruments:					
Refundable deposits held*	**429 053**	345 153	279 957	**–**	–
VAT	**52 691**	8 140	17 080	**–**	–
	1 554 567	2 102 343	1 799 724	**2 378**	5 279

* *Refundable deposits held are made up of bulk deposits made by customers in respect of future purchases. These amounts are refundable to the customer on demand.*

21. REVENUE

	Group		Company	
Figures in Rand thousand	**2019**	2018	**2019**	2018
Revenue from contracts with customers				
Sale of goods	**10 821 235**	10 206 730	**–**	–
Revenue other than from contracts with customers				
Dividends received (trading)	**–**	–	**195 170**	221 410
	10 821 235	10 206 730	**195 170**	221 410

Disaggregation of revenue from contracts with customers

Both the disaggregation level as well as the measurement basis for revenue from customers in terms of IFRS 15 and segmental revenue are considered to be the same. Refer to note 3 for the disaggregation of revenue per operating segment.

22. COST OF SALES

Sale of goods	**8 101 229**	7 638 278	**–**	–

23. OTHER INCOME

Sundry income	**14 217**	2 178	**–**	–
Rental related income	**160**	252	**–**	–
Insurance recoveries	**1 020**	–	**–**	–
Revaluation of contingent consideration liability	**–**	27 691	**–**	–
Profit on sale of non-current assets	**–**	805	**–**	–
	15 397	30 926	**–**	–

24. OPERATING PROFIT

Operating profit for the year includes the following significant items:

	Group		Company	
Figures in Rand thousand	**2019**	2018	**2019**	2018
Expenses by nature:				
Cost of goods sold	**8 101 229**	7 638 277	**–**	–
Employee costs	**923 439**	861 795	**–**	–
Operating lease charges – premises	**309 824**	296 672	**–**	–
Depreciation and amortisation	**137 898**	137 987	**–**	–
Delivery charges	**132 297**	126 692	**–**	–
Advertising expenses	**160 975**	170 785	**–**	–
Impairment loss	**2 250**	–	**–**	–
Bank and speedpoint charges	**77 557**	70 467	**–**	–
Municipal utility charges	**63 295**	59 917	**–**	–
Other income	**(15 397)**	(30 926)	**–**	–
Consumables	**4 717**	3 781	**–**	–
Net reversal of provision for impaired receivables	**3 586**	(665)	**–**	–
Repairs and maintenance	**44 433**	42 514	**–**	–
Telephone and fax	**13 811**	15 217	**–**	–
Security	**27 936**	25 435	**–**	–
Printing and stationery	**14 698**	16 312	**–**	–
Net foreign exchange differences	**15 082**	2 091	**–**	–
Software licences	**14 201**	11 738	**–**	–
Other expenses	**135 553**	127 016	**5 794**	5 892
	10 167 384	9 575 105	**5 794**	5 892
Auditor remuneration:				
Audit services	**9 734**	11 009	**–**	–
Taxation services	**781**	571	**–**	–
	10 515	11 580	**–**	–
Remuneration paid for outsourced services:				
Information technology	**70 220**	63 361	**–**	–
Administrative	**8 482**	9 432	**–**	–
Secretarial	**610**	850	**–**	–
Technical	**2 430**	3 207	**–**	–
Taxation services*	**2 569**	–	**–**	–
	84 311	76 850	**–**	–
Total	**10 262 210**	9 663 535	**5 794**	5 892
Classified on income statement as:				
Cost of sales	**8 101 229**	7 638 277	**–**	–
Selling and marketing expenses	**1 884 034**	1 778 355	**–**	–
Administrative expenses	**279 056**	267 566	**5 794**	5 892
Other operating expenses	**13 288**	10 263	**–**	–
Other income	**(15 397)**	(30 926)	**–**	–
	10 262 210	9 663 535	**5 794**	5 892
Employee costs:				
Salary cost	**795 103**	742 157	**–**	–
Pension fund contributions – defined contribution fund	**102 598**	98 135	**–**	–
Employee benefits – long service awards	**1 132**	921	**–**	–
Share-based payments	**13 628**	8 192	**–**	–
Dividends paid to participants of The Cashbuild Empowerment Trust	**10 978**	12 390	**–**	–
	923 439	861 795	**–**	–

* *Taxation services include R2.1 million paid to VAT IT to recover historical WHT and R0.5 million paid to Graphene Economics for the transfer pricing policy review.*

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25. FINANCE INCOME

Figures in Rand thousand	Group 2019	Group Restated 2018	Company 2019	Company 2018
Interest income				
Investments in financial assets:				
Earned on bank balances	**57 541**	53 739	**–**	–
Received from revenue authorities	**337**	389	**–**	–
	57 878	54 128	**–**	–

26. FINANCE COSTS

Figures in Rand thousand	Group 2019	Group Restated 2018	Company 2019	Company 2018
Bank borrowings	**1 945**	1 477	**–**	–
Finance lease and loan interest	**1 377**	1 576	**–**	–
Revenue authorities	**868**	90	**–**	–
	4 190	3 143	**–**	–

27. TAX EXPENSE

Figures in Rand thousand		Group 2019	Group Restated 2018	Company 2019	Company 2018
Major components of the tax expense:					
Current					
Income tax – current period		**185 388**	160 183	**–**	–
Under/(over) provision in prior periods		**726**	(331)	**–**	–
Capital gains tax		**–**	76	**–**	–
Withholding tax		**652**	5 787	**–**	–
Foreign income tax – current period		**21 498**	18 835	**–**	–
Foreign income tax – under/(over) provision in prior periods		**(160)**	150	**–**	–
		208 104	184 700	**–**	–
Deferred					
Current period temporary differences		**(20 706)**	(9 302)	**–**	–
Under/(over) provision in prior periods		**(84)**	(1 465)	**–**	–
Foreign – Current period temporary differences		**(7 020)**	(4 906)	**–**	–
		(27 810)	(15 673)	**–**	–
		180 294	169 027	**–**	–
Reconciliation of effective tax rate:					
Applicable tax rate	(%)	**28.0**	28.0	**28.0**	28.0
Exempt income*	(%)	**(0.8)**	(2.1)	**(28.0)**	(28.0)
Prior year adjustment income tax	(%)	**0.4**	–	**–**	–
Lower foreign tax rates	(%)	**(0.5)**	(0.5)	**–**	–
Disallowable charges^	(%)	**1.9**	1.6	**–**	–
Withholding tax on dividends	(%)	**0.6**	1.5	**–**	–
Prior year adjustments deferred tax	(%)	**(0.2)**	(0.1)	**–**	–
	(%)	**29.4**	28.4	**–**	–

** Exempt income relates to SARS employee tax incentives and learnership agreements.*

^ Disallowable charges relates to IFRS 2 adjustments relating to the FSP share-based payments.

28. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is determined by dividing profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares in issue is calculated net of treasury shares acquired/sold during the year. Shares held by The Cashbuild Share Incentive Trust, The Cashbuild Operations Management Member Trust and Cashbuild (South Africa) (Pty) Ltd have been included in the calculation from date of acquisition. Shares held by The Cashbuild Empowerment Trust have been included in the calculation from 7 February 2005.

		Group		Company	
Figures in Rand thousand		**2019**	2018	**2019**	2018
Attributable earnings		**427 357**	420 514	**189 376**	215 518
Weighted number of shares in issue		**22 716**	22 711	**24 990**	24 990
Basic earnings per share	(cents)	**1 881.3**	1 851.6	**757.8**	862.4
Weighted average number of ordinary shares in issue	**('000)**				
Ordinary shares in issue beginning of the year		**24 990**	24 990	**24 990**	24 990
***Less:* Weighted average number of treasury shares:**					
– The Cashbuild Empowerment Trust		**(1 765)**	(1 765)	**-**	–
– The Cashbuild Operations Management Member Trust		**(17)**	(22)	**-**	–
– Cashbuild (South Africa) (Pty) Ltd*		**(492)**	(492)	**-**	–
		22 716	22 711	**24 990**	24 990

* *Shares held for Cashbuild FSP share scheme current and future share allocations. As at 30 June 2019, 239 323 shares were allocated to recipients of the first award from this scheme. For more details refer to the share-based payments in note 16.*

Diluted earnings per share

In the determination of diluted earnings per share, profit or loss attributable to the equity holders of the parent and the weighted average number of ordinary shares are adjusted for the effects of all dilutive potential ordinary shares.

		Group 2019	Group 2018	Company 2019	Company 2018
Attributable earnings		**427 357**	420 514	**189 376**	215 518
Diluted number of ordinary shares in issue		**22 725**	22 720	**25 000**	24 999
Diluted earnings per share	(cents)	**1 880.6**	1 850.9	**757.5**	862.1
Fully diluted weighted average number of ordinary shares in issue					
Weighted number of shares in issue	('000)	**22 716**	22 711	**24 990**	24 990
Dilutive effect of the following:					
– Future potential issue of shares		**10**	9	**10**	9
		22 726	22 720	**25 000**	24 999

Headline earnings and diluted headline earnings per share

Headline earnings per share and diluted headline earnings per share are determined by dividing headline earnings and diluted headline earnings by the weighted average number of ordinary shares outstanding at period end.

Headline earnings and diluted headline earnings are determined by adjusting basic earnings and diluted earnings by excluding separately identifiable re-measurement items. Headline earnings and diluted headline earnings are presented after tax and non-controlling interest.

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28. EARNINGS PER SHARE (CONTINUED)

Basic earnings per share (continued)

Figures in Rand thousand		Group 2019	Group Restated 2018	Company 2019	Company 2018
Reconciliation between earnings and headline earnings					
Basic earnings		**427 357**	420 514	**189 376**	215 518
Adjusted for:					
Net loss on disposal of property, plant and equipment		**4 980**	3 456	**–**	–
Gross loss on disposal of property, plant and equipment		**7 947**	3 426	**–**	–
Tax effect		**(2 967)**	31	**–**	–
Gross impairment of Buffalo Building Supplies (Pty) Ltd trademark		**2 250**	–	**–**	–
Tax effect		**(630)**	–	**–**	–
Headline earnings		**433 597**	423 898	**189 376**	215 518
Headline earnings		**433 597**	423 898	**189 376**	215 518
Weighted average number of shares in issue		**22 716**	22 711	**24 990**	24 990
Headline earnings per share	(cents)	**1 910.4**	1 866.5	**757.8**	862.4
Headline earnings		**433 597**	423 898	**189 376**	215 518
Fully diluted weighted average number of shares in issue		**22 726**	22 720	**25 000**	24 999
Fully diluted headline earnings per share	(cents)	**1 909.5**	1 865.7	**757.5**	862.1
Dividends per share					
Interim	(cents)	**435.00**	496.00	**435.00**	496.00
Final	(cents)	**420.00**	346.00	**420.00**	346.00

For additional details of the dividends declared refer to the directors' report.

29. CASH GENERATED FROM OPERATIONS

	Group 2019	Group Restated 2018	Company 2019	Company 2018
Profit before taxation	**612 713**	594 180	**189 376**	215 518
Adjustments for:				
Depreciation and amortisation	**137 898**	137 987	**–**	–
Profit on disposal of assets held for sale	**–**	(239)	**–**	–
Loss on sale of non-current assets	**7 947**	5 586	**–**	–
Dividends received (trading)	**–**	–	**(195 170)**	(221 410)
Finance income	**(57 878)**	(54 128)	**–**	–
Finance costs	**4 190**	3 143	**–**	–
Movement in deferred operating lease liability	**24 448**	25 879	**–**	–
Movements in share-based payments reserve	**13 628**	8 192	**–**	–
Non-cash IFRS 3 unwind	**–**	14 947	**–**	–
Impairment of assets	**2 250**	–	**–**	–
Revaluation of contingent consideration	**–**	(22 886)	**–**	–
Changes in working capital:				
Inventories	**734**	(226 196)	**–**	–
Trade and other receivables	**682**	3 973	**–**	–
Prepayments	**13 850**	(11 337)	**–**	–
Trade and other payables	**(547 383)**	302 619	**(2 901)**	(713)
	213 079	781 720	**(8 695)**	(6 605)

30. TAX PAID

Figures in Rand thousand	Group 2019	Group Restated 2018	Company 2019	Company 2018
Balance at beginning of the year	**(74 174)**	(61 664)	**-**	–
Current tax for the year recognised in profit or loss	**(180 294)**	(169 027)	**-**	–
Movement in deferred tax	**(25 359)**	(13 259)	**-**	–
Balance at end of the year	**28 413**	74 174	**-**	–
	(251 414)	(169 776)	**-**	–

31. DIVIDENDS PAID

	Group 2019	Group Restated 2018	Company 2019	Company 2018
Final dividend – prior period (Div 51)	**(79 079)**	(89 222)	**(86 464)**	(97 460)
Interim dividend – current period (Div 52)	**(99 881)**	(111 987)	**(108 706)**	(123 950)
Amounts paid to non-controlling shareholders	**(1 713)**	(1 044)	**-**	–
	(180 673)	(202 253)	**(195 170)**	(221 410)

Dividends are paid out of income reserves.

32. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	Group 2019	Group Restated 2018	Company 2019	Company 2018
Net book value	**15 997**	12 165	**-**	–
Loss on sale of assets	**(7 947)**	(5 586)	**-**	–
	8 050	6 579	**-**	–

33. COMMITMENTS

Authorised capital expenditure:

Figures in Rand thousand		Group 2019	Group Restated 2018	Group Restated 2017	Company 2019	Company 2018
Capital expenditure to be funded from internal resources as approved by the directors:						
• Authorised, contracted and fulfilled		**166 095**	112 125	75 101	**-**	–
• Authorised but not contracted for		**142 854**	231 083	303 380	**-**	–

Current year capital commitment includes the Zambia expansion which is still in progress with R83.9 million authorised expenditure as at 30 June 2019. The remaining capital commitments are for building and infrastructure for new stores, store refurbishments or relocations.

		Group 2019	Group Restated 2018	Group Restated 2017	Company 2019	Company 2018
Operating leases – as lessee (expense)						
Minimum lease payments due						
– within one year		**290 345**	432 233	344 185	**-**	–
– in second to fifth year inclusive		**1 110 392**	941 476	801 842	**-**	–
– later than five years		**775 590**	737 460	647 418	**-**	–
Total future cash flows		**2 176 327**	2 111 169	1 793 445	**-**	–
Straight-lining of leases already accrued in statement of financial position	19	**(187 378)**	(162 930)	(137 051)	**-**	–
		1 988 949	1 948 239	1 656 394	**-**	–

Leases for premises are on average contracted for periods between 5 and 10 years with renewal options for further five to 10-year periods. Rental escalations vary on average at a rate of 7% (June 2018: 7%) per annum.

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34. CONTINGENCIES

The Group has contingent liabilities in respect of bank and other guarantees in the ordinary course of business from which it is anticipated that no material liabilities will arise. These guarantees consist of amounts held in the interests of suppliers, landlords and revenue authorities.

	Group			Company	
Figures in Rand thousand	**2019**	Restated 2018	Restated 2017	**2019**	2018
Bank guarantees	**16 022**	16 022	16 022	**-**	–

35. RELATED PARTIES

Relationships

Intermediate holding company	Cashbuild Management Services Proprietary Limited
Subsidiaries	Refer to note 8

Related party balances

	Group		Company	
Figures in Rand thousand	**2019**	Restated 2018	**2019**	2018
Loan accounts - Owing (to)/by related parties				
– FJP Beleggings (Pty) Ltd	**-**	(13 948)	**-**	–
– Andre Prinsloo: CEO of P&L Hardware	**-**	(4 650)	**-**	–
– Kier and Kawder (Pty) Ltd	**(1 960)**	(1 960)	**-**	–
– UBM P and L (Pty) Ltd: Related party of P&L Hardware (Pty) Ltd	**311**	281	**-**	–
– Cashbuild Management Services Proprietary Limited	**-**	–	**33 617**	39 534
– The Cashbuild Share Incentive Trust	**-**	–	**(42 431)**	(42 431)
Amounts included in trade receivable (trade payable) regarding related parties				
– Exploit Tools (Pty) Ltd: Related party of P&L Hardware (Pty) Ltd	**-**	(1 688)	**-**	–
– Cashbuild Management Services Proprietary Limited	**-**	–	**26 509**	32 425
– The Cashbuild Empowerment Trust	**-**	–	**174**	174
Related party transactions				
Purchases				
– Exploit Tools (Pty) Ltd: Related party of P&L Hardware (Pty) Ltd	**3 823**	11 808	**-**	–
Rental paid				
– Optimprops 90 (Pty) Ltd: Related party of P&L Hardware (Pty) Ltd	**22 342**	20 795	**-**	–
Interest received				
– UBM P and L (Pty) Ltd: Related party of P&L Hardware (Pty) Ltd	**(30)**	(30)	**-**	–
Flight income				
– Optimprops 90 (Pty) Ltd: Related party of P&L Hardware (Pty) Ltd	**(200)**	(227)	**-**	–
Dividends received				
– Cashbuild Management Services Proprietary Limited	**-**	–	**(195 170)**	(221 410)

36. THE CASHBUILD EMPOWERMENT TRUST

In terms of the broad-based BEE transaction approved by the shareholders on 7 February 2005, 2 580 535 shares were issued to the Cashbuild Empowerment Trust. The shares were issued for a total consideration of R75.1 million (R29.09 per share). The Trust was funded by way of an interest-free loan from Cashbuild Management Services Proprietary Limited. As at 30 June 2019, Cashbuild Limited had 24 989 811 (June 2018: 24 989 811) shares in issue.

On 6 December 2010 a resolution was passed to repurchase 615 536 ordinary shares from the Cashbuild Empowerment Trust for a total consideration of R50 million. The proceeds on the share repurchase were distributed as a dividend to beneficiaries of the Trust, equal to R20 million. In the 2016 financial year a resolution was passed to repurchase a further 200 000 shares from the Trust which resulted in a distribution to the beneficiaries of the Trust of R61.89 million, which excludes transaction costs associated with the transaction of R1.62 million. As at 30 June 2019, The Cashbuild Empowerment Trust held 1 764 999 (June 2018: 1 764 999) shares in Cashbuild Limited.

The aggregate number of shares which may be acquired by the trust shall not exceed 10% of the issued share capital of Cashbuild Limited. The majority of Cashbuild employees are previously disadvantaged. In terms of income benefits, the empowered employees will share in the net dividend of the scheme shares underlying the trust on an equal basis. In addition to this, the empowered employees of Cashbuild will also benefit on an equitable basis should the capital of the trust be distributed following a corporate restructuring resulting in a change of control or liquidation.

Dividends paid to the Trust and distributed to employees as follows:

	Group		Company	
Figures in Rand thousand	**2019**	Restated 2018	**2019**	2018
– Final 2018 (2017)	**6 107**	6 883	**–**	–
– Interim 2019 (2018)	**7 678**	8 754	**–**	–
	13 785	15 637	**–**	–

37. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Executive

Figures in Rand thousand **June 2019**	**Basic salary**	**Expenses and travel allowance**	**Medical benefits**	**Company's pension scheme contributions**	**Bonus**	**Total**
WF de Jager	**4 425**	**201**	**158**	**415**	**2 544**	**7 743**
A Hattingh	**2 449**	**195**	**–**	**230**	**963**	**3 837**
AE Prowse	**3 136**	**161**	**–**	**242**	**1 224**	**4 763**
SA Thoresson	**2 810**	**204**	**–**	**250**	**1 113**	**4 377**
W van Aswegen	**2 282**	**214**	**–**	**220**	**940**	**3 656**
	15 102	**975**	**158**	**1 357**	**6 784**	**24 376**

Figures in Rand thousand June 2018	Basic salary	Expenses and travel allowance	Medical benefits	Company's pension scheme contributions	Bonus	Total
WF de Jager	3 923	156	85	356	414	4 934
A Hattingh*	1 153	76	–	109	138	1 476
AE Prowse	2 707	210	–	203	193	3 313
SA Thoresson	2 433	196	–	212	177	3 018
W van Aswegen*	536	57	–	52	112	757
A van Onselen†	1 431	107	37	123	113	1 811
	12 183	802	122	1 055	1 147	15 309

** Directors' emoluments from date of appointment as a director.*

† Ceased to be a director from 31 December 2018.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

37. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS (CONTINUED)

Share options granted to directors:

Refer to note 16 for details of share incentive schemes of which directors are beneficiaries of at year end.

Non-executive

June 2019	**Directors' fees**	**Total**
IS Fourie	**725**	**725**
M Bosman (appointed 1 March 2019)	**96**	**96**
HH Hickey	**454**	**454**
AGW Knock	**512**	**512**
Dr DSS Lushaba	**440**	**440**
NV Simamane	**452**	**452**
GM Tapon Njamo	**335**	**335**
	3 014	**3 014**

June 2018	Directors' fees	Total
IS Fourie	719	719
HH Hickey	413	413
AGW Knock	469	469
Dr DSS Lushaba	425	425
NV Simamane	437	437
GM Tapon Njamo	90	90
	2 553	2 553

Key staff and Prescribed Officers

June 2019	**Basic salary**	**Expenses and travel allowance**	**Medical benefits**	**Company pension scheme contributions**	**Bonus**	**Total**
P Champion	**1 969**	**179**	**57**	**177**	**583**	**2 965**
W Dreyer^	**1 633**	**109**	**84**	**163**	**564**	**2 553**
A Havenga	**1 843**	**68**	**–**	**174**	**518**	**2 603**
DS Masala*^	**439**	**41**	**28**	**47**	**136**	**691**
I Mckay^	**1 503**	**259**	**55**	**133**	**540**	**2 490**
H Steenberg	**1 714**	**131**	**–**	**161**	**499**	**2 505**
A Prinsloo^	**2 528**	**483**	**–**	**–**	**–**	**3 011**
	11 629	**1 270**	**224**	**855**	**2 840**	**16 818**

June 2018 – Restated	Basic salary	Expenses and travel allowance	Medical benefits	Company pension scheme contributions	Bonus	Total
P Champion	1 667	148	106	158	101	2 180
W Dreyer*	1 852	121	92	184	128	2 377
A Havenga	1 705	88	164	–	98	2 055
DS Masala	1 447	190	100	157	85	1 979
I Mckay*	1 650	262	61	146	117	2 236
A Hattingh^	1 018	144	–	96	–	1 258
WP van Aswegen^	1 475	156	–	144	–	1 775
A Prinsloo*	2 040	541	–	–	–	2 581
	12 854	1 650	523	885	529	16 441

** Prescribed Officer.*

^ Salary earned while prescribed officer/prior to being appointed as director.

38. RISK MANAGEMENT

Financial risk management

Overview

This note presents information about the Group's exposure to each of its applicable financial risks, these being liquidity risk, foreign exchange risk, credit risk and interest rate risk. The below information contains the Group's objectives, policies and processes managing the risk and the methods used to measure the risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the companies activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Potential concentrations of credit risk consist mainly of cash and cash equivalents and trade and other receivables.

Credit risk consists mainly of cash equivalents and trade receivables. The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Funds are only invested with authorised financial service providers. Due to the Group's international operational requirements it is forced to transact with financial institutions in certain countries where independent internationally accredited credit ratings are not available. Cash balances deposited with these financial institutions are kept to an operational minimum and are transferred, subject to exchange control regulations and available suitable foreign currency, to financial institutions with acceptable credit ratings. The Group has policies that limit the amount of credit exposure to any one financial institution.

Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

38. RISK MANAGEMENT (CONTINUED)

Sales to retail customers are settled in cash or using debit and credit cards. Except for the total exposure represented by the respective statement of financial position items, the Group has no other significant concentration of credit risk. Accounts receivable comprise a widespread client base and the Group has policies in place to ensure that all sales of goods and services on credit are made to customers with an appropriate credit history. These policies include reviewing the Group's own credit history with the customer, verifying the credit history with an external credit bureau, as well as a formalised application process where the creditworthiness of the customer is assessed and insured. With the exception of special orders where an upfront deposit is held, no collateral is held for other customers.

The table below shows the cash invested at the statement of financial position date at financial institutions grouped per the Fitch short-term credit rating (BB+) of the financial institutions:

	Group		Company	
Figures in Rand thousand	**30 June 2019**	30 June 2018	**30 June 2019**	30 June 2018
Cash held at financial institutions	**590 150**	952 929	**2 776**	5 554

Credit is only given to a small number of customers of which the majority is covered by credit insurance. At year-end only 3% (June 2019: 3%) of our trade debtors over 90 days were not covered by credit insurance. Therefore from a credit risk perspective, trade debtors are considered an insignificant portion of the business. Accordingly the Group has no significant concentrations of credit risk.

A credit policy has been established where each new credit customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms are offered. The Group review includes external ratings, bank references and obtaining credit reports. Purchase limits are established for each customer. Furthermore, credit insurance is taken out for the majority of receivables balances. For smaller customers, surety from directors is required.

For detail on the credit quality (ageing) of trade receivables and movement in the allowance for impairment in respect of trade receivables refer to note 12.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk through the compilation and monitoring of cash flow forecasts, as well as ensuring that adequate borrowing facilities are maintained.

The Group has unutilised banking facilities of R577.6 million (June 2018: R622.0 million).

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

Group – June 2019

Non-derivative financial liabilities	**30 days or less**	**More than 30 days but less than 1 year**	**1 to 5 years**	**Over 5 years**
Trade liabilities and accruals	**–**	**(910 870)**	**–**	**–**

Group – June 2018 – Restated

Non-derivative financial liabilities	30 days or less	More than 30 days but less than 1 year	1 to 5 years	Over 5 years
Finance lease liabilities	–	(936)	(115)	–
Trade liabilities and accruals	(655 139)	(751 965)	–	–

Company – June 2019

	30 days or less	**More than 30 days but less than 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Trade liabilities and accruals	**–**	**(2 378)**	**–**	**–**	**(2 378)**

Company – June 2018

	30 days or less	More than 30 days but less than 1 year	1 to 5 years	Over 5 years	Total
Trade liabilities and accruals	–	(5 278)	–	–	(5 278)

Trade liabilities and accruals are expected to be settled by cash resources and changes in working capital. At reporting date, the Group held cash and other liquid assets of R590 million and R953 million respectively, which are expected to readily generate cash inflows to manage any liquidity risk.

Foreign currency risk

The Group operates throughout southern Africa and is exposed to foreign exchange risk arising from various currencies, primarily the Botswana Pula, Malawi Kwacha, Kwacha and USD in Zambia. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign entities. A portion of the Group's income is earned in foreign currencies. The Group does not hedge borrowings in foreign currencies as the intention is to repay these from its foreign earned income stream. The Group also has a translation risk arising from the consolidation of foreign entities into South African Rands.

Exposure from exchange rate fluctuations on transactions denominated in foreign currency is managed by reviewing foreign currency exposure in order to determine if foreign exchange contracts should be utilised on an ongoing basis. Foreign currency forward exchange contracts protect the Group from movements in exchange rates by establishing the rates at which a foreign currency asset or liability will be settled. It is Group policy to enter into forward exchange contracts when adverse exposure to foreign currency exchange rate fluctuations exist. There were no open forward exchange contracts at year end.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

38. RISK MANAGEMENT (CONTINUED)

Foreign currency exposure at the end of the reporting period

	Group			Company	
Figures in Rand thousand	**2019**	Restated 2018	Restated 2017	**2019**	2018
Botswana Pula exposed to Rand					
Trade receivables	**6 864**	6 191	6 268	**–**	–
Cash and cash equivalents	**65 599**	39 932	117 493	**–**	–
Trade payables	**(60 070)**	(65 040)	(37 885)	**–**	–
Malawi Kwacha exposed to Rand					
Trade receivables	**39**	1 779	1 197	**–**	–
Cash and cash equivalents	**12 722**	14 779	9 900	**–**	–
Trade payables	**(8 771)**	(14 791)	(10 517)	**–**	–
Zambia Kwacha exposed to Rand					
Trade receivables	**523**	725	–	**–**	–
Cash and cash equivalents	**2 593**	2 034	–	**–**	–
Trade payables	**(78 888)**	(5 368)	–	**–**	–
US Dollar exposed to Rand (Zambia)					
Cash and cash equivalents	**67**	142	–	**–**	–
Exchange rates used for conversion were:					
Botswana Pula – Reporting date rate	**1.33**	1.31	1.26	**–**	–
Botswana Pula – Average rate	**1.34**	1.28	1.29	**–**	–
Malawi Kwacha – Reporting date rate	**0.01779**	0.01834	0.01675	**–**	–
Malawi Kwacha – Average rate	**0.01892**	0.01727	0.01825	**–**	–
Zambia Kwacha – Reporting date rate	**1.09**	1.33	1.39	**–**	–
Zambia Kwacha – Average rate	**1.19**	1.29	1.39	**–**	–
US dollar – Reporting date rate	**12.92**	13.29	12.71	**–**	–

If the South African Rand had weakened/strengthened by 10% against the Malawi Kwacha with all other variables, in particular interest rates held constant, comprehensive income for the year would have been affected by R0.5 million (June 2018: R0.2 million) mainly as a result of foreign exchange gains or losses on translation of Kwacha denominated trade receivables, cash and cash equivalents and trade payables.

If the South African Rand had weakened/strengthened by 10% against the Botswana Pula with all other variables, in particular interest rates held constant, comprehensive income for the year would have been affected by R0.5 million (June 2018: R1.7 million) mainly as a result of foreign exchange gains or losses on translation of Pula denominated trade receivables, cash and cash equivalents and trade payables.

If the South African Rand had weakened/strengthened by 10% against the Zambia Kwacha with all other variables, in particular interest rates held constant, comprehensive income for the period would have been affected by R6.9 million (June 2018: R0.3 million) mainly as a result of foreign exchange gains or losses on translation of Zambian Kwacha denominated trade receivables, cash and cash equivalents and trade payables. Zambian operations are also exposed to the US Dollar and if that currency had weakened/strengthened by 10% the Group results would be affected by R0.5 million (June 2018: R0.4 million) mainly as a result of foreign exchange gains or losses on translation of US Dollar denominated trade receivables, cash and cash equivalents and trade payables.

Interest rate risk

As the Group is operating with a low gearing ratio, interest rate risk on borrowings is minimised. Surplus funds are invested in call and other notice accounts in order to maximise interest potential. The only interest rate risk that the Company is exposed to relates to bank borrowings and deposits.

Price risk

The Group is not exposed to significant commodity price risk.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, cash and cash equivalents disclosed in note 13, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Group's target is to maintain a dividend cover of two times annual result. The Group has achieved an actual dividend cover of two times annual result in both the current and prior financial period.

39. EVENTS AFTER THE REPORTING PERIOD

On 5 August 2019 a resolution was passed to wind up the Share incentive Trust.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

40. NEW STANDARDS AND INTERPRETATIONS

40.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretation:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The other standards and interpretations did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods. Refer to note 2 for the impact of adopting new standards.

40.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2019 or later periods:

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The effective date of the standard is for years beginning on or after 1 January 2019.

The Group expects to adopt the standard for the first time in the December 2019 consolidated interim financial statements.

The impact of this standard will materially affect the Group as a right-of-use asset and a lease liability will be recognised on the statement of financial position. The right-of-use asset will be depreciated in terms of IAS 16 and lease liability will have interest charges in the statement of profit or loss. There are 315 stores across South Africa and other parts of Africa currently being accounted for as the majority are operating leases that now have to be recognised on the balance sheet.

The standard has no economic impact on the Group. It has no impact on how the business is run nor on the cash flows for the Group. It does, however, have a material impact on the way the assets, liabilities and the statement of profit or loss and other income are presented.

The practical expedients in terms of low value items and leases less than a year exemption will be utilised by the Group on implementation. Management will use the practical expedients in relation to the low value lease assets. Cashbuild has not elected the practical expedient not to separate non-lease components from lease components.

Management has decided to adopt the modified retrospective transition approach. Cashbuild does not need to restate comparative figures but would rather recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings, which measures the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application.

Management determined that the average incremental borrowing rate will be at prime minus 1.75% being the current borrowing rate for Cashbuild's South African operations, taking into account its credit risk and repayment profiles of each portfolio of similar leases.

Renewal term will not be included as part of the lease term calculation for the IFRS 16 Implementation.

The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application is not applicable as Cashbuild does not currently incur initial direct costs. The decision has been taken to elect the practical expedient, to exclude initial direct cost from the measurement from the right-of-use asset should they occur.

Cashbuild have elected to separately disclose the right-of-use asset and the lease liability on the statement of financial position. Cashbuild have elected to measure the right-of-use assets in terms of IAS 16.

This is the only new standard not yet effective that is expected to have a material impact on the Group.

GENERAL INFORMATION

04

SHAREHOLDERS' ANALYSIS (UNAUDITED)

Listed below is an analysis of holdings extracted from register of ordinary holders at 30 June 2019:

	% Holding*	Number of shares
Directors	0.05	12 700
The Cashbuild Empowerment Trust	7.06	1 764 999
Cashbuild (South Africa) (Pty) Ltd	1.00	249 806
Cashbuild Forfeitable Share Plan	0.97	241 625
The Cashbuild Operations Management Member Trust	0.08	19 018
Banks	27.45	6 859 427
Brokers	0.54	134 438
Close Corporations	6.07	1 517 575
Endowment Funds	0.32	80 126
Individuals	6.33	1 582 571
Insurance Companies	2.18	544 847
Investment Companies	0.11	27 658
Medical Aid Schemes	0.08	20 282
Mutual Funds	10.39	2 596 245
Nominees and Trusts	12.74	3 184 797
Other Corporations	0.22	54 044
Pension Funds	15.22	3 802 872
Private Companies	7.74	1 933 836
Public Companies	1.45	362 945
Sovereign Wealth Funds	0.23	57 000
	100.00	**24 989 811**
Portfolio size		
1 – 1 000	1.59	397 648
1 001 – 5 000	3.24	810 052
5 001 – 100 000	18.87	4 714 640
100 001 – 1 000 000	40.85	10 207 133
1 000 000 – over	35.46	8 860 338
	100.00	**24 989 811**

The following shareholders held in excess of 5% of the shares of the Company at 30 June 2019:

	% Holding*	Number of shares
Goldrick PK	9.75	2 436 673
Public Investment Corporation Limited	8.76	2 189 046
The Cashbuild Empowerment Trust	7.06	1 764 999
SRA Investments CC	6.00	1 500 000

** The holding exclude any shares held by virtue of the FSP.*

Directors' shareholding at 30 June 2019:

	Holdings	Number of shares
AE Prowse	2	10 500
NV Simamane	1	1 200
WF de Jager	1	1 000
	4	**12 700**

Public/non - public shareholders	No. of shareholders	No. of Shares	%
Non - Public Shareholders	7	2 288 148	9,16
Directors Holdings	3	12 700	0,05
Empowerment	1	1 764 999	7,06
Share Plan	1	241 625	0,97
Ops Trust	1	19 018	0,08
Company Related	1	249 806	1,00
Public Shareholders	2 259	22 701 663	90,84
Total	2 266	24 989 811	100,00

SHAREHOLDERS' DIARY

Final results published	3 September 2019
Final dividend paid	30 September 2019
2019 Integrated Report posted to shareholders	October 2019
Annual General Meeting	25 November 2019
Interim results for the six months ending December 2020	March 2020
Annual results for the year ending June 2020	September 2020

NOTICE OF ANNUAL GENERAL MEETING

CASHBUILD LIMITED

(Incorporated in the Republic of South Africa)
REG NO. 1986/001503/06 • ISIN: ZAE000028320 • JSE Code: CSB
("Cashbuild" or "the Company")

Notice is hereby given that the 33rd Annual General Meeting of shareholders of Cashbuild will be held in the Boardroom, Cashbuild Support Office, 101 Northern Parkway Road, Ormonde, Johannesburg on Monday, 25 November 2019 at 10:00.

1. RECEIPT OF ANNUAL FINANCIAL STATEMENTS, AUDIT COMMITTEE REPORT AND SOCIAL AND ETHICS COMMITTEE REPORT

1.1 To receive the audited Annual Financial Statements of the Company and of the Cashbuild group (being Cashbuild and its subsidiaries) for the 53 weeks ended 30 June 2019, together with the reports of the directors, the Audit Committee and the External Auditors. The Annual Financial Statements can be obtained from the Cashbuild website at www.cashbuild.co.za/report_2019.php or can be requested from the Company Secretary.

1.2 To receive the report of the Social and Ethics Committee for the 53 weeks ended 30 June 2019, as required in terms of Regulation 43 of the Companies Regulations, 2011 ("the Regulations"), as set out in the Integrated Report.

2. ORDINARY RESOLUTIONS

To consider and, if deemed fit, to approve, with or without modification, the Ordinary Resolutions set out below, in the manner required by the Memorandum of Incorporation ("MOI") and the Companies Act, 2008 ("the Act"), as read with the JSE Listings Requirements ("Listings Requirements"):

2.1 Ordinary Resolution Number One: Election of director

To RESOLVE to elect Mr M Bosman who was appointed by the Board in terms of clause 13.2.7.1 of the Company's MOI after the previous Annual General Meeting with effect from 1 March 2019. Mr Bosman offers himself for election by the shareholders.

The Board continuously assesses its skills and knowledge bases and on that basis takes the necessary steps to enhance its composition as and when the need arises. It is on this basis that the Board commenced the recruitment process that resulted in the appointing of Mr Bosman.

A brief biography of Mr Bosman is contained on page 31 of the Integrated Report.

2.2 Ordinary Resolution Number Two: Re-election of director

To RESOLVE to re-elect Dr DSS Lushaba in terms of clause 13.4 of the MOI, who became a director on 1 July 2011, and who retires by rotation but, being eligible, offers himself for re-election. The Board supports his re-election.

A brief biography of Dr Lushaba is contained on page 31 of the Integrated Report.

2.3 Ordinary Resolution Number Three: Re-election of director

TO RESOLVE to re-elect Mr AGW Knock in terms of clause 13.4 of the MOI, who became a director on 1 July 2012, and who retires by rotation but, being eligible offers himself for re-election. The Board supports his re-election.

2.4 Ordinary Resolution Number Four: Re-appointment of Independent Auditor

To RESOLVE to appoint PricewaterhouseCoopers Incorporated ("PwC") to act as the independent auditor of the Company for the financial year ending 30 June 2020 until the end of the next Annual General Meeting in November 2020. The individual registered auditor responsible for the audit is Mr Andries Rossouw.

The Audit Committee has concluded that the appointment of PwC will comply with the requirements of Section 90 of the Act and the Regulations, and accordingly nominated PwC for re-appointment as auditor of the Company.

2.5 Ordinary Resolutions Numbers Five, Six, Seven and Eight: Appointment of Audit Committee members

To RESOLVE, as provided in section 94 of the Act, to elect the following directors to serve as members of the Audit Committee until the end of the next Annual General Meeting, each by way of a separate vote:

2.5.1 Ordinary Resolution Number Five

To appoint Mr M Bosman (subject to his election as a director in terms of ordinary resolution number one).

2.5.2 Ordinary Resolution Number Six

To appoint Ms HH Hickey.

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

2.5 Ordinary Resolutions Numbers Five, Six, Seven and Eight: Appointment of Audit Committee members (continued)

2.5.3 Ordinary Resolution Number Seven

To appoint Dr DSS Lushaba (subject to his re-election as a director in terms of ordinary resolution number two).

2.5.4 Ordinary Resolution Number Eight

To appoint Ms GM Tapon Njamo.

3. NON-BINDING ADVISORY VOTES

To consider and vote on the Resolutions set out below, in the manner required by the King Report on Corporate Governance for South Africa, 2016 ("King IV"), as read with the Listings Requirements:

Should more than 25% of the total votes cast be against either non-binding advisory votes, the Company will issue, in its voting results announcement, an invitation to shareholders who voted against the Resolutions to meet with members of the Remuneration Committee. The process will be as outlined in a SENS announcement issued subsequent to the Annual General Meeting.

3.1 Ordinary Resolution Number Nine: Endorsement of the Company's remuneration policy

To ENDORSE, on an advisory basis, the Company's Remuneration Policy as set out in Section A of the Remuneration Report contained in the Integrated Report.

Motivation for advisory endorsement

In terms of King IV and the Listings Requirements, an advisory vote should be obtained from the shareholders on the Company's Remuneration Policy. The vote allows shareholders to express their views on the remuneration policy, but will not be binding on the Company.

3.2 Ordinary Resolution Number Ten: Endorsement of the implementation of the Company's remuneration policy

To ENDORSE, on an advisory basis, the implementation of the Company's Remuneration Policy as set out in Section B of the Remuneration Report contained in the Integrated Report.

Motivation for advisory endorsement

In terms of King IV and the Listings Requirements, an advisory vote should be obtained from shareholders on the implementation report of the Company's Remuneration Policy. The vote allows shareholders to express their views on the extent of the implementation of the Company's remuneration Policy, but will not be binding on the Company.

4. SPECIAL RESOLUTIONS

To consider and, if deemed fit, to approve, with or without modification, the Special Resolutions set out below, in the manner required by the MOI and the Act, as read with the Listings Requirements:

4.1 Special Resolution Number One: Remuneration of non-executive directors

To APPROVE the remuneration of the non-executive directors of the Company, for the period 1 July 2019 to 30 June 2020, as set out below:

		Excluding VAT	Payable
Annual retainer	Chairman	300 000	Annually
	Director	190 000	Annually
Board and Strategy meetings	Chairman	51 500	Each meeting
	Director	27 000	Each meeting
Audit and Risk Committee meetings	Chairman	20 000	Each meeting
	Director	16 500	Each meeting
All other meetings	Chairman	18 000	Each meeting
	Director	15 000	Each meeting

Explanatory note in respect of Special Resolution Number One

In terms of section 65(11)(h) of the Act, read with sections 66(8) and 66(9) of the Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous two years, and only if it is not prohibited in terms of the Company's MOI.

75% of voting rights exercised will be required for this special resolution to be adopted.

4.2 Special Resolution Number Two: Financial assistance in terms of section 45 of the Act to associated or group companies

To authorise, to the extent required in terms of section 45 of the Act, the Board, as it in its discretion thinks fit, but subject to compliance with the requirements of the MOI, the Act and Listings Requirements applicable to the Company, to grant authority to the Company to provide direct or indirect financial assistance as contemplated in section 45 of the Act to a related or inter-related company or corporation as contemplated in the Act, for any purpose in the ordinary course of business of the Cashbuild group at any time during a period of two years following the date on which this resolution is passed.

The Board will, before making any such financial assistance, satisfy itself that:

1. Immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test as set out in the Act; and
2. The terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

Explanatory note in respect of Special Resolution Number Two

Special resolution number two is required in order to authorise financial assistance by the Company to other associated or Group companies.

In terms of section 45 of the Act, the directors of the Company may not authorise the Company to provide financial assistance by way of loans, guarantees, the provision of security or otherwise, to any company which is related or inter-related to Cashbuild, i.e. directly or indirectly, its subsidiaries, unless such financial assistance is pursuant to a special resolution of shareholders. This special resolution does not authorise the provision of financial assistance to a director or prescribed officer of the Company.

In terms of the Treasury Management function and policies of the Group, Cashbuild is required, from time to time, to provide financial assistance to other entities within the Group in the ordinary course of business.

The authorisation of any such financial assistance will be, and remain, subject to the Board being satisfied that immediately after granting the financial assistance, the Company will satisfy the solvency and liquidity test set out in the Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

In accordance with section 45(5) of the Act, the Board gives notice to shareholders of its intention to propose a resolution authorising the Company to provide financial assistance to certain related and/or inter-related companies, which Board resolution will take effect on the passing of Special Resolution Number two set out above.

75% of voting rights exercised will be required for this special resolution to be adopted.

4.3 Special Resolution Number Three: General repurchase of shares

To resolve that the Company or any of its subsidiaries be and is hereby authorised, by way of a general approval, to acquire ordinary shares issued by the Company, in terms of sections 46 and 48 of the Companies Act, and in terms of the JSE Listings Requirements, being that:

1. any acquisition of shares shall be implemented through the order book of the JSE and without prior arrangement between the Company and the counter party;
2. this general authority shall be valid until the Company's next AGM, provided that it shall not extend beyond 15 months from the date of passing this special resolution;
3. the Company (or any of its subsidiaries) is duly authorised by its MOI to do so;
4. acquisition of shares in the aggregate in any one financial year may not exceed 5% of the Company's issued ordinary share capital as at the date of passing this special resolution;
5. in determining the price at which shares issued by the Company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired will be 10% of the weighted average of the market value on the JSE over the five trading days immediately preceding the repurchase of such shares;
6. at any point in time the Company (or any of its subsidiaries) may appoint only one agent to effect repurchase on its behalf;

4.3 Special Resolution Number Three: General repurchase of shares (continued)

7. repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless a repurchase programme is in place (where dates and quantities of shares to be repurchased during the prohibited period are fixed) and has been submitted to the JSE in writing prior to commencement of the prohibited period;
8. an announcement will be published as soon as the Company or any of its subsidiaries have repurchased shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the repurchase pursuant to which the aforesaid threshold is reached, and for each 3% in aggregate repurchased thereafter, containing full details of such repurchases; and
9. the Board of Directors of the Company must resolve that the repurchase is authorised, the Company and its subsidiaries have passed the solvency and liquidity test, as set out in section 4 of the Companies Act, and since that test was performed, there have been no material changes to the financial position of the group.

In accordance with the JSE Listings Requirements the directors record that although there is no immediate intention to effect a repurchase of the shares of the Company, the directors will utilise this general authority to repurchase shares as and when suitable opportunities present themselves, which may require expeditious and immediate action.

The directors understand that, after considering the maximum number of shares that may be repurchased and the price at which the repurchases may take place pursuant to the repurchase general authority, for a period of 12 months after the date of notice of this AGM:

i. the Company and the group will, in the ordinary course of business, be able to pay its debts;

ii. the consolidated assets of the Company and the group, fairly valued in accordance with International Financial Reporting Standards, will exceed the consolidated liabilities of the Company and the group, fairly valued in accordance with International Financial Reporting Standards; and

iii. the Company and group's share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, some of which may appear elsewhere in the Integrated Report of which this notice forms part, is provided in terms of paragraph 11. 26 of the JSE Listings Requirements for purposes of this general authority:

Major beneficial shareholders	Page 144 of the Integrated Report
Capital structure of the Company	Page 123 of the Integrated Report

Explanatory note in respect of Special Resolution Number 3

The reason for special resolution number 3 is to permit the Company or any of its subsidiaries, by way of a general approval to repurchase ordinary shares by the Company as and when suitable opportunities to do so arise.

Directors' responsibility statement as it pertains to this Special Resolution

The directors whose names appear on page 30 and 31 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, 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 special resolution contains all information required by the Companies Act and the JSE Listings Requirements.

Material change as it pertains to this Special Resolution

Other than the facts and developments reported on in the Integrated Report of which this notice forms part, there have been no material changes in the affairs of or financial position of the Company and its subsidiaries since the date of signature of the audit report for the financial year ended 30 June 2019 and up to the date of this notice of AGM.

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

QUORUM FOR ALL RESOLUTIONS

The quorum for all Resolutions is sufficient persons being present to exercise, in aggregate, at least 25% of all of the voting rights, subject to three shareholders being physically present at the Annual General Meeting.

RECORD DATE

The record date in terms of section 59 of the Act, for shareholders to be recorded on the shareholders' register of the Company, in order to be able to attend, participate and vote at the Annual General Meeting is Friday, 15 November 2019.

ELECTRONIC PARTICIPATION

Should any shareholder (or any proxy of a shareholder) wish to participate in the Annual General Meeting by way of electronic participation, that shareholder should make application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, at its address below, to be received by the Transfer Secretaries at least five business days prior to the Annual General Meeting in order for the Transfer Secretaries to arrange for the shareholder (or its representative or proxy) to provide reasonably satisfactory identification to the Transfer Secretaries for the purposes of section 63(1) of the Companies Act, and for the Transfer Secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The Company reserves the right to elect not to provide for electronic participation at the Annual General Meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation.

VOTING AND PROXIES

SHAREHOLDERS ARE REMINDED THAT:

- a shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy (or more than one proxy) to attend, participate in and vote at the Annual General Meeting in the place of the shareholder, and shareholders are referred to the attached form of proxy;
- a proxy holder need not also be a shareholder of the Company; and
- in terms of section 63(1) of the Act, any person attending or participating in a meeting of shareholders must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.

For the convenience of certificated shareholders and dematerialised shareholders with "own-name" registration, a form of proxy is attached hereto. Duly completed forms of proxy must be lodged with the Transfer Secretaries at the address set out in the form of proxy, 24 hours before the commencement of the Annual General Meeting (or any adjournment of the Annual General Meeting) or handed to the Chairman of the Annual General Meeting or Transfer Secretaries at the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (or any adjournment of the Annual General Meeting).

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Dematerialised shareholders without "own-name" registration who wish to attend the Annual General Meeting in person should request their CSDP or Broker to provide them with the necessary letter of representation in terms of their custody agreement with their CSDP or Broker. Dematerialised shareholders without "own-name" registration who do not wish to attend but wish to be represented at the Annual General Meeting must advise their CSDP or Broker of their voting instructions. Dematerialised shareholders without "own-name" registration should contact their CSDP or Broker with regard to the cut-off time for their voting instructions.

By order of the Board

T Nengovhela
Company Secretary

2 September 2019

FORM OF PROXY

CASHBUILD LIMITED

(Incorporated in the Republic of South Africa)
REG NO. 1986/001503/06 ISIN: ZAE000028320 JSE Code: CSB
("Cashbuild" or "the Company")

For the use of shareholders who hold certificated shares and shareholders who have dematerialised their shares in "own name" registrations.

FOR THE ANNUAL GENERAL MEETING TO BE HELD ON MONDAY, 25 NOVEMBER 2019 AT 10:00

I/We ……

of ……

being a shareholder/shareholders s of Cashbuild and entitled to ……………………….votes do hereby appoint…………………

…………………………………………………………………….. or failing him/her,……………………………………………………………

…………………………………………………………………………… or failing him/her, the Chairman of the Annual General Meeting as my/our proxy to act for me/us at the Annual General Meeting of the Company to be held on Monday, 25 November 2019 at 10:00 and at any adjournment thereof, in the Boardroom, Cashbuild Support Office, 101 Northern Parkway Road, Ormonde, Johannesburg, and to vote for me/us in respect of the undermentioned Resolutions in accordance with the following instructions.

	Number of voting rights (one vote per share)		
	For	Against	Abstain
1. Ordinary Resolution Number One: Election of director: M Bosman			
2. Ordinary Resolution Number Two: Re-election of director: DSS Lushaba			
3. Ordinary Resolution Number Three: Re-election of director: AGW Knock			
4. Ordinary Resolution Number Four: Re-appointment of Independent Auditor			
5. Ordinary Resolutions Number Five, Six, Seven and Eight: Appointment of Audit Committee members:			
5.1 Ordinary Resolution Number five (subject to ordinary resolution number One being passed): M Bosman			
5.2 Ordinary Resolution Number Six: HH Hickey			
5.3 Ordinary Resolution Number Seven (subject to ordinary resolution number two being passed): DSS Lushaba			
5.4 Ordinary Resolution Number Eight: GM Tapon Njamo			
6. Ordinary Resolution Number Nine: Endorsement, on a non-binding advisory basis, of the Company's remuneration policy			
7. Ordinary Resolution Number Ten: Endorsement, to a non-binding advisory basis, of the implementation of the Company's remuneration policy			
8. Special Resolution Number One: Remuneration payable to non-executive directors			
9. Special Resolution Number Two: Financial assistance in terms of section 45 of the Act to associated or group companies			
10. Special Resolution Number Three: General repurchase of shares.			

Signed at …………………………………………………… on ………………………………………………………………………..2019

Signature ……………….............................. Assisted by me ………………………………………. (where applicable – see note 7)

A shareholder qualified to attend and vote at the Annual General Meeting is entitled to appoint a person to attend, speak and vote in his/her stead. A proxy holder need not be a shareholder of the Company.

NOTES TO FORM OF PROXY

SHAREHOLDERS HOLDING CERTIFICATED SHARES OR DEMATERIALISED SHARES REGISTERED IN THEIR OWN NAME

1. Only shareholders who hold certificated shares and shareholders who have dematerialised their shares in "own name" registrations may make use of this proxy form.
2. Each such shareholder is entitled to appoint one or more proxy holders (none of whom needs to be a shareholder of the Company) to attend, speak and, on a poll, vote in place of that shareholder at the Annual General Meeting, by inserting 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 Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder's instructions to the proxy holder must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box/es provided. Failure to comply with the above will be deemed to authorise the chairman of the Annual General Meeting, if he is the authorised proxy holder, to vote in favour of the Resolutions, or any other proxy to vote or to abstain from voting at the Annual General Meeting, as he deems fit, in respect of all the shareholder's votes.
4. A shareholder or his or her proxy is not obliged to vote in respect of all the shares held or represented, but the total number of votes for or against the Resolutions in respect of which any abstention is recorded may not exceed the total number of votes to which the shareholder or his proxy is entitled.
5. Any power of attorney and any instrument appointing a proxy or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney shall be deposited at the office of the Transfer Secretaries, 24 (twenty four) hours before the time appointed for holding the Annual General Meeting or at the Annual General Meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxyholder appointed.
7. Where there are joint holders of shares any one holder may sign the proxy form. The vote of only one holder in order of seniority (determined by sequence of names on the Company register) will be accepted, whether in person or by proxy, to the exclusion of the vote(s) of other joint holders.
8. Shareholders should lodge or post their completed proxy forms with the Transfer Secretaries:

Computershare Investor Services Proprietary Limited
Hand deliveries:
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

OR postal deliveries:
PO Box 61051
Marshalltown, 2107

OR facsimile:
011 688-5238

OR email:
proxy@computershare.co.za

by no later than 24 hours before the Annual General Meeting or handed to the Chairman of the Annual General Meeting or Transfer Secretaries at the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (or any adjournment of the Annual General Meeting).

SHAREHOLDERS HOLDING DEMATERIALISED SHARES

9. Shareholders who have dematerialised their shares through a CSDP or broker (except those shareholders who have elected to dematerialise their shares in "own name" registrations) and all beneficial shareholders holding their shares (dematerialised or certificated) through a nominee should provide such CSDP, broker or nominee with their voting instructions in sufficient time to allow them to advise the Transfer Secretaries of the Company of their voting instructions before the closing time set out in 8 above or at the Annual General Meeting.
10. All such shareholders wishing to attend the Annual General Meeting in person may do so only by requesting their CSDP, broker or nominee to issue them with a letter of representation in terms of the custody agreement. Such letter of representation must be lodged with the Transfer Secretaries before the closing time set out in 8 above or presented at the Annual General Meeting.

ABBREVIATIONS AND DEFINITIONS

The abbreviations and definitions listed below have been used throughout this Integrated Report.

"AGM"	Annual General Meeting
"Basic EPS"	Earnings for the year attributable to equity holders of Cashbuild divided by the weighted average number of ordinary shares in issue during the year
"B-BBEE"	Broad-Based Black Economic Empowerment
"BEE"	Black Economic Empowerment
"CAGR"	Compounded Annual Growth Rate
"Cashbuild" or "the Group"	Cashbuild Limited and its subsidiaries
"CB"	Cashbuild
"CGR"	Corporate Governance Report contained within this IR
"CIPC"	Companies and Intellectual Property Commission
"CPI"	Consumer Price Index
"Closing PE ratio"	Market value per share at 30 June divided by HEPS
"Companies Act"	Companies Act No 71 of 2008, as amended
"CSDP"	Central Securities Depositary Participants
"CSI"	Corporate Social Investment
"DEA"	Department of Environmental Affairs
"Dividend cover"	EPS divided by dividend per share
"DWT"	Dividend Withholding Tax
"Earnings yield"	HEPS as a percentage of market value per share
"EBIT"	Earnings before interest and taxation
"ED"	Enterprise Development
"EDRA"	European DIY Retail Association
"EE"	Employment Equity
"EPS"	Earnings per share
"ERP"	Earnings per share
"ESG"	Enterprise Resource Planning system
"FSP"	Forfeitable Share Plan
"GDP"	Gross Domestic Product
"GHIN"	Global Home Improvement Network
"GRI"	Global Reporting Initiative
"HDSAs"	Historically disadvantaged South Africans
"HEPS"	Headline earnings divided by the weighted average number of ordinary shares in issue during the year
"HR"	Human Resources
"IFRS"	International Financial Reporting Standards
"ILO"	International Labour Organisation
"IR"	Integrated Report
"IT"	Information and Technology
"JSE"	JSE Limited
"King IV"	Report on Corporate Governance for South Africa 2016
"Listings Requirements"	Listings Requirements of the JSE
"Ltd"	Limited
"LTI"	Long-Term Incentive
"MOI"	Memorandum of Incorporation
"N/A"	Not applicable
"NAV"	Net asset value
"NAV per share"	The net asset value of the Company divided by the number of shares in issue, after deducting treasury shares, at the end of the year
"NQF"	National Qualifications Framework
"OHSAS"	Occupational Health and Safety Advisory Service
"Operating profit margin"	Operating profit as a percentage of revenue
"OR"	Ordinary Resolution
"P&L Hardware"	P&L Hardware (Pty) Ltd
"PDI"	Previously Disadvantaged Individual
"PE"	Price earnings, market value per share divided by HEPS
"Pty"	Proprietary
"PwC"	PricewaterhouseCoopers Inc.
"RMR"	Risk Management Review
"ROCE"	Return on Capital Employed
"SABS"	South African Bureau of Standards
"SARS"	South African Revenue Services
"SECOM"	Social and Ethics Committee
"SENS"	Stock Exchange News Service
"SETA"	Sector Education and Training Authority
"SHE"	Safety, Health and Environment
"SKU"	Stock Keeping Unit
"SOQ"	Suggested Order Quantity
"SPR"	Special Resolution
"SR"	Sustainability Report contained within this IR
"SRI"	Socially Responsible Investment
"STI"	Short-Term Incentive
"the Board"	The Board of Directors of Cashbuild
"the Company"	Cashbuild Limited
"the current year"	The financial year ended 30 June 2019
"the next year"	The financial year ending 30 June 2020
"the previous year"	The financial year ended 30 June 2018
"TSR"	Total Shareholder Return
"UN"	United Nations
"WACC"	Weighted-Average Cost of Capital

CORPORATE INFORMATION

Registration number	1986/001503/06
Share code	CSB
ISIN	ZAE000028320
Registered office	101 Northern Parkway Road, Ormonde, Johannesburg, 2001
Postal address	PO Box 90115, Bertsham, 2013
Telephone number	+27 (0)11 248 1500
Facsimile	+27 (0)86 666 3291
Website	www.cashbuild.co.za
Company Secretary	T Nengovhela
Sponsor	Nedbank CIB, a division of Nedbank Limited (Registration number 1966/010630/06) 135 Rivonia Road, Sandown, 2196 (PO Box 1144, Johannesburg, 2000)
Auditors	PricewaterhouseCoopers Inc Waterfall City, 4 Lisbon Lane, Jukskei View Midrand, 2090 (Private Bag X36, Sunninghill, 2157)
Transfer Secretaries	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07) Rosebank Towers, 15 Biermann Avenue Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107)
Investor Relations	Keyter Rech Investor Solutions CC (Registration number 2008/156985/23) Fountain Grove, 5 2nd Street, Hyde Park, 2195 (PO Box 653078, Benmore, 2010)
Transactional Bankers	Nedcor Bank, a division of Nedbank Limited The Standard Bank of South Africa Limited First National Bank, a division of FirstRand Limited

www.cashbuild.co.za