Cashbuild

2020 Annual Financial Statements

for the year ended 28 June 2020

Annual Financial Statements

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 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 requirements of the King IV Report™.

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
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 11 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 conduct confidential closed meetings 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 at the close of each Committee meeting.

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 the 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;
- dealing with concerns relating to accounting practices, internal audit, the audit or content of Annual Financial Statements and internal financial controls;
- considering the Group's structure to ensure that it has access to all the financial information of the Group to allow for the effective preparation and reporting of its financial position; and
- ensuring that appropriate reporting procedures exist and are operating, which include considering the Group structure.

External auditor

Independence

During the year under review, the Audit and Risk Committee reviewed the independence of the external 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. The Committee satisfied itself of PwC's independence prior to recommending their re-election to the Board and to the shareholders.

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 the Company;
- 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 two 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 2020 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 2020 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; accuracy of supplier rebates and the valuation of the right of use asset and lease liability in accordance with the IFRS16: Leases.

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.

Audit and Risk Committee Report continued

3. FUNCTIONS OF THE COMMITTEE CONTINUED

Expertise and experience of Financial Director

As required by JSE Listings Requirements 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.

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 28 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 30 members with three auditors and an internal audit manager dedicated to the auditing of support office-based audits, and 21 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. 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 good governance and the guidelines contained in the King IV Report™ principle 15, Practice 59, Internal Audit provides a written assessment of the effectiveness of the Company's system of internal control and risk management to the Audit and Risk Committee. 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 meeting 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. The 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 Corporate Governance 2016™ 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 Corporate Governance for South Africa 2016™.

Financial statements
The Directors' Report is set out on pages 9 to 13.

External audit
The Independent Auditor's Report is set out on pages 14 to 20.

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 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.

Audit and Risk Committee Report continued

4. COMBINED ASSURANCE CONTINUED

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 second 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.

The third Key Audit Matter relates to the Valuation of the right-of-use asset and lease liability recongnised at adoption date in accordance with IRFS 16: Leases which was effective for the first time.

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 adoption and implementation of IFRS:16 and the related disclosure.

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 2019 to June 2020) 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 Chair

Johannesburg
31 August 2020

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 2021 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 page 14 to 20.

Cashbuild is in compliance with the provisions of the Companies Act or laws of establishment, specifically relating to its incorporation and is operating in conformity with its Memorandum of Incorporation and/or relevant constitutional documents.

The Group's and Company's Annual Financial statements set out on page 21 to 69, which have been prepared on the going-concern basis under the supervision of the Financial Director, Mr AE Prowse CA(SA), were approved by the Board of Directors on 31 August 2020 and were signed on their behalf by:

Alistair Knock
Chairman

Werner de Jager
Chief Executive

31 August 2020

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 Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Takalani Nengovhela
Company Secretary

31 August 2020

Directors' Report

The directors have pleasure in submitting their report on the Annual Financial Statements of Cashbuild Limited for the year ended 28 June 2020.

1. NATURE OF THE BUSINESS

Cashbuild is southern Africa's leading retailer of quality building materials and associated products, selling direct to a cash-paying customer base through our chain of stores (318 at the end of this financial year which includes one DIY store and 61 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 decreased by 7%. Revenue for stores in existence prior to July 2018 (pre-existing stores – 296 stores) decreased by 10% and our 22 new stores provided a 3% increase. Gross profit decreased by 7% with gross profit percentage decreasing from 25.1% to 25.0%. This was achieved in tough trading conditions impacted by Covid-19 with selling price inflation of 2%.

Operating expenses, including new stores, remained well controlled and decreased by 7% (existing stores reduced by 10% and new stores contributed a 3% increase) resulting in operating profit decreasing by 7%. Basic earnings per share decreased by 37% with headline earnings per share also decreasing by 40% from the prior year.

The effective tax rate of 30.8% 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 increased to R1 952 million due to payments to suppliers effected after the current year-end, as well as reduced stock levels in the current year. Stock levels, including new stores, have decreased by 18% with overall stockholding at 60 days (2019: 84 days). Net asset value per share declined 2%, from 8 636 cents (June 2019) to 8 470 cents.

During the year, Cashbuild opened 11 new stores (eight Cashbuild stores and three P&L Hardware stores), refurbished 15 stores and relocated one Cashbuild store. Cashbuild closed eight stores (seven Cashbuild stores and one P&L Hardware store). Cashbuild will continue its store expansion, relocation and refurbishment strategy in a controlled manner, applying the same rigorous process as in the past.

2. FINANCIAL HIGHLIGHTS CONTINUED

The following table summarises the impact of the adoption of IFRS 16, Covid-19 and prior year 53rd week on the results:

R'million	Financial statement Notes	Audited actual 2020 (52 wks)	COVID-19	IFRS 16	Unaudited *Pro forma* 2020 (52 wks)	% Change	Unaudited *Pro forma* 2019 (52 wks)	IAS 17	53rd week	Audited actual 2019 (53 wks)	IFRS 16 adoption impact	IFRS 16 adoption 1 July 2019
Comprehensive income												
Revenue	21	10 091	621	-	10 712	1	10 622	–	(199)	10 821		
Gross profit		2 525	144	-	2 669	-	2 665	–	(55)	2 720		
Operating expenses	24	2 005	35	149	2 189	3	2 135	(23)	(3)	2 161		
Operating profit		520	109	(149)	480	(10)	530	23	(52)	559		
Net finance costs*		(126)	2	188	64	19	54	–	–	54		
Profit before tax		394	110	39	543	(7)	584	23	(52)	613		
Headline earnings	28	259	76	28	363	(14)	421	23	(36)	434		
Earnings per share (cents)	28	1 176.7	336.6	122.9	1 636.2	(10)	1 823.5	101.9	(159.7)	1 881.3		
Headline earnings per share (cents)	28	1 138.5	336.6	122.9	1 598.0	(14)	1 852.5	101.9	(159.8)	1 910.4		
Financial position												
Property, plant and equipment	4	2 395	-	(1 270)	1 125	-	1 129	–	–	1 129	1 225	2 354
Deferred tax	9	64	-	(95)	(31)	28	(24)	(53)	–	29	31	59
Lease liabilities	19	(1 615)	-	1 615	-	-	–	–	–	–	(1 518)	(1 518)
Deferred operating lease liability	19	-	-	-	-	-	–	185	–	(185)	185	–
Shareholders' equity		(2 155)	(76)	(178)	(2 409)	3	(2 337)	(23)	36	(2 350)	149	(2 201)
Net asset value per share (cents)		8 470	306	713	9 489	11	8 584	93	(145)	8 636	(596)	8 040

**Net finance costs relate to note 25 and 26.*

The table contains alternative performance measures (APM's) which have been prepared for illustrative purposes only and, because of its nature, may not fairly present the financial position of Cashbuild. The APM's are the responsibility of the directors of Cashbuild.

The Group uses a range of financial and non-financial measures to assess our performance. Management uses these APMs to monitor the Group's financial performance, alongside IFRS measures, as they assist in illustrating the underlying financial performance and position of the Group. These APMs may not be comparable with similarly titled measures and disclosures by other companies in the retail industry.

3. REPORTING PERIOD

The Group adopts the retail accounting calendar, which comprises the reporting period ending on the last Sunday of the month June 2020: 28 June 2020 (52 weeks); June 2019: 30 June (53 weeks).

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. 55), of 272 cents (2019: 420 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 (2019: 24 989 811) shares in issue at date of dividend declaration. Net local dividend amount is 217.6 cents per share for shareholders liable to pay Dividends Tax and 272 cents per share for shareholders exempt from paying Dividends Tax. The total dividend for the year amounts to 707 cents (June 2019: 855 cents) reflecting a 17% decrease on the prior year. Local dividend tax is 20%.

Relevant dates for the declaration are as follows: Date dividend declared: Monday, 31 August 2020; Last day to trade "CUM" the dividend: Monday, 21 September 2020; Date to commence trading "EX" the dividend: Tuesday, 22 September 2020; Record date: Friday, 25 September 2020; Date of payment: Monday, 28 September 2020. Share certificates may not be dematerialised or rematerialised between Tuesday, 22 September 2020 and Friday, 25 September 2020, 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 (49)	Chief Executive, CA(SA)	Executive
A Hattingh (54)	Operations Director	Executive
AE Prowse (56)	Finance Director, CA(SA)	Executive
SA Thoresson (57)	Operations Director	Executive
W van Aswegen (53)	Commercial and Marketing Director, CA(SA)	Executive
M Bosman (63)	CA(SA)	Independent non-executive
HH Hickey (66)	CA(SA)	Independent non-executive
AGW Knock (69)^	Chairman, BSc Eng (Hons); MSc (Engineering); MDP	Independent non-executive
Dr DSS Lushaba (54)	BSc Advanced Biochemistry (Hons), MBA, DBA, CD(SA)	Independent non-executive
NV Simamane (61)	BSc Chemistry and Biology (Hons)	Independent non-executive
GM Tapon Njamo (42)	CA(SA)	Independent non-executive

^ Appointed as Chairman of the Board with effect 3 September 2019.

Mr IS Fourie resigned as Chairman of the Board with effect 3 September 2019 and as a director with effect from the conclusion of the Annual General Meeting held on 25 November 2019. Details of the directors' remuneration are set out under note 38 of the financial statements.

8. BOARD COMMITTEES AND ATTENDANCE

	Board	Audit and Risk Committee	Remuneration Committee	Social and Ethics Committee	IT Governance Committee	Investment Committee	Nomination Committee
Non-executive							
IS Fourie[1]	C – 1/1^ M – 1/1^	–	M – 2/2^	M – 2/2^	–	–	–
AGW Knock[2]	C – 5/5^ M – 1/1^	–	M – 4/4	–	C – 1/1^ M – 3/3^	M[3] – 3/3	C – 1/1
M Bosman	M – 6/6	M – 4/4	–	–	–	M – 3/3	M – 1/1
HH Hickey	M – 6/6	C – 4/4	–	M – 4/4	–	C[4] – 2/3	–
DSS Lushaba	M – 6/6	M – 4/4	C[5] – 4/4	M[6] – 1/2^	–	–	–
NV Simamane[7]	M – 6/6	–	–	C – 4/4	–	–	–
GM Tapon Njamo	M – 6/6	M – 4/4	M[9] – 1/1^	–	C[8] – 3/3^ M – 1/1^	–	–
Executive							
WF de Jager	M – 6/6	I – 4/4	I – 4/4	M – 4/4	M – 4/4	M – 3/3	I – 1/1
A Hattingh	M – 6/6	I – 4/4	–	–	–	–	–
AE Prowse	M – 6/6	I – 4/4	I – 4/4	M – 4/4	M – 4/4	M – 3/3	–
SA Thoresson	M – 6/6	I – 4/4	–	–	I – 4/4	–	–
WP van Aswegen	M – 6/6	I – 4/4	–	–	I – 4/4	–	–

1 Resigned as chairperson of the Board with effect from 3 September 2019 and as a director with effect from 25 November 2019.
2 Appointed as chairperson of the Board and of the Nomination Committee with effect from 3 September 2019. Resigned as chairperson of the IT Governance Committee with effect from 3 September 2019 but remained a member.
3 Co-opted as a member for a fixed period for the review and consideration of the TBC acquisition.
4 Apology noted.
5 Appointed as chairperson of the Remuneration Committee with effect from 26 September 2016.
6 Appointed as a member of the Social and Ethics Committee with effect from 25 November 2019.
7 Resigned as a member of the Nomination Committee effective from 25 November 2019.
8 Appointed as chairperson of the IT Governance Committee with effect from 11 November 2019.
9 Appointed as a member of the Remuneration Committee with effect from 2 March 2020.
C Chairperson of the Board/Committee.
M Member of the Committee.
I Attendance by invitation.
^ Number of meetings attended since appointment (or due to resignation) to/ from the Board and/or Committee.

Directors' Report continued

9. DIRECTORS' INTERESTS IN CONTRACTS

During the financial year, no contracts were entered into 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 Articles of Association of the Company, the borrowing powers of Cashbuild Limited are unrestricted. Flexible term general banking facilities available are R644 million (June 2019: R622 million).

12. EVENTS AFTER THE REPORTING PERIOD

Cashbuild has entered into a definitive sale and purchase agreement ("SPA") on 3 August 2020 with Pepkor Holdings Limited ("Pepkor"), subject to conditions, to acquire 100% of the issued share capital of The Building Company Proprietary Limited ("TBC"), a wholly-owned subsidiary of Pepkor, and the shareholder loan claims of Pepkor against TBC, for a purchase consideration of R1,074,700,000 (the "Transaction").

Key terms of the transaction
The purchase consideration payable by Cashbuild is R1 074 700 000 (the "Purchase Consideration"), payable at the time of Transaction closing, subject to:

- an escalation rate of 5.5% per annum from 1 January 2021 until the Transaction closing date; and
- the sum of the Purchase Consideration and the total escalation not exceeding R1 119 700 000.

Conditions Precedent
The Transaction, is subject to, *inter alia*, the following conditions precedent ("Conditions Precedent"):

- all regulatory approvals (including but not limited to the required competition authorities and Takeover Regulation approvals, as defined in the Companies Act No. 71 of 2008) being obtained; and
- the Debt Financing agreements being duly executed and becoming unconditional.

Categorisation of the transaction
In terms of the JSE Listings Requirements, the Transaction is classified as a category 2 transaction and accordingly, does not require approval by the shareholders of Cashbuild.

More details of the transaction are available on the Company website.

13. COVID-19 IMPACT ON FINANCIAL RESULTS

The World Health Organization declared the novel Coronavirus (Covid-19) outbreak a public health emergency on 11 March 2020. On 17 March 2020, the South African Government declared the COVID-19 pandemic a national disaster and shortly thereafter announced a national lockdown commencing at midnight 26 March 2020. Retailing of building materials was not classified as essential services and therefore, all Cashbuild and P&L Hardware stores as well as the Support Office, with the exception of the six stores in Swaziland, the two stores in Malawi and the three stores in Zambia, were closed for the period of the Level 5 lockdown (27 March 2020 to 16 April 2020).

The impact of Covid-19/lockdown on revenue as a result of stores closing during the lockdown is estimated to be a decrease of R621 million. Based on forecasts performed before lockdown on the basis of year to date trends, the estimated R621 million is the difference between the forecast and actual revenue achieved during the Level 5 lockdown period.

Cashbuild manages its major cost categories in line with benchmarks aligned to turnover performance. Should revenue decrease by a certain percentage these costs would be managed in line with benchmarks over time to protect margins.

Cashbuild has many operating cost items that are relatively fixed in nature, such as property rentals, contract drivers and salaries. Rental reductions were received from the landlords during the lockdown period. Cashbuild made use of the IFRS 16 amendment for all the rental concession by accounting for the rental concession as a variable lease payment, applying paragraph 38 of IFRS 16, in the period in which the rental concession was received. Contract delivery drivers were supported through payment of the fixed portion of their contracts during the period of the hard lockdown. Cashbuild paid its staff’s remuneration in full during the initial period of the lockdown but staff forfeited five days annual leave for this period.

The Group has experienced incidents of late or short deliveries from suppliers without material impact on sales due to the adequate level of stock holding at its stores. Cashbuild also has appropriate response mechanisms in place to deal with any positive Covid-19 cases reported at its stores, resulting in deep cleaning and self-isolation of staff while the stores continue trading utilising staff from nearby stores or towns. Refer to table in note 3 of this report for the estimated financial effect.

14. GOING CONCERN

The directors have assessed the cash flow forecast for the foreseeable future and conclude that the Group will be able to continue as a going concern.

15. AUDITOR

PricewaterhouseCoopers Inc. were the auditors for the Company and its subsidiaries for the year ended 28 June 2020.

16. 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 28 June 2020, 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 (IFRS) 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 21 to 69 comprise:

- the consolidated and separate statements of financial position as at 28 June 2020;
- 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.

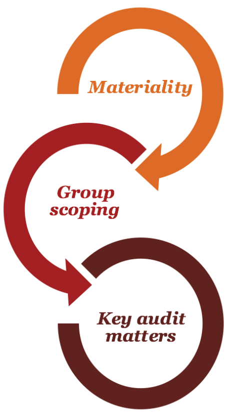
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

OUR AUDIT APPROACH

Overview



Overall group materiality

- Overall group materiality: R100.9 million, which represents 1% of consolidated revenue.

Group audit scope

- Our audit included full scope audits of Cashbuild South Africa Proprietary Limited and P&L Hardware Proprietary Limited, based on their financial significance to the Group. A combination of analytical reviews and specified procedures were performed over the remaining components.

Key audit matters

- Impairment testing of goodwill and indefinite life intangible asset allocated to the P&L Hardware reportable segment;
- Accuracy of rebate debtors (supplier rebates); and
- Valuation of the right-of-use asset and lease liability recognised at adoption date in accordance with IFRS 16: Leases.

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 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	R100.9 million.
How we determined it	1% of consolidated revenue.
Rationale for the materiality benchmark applied	We chose consolidated revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users as it is the key driver of the Group's business. We chose 1% which is consistent with quantitative materiality thresholds used for profit- orientated companies in this sector where revenue is the appropriate materiality benchmark.

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.

The Group's consolidated financial statements comprise a consolidation of twenty-two components, which includes the Group's retail business, joint operations, property companies and trusts.

Our audit included full scope audits of Cashbuild South Africa Proprietary Limited and P&L Hardware Proprietary Limited based on their financial significance to the Group. A combination of analytical reviews and specified procedures were performed over the remaining components. All testing was performed centrally by the group audit team. By performing the procedures outlined above, we obtained sufficient and appropriate audit evidence regarding the financial information of the Group to provide a basis of our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters in respect of the separate financial statements of the Company to communicate in our report.

Independent Auditor's Report continued

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill and indefinite life intangible asset allocated to the P&L Hardware reportable segment At reporting date, the Group had goodwill with a carrying value of R309.1 million, of which R196.3 million was allocated to the P&L Hardware reportable segment. The Group also has a P&L Hardware trademark with an indefinite useful life recorded at a carrying value of R96.4 million as at reporting date. Refer to Note 7: Intangible assets and Note 5: Impairment of assets, to the consolidated financial statements. Goodwill acquired in a business combination and the intangible asset with an indefinite useful life are required to be tested for impairment on an annual basis and whenever there is an indication of impairment, pursuant to the requirements of International Accounting Standard (IAS) 36: *Impairment of assets.* The impairment test for goodwill and the intangible asset with an indefinite useful life is performed for the group of cash-generating units to which these assets have been allocated. The level at which goodwill is allocated is not larger than an operating segment and the Group considers its operating segments to be the same as its reportable segments. Refer to Note 3: Segmental information, to the consolidated financial statements. Management applied the value in use model, covering a period of 5 years with a terminal value applied, 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 made assumptions, and applied significant judgement in relation to the values assigned to the key assumptions made in the calculation, such as the discount rate (pre-tax), net working capital days and growth rates and projections. Refer to Note 1.23: Critical estimates and judgements and Note 5: Impairment of assets, to the consolidated financial statements where the key assumptions used and judgements applied by management have been disclosed. We considered this to be a matter 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 the indefinite life intangible asset allocated to the P&L Hardware reportable segment are impaired.	For the goodwill balance and indefinite useful life intangible asset allocated to the P&L Hardware reportable segment, we performed the following procedures: • Verified the mathematical accuracy of management's valuation model and agreed the relevant data, including assumptions regarding timing of future earnings, investment in working capital and capital expenditure, to the latest budgets and cash flow projections. We did not note exceptions in this regard; • Assessed whether management adequately incorporated the expected impact of the Covid-19 pandemic on future earnings and relevant cash flows by comparing the post Covid-19 budgets to pre-Covid-19 forecasts and expectations; and • Assessed the reasonableness of the budgeting process by comparing current year actual results with the prior year budgeted results. Based on the results of our work performed, we did not note any aspect requiring further consideration in this regard. Utilising our valuation expertise, we assessed the reasonableness of the assumptions and inputs applied as follows: • Assessed the reasonableness of the net working capital days, growth rates and projections applied by management in their impairment assessment by comparing the data to historically achieved growth rates, margins and target net working capital days; • Assessed 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 Covid-19 impacted forecast economic conditions, as well as the impact of IFRS 16 - *Leases*. Whilst 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 • Performed a sensitivity analysis on management's assumptions using our own independent model in order to calculate the degree to which these assumptions would need to change before an impairment would be triggered, considering the likelihood of such a change. Based on our assessment, we accepted management's assumptions as falling within acceptable ranges.

Key audit matter	How our audit addressed the key audit matter
Accuracy of rebate debtors (supplier rebates) The Group has trade agreements with suppliers whereby rebate and advertising income is earned based on purchases made from the suppliers and is calculated either as a percentage of purchases or on volume (collectively referred to as "supplier rebates"). Refer to note 12: Trade and other receivables, to the consolidated financial statements. 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 accounting policy note 1.21: Cost of sales to the consolidated financial statements. Management uses 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 recorded in the creditors subledger in SAP and are then interfaced to the Ryto system; and • The contractual supplier rebate percentages are obtained via an interface with the supplier master files maintained in SAP. The supplier arrangements contain unique considerations in relation to the calculation of the supplier rebates. These include: • Volumes and/or value purchased; • Specified items which are excluded in the purchases on which rebate income is earned; • Period covered; and • Contractual supplier rebate percentage applied to purchases from each supplier. In addition to calculating the value of supplier rebates, the apportionment of supplier rebates between inventories sold and those that remain on hand at period end are assessed. We considered the accuracy of supplier rebates to be a matter of most significance to the current period audit because the calculation thereof includes a number of unique considerations and a potential error in the calculation could result in a material misstatement of the consolidated financial statements.	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 agreed the rebate income calculated by Ryto to the rebate income recognised in SAP and noted no material differences. We recalculated the supplier rebate income recognised in SAP by using computer assisted auditing techniques. As part of our recalculation, we assessed the period in which the rebate income was recognised and the specified items which are excluded from the purchases amount on which rebate income is earned. We noted no material differences. On a sample basis, we performed the following procedures, with no material differences noted, to test the inputs used in the calculation of supplier rebates: • Agreed cash receipts of supplier rebates earned per the bank statements to the supplier rebates recognised in SAP in the current period; • Agreed deductions of supplier rebates from payments to suppliers per the creditor statements to the supplier rebates recognised in SAP in the current period; • Obtained confirmation from suppliers of the total supplier rebates earned by the Group for the period and the underlying supplier rebate calculation data, including volumes and values purchased during the period, and the supplier rebate percentage applicable, and compared all details on the confirmations to the accounting records on SAP; and • Agreed the supplier rebate percentages as obtained from the supplier master files from SAP to signed contracts. Supplier rebates included as a reduction in the cost of inventories were tested by recalculating management's unrealised supplier rebate calculation. We also tested the accuracy of the underlying inputs into this calculation, such as the opening and closing balances of inventory, cost of sales and rebate income earned for the year, by agreeing these amounts to the underlying accounting records. No material differences were noted.

Independent Auditor's Report continued

Key audit matter	How our audit addressed the key audit matter
Valuation of the right-of-use asset and lease liability recognised at adoption date in accordance with IFRS 16: Leases As described in Note 2: Changes in accounting policy - Application of IFRS 16 Leases to the consolidated financial statements, IFRS 16 was effective for the first time for the year ended 28 June 2020. The Group adopted the standard using the modified retrospective method. The lease liability was determined based on the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application, and the right-of-use asset was calculated retrospectively as if IFRS 16 had been applied since the commencement date using a discount rate based on lessee's incremental borrowing rate at the date of initial application. The impact of IFRS 16 as at 1 July 2019 (adoption date) is disclosed in Note 2 to the consolidated financial statements. The impact of the IFRS 16 transition is reliant upon a number of key judgements, primarily determining the lease term for each lease agreement. These may include future lease periods for which the Group has extension options and which the Group is reasonably certain to exercise. Refer to accounting policy Note 1.23: Critical estimates and judgements. Management judgement is also required in determining the incremental borrowing rate (IBR) to discount the right-of-use asset and lease liability recognised at adoption date. There is a potential risk that the judgements made when determining the IBR do not accurately reflect the appropriate rate of interest for the lease. Further, the Group has a high volume of leases and the right-of-use asset/liability calculation on adoption of IFRS 16 was performed manually by management. We considered the valuation of the right-of-use asset and lease liability recognised at adoption date in accordance with IFRS 16 to be a matter of most significance to the audit due to the following: • judgement applied in the adoption of IFRS 16; • the potential risk of the lease data used in the transition calculation being inaccurate; and • due to the high volume of leases, the fact that a potential error in the calculations could result in a material impact on the consolidated financial statements.	For the right-of-use asset and lease liability recognised at adoption date, we performed the following procedures on management's calculation thereof: • Verified the accuracy of the underlying lease data by agreeing a representative sample of leases to the original contracts, and tested the integrity and mathematical accuracy of the IFRS 16 calculation for each lease sampled through recalculation of the expected IFRS 16 adjustment. No material differences were noted; • Tested the completeness of the lease data by reconciling a sample of the Group's existing lease commitments to the lease data underpinning the IFRS 16 model. No material differences were noted; • Evaluated the lease terms used in the calculation, including the renewal periods, where appropriate, by inspecting the underlying contracts and assessing management's judgements applied when reviewing and approving lease terms. Extension options were only included in the lease period when an investment study was completed and Board approval was obtained to renew the lease. We inspected the Board approval for each of the affected leases for which renewal options were included in the lease terms. Based on our work performed, we accepted management's assumptions; and • We assessed the method used by management to calculate the IBR, which is based on country specific borrowing rates (linked to prime) that the Group is subject to, inflated by a margin derived from government bond yields linked to the term of the lease contract from inception. Based on our work performed, we accepted management's basis for determining the incremental borrowing rate.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Cashbuild Annual Financial Statements for the year ended 28 June 2020", which includes the Directors' Report, the Audit and Risk 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 2020", 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.
- 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.

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, actions taken to eliminate threats or safeguards applied.

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 22 years.

PricewaterhouseCoopers Inc.
Director: A.J Rossouw
Registered Auditor

Johannesburg
31 August 2020

Statements of Financial Position

as at 28 June 2020

Figures in Rand thousand	Notes	Group 28 June 2020	Group 30 June 2019	Company 28 June 2020	Company 30 June 2019
Assets					
Non-current assets					
Property, plant and equipment	4	**2 394 577**	1 129 283	**–**	–
Intangible assets	7	**423 101**	426 398	**–**	–
Investments in subsidiaries	8	**–**	–	**95 262**	79 137
Investment property	6	**57 924**	28 158	**–**	–
Loan to subsidiary	8	**–**	–	**37 258**	33 617
Deferred tax	9	**99 178**	65 781	**–**	–
Rental prepayments	10	**–**	66 470	**–**	–
		2 974 780	1 716 090	**132 520**	112 754
Current assets					
Inventories	11	**1 266 587**	1 541 295	**–**	–
Trade and other receivables	12	**103 677**	117 807	**–**	–
Prepayments	10	**40 319**	25 747	**–**	–
Cash and cash equivalents	13	**1 951 582**	590 150	**9 206**	2 776
Non-current assets held for sale	14	**8 703**	3 576	**–**	–
		3 370 868	2 278 575	**9 206**	2 776
Total assets		**6 345 648**	3 994 665	**141 726**	115 530
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	15	**(274 187)**	(274 187)	**1 274**	1 274
Reserves		**119 634**	81 286	**95 262**	79 137
Retained income/(loss)		**2 271 169**	2 349 602	**36 381**	(9 690)
		2 116 616	2 156 701	**132 917**	70 721
Non-controlling interest		**38 399**	30 699	**–**	–
		2 155 015	2 187 400	**132 917**	70 721
Liabilities					
Non-current liabilities					
Lease liabilities	19	**1 432 590**	–	**–**	–
Operating lease liability	19	**–**	187 378	**–**	–
Deferred tax	9	**35 138**	36 907	**–**	–
		1 467 728	224 285	**–**	–
Current liabilities					
Trade and other payables	20	**2 521 681**	1 554 567	**8 809**	2 378
Lease liabilities	19	**182 610**	–	**–**	–
Current tax payable	30	**18 614**	28 413	**–**	–
Loans from Group companies	18	**–**	–	**–**	42 431
		2 722 905	1 582 980	**8 809**	44 809
Total liabilities		**4 190 633**	1 807 265	**8 809**	44 809
Total equity and liabilities		**6 345 648**	3 994 665	**141 726**	115 530

The accounting policies on pages 27 to 36 and the notes on pages 37 to 69 form an integral part of the annual financial statements.

Income Statements

for the year ended 28 June 2020

Figures in Rand thousand		Notes	Group 52 weeks 2020	Group 53 weeks 2019	Company 52 weeks 2020	Company 53 weeks 2019
Revenue		21	**10 090 910**	10 821 235	**223 353**	195 170
Cost of sales		22	**(7 565 860)**	(8 101 229)	**–**	–
Gross profit			**2 525 050**	2 720 006	**223 353**	195 170
Other income		23	**47 192**	15 397	**–**	–
Selling and marketing expenses		24	**(1 765 022)**	(1 884 034)	**–**	–
Administrative expenses		24	**(282 531)**	(279 056)	**(6 050)**	(5 794)
Other operating expenses		24	**(4 377)**	(13 288)	**–**	–
Operating profit			**520 312**	559 025	**217 303**	189 376
Finance income		25	**65 182**	57 878	**–**	–
Finance costs		26	**(191 518)**	(4 190)	**–**	–
Profit before taxation			**393 976**	612 713	**217 303**	189 376
Tax expense		27	**(121 306)**	(180 294)	**–**	–
Profit for the year			**272 670**	432 419	**217 303**	189 376
Profit attributable to:						
Owners of the parent			**267 371**	427 357	**217 303**	189 376
Non-controlling interest			**5 299**	5 062	**–**	–
			272 670	432 419	**217 303**	189 376
Earnings per share for profit attributable to the ordinary equity holders of the Company						
per share information						
Basic earnings per share	(cents)	28	**1 176.7**	1 881.3	**869.6**	757.8
Diluted earnings per share	(cents)	28	**1 176.1**	1 880.6	**757.5**	757.5

The accounting policies on pages 27 to 36 and the notes on pages 37 to 69 form an integral part of the annual financial statements.

Statements of Comprehensive Income

for the year ended 28 June 2020

Figures in Rand thousand	Group 52 weeks 2020	Group 53 weeks 2019	Company 52 weeks 2020	Company 53 weeks 2019
Profit for the year	**272 670**	432 419	**217 303**	189 376
Other comprehensive income:				
Items that may be reclassified to profit or loss:				
Owners of the parent (note 17)	**22 223**	5 083	**–**	–
Non-controlling interests	**3 659**	(375)	**–**	–
Total movement in foreign currency translation reserve (FCTR)^	**25 882**	4 708	**–**	–
Other comprehensive income for the year net of taxation	**25 882**	4 708	**–**	–
Total comprehensive income	**298 552**	437 127	**217 303**	189 376
Total comprehensive income attributable to:				
Owners of the parent	**289 594**	432 440	**217 303**	189 376
Non-controlling interest	**8 958**	4 687	**–**	–
	298 552	437 127	**217 303**	189 376

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

The accounting policies on pages 27 to 36 and the notes on pages 37 to 69 form an integral part of the annual financial statements.

Statements of Changes in Equity

for the year ended 28 June 2020

Figures in Rand thousand	Share capital	Share premium	Total share capital
Balance at 30 June 2018	227	(274 414)	(274 187)
Total comprehensive income for the year	–	–	–
Share-based payments expense	–	–	–
Dividends	–	–	–
Balance at 30 June 2019	227	(274 414)	(274 187)
IFRS 16 adoption (note 2)	**–**	**–**	**–**
Restated balance as at 1 July 2019	**227**	**(274 414)**	**(274 187)**
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments expense	**–**	**–**	**–**
Dividends	**–**	**–**	**–**
Balance at 28 June 2020	**227**	**(274 414)**	**(274 187)**
Notes	15	15	15

Figures in Rand thousand	Share capital	Share premium	Total share capital
Balance at 30 June 2018	250	1 024	1 274
Total comprehensive income for the year	–	–	–
Share-based payments expense	–	–	–
Dividends	–	–	–
Balance at 30 June 2019	250	1 024	1 274
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments expense	**–**	**–**	**–**
Dividends	**–**	**–**	**–**
Unwind of SIT trust*	**–**	**–**	**–**
Balance at 28 June 2020	**250**	**1 024**	**1 274**
Notes	15	15	15

** The nature of the share incentive trust was no longer useful to the Company and thus management made the decision to unwind the Trust*

Group					
FCTR	**Share-based payments reserve**	**Total reserves**	**Retained (loss)/income**	**Non-controlling interest**	**Total equity**
(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
–	**–**	**–**	**(148 826)**	**–**	**(148 826)**
2 149	**79 137**	**81 286**	**2 200 776**	**30 699**	**2 038 574**
22 223	**–**	**22 053**	**267 371**	**8 958**	**298 553**
–	**16 125**	**16 295**	**–**	**–**	**16 125**
–	**–**	**–**	**(196 978)**	**(1 258)**	**(198 236)**
24 372	**95 262**	**119 634**	**2 271 169**	**38 399**	**2 155 015**
17	16				

Company					
FCTR	**Share-based payments reserve**	**Total reserves**	**Retained (loss)/income**	**Non-controlling interest**	**Total equity**
–	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
–	**–**	**–**	**217 303**	**–**	**217 303**
–	**16 125**	**16 125**	**–**	**–**	**16 125**
–	**–**	**–**	**(213 663)**	**–**	**(213 663)**
–	**–**	**–**	**42 431**	**–**	**42 431**
–	**95 262**	**95 262**	**36 381**	**–**	**132 917**
17	16				

Statements of Cash Flows

for the year ended 28 June 2020

Figures in Rand thousand	Notes	Group 52 weeks 2020	Group 53 weeks 2019	Company 52 weeks 2020	Company 53 weeks 2019
Cash flows from operating activities					
Cash generated from operations	29	**2 108 499**	213 079	**381**	(8 695)
Finance income – non-investing	25	**800**	337	**–**	–
Dividends received		**–**	–	**223 353**	195 170
Finance costs	26	**(191 518)**	(4 190)	**–**	–
Tax paid	30	**(135 748)**	(251 414)	**–**	–
Net cash generated from/(utilised in) operating activities		**1 782 033**	(42 188)	**223 734**	186 475
Cash flows from investing activities					
Purchase of property, plant and equipment	4	**(168 649)**	(201 869)	**–**	–
Proceeds on disposal of property, plant and equipment	32	**32 359**	8 050	**–**	–
Proceeds on disposal of non-current asset held for sale	14	**1 962**	–		
Finance income	25	**64 382**	57 541	**–**	–
Purchase of intangible assets	7	**(1 444)**	(1 684)	**–**	–
Advanced to investment property	6	**(29 766)**	–		–
Loans advanced to Group companies	8	**–**	–	**(3 641)**	5 917
Net cash (utilised in)/generated from investing activities		**(101 156)**	(137 962)	**(3 641)**	5 917
Cash flows from financing activities					
Payment on lease liabilities	19	**(135 717)**	(1 051)	**–**	–
Dividends paid	31	**(196 978)**	(178 960)	**(213 663)**	(195 170)
Dividends paid to non-controlling interests	31	**(1 258)**	(1 713)	**–**	–
Net cash utilised in financing activities		**(333 953)**	(181 724)	**(213 663)**	(195 170)
Total cash movement for the year		**1 346 924**	(361 874)	**6 430**	(2 778)
Cash at the beginning of the year		**590 150**	952 929	**2 776**	5 554
Effect of exchange rate movement on cash balances		**14 508**	(905)	**–**	–
	13	**1 951 582**	590 150	**9 206**	2 776

Accounting Policies
for the year ended 28 June 2020

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 Company's functional currency.

These accounting policies are consistent with the previous period, except for the adoption of the new standards IFRS 16 set out in note 2.

The Group reports on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week. Accordingly, the results for the financial year under review are for a 52-week period, ended 28 June 2020, compared to 53 weeks in the previous financial year ended 30 June 2019. References to year in the financial statements refer to the respective 52 or 53 week periods.

1.2 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The below new or amended standard became applicable for the current reporting period commencing 1 July 2019:

IFRS 16 Leases
The impact of the adoption of this standard and the new accounting policy is disclosed in note 2 below. The other standard amendments do 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 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 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.

Trademarks

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 programmes 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.
- 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 amortisation.

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; and
- 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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.7 FINANCIAL INSTRUMENTS CONTINUED

Recognition and measurement

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.

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.

These amounts are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

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 the end of each 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. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

1.12 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.
- 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 general prepayments for goods or services to be provided in future years. Current prepayments relate to general prepayments that will realise within 12 months after period end.

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

The Group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantive right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.17 LEASES CONTINUED

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgements and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense (note 19) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative standalone prices of the lease components and the aggregate standalone price of the non-lease components (where non-lease components exist).

Details of leasing arrangements where the Group is a lessee are presented in note 18 Leases (group as lessee).

1.18 LEASES (COMPARATIVES UNDER IAS 17)

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.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

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. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.19 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 forfeitable 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.

Cashbuild Operations Management Member Trust

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.

1.20 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

The Company is 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.

1.21 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.

1.22 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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.22 TRANSLATION OF FOREIGN CURRENCIES CONTINUED

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.

1.23 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.
- **Right of use asset impairment assessment** – The recoverable amount of the right of use assets is assessed with reference to the discounted expected cashflows of the related store over the remaining lease term. Estimation of the store sales and cost of sales requires judgement.
- **IFRS 16 lease term** – In determining the lease term, the Group must assess whether it is reasonably certain to exercise extension or early termination options. Renewal options have only been included where a decision to renew the lease has been made, which is when it is reasonably certain that the lease will be renewed. Cashbuild considers various factors in the decision to renew or not, which include profitability, location of the stores as well as overall business strategy. This judgement is important as it affects the amount recorded for the lease obligation and related right of use asset. Refer to note 2 for more information.
- **Incremental borrowing rate** – The incremental borrowing rate is estimated with reference to country-specific borrowing rates (linked to prime) that Cashbuild is subject to, inflated by a margin derived from government bond yields linked to the term of the lease contract from inception. Refer to note 19 for more information.

The impact of the Covid-19 pandemic lockdown and post-lockdown experience was considered on all estimates with adjustments where required. In particular, estimated long-term cash flows for impairment and going concern assessment purposes were reassessed.

2. CHANGES IN ACCOUNTING POLICY

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior period except for the adoption of the following new or revised standards.

Application of IFRS 16 Leases
In the current year, the Company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 1 July 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the Group's financial statements is described below.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated.

Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 1 July 2019.

Leases where Group is lessee
Leases previously classified as operating leases
The Group undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- Recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at the date of initial application.
- Recognised right-of-use assets measured on a lease by lease basis as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application.

As an exception to the above:

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:

- when a portfolio of leases contained reasonably similar characteristics, the Group applied a single discount rate to that portfolio;
- leases which were expiring within 12 months of 1 July 2019 were treated as short-term leases, with remaining lease payments recognised as an expense on a straight-line basis;
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application; and
- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

Rental reductions were received from the landlords during the lockdown period. Cashbuild made use of the IFRS 16 amendment for all the rental concession by accounting for the rental concession as a variable lease payment, applying paragraph 38 of IFRS 16, in the period in which the rental concession was granted.

Notes to the Annual Financial Statements

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2. CHANGES IN ACCOUNTING POLICY CONTINUED

Impact on financial statements

On transition to IFRS 16, the Group recognised an additional R1 224 547 of right-of-use assets and R1 518 267 of lease liabilities. The Group has adopted the simplified approach with a modified retrospective restatement against retained earnings.

When measuring lease liabilities, Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 10%.

The right-of-use asset for leases were measured on a retrospective basis as if the new rules had always been applied.

The following table summarises the impact of the adoption of IFRS 16 on the results:

Figures in Rand thousand	June 2019	Audited IFRS 16	1 July 2019
Financial position			
Property, plant and equipment	1 129 283	1 224 547	2 353 830
Deferred tax assets	65 781	30 523	96 304
Lease liabilities	–	(1 518 267)	(1 518 267)
Deferred operating lease liability	–	185 380	185 380
Prepayments	–	(71 009)	(71 009)
Opening retained earnings	(2 349 602)	148 826	(2 200 776)

The aggregate effect of the changes in accounting policy on the financial statements for the period ended 28 June 2020 is as follows:

Impact on the financial statements for prior period presented

Figures in Rand thousand	1 July 2019
Statements of financial position	
Carrying amount of right-of-use asset at take-on	1 261 238
Right-of-use assets impaired at take-on	(36 691)
	1 224 547
Deferred tax	
Deferred tax asset at take-on	30 523
Lease liability	
IFRS 16 lease liability at take-on	(1 518 267)
Straight-lining liability	
Reversed against retained earnings at take-on	185 380
Prepayments	
Reversed against retained earnings at take-on	(71 009)
Opening retained earnings	
IFRS 16 take-on against retained earnings	148 826

Figures in Rand thousand	**28 June 2020**
Profit or loss	
Interest expense	
Interest relating to IFRS 16 lease	**188 226**
Depreciation charge	
Depreciation relating to IFRS 16 right-of-use asset	**223 801**

Right-of-use asset impairment at take-on

The right of use asset as at 1 July 2019 was tested for impairment as part of the carrying amount of the property, plant and equipment of under-performing stores by comparing the carrying value to the recoverable amount.

Recoverable amount was calculated by discounting the remaining lease cash flows at a risk adjusted discount rate derived from the Company's weighted average cost of capital (WACC) 16.2%. The cash flow projections and discount rate carry a significant amount of estimation uncertainty.

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)

Cashbuild common monetary operations consist of the countries that form part of the common monetary area.

Cashbuild non-common monetary area consist of the other countries which Cashbuild trades in. These other countries do have foreign exchange differences when compared to the Rand.

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.

	Separately disclosable items					
Figures in Rand thousand	Revenue	Operating profit/(loss)	Depreciation and amortisation	Interest income	Interest expense	Taxation
28 June 2020						
Cashbuild South African operations	**7 919 278**	**443 444**	**(284 355)**	**39 097**	**(165 572)**	**(105 828)**
P&L Hardware operations	**1 125 009**	**17 108**	**(33 098)**	**1 566**	**(8 926)**	**207**
Cashbuild common monetary operations	**579 031**	**31 213**	**(16 177)**	**20 135**	**(10 259)**	**(11 294)**
Cashbuild non-common monetary operations	**467 592**	**28 547**	**(21 190)**	**4 384**	**(6 761)**	**(4 391)**
Total	**10 090 910**	**520 312**	**(354 820)**	**65 182**	**(191 518)**	**(121 306)**
30 June 2019						
Cashbuild South African operations	8 475 594	526 040	(109 929)	34 062	2 357	(169 622)
P&L Hardware operations	1 258 394	(8 493)	(11 583)	294	(645)	3 742
Cashbuild common monetary operations	613 587	35 074	(8 234)	20 334	(5 154)	(13 776)
Cashbuild non-common monetary operations	473 660	6 404	(8 152)	3 188	(748)	(638)
Total	10 821 235	559 025	(137 898)	57 878	(4 190)	(180 294)

Notes to the Annual Financial Statements

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3. SEGMENTAL INFORMATION CONTINUED

Segment assets and liabilities

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.

Figures in Rand thousand	Capital investment*	Total assets	Total liabilities
June 2020			
Cashbuild South African operations	**135 079**	**4 416 716**	**(2 857 876)**
P&L Hardware operations	**6 387**	**864 073**	**(829 040)**
Cashbuild common monetary operations	**9 722**	**652 373**	**(251 049)**
Cashbuild non-common monetary operations	**18 905**	**412 486**	**(252 668)**
Total	**170 093**	**6 345 648**	**(4 190 633)**
June 2019			
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)

** Capital investment relates to total additions during the year of property, plant and equipment and intangible assets.*

4. PROPERTY, PLANT AND EQUIPMENT

	Group					
	2020			2019		
Figures in Rand thousand	**Cost**	**Accumulated depreciation**	**Carrying value**	Cost	Accumulated depreciation	Carrying value
Land and buildings	**649 963**	**(60 729)**	**589 234**	637 474	(47 887)	589 587
Furniture and equipment	**1 229 528**	**(813 742)**	**415 786**	1 214 825	(792 041)	422 784
Vehicles	**38 621**	**(17 191)**	**21 430**	38 639	(14 964)	23 675
Leasehold improvements	**203 634**	**(105 835)**	**97 799**	185 724	(97 764)	87 960
Aircraft	**–**	**–**	**–**	5 479	(202)	5 277
Right of use asset	**2 089 264**	**(818 936)**	**1 270 328**	–	–	–
Total	**4 211 010**	**(1 816 433)**	**2 394 577**	2 082 141	(952 858)	1 129 283

Reconciliation of property, plant and equipment 28 June 2020

Figures in Rand thousand	Group									
	Opening balance	**Additions**	**Disposals~**	**Classified as held for sale^**	**Transfers**	**Lease Modification#**	**Foreign exchange movements**	**Depreciation**	**Impairment**	**Closing balance**
Land and buildings	**589 587**	**–**	**(846)**	**(5 039)**	**8 787**	**–**	**1 747**	**(5 002)**	**–**	**589 234**
Leasehold improvements	**87 960**	**77**	**(2 751)**	**–**	**29 479**	**–**	**120**	**(17 085)**	**–**	**97 800**
Furniture and equipment	**422 784**	**1 402**	**(31 630)**	**–**	**127 225**	**–**	**1 044**	**(100 354)**	**(4 686)**	**415 785**
Vehicles	**23 675**	**1 679**	**(625)**	**–**	**–**	**–**	**–**	**(3 299)**	**–**	**21 430**
Aircraft	**5 277**	**–**	**–**	**(2 050)**	**–**	**–**	**–**	**(4)**	**(3 223)**	**–**
Right-of-use asset+	**1 224 547**	**289 224**	**(46 668)**	**–**	**–**	**26 882**	**7 185**	**(223 801)**	**(7 041)**	**1 270 238**
Capital work in progress*	**–**	**165 491**	**–**	**–**	**(165 491)**	**–**	**–**	**–**	**–**	
	2 353 830	**457 873**	**(82 520)**	**(7 089)**	**–**	**26 882**	**10 096**	**(349 545)**	**(14 950)**	**2 394 577**

* *Capital work in progress mainly relates to store refurbishments during the period.*
^ *Refer to note 14 for details of buildings classified as held for sale.*
\+ *The opening balance for the right-of-use asset is the balance as at take-on 1 July 2019 for the adoption of IFRS 16.*
~ *Disposal of right of use of assets relates to the termination of a lease agreement.*
\# *Lease modification relates to a change in scope of the lease.*

Reconciliation of property, plant and equipment 30 June 2019

Figures in Rand thousand	Group									
	Opening balance	Additions	Disposals	Classified as held for sale	Transfers	Lease Modification#	Foreign exchange movements	Depreciation	Impairment	Closing balance
Land and buildings	531 497	–	(4 933)	–	69 393	–	(2 159)	(4 211)	–	589 587
Leasehold improvements	86 941	479	(1 746)	–	18 486	–	(51)	(16 149)	–	87 960
Furniture and equipment	429 896	6 186	(11 714)	–	105 355	–	(1 166)	(105 773)	–	422 784
Vehicles	29 420	1 971	(2 522)	–	–	–	–	(5 194)	–	23 675
Property held under joint	17 048	–	(17 048)	–	–	–	–	–	–	–
Aircraft	5 330	–	–	–	–	–	–	(53)	–	5 277
Capital work in progress*	–	193 234	–		(193 234)	–	–	–	–	–
	1 100 132	201 870	(37 963)	–	–	–	(3 376)	(131 380)	–	1 129 283

* *Capital work in progress mainly relates to store refurbishments during the period.*
^ *Refer to note 14 for details of buildings classified as held for sale.*
\+ *The opening balance for the right of use asset is the balance as at take-on 1 July 2019 for the adoption of IFRS 16.*
~ *Disposal of right of use of assets relates to the termination of a lease agreement.*
\# *Lease modification relates to a change in scope of the lease.*

4. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Depreciation rates

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	4 to 5 years
• Aircraft (engine)	Flight hours	2 000
• Right-of-use asset	Straight-line basis	lease term
• Forklifts	Running hours	14 000

**Forklifts are included in the furniture and equipment asset class within the property, plant and equipment reconciliation.*

	Group		Company	
Figures in Rand thousand	**2020**	2019	**2020**	2019
Amounts recognised in profit and loss for the year:				
Loss on disposal of property, plant and equipment and assets held for sale	**(3 528)**	(8 340)	**–**	–
Profit on disposal of IFRS 16	**29 891**	–		
Repairs and maintenance expenditure	**42 315**	44 433	**–**	–

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 28 June 2020 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 2025, 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.

Due to the positive experience post-Covid-19 lockdown no changes were made to the assumptions.

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 before there is an impairment. Both The Terminal growth rate and Growth rate can decrease with 15.5% and 6% respectively before there is an impairment and the Discount rate can increase with 3.4% before resulting in an impairment. The recoverable amount determined in terms of the value-in-use of the P&L Hardware operating segment is R99.2 million (June 2019: R16.4 million) higher than the carrying amount.

	June 2020 Assumptions applied	June 2020 Sensitivity	June 2019 Assumptions applied	June 2019 Sensitivity
P&L Hardware operating segment				
Growth rate	**8.0%**	**15.5%**	6.0%	3.5%
Terminal growth rate	**4.5%**	**6.0%**	5.3%	4.0%
Discount rate	**17.1%**	**3.4%**	18.1%	18.7%
Target net working capital days*	**-1 day**	**14 days**	11 days	14 days

** The operating segment is currently one day better than its target movement, due to the improvement in inventory days.*

	June 2020 Assumptions applied	June 2019 Assumptions applied
Cashbuild South Africa operating segment		
Growth rate	**3.0%**	4.5%
Terminal growth rate	**3.0%**	4.5%
Discount rate	**11.8%**	16.0%

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 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 reasonably possible change in any of the assumptions.

Figures in Rand thousand	
Goodwill allocation	
P&L Hardware	196 302
Cashbuild (South Africa) Proprietary Limited	112 833
Total goodwill as per intangible assets note 7	309 135
P&L Hardware indefinite lived trademark as per intangible assets note 7	96 409

	Group		Company	
Figures in Rand thousand	2020	2019	2020	2019
Impairment losses recognised				
Furniture and equipment	**4 686**	–	**-**	–
Aircraft	**3 223**	–	**-**	–
	7 909	–	**-**	–

The impairment loss recognised is included in the administrative expenses line of the statement of comprehensive income.

Value in use

Based on past experience, when a store is closed 66% of the assets are sold for proceeds below the carrying amount. Therefore, loss-making stores are identified for possible impairment of the assets held by these stores. For loss-making stores that lease premises, the value in use is calculated as the lower of the net present value of the monthly forecasted cashflows per store (calculated to the end of the lease term). The discount rate applied to the cash flow projections was 16.3%.

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6. INVESTMENT PROPERTY

Joint operations – Nasrec

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 rights and control in the owner consortium with the other 50% participant being S-Identity Holdings Proprietary Limited.

Cashbuild has contributed infrastructure development cost to the project totalling R5.0 million cash (paid in previous financial years). An amount of R0.2 million owing by JAD Building and Maintenance Projects (Pty) Ltd (a developer used for the development but no longer involved) has been offset against this investment in the current financial year. An amount of R22.0 million, being the cost of a portion of the property owned by Cashbuild allocated for the development was also contributed during the previous financial year. Cashbuild's share of the property is classified as investment property.

S-Identity Holdings Proprietary Limited 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 fully repaid to the third party.

The fair value of Cashbuild's share in the investment property is R59 million based on the external valuation obtained in November 2018.

Joint operation – Ekhaya mall

During the 2019 financial period, Cashbuild entered into a joint operation agreement for the Ekhaya mall in Mpumalanga, South Africa. This consortium comprises a right to extend and develop a shopping centre. Cashbuild has 20% participation rights and control in the owner consortium. S-Identity Holdings Proprietary Limited holds 60% and Nomatiki Trading Enterprise Proprietary Limited holds the balance of 20% of the participation rights and control in the owner consortium.

Cashbuild has contributed R30 million in cash towards the development costs during the period ended 28 June 2020.

The shopping centre is under construction phase and is expected to start trading early in 2021.

Figures in Rand thousand	**28 June 2020**	30 June 2019
Reconciliation of investment property		
Investment in Nasrec – joint operation	**26 974**	27 208
Kranskop Unit 4, Stand 1237, Monument Park Ext. 2, Tshwane, South Africa	**950**	950
Investment in Ekhaya Mall – joint operation	**30 000**	–
	57 924	28 158

7. INTANGIBLE ASSETS

Figures in Rand thousand	Group 2020 Cost	Group 2020 Accumulated amortisation/ impairment	Group 2020 Carrying value	Group 2019 Cost	Group 2019 Accumulated amortisation/ impairment	Group 2019 Carrying value
Trademarks^	**99 403**	**(2 952)**	**96 451**	99 403	(2 940)	96 463
Computer software	**95 025**	**(77 510)**	**17 515**	102 805	(82 005)	20 800
Goodwill	**309 135**	**–**	**309 135**	309 135	–	309 135
Total	**503 563**	**(80 462)**	**423 101**	511 343	(84 945)	426 398

Reconciliation of intangible assets

Figures in Rand thousand	Opening balance	Additions	Disposals	Transfers	Foreign exchange movements	Amortisation	Impairment loss*	Closing balance
28 June 2020								
Trademarks^	**96 463**	**–**	**–**	**–**	**–**	**(12)**	**–**	**96 451**
Computer software	**20 800**	**1 444**	**(35)**	**–**	**569**	**(5 263)**	**–**	**17 515**
Goodwill	**309 135**	**–**	**–**	**–**	**–**	**–**	**–**	**309 135**
	426 398	**1 444**	**(35)**		**569**	**(5 275)**	**–**	**423 101**
30 June 2019								
Trademarks	98 694	–	–	–	–	(13)	(2 218)	96 463
Computer software	25 638	1 684	(23)	–	6	(6 505)	–	20 800
Goodwill	309 135	–	–	–	–	–	–	309 135
	433 467	1 684	(23)	–	6	(6 518)	(2 218)	426 398

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 Proprietary Limited trademark acquired in the business combination. The stores acquired have subsequently been branded as P&L Hardware stores.*

8. INVESTMENTS IN SUBSIDIARIES

The following Trusts were created for the purpose of facilitating employee benefit schemes. Refer to note 16 for further details.

These Trusts are controlled by the Group:

- Cashbuild Empowerment Trust
- Cashbuild Store Operations Management Member Trust
- Give a brick trust

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 2020**	% holding June 2019
Cashbuild (Botswana) Proprietary Limited	**P1 500 000**	**A**	**100**	100
Cashbuild Kanye Proprietary Limited	**P2**	**B**	**100**	100
Cashbuild (Lesotho) Proprietary Limited	**M100 000**	**A**	**80**	80
Cashbuild Lilongwe Ltd	**MWK100 000**	**A**	**51**	51
Cashbuild (Namibia) Proprietary Limited	**N$1**	**A**	**100**	100
Cashbuild (South Africa) Proprietary Limited	**R54 000**	**A**	**100**	100
Cashbuild (Swaziland) Proprietary Limited	**E500**	**A**	**100**	100
Roofbuild Trusses Proprietary Limited	**R100**	**A**	**100**	100
Cashbuild Zambia Proprietary Limited	**ZMK2**	**A**	**100**	100
P&L Hardware Proprietary Limited	**R100**	**A**	**100**	100
P&L Boerebenodighede Investments Proprietary Limited	**R1 000**	**B**	**100**	100
Rio Ridge 1027 Proprietary Limited	**R100**	**A**	**100**	100
Tradebuild Proprietary Limited	**R4**	**B**	**100**	100
Cashbuild (Kwandebele) Proprietary Limited	**R200 000**	**C**	**100**	100
Cashbuild (Transkei) Proprietary Limited	**R250 000**	**C**	**100**	100
Cashbuild (Properties) Proprietary Limited	**R1**	**C**	**100**	100
Cashbuild (Venda Properties) Proprietary Limited	**R1**	**C**	**100**	100
Cashbuild (Properties Holdings) Proprietary Limited	**R1**	**C**	**100**	100
Cashbuild Management Services Proprietary Limited	**R4 000**	**D**	**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	**2020**	2019	**2020**	2019
Share-based payment capital contribution	**–**	–	**95 262**	79 137
Loan to subsidiary	**–**	–	**37 258**	33 617
	–	–	**132 520**	112 754

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 subsidiary trading entities to repay the loan before declaring 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.

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019

9. DEFERRED TAX

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
Deferred tax liability				
Property, plant and equipment	**(52 782)**	(50 146)	**–**	–
Prepayments	**(4 144)**	(3 971)	**–**	–
Intangible assets	**(26 335)**	(28 068)	**–**	–
Third party contingency	**–**	766	**–**	–
Bad debts provision	**–**	(28)	**–**	–
Unrealised foreign exchange differences	**–**	2 691	**–**	–
IFRS 15 – sales return provision	**–**	(106)	**–**	–
Total deferred tax liability	**(83 261)**	(78 862)	**–**	–
Deferred tax asset				
Provisions and accruals	**21 840**	30 735	**–**	–
Deferred lease incentive/straight-lining of rent prepayments	**2 109**	53 093	**–**	–
Assessed losses	**25 422**	23 908	**–**	–
Unrealised foreign exchange differences	**1 100**	–	**–**	–
IFRS 16 Right of use of asset and lease liability	**94 870**	–	**–**	–
IFRS 15 – sales return provision	**1 960**	–	**–**	–
Total deferred tax asset	**147 301**	107 736	**–**	–
The deferred tax assets and the deferred tax liabilities have been presented in the statement of financial position as follows:				
Deferred tax liability	**(35 138)**	(36 907)	**–**	–
Deferred tax asset	**99 178**	65 781	**–**	–
Total net deferred tax liability	**64 040**	28 874	**–**	–
Deferred tax assets are supported by the expected taxable income generated by the relevant operating entities in the Group.				
Amounts expected to be recovered or settled are as follows:				
Deferred tax to be recovered after more than 12 months	**17 865**	(36 907)		
Deferred tax to be recovered within 12 months	**46 175**	65 781		
	64 040	28 874		

10. PREPAYMENTS

Cashbuild has entered into agreements with developers whereby advances were granted to the developers in exchange for reduced rentals over the period of the lease. With the adoption of IFRS 16 on 1 July 2019, the balance of these advances have now been set off against lease liability. Refer to note 19 for more details.

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
Rental prepayments	**–**	66 470	**–**	–
Total non-current prepayments	**–**	66 470	**–**	–
Rental prepayments	**–**	4 539	**–**	–
Other current prepayments*	**40 319**	21 208		
Total current prepayments	**40 319**	25 747	**–**	–

**Other current prepayments relate mostly to prepaid advertising, IT expenses and Workman's Compensation.*

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Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
11. INVENTORIES				
Merchandise	**1 266 587**	1 541 295	**–**	–

Cost of inventories recognised as an expense and included in cost of sales amounted to R8.2 billion (June 2019: R8.8 billion).

The provision for the net realisable value of inventory at year-end is R70.5 million (June 2019: R76.5 million).

The right of return relating to the sales returns provision included in the amount above is R28.6 million (June 2019: R27.6 million).

Cost of inventories written off and included in cost of sales amounted to R23.0 million (June 2019: R29.9 million).

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
12. TRADE AND OTHER RECEIVABLES				
Financial instruments				
Trade receivables	**121 540**	128 117	**–**	–
Loss allowance	**(32 334)**	(20 272)	**–**	–
Trade receivables at amortised cost	**89 206**	107 845	**–**	–
Other receivables	**12 629**	5 291	**–**	–
Non-financial instruments: VAT	**1 842**	4 671	**–**	–
Total trade and other receivables	**103 677**	117 807	**–**	–

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.

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 receivables over a period of 24 months before period-end and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic 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 provided for in full and 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.

Impact of COVID-19

It is expected that the impact of Covid-19 lockdown will manifest in cash constraints for our credit customers. As a result we have been more cautious in awarding credit and act sooner when payment terms have been exceeded. Other than less credit being issued no other consideration was applied to the provisions for the charge cards estimates. We based our estimates on the current year to date numbers and have not agreed to any payment holidays. Due to the positive experience post-Covid-19 lockdown no changes were made to assumptions and estimates. The impact is immaterial to the Group.

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 a request 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 losses 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 expected credit losses 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 are classified as legal debtors once balances are handed over for legal collection.

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 28 June 2020 for trade receivables for which the provision matrix has been applied is determined as follows:

	Group			
Figures in Rand thousand	**2020 Estimated gross carrying amount at default**	**2020 Loss allowance (Lifetime expected credit loss)**	2019 Estimated gross carrying amount at default	2019 Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Sundry debtors				
Current	**19 359**	**(4 594)**	18 213	(4 668)
Legal debtors				
Current	**1 215**	**(8)**	6 686	(7)
30 days past due	**119**	**(12)**	461	(19)
60 days past due	**–**	**–**	637	(289)
90 days past due	**436**	**(131)**	258	(46)
120 days past due	**2 333**	**(521)**	269	(6)
150 days past due	**22 660**	**(20 598)**	15 597	(13 984)
	26 763	**(21 270)**	23 908	(14 351)
Charge cards				
Current	**16 634**	**(222)**	25 462	(4)
30 days past due	**6 344**	**(125)**	12 676	(376)
60 days past due	**215**	**(16)**	1 572	(222)
90 days past due	**2 790**	**(1 314)**	626	(196)
120 days past due	**2 162**	**(1 254)**	64	(25)
150 days past due	**5 121**	**(3 342)**	500	(22)
	33 266	**(6 273)**	40 900	(845)
Rebate debtors				
Current	**42 152**	**(197)**	45 096	(408)
Total	**121 540**	**(32 334)**	128 117	(20 272)

There were no debts written off in the current financial year as a result all movements in the expected credit loss relates to the movement in the provisions.

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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Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019

13. CASH AND CASH EQUIVALENTS

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
Cash and cash equivalents consist of:				
Cash on hand	**1 615**	1 556	**–**	–
Bank balances	**1 949 967**	588 594	**9 206**	2 776
	1 951 582	590 150	**9 206**	2 776

14. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale include land and buildings and the aircraft acquired in the P&L Hardware business combination 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 by the end of the next reporting period.

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
Land and buildings held for sale				
Cashbuild non-common monetary operations				
– Plot 2461 Serowe – Botswana	**–**	878	**–**	–
Cashbuild South Africa				
– Remaining extent of portion 6 (a portion of portion 5) of the farm de rust #12, Hazyview, South Africa	**1 570**	1 614	**–**	–
– Erf 214 Thohoyandou	**–**	1 084	**–**	–
Cashbuild common monetary operations				
– Lot 273 portion 2-Piggs Peak	**5 083**	–	**–**	–
P&L Hardware				
– 2005 Piper (aircraft) Saratoga PA32R ZS-STW Rio Ridge	**2 050**	–	**–**	–
	8 703	3 576	**–**	–

The values of these assets are disclosed at the lower of carrying amount or fair value less costs to sell.

The Hazyview property was classified as held for sale in the 2017 financial year. The municipality wants the seller to contribute R1.3 million to bulk services. A potential buyer has now been found and a sale agreement has been signed. As per the resolution it is anticipated that the sale of the property should be concluded at the end of October 2020.

The Piggs Peak property was classified as held for sale in the 2020 financial year. A sale agreement has been signed and it is expected that the transfer will occur before October 2020.

The Rio Ridge aircraft was classified as held for sale in the 2020 financial year. A buyer for the plane has been found, the aircraft is currently undergoing repairs as agreed with the buyer.

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019

15. SHARE CAPITAL

Authorised				
35 000 000 ordinary shares of 1 cent each	**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 2019	**250**	250	**250**	250
Less: treasury shares held	**(23)**	(23)	**–**	–
Opening balance: 2 275 448 shares	**(23)**	(23)	**–**	–
Total issued shares	**227**	227	**250**	250
Share premium				
Opening balance	**(274 414)**	(274 414)	**1 024**	1 024
Shares purchased for The Cashbuild Trusts		–	**–**	–
Shares sold by The Cashbuild Trusts		–	**–**	
Total share premium	**(274 414)**	(274 414)	**1 024**	1 024
Share premium consists of:				
Share premium	**3 935**	3 935	**1 024**	1 024
Treasury share premium	**(278 349)**	(278 349)	**–**	–
Total share capital	**(274 187)**	(274 187)	**1 274**	1 274

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 restrictions 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.

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

Details of the share awards under this scheme are as follows:

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
Opening balance	**239 323**	126 852	**239 323**	126 852
Share movement	**105 784**	112 471	**105 784**	112 471
Total performance shares awarded	**345 107**	239 323	**345 107**	239 323

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16. SHARE-BASED PAYMENTS CONTINUED

Outstanding options	1st Award	2nd Award	3rd Award	4rd Award
Award date	27 September 2016	4 December 2017	1 October 2018	7 October 2019
Vesting date	27 September 2019	4 December 2020	1 October 2021	7 October 2022
Exercise price	Nil	Nil	Nil	Nil
Expected option lifetime	3 years	3 years	3 years	3 years
Share price at grant date	R408.37	R383.20	R285.06	R236.78
Expected share price volatility	10%	10%	10%	10%

Vesting conditions consist of company performance conditions (refer to detail 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	WACC	WACC +10% p.a

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

Figures in Rand thousand	Number of shares as at 28 June 2020#	Award face value*
Executive directors		
WF de Jager	**56 674**	**17 076**
A Hattingh	**26 977**	**7 963**
AE Prowse	**37 148**	**11 250**
SA Thoresson	**33 863**	**10 263**
W van Aswegen	**26 293**	**7 761**
	180 954	**54 313**
Key management		
PA Champion	**18 434**	**5 633**
W Dreyer	**18 405**	**5 675**
AHS Havenga	**16 913**	**5 215**
MS Masala	**16 385**	**4 965**
Z Matolo	**6 053**	**1 433**
I McKay	**16 755**	**5 113**
T Myburg	**2 891**	**874**
H Roos	**7 402**	**1 949**
H Steenberg	**13 486**	**3 880**
	116 724	**34 737**

 # These shares are subject to forfeiture restrictions.
** Face value of awards calculated as a percentage (65% to 90%) of total annual cost to company, before adjusting for any probability of vesting or attrition.*

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, the eighth 2019 scheme qualified for 9 007 shares and the ninth 2020 scheme provisionally qualified for 10 952 shares at the end of June 2020.

Summary of share-based payments for all schemes
The Group's expense and related movement in the share-based payment reserve is R16.3 million (June 2019: R13.6 million).

The movement in the share-based payments reserve for the various share schemes can be summarised as follows;

	Group		Company	
Figures in Rand thousand	**2020**	2019	**2020**	2019
Share-based payments reserve				
Opening balance	**79 137**	65 509	**79 137**	65 509
– Forfeitable Share Scheme: 1st award	**776**	3 713	**776**	3 713
– Forfeitable Share Scheme: 2nd award	**4 396**	4 467	**4 396**	4 467
– Forfeitable Share Scheme: 3rd award	**5 471**	4 166	**5 471**	4 166
– Forfeitable Share Scheme: 4th award	**4 861**	–	**4 861**	–
– Operations Management Member Trust Schemes	**621**	1 282	**621**	1 282
	95 262	79 137	**95 262**	79 137

17. FOREIGN CURRENCY TRANSLATION RESERVE (FCTR)

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries.

	Group		Company	
Figures in Rand thousand	**2020**	2019	**2020**	2019
Opening balance	**2 149**	(2 934)	**-**	–
Currency translation differences	**22 223**	5 083	**-**	–
Closing balance	**24 372**	2 149	**-**	–

18. LOANS FROM GROUP COMPANIES

The Cashbuild Share Incentive Trust The loan was unsecured, non-interest bearing with no fixed repayment terms and was fully repaid in the current year	**-**	–	**-**	42 431

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Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
19. LEASE LIABILITY				
Details pertaining to leasing arrangements, where the Group is the lessee are presented below:				
Net carrying amounts of right-of-use assets				
Building subject to lease arrangements	**1 270 997**	–	**–**	–
Depreciation recognised on right-of-use assets				
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss.				
Leased buildings	**223 801**	–	**–**	–
Other disclosures				
Interest expense on lease liabilities	**188 226**	–	**–**	–
Lease liabilities				
Lease liabilities have been included in the lease liabilities line item on the statements of financial position.				
The maturity analysis of lease liabilities is as follows:				
Within one year	**182 610**	–	**–**	–
Lease liability current portion	**182 610**	–	**–**	–
Two to five years	**806 706**	–	**–**	–
More than five years	**625 884**	–	**–**	–
Lease liability non-current portion	**1 432 590**	–	**–**	–
Total lease liability	**1 615 200**	–	**–**	–
Lease commitment under IAS 17 at 30 June 2019	**(2 176 327)**	–	**–**	–
Leases expiring within 12 months and therefore excluded	**4 962**	–	**–**	–
Discounting at the incremental borrowing rate	**653 098**	–	**–**	–
IFRS 16 lease liability at adoption date after discounting at the incremental borrowing rate	**1 518 267**	–	**–**	–
Payments	**(325 330)**	–	**–**	–
Covid rental reduction	**(13 628)**			
Interest	**188 226**	–	**–**	–
Additional leases	**292 044**	–	**–**	–
Modifications	**27 447**	–	**–**	–
Disposals	**(75 489)**	–	**–**	–
Foreign exchange movement	**3 663**	–	**–**	–
Total lease liability	**1 615 200**	–	**–**	–

Rental reductions were received from the landlords during the hard lockdown period. Cashbuild made use of the IFRS 16 amendment for all the rental concession by accounting for the rental concession as a variable lease payment, applying paragraph 38 of IFRS 16, in the period in which the rental concession was received.

Comparative information for lease liabilities under IAS 17

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. Deferred lease incentives are reimbursements from the landlords for repairs done to leased premises and are recognised as income over the lease period of the underlying operating lease.

	Group		Company	
Figures in Rand thousand	**2020**	2019	**2020**	2019
Deferred operating lease liability	**–**	185 746	**–**	–
Deferred lease incentives received	**–**	1 998	**–**	–
Realised lease incentives portion in profit and loss	**–**	(366)	**–**	–
	–	187 378	**–**	–

The information presented for lease liabilities for the comparative period has been prepared on the basis of IAS 17, and therefore, only represents the liability as at that date for finance leases and not for operating leases. In addition to the information presented in the table above, IAS 17 required an entity to present a reconciliation of the present value of lease payments for finance leases. This information is presented in the table which follows:

	Group		Company	
Figures in Rand thousand	**2020**	2019	**2020**	2019
Minimum lease payments due				
– within one year	**–**	290 345	**–**	–
– in second to fifth year inclusive	**–**	1 110 392	**–**	–
– later than five years	**–**	775 590	**–**	–
	–	2 176 327	**–**	–

20. TRADE AND OTHER PAYABLES

Financial instruments				
Trade payables	**1 600 322**	910 870	**–**	–
Employee related accruals	**73 944**	72 090	**–**	–
Accruals	**164 456**	82 379	**8 809**	2 378
Retirement awards and gifts	**7 536**	7 484	**–**	–
Refundable deposits held*	**515 018**	429 053	**–**	–
Non-financial instruments				
VAT	**160 405**	52 691	**–**	–
	2 521 681	1 554 567	**8 809**	2 378

** 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.*

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Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
21. REVENUE				
Revenue from contracts with customers*				
Sale of goods (recognised at point of time)	**10 090 910**	10 821 235	**–**	–
Revenue				
Dividends received (trading)	**–**	–	**223 353**	195 170
	10 090 910	10 821 235	**223 353**	195 170

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.*

Impact of COVID-19

Refer to the Directors Report for more information.

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
22. COST OF SALES				
Sale of goods	**7 565 860**	8 101 229	**–**	–
23. OTHER INCOME				
Sundry income	**5 804**	14 217	**–**	–
Rental related income	**15 026**	160	**–**	–
Insurance recoveries	**–**	1 020	**–**	–
Profit on sale of non-current assets	**26 362**	–	**–**	–
	47 192	15 397	**–**	–

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019

24. OPERATING PROFIT

Operating profit for the year includes the following significant items:

Expenses by nature:				
Cost of goods sold	**7 565 860**	8 101 229	**-**	–
Employee costs	**907 820**	923 439	**-**	–
Operating lease charges - premises	**9 422**	309 824	**-**	–
Depreciation and amortisation	**354 820**	137 898	**-**	–
Delivery charges	**129 006**	132 297	**-**	–
Advertising expenses	**140 844**	160 975	**-**	–
Impairment loss	**14 950**	2 250	**-**	–
Loss on sale of assets	**3 528**	7 947	**-**	–
Bank and speed point charges	**75 322**	77 557	**-**	–
Municipal utility charges	**64 731**	63 295	**-**	–
Other income	**(47 192)**	(15 397)	**-**	–
Consumables	**5 553**	4 717	**-**	–
Movement in expected credit loss provision	**9 474**	3 586	**-**	–
Repairs and maintenance	**42 315**	44 433	**-**	–
Telephone and fax	**13 642**	13 811	**-**	–
Security	**30 849**	27 936	**-**	–
Printing and stationery	**13 806**	14 698	**-**	–
Net foreign exchange differences	**10 115**	15 082	**-**	–
Software licences	**16 563**	14 201	**-**	–
Other expenses	**103 825**	127 606	**6 050**	5 794
	9 465 253	10 167 384	**6 050**	5 794

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
24. OPERATING PROFIT CONTINUED				
Auditor remuneration	**9 868**	9 734	**–**	–
Non-audit services	**4 125**	781	**–**	–
	13 993	10 515	**–**	–
Remuneration paid for outsourced services:				
Information technology	**72 779**	70 220	**–**	–
Administrative	**16 386**	8 482	**–**	–
Secretarial	**358**	610	**–**	–
Technical	**732**	2 430	**–**	–
Taxation services	**1 097**	2 569	**–**	–
	91 352	84 311	**–**	–
Total	**9 570 598**	10 262 210	**6 050**	5 794
Classified on income statement as:				
Cost of sales	**7 565 860**	8 101 229	**–**	–
Selling and marketing expenses	**1 765 022**	1 884 034	**–**	–
Administrative expenses	**282 531**	279 056	**6 050**	5 794
Other operating expenses	**4 377**	13 288	**–**	–
Other income	**(47 192)**	(15 397)	**–**	–
	9 570 598	10 262 210	**6 050**	5 794
Employee costs:				
Salary cost	**770 841**	795 103	**–**	–
Pension fund contributions – defined contribution fund	**108 012**	102 598	**–**	–
Employee benefits – long service awards	**869**	1 132	**–**	–
Share-based payments	**16 125**	13 628	**–**	–
Dividends paid to participants of The Cashbuild Empowerment Trust	**11 973**	10 978	**–**	–
	907 820	923 439	**–**	–

25. FINANCE INCOME

	Group 2020	Group 2019	Company 2020	Company 2019
Interest income				
Earned on bank balances	**64 382**	57 541	**–**	–
Received from revenue authorities	**800**	337	**–**	–
	65 182	57 878	**–**	–

26. FINANCE COSTS

	Group 2020	Group 2019	Company 2020	Company 2019
Bank overdraft	**2 028**	1 945	**–**	–
Finance lease and loan interest	**188 226**	1 377	**–**	–
Interest on loan	**881**	–	**–**	–
Revenue authorities	**383**	868	**–**	–
	191 518	4 190	**–**	–

Figures in Rand thousand		Group 2020	Group 2019	Company 2020	Company 2019

27. TAX EXPENSE

		Group 2020	Group 2019	Company 2020	Company 2019
Major components of the tax expense:					
Normal taxation					
Current		**112 687**	185 388	**–**	–
Under/(over) provision in prior periods		**4 305**	–	**–**	–
– prior year adjustment – reverse to Retained earnings		**833**	726	**–**	–
Withholding tax		**383**	652	**–**	–
Foreign income tax – current period		**21 604**	21 498	**–**	–
Foreign income tax – under/(over) provision in prior periods		**(679)**	(160)	**–**	–
		139 133	208 104	**–**	–
Deferred					
Current period temporary differences		**(8 454)**	(20 706)	**–**	–
Under/(over) provision in prior periods		**(4 305)**	(84)	**–**	–
Prior year adjustments		**–**	–	**–**	–
Foreign – Current period temporary differences		**(5 068)**	(7 020)	**–**	–
		(17 827)	(27 810)	**–**	–
		121 306	180 294	**–**	–
Reconciliation of effective tax rate:					
Applicable tax rate	(%)	**28**	28	**28.0**	28,0
Exempt income	(%)	**(1.4)**	(0.8)	**(28.0)**	(28.0)
Prior year adjustment income tax	(%)	**(1.5)**	0.4	**–**	–
Lower foreign tax rates	(%)	**(0.7)**	(0.5)	**–**	–
Disallowable charges^	(%)	**4.0**	1,9	**–**	–
Withholding tax on dividends	(%)	**0.9**	0.6	**–**	–
Prior year adjustments deferred tax	(%)	**1.5**	(0.2)	**–**	–
	(%)	**30.8**	29.4	**–**	–

^ Disallowable charges relates to IFRS 2 adjustments relating to the FSP share-based payments.

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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) Proprietary Limited 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		**2020**	2019	**2020**	2019
Attributable earnings		**267 371**	427 357	**217 303**	189 376
Weighted number of shares in issue		**22 722**	22 716	**24 990**	24 990
Basic earnings per share	(cents)	**1 176.7**	1 881.3	**869.6**	757.8
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		**(19)**	(17)	**-**	–
– Cashbuild (South Africa) (Pty) Ltd*		**(484)**	(492)	**-**	–
		22 722	22 716	**24 990**	24 990

** Shares held for Cashbuild FSP share scheme current and future share allocations. For more details refer to the share-based payments 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		Company	
Figures in Rand thousand		**2020**	2019	**2020**	2019
Attributable earnings		**267 371**	427 357	**189 376**	189 376
Diluted number of ordinary shares in issue		**22 734**	22 726	**25 000**	25 000
Diluted earnings per share	(cents)	**1 176.1**	1 880.6	**757.5**	757.5
Fully diluted weighted average number of ordinary shares in issue					
Weighted number of shares in issue	('000)	**22 722**	22 716	**24 990**	24 990
Dilutive effect of the following:					
– Future potential issue of shares	('000)	**12**	10	**10**	10
	('000)	**22 734**	22 726	**25 000**	25 000

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.

Figures in Rand thousand		Group 2020	Group 2019	Company 2020	Company 2019
Reconciliation between earnings and headline earnings:					
Basic earnings		**267 371**	427 357	**189 376**	189 376
Adjusted for:				**–**	–
Net loss on disposal of property, plant and equipment		**1 405**	4 980	**–**	–
Gross loss on disposal of property, plant and equipment		**3 528**	7 947	**–**	–
Tax effect		**(2 123)**	(2 967)	**–**	–
Net profit on IFRS 16		**(20 781)**	–	**–**	–
Gross profit on disposal of IFRS 16		**(29 891)**	–	**–**	–
Tax effect		**9 110**	–	**–**	–
Net impairment		**10 687**	1 620	**–**	–
Gross impairment		**14 950**	2 250	**–**	–
Tax effect		**(4 263)**	(630)	**–**	–
Headline earnings		**258 682**	433 597	**189 376**	189 376
Headline earnings		**258 682**	433 597	**189 376**	189 376
Weighted average number of shares in issue		**22 722**	22 716	**24 990**	24 990
Headline earnings per share	(cents)	**1 138.5**	1 910.4	**757.8**	757.8
Headline earnings		**258 682**	433 597	**189 376**	189 376
Fully diluted weighted average number of shares in issue		**22 734**	22 726	**25 000**	25 000
Fully diluted headline earnings per share	(cents)	**1 137.9**	1 909.5	**757.5**	757.5
Interim	(cents)	**435**	435	**435**	435
Final	(cents)	**272**	420	**272**	420

For additional details of the dividends declared refer to the directors' report.

29. CASH GENERATED FROM OPERATIONS

	Group 2020	Group 2019	Company 2020	Company 2019
Profit before taxation	**393 976**	612 713	**217 303**	189 376
Adjustments for:				
Depreciation and amortisation	**354 820**	137 898	**–**	–
Impairment of assets	**14 950**	2 250	**–**	–
Covid-19 lease relief	**(13 628)**	–	**–**	–
Profit on disposal of assets held for sale	**–**	–	**–**	–
Loss on sale of non-current assets	**3 528**	7 947	**–**	–
(Profit) on disposal of right of use asset	**(29 891)**	–	**–**	–
Dividends received (trading)	**–**	–	**(223 353)**	(195 170)
Finance income	**(65 182)**	(57 878)	**–**	–
Finance costs	**191 518**	4 190	**–**	–
Movement in deferred operating lease liability	**–**	24 448	**–**	–
Movements in share-based payments reserve	**16 125**	13 628	**–**	–
Non-cash IFRS 3 unwind	**–**	–	**–**	–
Revaluation of contingent consideration	**–**	–	**–**	–
Changes in working capital:				
Inventories	**283 364**	734	**–**	–
Trade and other receivables	**14 628**	682	**–**	–
Prepayments	**(19 111)**	13 850	**–**	–
Trade and other payables	**963 402**	(547 383)	**6 431**	(2 901)
	2 108 499	213 079	**381**	(8 695)

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Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019

30. TAX PAID

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
Balance at beginning of the year	**(28 413)**	(74 174)	**–**	–
Current tax for the year recognised in profit or loss	**(121 306)**	(180 294)	**–**	–
Movement in deferred tax	**(4 643)**	(25 359)	**–**	–
Balance at end of the year	**18 614**	28 413	**–**	–
	(135 748)	(251 414)	**–**	–

31. DIVIDENDS PAID

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
Final dividend – prior period (Div 53)	**(96 437)**	(79 079)	**(104 957)**	(86 464)
Interim dividend – current period (Div 54)	**(100 541)**	(99 881)	**(108 706)**	(108 706)
Amounts paid to non-controlling shareholders	**(1 258)**	(1 713)	**–**	–
	(198 236)	(180 673)	**(213 663)**	(195 170)

Dividends are paid out of income reserves.

32. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
Net book value	**35 887**	15 997	**–**	–
Loss on sale of assets	**(3 528)**	(7 947)	**–**	–
	32 359	8 050	**–**	–

33. COMMITMENTS

Authorised capital expenditure:

Capital expenditure to be funded from internal resources as approved by the directors:

Figures in Rand thousand	Group 2020	Group 2019	Company 2020	Company 2019
*Authorised, contracted	**149 339**	166 095	**–**	–
*Authorised but not contracted for	**158 344**	142 854	**–**	–

The capital commitments are for building and infrastructure for new stores, store refurbishments or relocations.

Precautionary measures have been put in place to prevent the spread of Covid-19. We remain committed to our store expansion plan and the refurbishment of our stores.

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	**2020**	2019	**2020**	2019
Bank guarantees	**6 794**	16 022		–

35. RELATED PARTIES

Relationships

Intermediate holding company:

Cashbuild Management Services Proprietary Limited

Subsidiaries:

Refer to note 8

	Group		Company	
Figures in Rand thousand	**2020**	2019	**2020**	2019
Loan accounts – Owing (to) by related parties				
– Kier and Kawder (Pty) Ltd	**(1 960)**	(1 960)	**–**	–
– UBM P and L (Pty) Ltd: Related party of P&L Hardware (Pty) Ltd	**–**	311	**–**	–
– Cashbuild Management Services Proprietary Limited	**–**	–	**37 258**	33 617
– The Cashbuild Share Incentive Trust	**–**	–	**–**	(42 431)
Amounts included in trade receivable (trade payable) regarding related parties				
– The Cashbuild Empowerment Trust	**–**	–	**174**	174
Related party transactions				
Purchases				
– Exploit Tools (Pty) Ltd: Related party of P&L Hardware (Pty) Ltd	**–**	3 823	**–**	–
Rental paid				
– Optimprops 90 (Pty) Ltd: Related party of P&L Hardware (Pty) Ltd	**–**	22 342	**–**	–
Interest received				
– UBM P and L (Pty) Ltd: Related party of P&L Hardware (Pty) Ltd	**–**	(30)	**–**	–
Flight income				
– Optimprops 90 (Pty) Ltd: Related party of P&L Hardware (Pty) Ltd	**–**	(200)	**–**	–
Dividends received				
– Cashbuild Management Services Proprietary Limited	**–**	–	**(223 353)**	(195 170)

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 28 June 2020 Cashbuild Limited had 24 989 811 (June 2019: 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 28 June 2020, The Cashbuild Empowerment Trust held 1 764 999 (June 2019: 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. 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.

	Group		Company	
Figures in Rand thousand	**2020**	2019	**2020**	2019
Dividends paid to the Trust and distributed to employees as follows:				
– Final 2019 (2018)	**7 413**	6 107	**–**	–
– Interim 2020 (2019)	**7 678**	7 678	**–**	–
	15 091	13 785	**–**	–

37. DIRECTORS', KEY STAFF AND PRESCRIBED OFFICER'S EMOLUMENTS

Executive	**Basic salary**	**Expenses and travel allowance**	**Medical benefits**	**Company's pension scheme contributions**	**Bonus~**	**Shares vesting value**	**Total**
June 2020							
WF de Jager	**5 147**	**121**	**174**	**481**	**884**	**426**	**7 233**
A Hattingh	**2 650**	**75**	**–**	**242**	**303**	**170**	**3 440**
AE Prowse	**3 299**	**138**	**–**	**254**	**386**	**282**	**4 359**
SA Thoresson	**2 956**	**175**	**–**	**263**	**351**	**259**	**4 004**
W van Aswegen	**2 405**	**194**	**–**	**231**	**296**	**166**	**3 292**
	16 457	**703**	**174**	**1 471**	**2 220**	**1 303**	**22 328**

Executive	Basic salary	Expenses and travel allowance	Medical benefits	Company's pension scheme contributions	Bonus+	Shares vesting value	Total
June 2019							
WF de Jager	4 425	201	158	415	509	–	5 708
A Hattingh	2 449	195	–	230	193	–	3 067
AE Prowse	3 136	161	–	242	245	–	3 784
SA Thoresson	2 810	204	–	250	223	–	3 487
W van Aswegen	2 282	214	–	220	188	–	2 904
	15 102	975	158	1 357	1 358	–	18 950

~ *Bonus accrued for the current year.*
+ *Paid in the current financial year.*

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	Directors' fees	Total
June 2020		
IS Fourie (Resigned 25 November 2019)	**261**	**261**
M Bosman	**494**	**494**
HH Hickey	**546**	**546**
AGW Knock	**777**	**777**
Dr DSS Lushaba	**519**	**519**
NV Simamane	**468**	**468**
GM Tapon Njamo	**502**	**502**
	3 567	**3 567**
June 2019*		
IS Fourie	834	834
M Bosman (appointed 1 March 2019)	96	96
HH Hickey	522	522
AGW Knock	512	512
Dr DSS Lushaba	505	505
NV Simamane	519	519
GM Tapon Njamo	428	428
	3 416	3 416

* *Amounts include VAT (where applicable).*

Prescribed Officers and key staff are paid by the subsidiary company Cashbuild (South Africa) (Pty) Limited.

	Basic salary	Expenses and travel allowance	Medical benefits	Company pension scheme contributions	Bonus~	Shares vesting value	Total
June 2020							
P Champion	**2 022**	**151**	**96**	**186**	**184**	**149**	**2 788**
W Dreyer	**2 052**	**92**	**112**	**205**	**178**	**157**	**2 796**
A Havenga	**1 946**	**69**	**–**	**183**	**163**	**144**	**2 505**
MS Masala*	**1 849**	**177**	**119**	**196**	**171**	**126**	**2 638**
I Mckay	**1 930**	**226**	**72**	**170**	**170**	**126**	**2 694**
H Steenberg	**1 805**	**142**	**–**	**169**	**157**	**–**	**2 273**
T Myburg	**1 446**	**317**	**131**	**143**	**145**	**22**	**2 204**
H Roos	**1 795**	**101**	**–**	**186**	**153**	**59**	**2 294**
M Scholes	**1 612**	**150**	**–**	**150**	**145**	**25**	**2 082**
Z Matolo	**1 867**	**51**	**83**	**205**	**165**	**–**	**2 371**
	18 324	**1 476**	**613**	**1 793**	**1 631**	**808**	**24 647**

	Basic salary	Expenses and travel allowance	Medical benefits	Company pension scheme contributions	Bonus+	Shares vesting value	Total
June 2019							
P Champion	1 969	179	57	177	500	–	2 882
W Dreyer^	1 633	109	84	163	311	–	2 300
A Havenga	1 843	68	–	174	435	–	2 520
MS Masala*^	439	41	28	47	339	–	894
I Mckay^	1 503	259	55	133	239	–	2 189
H Steenberg	1 714	131	–	161	419	–	2 425
A Prinsloo^	2 528	483	–	–	-	–	3 011
	11 629	1 270	224	855	2 243	–	16 221

~ *Bonus accrued for the current year.*
* *Prescribed officer.*
^ *Salary earned prior to being appointed as director.*
\+ *Paid in the current financial year.*

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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 counterparty 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.

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. 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	**28 June 2020**	30 June 2019	**28 June 2020**	30 June 2019
Cash held at financial institutions	**1 951 582**	590 150	**9 206**	2 776

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 companies 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 R644 million (June 2019: R622 million).

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Group				
Figures in Rand thousand	30 days or less	More than 30 days but less than one year	One to five years	Over five years	Total
Non-derivative financial liabilities					
June 2020					
Lease liabilities	**–**	**(182 610)**	**(806 706)**	**(625 884)**	**(1 615 200)**
Trade liabilities	**(639 177)**	**(961 145)**	**–**	**–**	**(1 600 322)**
June 2019					
Trade liabilities	–	(910 870)	–	–	(910 870)

	Company				
Figures in Rand thousand	30 days or less	More than 30 days but less than one year	One to five years	Over five years	Total
Non-derivative financial liabilities					
June 2020					
Trade liabilities	**–**	**(8 809)**	**–**	**–**	**(8 809)**
June 2019					
Trade liabilities	–	(2 378)	–	–	(2 378)

Trade liabilities and accruals we expect to be settled by cash resources and changes in working capital. At reporting date, the Group held cash of R1 952 million and R590 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.

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38. RISK MANAGEMENT CONTINUED

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 period end.

Foreign currency exposure at the end of the reporting period

Figures in Rand thousand	2020	2019
Botswana Pula exposed to Rand		
Trade receivables	**3 533**	6 864
Cash and cash equivalents	**131 797**	65 599
Trade payables	**(83 519)**	(60 070)
Malawi Kwacha exposed to Rand		
Trade receivables	**360**	39
Cash and cash equivalents	**39 430**	12 722
Trade payables	**(15 870)**	(8 771)
Zambia Kwacha exposed to Rand		
Trade receivables	**-**	523
Cash and cash equivalents	**1 488**	2 593
Trade payables	**(87 242)**	(78 888)
US Dollar exposed to Rand (Zambia)		
Cash and cash equivalents	**(264)**	67
Exchange rates used for conversion were:		
Botswana Pula – Reporting date rate	**1.48**	1.33
Botswana Pula – Average rate	**1.41**	1.34
Malawi Kwacha – Reporting date rate	**0.02278**	0.01779
Malawi Kwacha – Average rate	**0.02212**	0.01892
Zambia Kwacha – Reporting date rate	**0.93**	1.09
Zambia Kwacha – Average rate	**1.02**	1.19
US Dollar – Reporting date rate	**18.41**	12.92

If the currency 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 R2.3 million (June 2019: R0.5 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 currency 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 R5.2 million (June 2019: R0.5 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 currency 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 R8.6 million (June 2019: R6.9 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 R0.2 million (June 2019: R0.5 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 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.

COVID-19 risk
Cashbuild supports the measures the South African Government and Governments of the other countries in which it trades have outlined to contain the spread of the Covid-19 virus and complies with the required regulations in regard to protection of staff and customers at its stores and support office. Cashbuild has appropriate response mechanisms in place to deal with any positive Covid-19 cases reported at its stores, resulting in deep cleaning and self-isolation of staff while the stores continue trading utilising staff from nearby stores or towns.

39. EVENTS AFTER THE REPORTING PERIOD

Cashbuild has entered into a definitive sale and purchase agreement ("SPA") on 3 August 2020 with Pepkor Holdings Limited ("Pepkor"), subject to conditions, to acquire 100% of the issued share capital of The Building Company Proprietary Limited ("TBC"), a wholly-owned subsidiary of Pepkor, and the shareholder loan claims of Pepkor against TBC, for a purchase consideration of R1 074 700 000 (the "Transaction").

Key terms of the transaction
The purchase consideration payable by Cashbuild is R1 074 700 000 (the "Purchase Consideration"), payable at the time of Transaction closing, subject to:

- an escalation rate of 5.5% per annum from 1 January 2021 until the Transaction closing date; and
- the sum of the Purchase Consideration and the total escalation not exceeding R1 119 700 000.

Conditions Precedent
The Transaction, is subject to, *inter alia*, the following conditions precedent ("Conditions Precedent"):

- all regulatory approvals (including but not limited to the required competition authorities and Takeover Regulation approvals, as defined in the Companies Act No. 71 of 2008) being obtained; and
- the Debt Financing agreements being duly executed and becoming unconditional.

Categorisation of the transaction
In terms of the JSE Listings Requirements, the Transaction is classified as a category 2 transaction and accordingly, does not require approval by the shareholders of Cashbuild.

More details of the transaction are available on the Company website.

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 16 Leases

Refer to note 2 for the impact of adopting new standards.

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model.

40.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE AND ADOPTED

There were no standards not yet effective that would have a material impact on the financial statements.