Cashbuild

2023

Annual Consolidated Financial Statements

for the year ended 25 June 2023

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The reports and statements set out below comprise the Annual Consolidated Financial Statements presented to the shareholders:

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Directors’ Responsibilities and Approval

The directors are required in terms of the Companies Act, No. 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the Group’s Annual Consolidated Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Group’s Annual Consolidated Financial Statements fairly present the state of affairs of the Group as at the end of the reporting period and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS). The external auditor is engaged to express an independent opinion on the Group’s Annual Consolidated Financial Statements.

The Group’s Annual Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) 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. The Group endeavours to minimise operating risk by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors of the Company are responsible for the controls over, and the security of the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders and to the Companies and Intellectual Property Commission.

The directors have reviewed the Group’s cash flow forecasts for the period up to 29 August 2024 and, in light of this review and the current financial position, they are satisfied that the Group had access to adequate resources to continue in operational existence for the foreseeable future.

The Group’s Annual Consolidated Financial Statements set out on page 1 to 68, which have been prepared on the going concern basis under the supervision of the Chief Financial Officer, Mr AE Prowse CA(SA), were approved by the Board of Directors on 29 August 2023 and were signed on their behalf by:

Alistair Knock
Chairman

Werner de Jager
Chief Executive Officer

29 August 2023

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 South African Companies Act, No. 71 of 2008, as amended and the JSE Listings Requirements. The Audit and Risk Committee acts for the Company and all its subsidiaries and is accountable to the Board and the shareholders. It operates within a documented terms of reference and complies with all relevant legislation, regulations and governance codes and executes its duties in terms of the requirements of the King Report on Corporate Governance.

The performance of the Audit and Risk Committee is evaluated against its terms of reference on an annual basis and the Committee was deemed to be working satisfactory and effectively during the current year.

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

- M Bosman (Mr) (Chairperson)
- M Bosman (Ms)
- Dr DSS Lushaba
- GM Tapon Njamo

2. MEETINGS HELD BY THE AUDIT AND RISK COMMITTEE

The Committee held four meetings during the year under review. Attendance has been set out in the Directors' Report.

The internal and external auditors also attended all of the Committee meetings during the year ended 25 June 2023 and reported their activities and findings at these meetings. The Chairperson of the Board, Executive Directors and relevant Senior Managers attended these meetings.

Each Audit and Risk Committee meeting concludes with a confidential meeting between the Committee Members, Non-Executive Directors and the Internal and External auditors, as well as another confidential meeting held with the Chief Executive and Finance Director. The Committee chairperson also meets separately with external and internal auditors between committee meetings.

3. FUNCTIONS OF THE COMMITTEE

Responsibilities and duties

The Audit and Risk Committee fulfils its responsibilities and duties as set out in its terms of reference.

The oversight role of the Audit and Risk Committee includes:

- reviewing the Condensed Consolidated Interim Financial Statements and Annual Consolidated Financial Statements and Integrated Report and making recommendations to the Board;
- reviewing the external audit reports, after the review of the Condensed Consolidated Interim Financial Statements and audit of Annual Consolidated Financial Statements;
- assessing the external auditor's independence and performance;
- approving the audit fees in respect of both the interim review and year-end audit;
- specifying guidelines and authorising contract conditions for the award of non-audit services to the external auditors;
- reviewing the internal audit and risk management reports and making recommendations to the Board, where necessary;
- 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 Consolidated Financial Statements and internal financial controls; and
- reviewing the solvency and liquidity tests and going-concern statements and recommending proposals to the Board in respect of interim and final dividends.

External auditor

Independence

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

Deloitte & Touche (Deloitte) was the Group's external auditor with Mr James Welch as the independent individual registered auditor. The Committee satisfied itself of Deloitte's independence before recommending its re-election to the shareholders with the prior support of the Board.

3. FUNCTIONS OF THE COMMITTEE (continued)

External auditor (continued)

Independence (continued)

The independence assessment was made after considering the following:

- confirmation from the external auditor that all their partners, team members, 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 for rendering permitted non-audit services, receive any remuneration or other benefits from Cashbuild;
- 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
- Deloitte 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.

The appointment of Deloitte as external auditor and Mr James Welch as the independent individual registered auditor of the Company was confirmed by the shareholders at the Annual General Meeting held on 28 November 2022.

External audit fees

The Audit and Risk Committee:

- determined, in consultation with management, the interim review and audit fee and engagement terms for the external auditors for the June 2023 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 services 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 and Risk Committee:

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

The Committee confirms that the external auditor has functioned in accordance with the committee's terms of reference for the year ended 25 June 2023.

Key audit matters

The Audit and Risk Committee has considered the matters noted in the independent auditor's report and reviewed the process followed by the auditor. Discussions have taken place with management, and the Committee is satisfied that the procedures followed by management are appropriate to address the matters noted, being the valuation of the P&L Hardware Goodwill.

Financial statements

Responsibility

The Committee reviewed the Annual Consolidated Financial Statements, including the public announcements of the Group's financial results for the year ended 25 June 2023, and made recommendations to the Board for their approval. During its review, the Committee:

- took appropriate steps to ensure that the Annual Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards (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 Annual Consolidated Financial Statements.

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

3. FUNCTIONS OF THE COMMITTEE (continued)

Expertise and experience of Financial Director

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

Adequacy of finance function

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

Quality of earnings

The reconciliation between attributable earnings and headline earnings is set out in note 29 of the Annual Consolidated Financial Statements.

Internal controls

The Cashbuild Way

Internal controls within Cashbuild are based on established policies and procedures contained in The Cashbuild Way policies and procedures. The Cashbuild Way is aligned with ISO 9001 principles and provides an 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 Group and form the baseline of training provided to staff members.

Internal Audit team

The internal audit function within the Cashbuild Group consists of a team of 29 members with 3 auditors and an internal audit manager dedicated to support-office based audits, and 19 auditors dedicated to the auditing of key processes at stores. Two internal audit managers and 2 senior internal auditors take responsibility for quality assurance within the internal audit function. A Data Analyst is dedicated on a full time basis towards supporting the internal audit team with data analytics, automation of audit tests, and embedding continuous auditing within the internal audit service delivery function. An Operations Risk Manager assists the Risk and Audit Executive with monitoring and reporting on Issues Management (e.g. tip-offs, burglaries and robberies, OHSA incidents etc.). Cashbuild's Risk and Audit Executive reports administratively to the Chief Executive Officer with a functional reporting line to the Chairman of the Audit and Risk Committee. Internal Audit results are reported to the Audit and Risk Committee with emphasis placed on areas of high risk requiring management attention as identified in terms of non-compliance to key controls.

Internal Audit approach and methodology

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

In terms of the King Report on Corporate Governance, Internal Audit provides a written assessment on the effectiveness of the Group's system of internal control and risk management. This assessment is addressed 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.

3. FUNCTIONS OF THE COMMITTEE (continued)

Internal Audit approach and methodology (continued)

The content of the quarterly Audit and Risk Committee reports are 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 on the Group's system of internal control and risk management. In order to do this, the content of each quarterly Audit and Risk Committee report is aimed at providing the reader with enough information on the following topics:

- the scope of internal auditing activities, which includes the appropriate level and quality of work based on the Group'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;
- 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 the Group. 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 Group risk management review workshops.

Integrated Report

The Committee fulfils an oversight role regarding Cashbuild's Integrated Report and the reporting process. Accordingly, it has considered and assessed the consistency with operational, financial and other information known to the Audit and Risk Committee members, as well as the Annual Consolidated Financial Statements.

4. COMBINED ASSURANCE

Cashbuild's combined assurance framework has the objective of aligning assurance processes and assurance service delivery throughout the Group to maximise risk and governance oversight and control efficiencies and optimise overall assurance to the Audit and Risk committee. The Cashbuild Group Combined Assurance Model consists of the following 5 levels of defence to mitigate risk that the company is exposed to and in doing so provide an appropriate level of assurance to the Board via the Audit and Risk Committee:

- First line of defence being management oversight and controls (also referred to as People, Systems and Controls). Management based assurance includes establishing policies and procedures, management oversight, strategy implementation, performance measurement, control self-assessment and continual monitoring mechanisms and systems.
- Second line of defence being risk management and compliance services. These are corporate support functions providing assistance to management with regards to the discharging of their responsibility of managing identified business risks.
- Third line of defence being internal audit providing an independent and objective level of assurance over the controls, risk management and governance activities as provided by the first and second lines of defence.
- Fourth line of defence being external assurance providers providing certifications, regulatory reviews, external audits, forensic investigations, external management reviews, valuations, culture climate surveys (as examples of external assurance service delivery).
- Fifth line of defence being Board and Board sub-committee functions prompting and assessing the level of assurance provided by the first 4 lines of defence.

The level of assurance provided increases with each line of defence being applied with the least assurance being provided by the first line of defence (internal management oversight) and the highest level of assurance being provided by the fourth line of defence (external objective and independent assurance service provider), and the application of the fifth line of defence providing a final level of governance assurance being oversight by the Board and Board-sub Committees on the extent of assurance provided on identified risks.

Financial statements

The Directors' Report is set out in pages 8 to 10.

Audit and Risk Committee Report (continued)

4. COMBINED ASSURANCE (continued)

External audit

The Independent Auditor's Report is set out on page 11 to 14.

Quality

Deloitte 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 for the 2023 interim period and year-end.

The Audit and Risk 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 J Welch, 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 (2022); and
- The Deloitte Commitment to Audit Quality document.

The Audit and Risk Committee concluded that there were no matters of concern raised during the year under review.

Key audit matters

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

The Key audit matter is "the valuation of the P&L Hardware Goodwill" which is a continuous focus for the Audit and Risk Committee. The Committee agrees that the processes followed by the external auditors are appropriate and that management have appropriately accounted for this.

The processes followed included discussions with management, understanding of the process, consideration of procedures followed and review of the final report. 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 2022 to June 2023) 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 the quarterly Audit and Risk Committee Reports".

On behalf of the Audit and Risk Committee

M Bosman (Mr)
Audit and Risk Committee Chairperson

29 August 2023

Chief Executive Officer and Chief Financial Officer's Responsibility Statement

In terms of section 3.84(k) of the JSE Listings Requirements, each of the directors, whose names are stated below hereby confirm that:

- the Annual Consolidated Financial Statements set out on pages 15 to 68, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the Annual Consolidated Financial Statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.

Signed by the Chief Executive Officer and the Chief Financial Officer on behalf of the Board of Directors by:

Werner de Jager
Chief Executive Officer

Etienne Prowse
Chief Financial Officer

29 August 2023

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

29 August 2023

Directors' Report

The directors have pleasure in submitting their report on the Annual Consolidated Financial Statements of Cashbuild Limited for the year ended 25 June 2023.

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 52 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 through a purchasing and inventory policy that ensures customers' requirements are always met.

2. FINANCIAL SUMMARY

Revenue for the year decreased by 4% when compared to the previous financial year. Revenue for stores in existence prior to July 2021 (pre-existing stores – 308 stores) decreased by 6% and our 10 new stores contributed 2% growth. Gross profit decreased by 8% with gross profit margin percentage decreasing from 26.3% to 25.4%. Selling price inflation was 5.4% at the end of June 2023 when compared to June 2022.

Comparable operating expenses, excluding the P&L Hardware Goodwill impairment in the current year and the looting effects of the prior year, increased by 5% (existing stores increasing by 4% and new stores contributed a 1% increase). On a statutory basis, operating expenses increased by 20% (existing stores increasing by 19% and new stores contributed a 1% increase). The decrease in revenue together with increasing costs resulted in the operating profit decreasing by 73% (53% on a comparable basis mentioned earlier). Basic earnings per share decreased by 78% with headline earnings per share also decreasing by 37% from the prior year.

The high effective tax rate of 35.5% for the year is as a result of the impairment of the P&L Hardware Goodwill however still lower than the prior year due to withholding tax on inter-group dividends paid.

Cash and cash equivalents decreased to R1 583 million due to higher stock levels in the current year and the repurchase of shares. Stock levels, including new stores have increased by 12% with stockholding at 90 days (June 2022: 81 days) at year end. Net asset value per share decreased by 14%, from 9 350 cents (June 2022) to 8 068 cents.

During the year, Cashbuild opened 6 new Cashbuild stores, refurbished 18 Cashbuild and 2 P&L Hardware stores. 4 Cashbuild stores and 1 P&L Hardware store were closed during the year. The closures relate to 1 looted store, 1 as a result of a relocation and the remainder due to non-performance which included the last 2 Zambian stores. Cashbuild will continue its store expansion, relocation, and refurbishment strategy in a controlled manner, after considering its continuously evolving feasibility process.

3. REPORTING PERIOD

The Group adopts the retail accounting calendar, which comprises the reporting year ending on the last Sunday of the month June 2023: 25 June 2023 (52 weeks); 26 June 2022 (52 weeks).

4. SHARE CAPITAL

During the year under review, there were changes to the Share Capital. 1 million shares were repurchased from Mr Patrick Kieran Goldrick. There was also an Odd-lot offer which resulted in 89 164 shares being repurchased. These shares have been cancelled. The average share price for the shares repurchased during the year was R193.23. Refer to note 16 for more information.

5. DIVIDENDS

The Board has declared a final dividend (No. 61) of 332 cents (June 2022: 677 cents) per ordinary share, out of income reserves, excluding the impact of the impairment on the P&L Hardware Goodwill, to all shareholders of Cashbuild Limited. The dividend per share is calculated based on 23 900 647 (June 2022: 24 989 811) shares in issue at the date of the dividend declaration. The net local dividend amount is 265.6 cents per share for shareholders liable to pay Dividends Tax and 332 cents per share for shareholders exempt from paying Dividends Tax. The total dividend for the year amounts to 732 cents (June 2022: 1 264 cents). Local Dividends Tax is 20%.

The relevant dates for the declaration are as follows: Date dividend declared: Tuesday, 29 August 2023; Last day to trade “CUM” the dividend: Tuesday, 19 September 2023; Date to commence trading “EX” the dividend: Wednesday, 20 September 2023; Record date: Friday, 22 September 2023; Date of payment: Tuesday, 26 September 2023. Share certificates may not be dematerialised or rematerialised between Wednesday, 20 September 2023 and Friday, 22 September 2023, both dates inclusive.

6. DIRECTORATE

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

WF de Jager (52)	Chief Executive Officer, CA(SA)	Executive
AE Prowse (59)	Chief Financial Officer, CA(SA)	Executive
SA Thoresson (60)	Operations Director	Executive
WP van Aswegen (56)	Commercial and Marketing Director, CA(SA)	Executive
M Bosman (Mr) (66)	CA(SA)	Independent non-executive
M Bosman (Ms) (52)	CA(SA)	Independent non-executive
AGW Knock (72)	Chairman, BSc Eng (Hons); MSc (Engineering); MDP	Independent non-executive
Dr DSS Lushaba (57)	BSc Advanced Biochemistry (Hons), MBA, DBA, CD(SA)	Independent non-executive
AJ Mokgwatsane (45)	Diploma in Integrated Marketing and Communication	Independent non-executive
GM Tapon Njamo (45)	CA(SA)	Independent non-executive

Details of the directors’ remuneration are set out under note 40 of the financial statements.

7. BOARD COMMITTEES AND ATTENDANCE

Name	Board	Audit and Risk Committee	Remuneration Committee	Social and Ethics Committee	IT Governance Committee	Investment Committee	Nomination Committee
Non-executive							
AGW Knock	C – 4/4	I – 4/4	M – 4/4	I – 4/4	M – 4/4	–	C – 1/1
M Bosman (Ms)	M – 4/4	M – 4/4	–	M – 4/4	–	–	–
M Bosman (Mr)	M – 4/4	C – 4/4	–	–	–	C – 2/2	M – 1/1
DSS Lushaba	M – 4/4	M – 4/4	C – 4/4	C – 4/4	–	–	–
AJ Mokgwatsane	M – 4/4	I – 2/2	–	M – 4/4	M – 4/4	–	–
GM Tapon Njamo	M – 4/4	M – 4/4	M – 4/4	–	C – 4/4	M – 2/2	–
Executive							
WF de Jager	M – 4/4	I – 4/4	I – 3/3	M – 4/4	M – 4/4	M – 2/2	I – 1/1
AE Prowse	M – 4/4	I – 4/4	I – 3/3	–	M – 4/4	M – 2/2	–
SA Thoresson	M – 4/4	I – 4/4	–	–	I – 4/4	–	–
WP van Aswegen	M – 4/4	I – 4/4	–	M – 4/4	I – 4/4	–	–

Legend

C Chairperson of the Board/Committee.
M Member of the Board/Committee.
I Attendance by invitation.

8. INTERESTS IN SUBSIDIARIES AND OTHER INVESTMENTS

Details of material interests in subsidiary companies, associates and joint arrangements are presented in the Annual Consolidated Financial Statements in notes 7 and 10.

9. DIRECTORS' INTERESTS IN CONTRACTS

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

10. BORROWING POWERS

In terms of the Memorandum of Incorporation of Cashbuild Limited, borrowing powers are unrestricted. Flexible term general banking facilities available are R235 million (June 2022: R515 million) with various banks. See note 39.

11. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

12. PROSPECTS

Group revenue for the six weeks subsequent to period end is 1% lower than the prior year's comparative six-week period. Management expects trading conditions to remain challenging. This information has not been reviewed nor audited by the Company's auditor.

13. GOING CONCERN

The directors have assessed the cash flow forecast for the period up to 29 August 2024 and conclude that the Group will be able to continue as a going concern. All proposed financing arrangements and capital expenditures are evaluated and monitored to assess the impact on the Group's ability to meet its obligations. Detailed solvency and liquidity analysis are performed when dividends are declared to ensure the capital base of the Group is not adversely impacted.

14. AUDITOR

Deloitte & Touche was the auditor for the Group for the year ended 25 June 2023.

15. 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 FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Cashbuild Limited and its subsidiaries (the Group) set out on pages 15 to 68, which comprise the consolidated statement of financial position as at 25 June 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Cashbuild Limited and its subsidiaries as at 25 June 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 Financial Statements section of our report. 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditor's Report (continued)

Key Audit Matter	How the matter was addressed in the audit
IMPAIRMENT ASSESSMENT OF GOODWILL AND INTANGIBLE ASSETS FOR P&L HARDWARE ("P&L")	
As disclosed in Note 5, the impairment of goodwill amounted to R155.9 million for the year. The carrying value of goodwill and intangible assets for P&L was R293 million before impairment. IAS 36 – Impairment of assets ("IAS 36") requires assets that are not subject to amortisation, such as goodwill to be assessed for impairment annually, irrespective of whether any impairment indicators exist. The directors performed an impairment assessment over the goodwill by assessing the recoverable amount through the determination of the value-in-use amounts and comparing these to the carrying amounts. The value-in-use for P&L cash generating unit ("CGU") was calculated using the discounted cash flow methodology. We considered the goodwill for P&L to be a matter of most significance and a Key Audit Matter due to the significant value attributable to the P&L goodwill and associated impairment indicators that were identified. The impairment assessment also requires significant judgement and estimation to be applied by the directors in determining the value-in-use of the CGU and selecting the appropriate key inputs of: ▸ revenue growth rates; ▸ trading profit margins; ▸ discount rate (WACC); and ▸ terminal growth rate.	Our audit procedures included the following: ▸ We obtained an understanding of the process by evaluating the design and tested the implementation of relevant controls over the assessment of goodwill impairment for the P&L; ▸ Engaged our internal corporate finance specialists to assist with evaluating whether the value-in-use model used by directors complies with the requirements of IAS 36; ▸ Engaged our internal corporate finance specialists to assist with validating the assumptions used to calculate the discount rate (WACC) and the terminal growth rate; ▸ Analysed and robustly challenged the revenue growth rates and trading profit margins with reference to the budgets and the probability of achieving future targets; ▸ Tested the forecasts with reference to historical performance; and ▸ Reviewed the appropriateness of the disclosure in the financial statements. Based on the procedures performed, we concluded that the impairment and related disclosures as set out in note 5 to the financial statements are considered to be appropriate.

Other Matter

The consolidated financial statements of the Group for the year ended 26 June 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 30 August 2022.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Cashbuild Limited Annual Consolidated Financial Statements" for the year ended 25 June 2023" and in the document titled "Cashbuild Limited Annual Financial Statements for the year ended 25 June 2023", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the integrated report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 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 Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 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 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 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.

Independent Auditor's Report (continued)

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 Deloitte & Touche has been the auditor of Cashbuild Limited for 1 year.

DocuSigned by:

Deloitte & Touche

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Deloitte & Touche
Registered Auditor
Per: James Welch
Partner

29 August 2023

5 Magwa Crescent
Waterfall City
2090
Johannesburg
South Africa

Consolidated Statement of Financial Position

as at 25 June 2023

Figures in Rand thousand	Note(s)	Year ended June 2023	Year ended June 2022
Assets			
Non-Current Assets			
Property, plant and equipment	4	**2 383 569**	2 442 951
Investment property	6	**39 953**	39 953
Investment in associate	7	**30 000**	30 000
Intangible assets	8	**270 537**	424 994
Deferred tax	9	**134 154**	80 332
		2 858 213	3 018 230
Current Assets			
Prepayments	11	**22 520**	22 596
Inventories	12	**1 698 486**	1 520 302
Trade and other receivables	13	**89 771**	135 797
Cash and cash equivalents	14	**1 582 166**	1 938 639
		3 392 943	3 617 334
Non-current assets held for sale	15	**21 787**	950
		3 414 730	3 618 284
Total Assets		**6 272 943**	6 636 514
Equity and Liabilities			
Equity			
Equity Attributable to Equity Holders of Parent			
Share capital	16	**(621 112)**	(324 424)
Reserves		**164 483**	133 152
Retained income		**2 385 008**	2 527 829
		1 928 379	2 336 557
Non-controlling interest		**27 155**	28 449
		1 955 534	2 365 006
Liabilities			
Non-current liabilities			
Joint operation loan payable	7	**18 619**	18 619
Deferred tax	9	**38 759**	45 911
Lease liabilities	19	**1 346 527**	1 379 734
Cash settled share-based payments	20	**1 591**	–
		1 405 496	1 444 264
Current Liabilities			
Lease liabilities	19	**254 058**	233 162
Trade and other payables	21	**2 629 522**	2 536 064
Current tax payable	31	**28 333**	58 018
		2 911 913	2 827 244
Total Liabilities		**4 317 409**	4 271 508
Total Equity and Liabilities		**6 272 943**	6 636 514

The accounting policies on pages 20 to 30 and the notes on pages 31 to 68 form an integral part of the Annual Consolidated Financial Statements.

Consolidated Income Statement

for the year ended 25 June 2023

Figures in Rand thousand	Note(s)	Year ended June 2023	Year ended June 2022
Revenue	22	**10 653 193**	11 145 107
Cost of sales	23	**(7 948 438)**	(8 216 677)
Gross Profit		**2 704 755**	2 928 430
Other income	24	**25 069**	213 971
Selling and marketing expenses	25	**(1 929 480)**	(1 912 972)
Administrative expenses	25	**(407 406)**	(325 713)
Other operating expenses	25	**(159 713)**	(27 995)
Operating profit		**233 225**	875 721
Finance income	26	**100 777**	72 672
Finance cost	27	**(155 955)**	(161 602)
Profit before taxation		**178 047**	786 791
Tax expense	28	**(63 145)**	(307 835)
Profit for the year		**114 902**	478 956
Profit attributable to:			
Owners of the parent		**106 346**	473 849
Non-controlling interests		**8 556**	5 107
		114 902	478 956
Earnings per share for profit attributable to the ordinary equity holders of the company			
Per share information			
Basic earnings per share (cents)	29	**456.9**	2 094.7
Diluted earnings per share (cents)	29	**455.6**	2 089.4

The accounting policies on pages 20 to 30 and the notes on pages 31 to 68 form an integral part of the Annual Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

for the year ended 25 June 2023

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Profit for the year	**114 902**	478 956
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations attributable to:		
Owners of the parent (note 18)	**8 597**	(26 498)
Non-controlling interests	**(4 485)**	2 033
Total movement in foreign currency translation reserve (FCTR)	**4 112**	(24 465)
Other comprehensive income for the year net of taxation	**4 112**	(24 465)
Total comprehensive income	**119 014**	454 491
Total comprehensive income attributable to:		
Owners of the parent	**114 943**	447 351
Non-controlling interests	**4 071**	7 140
	119 014	454 491

The accounting policies on pages 20 to 30 and the notes on pages 31 to 68 form an integral part of the Annual Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

for the year ended 25 June 2023

Figures in Rand thousand	Share capital	Share premium	Total share capital	FCTR	Share-based payments reserve	Total reserves	Retained income	Non-controlling interest	Total equity
Balance as at 27 June 2021	227	(288 005)	(287 778)	12 794	120 908	133 702	2 705 936	36 094	2 587 954
Total comprehensive income for the year	–	–	–	(26 498)	–	(26 498)	473 849	7 140	454 491
Recognition of share-based payments	–	–	–	–	25 948	25 948	–	–	25 948
Shares purchased by Cashbuild South Africa for the Forfeitable Share Plan	–	(36 646)	(36 646)		–	–	–	–	(36 646)
Dividends	–	–	–	–	–	–	(651 956)	(14 785)	(666 741)
Balance at 26 June 2022	227	(324 651)	(324 424)	(13 704)	146 856	133 152	2 527 829	28 449	2 365 006
Total comprehensive income for the year	**–**	**–**	**–**	**8 597**	**–**	**8 597**	**106 346**	**4 071**	**119 014**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**22 734**	**22 734**	**–**	**–**	**22 734**
Shares repurchased	**(2)**	**(46 512)**	**(46 514)**	**–**	**–**	**–**	**–**	**–**	**(46 514)**
Shares purchased by Cashbuild South Africa for the Forfeitable Share Plan	**(2)**	**(37 763)**	**(37 765)**	**–**	**–**	**–**	**–**	**–**	**(37 765)**
Shares repurchased and cancelled	**(11)**	**(212 398)**	**(212 409)**	**–**	**–**	**–**	**–**	**–**	**(212 409)**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(249 167)**	**(5 365)**	**(254 532)**
Balance at 25 June 2023	**212**	**(621 324)**	**(621 112)**	**(5 107)**	**169 590**	**164 483**	**2 385 008**	**27 155**	**1 955 534**
Note(s)	16	16	16	18	17				

Refer to note 29 for more information on dividend per share.

Consolidated Statement of Cash Flows

for the year ended 25 June 2023

Figures in Rand thousand	Note(s)	Year ended June 2023	Year ended June 2022
Cash flows from operating activities			
Cash generated from operations	30	**779 483**	845 540
Finance income received – non-investing	26	**–**	132
Finance cost paid	27	**(155 955)**	(161 602)
Tax paid	31	**(153 284)**	(296 726)
Net cash generated from operating activities		**470 244**	387 344
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(152 591)**	(257 653)
Purchase of investment properties	6	**–**	(452)
Proceeds on disposal of non-current asset held for sale	33	**1 030**	–
Proceeds on disposal of property, plant and equipment and intangible assets	34	**13 018**	3 299
Insurance income relating to property, plant and equipment		**–**	71 514
Finance income received	26	**100 777**	72 540
Purchase of intangible assets	8	**(6 316)**	(5 570)
Net cash utilised in investing activities		**(44 082)**	(116 322)
Cash flows from financing activities			
Shares repurchased	16	**(46 514)**	–
Shares purchased for the Forfeitable Share Plan	17	**(37 765)**	(36 646)
Shares repurchased by Cashbuild Limited	16	**(212 409)**	–
Lease liability payments	19	**(229 917)**	(179 921)
Dividends paid	32	**(249 167)**	(651 956)
Dividends paid to non-controlling interests	32	**(5 365)**	(14 785)
Net cash utilised in financing activities		**(781 137)**	(883 308)
Total cash and cash equivalents movement for the year		**(354 975)**	(612 286)
Cash and cash equivalents at the beginning of the year		**1 938 639**	2 546 380
Effect of exchange rate movement on cash and cash equivalents balances		**(1 498)**	4 545
Total cash and cash equivalents at the end of the year	14	**1 582 166**	1 938 639

Accounting Policies

CORPORATE INFORMATION

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

1. Significant accounting policies

The principal accounting policies applied in the preparation of the Annual Consolidated Financial Statements are set out below.

Previously Cashbuild Group and Company were published in one set of financial statements. In the current year, Company is published separately and is available on Cashbuild's website.

1.1 Basis of preparation

The Annual Consolidated Financial Statements are prepared in accordance with the IFRS as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (previously known as International Financial Reporting Interpretations Committee (IFRIC)), the South African Companies Act, the Listings Requirements, and the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Guides as issued by the Financial Reporting Council. The Financial Statements are authorised for issue by the Company's Board of Directors.

The Annual Consolidated Financial Statements are prepared on the basis that the group and Company will continue to be a going concern.

The Annual Consolidated 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 Consolidated 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 prior year.

1.2 Consolidation

Basis of consolidation

The Annual Consolidated 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 Consolidated Financial Statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made where 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.

The Group's proportionate share of assets and liabilities from investments in joint operators are included in the Annual Consolidated Financial Statements from the effective date of acquisition.

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 Consolidated Statements of Changes in Equity.

1.3 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 accumulated depreciation less any accumulated impairment losses. Depreciation is calculated on the straight line basis over a useful live of 50 years.

1. Significant accounting policies (continued)

1.4 Property, plant and equipment

Property, plant and equipment are 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 on work in progress projects are capitalised until the project is completed. Work in progress assets are then transferred to the relevant asset categories.

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 residual values are reassessed annually. Land is not depreciated. The useful lives are reassessed annually, and adjusted accordingly, where appropriate.

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. Impairment losses reversals are limited to what the carrying amount of the asset would have been, should no impairment have been recognised.

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 the Consolidated Income Statement when the item is derecognised.

1.5 Intangible assets

Goodwill

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

Trademarks

Trademarks which have a finite useful life are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over its 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 trade name 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. This position is assessed on an annual basis. Amortisation is not provided for these intangible assets, however, these assets are tested for impairment annually and when there is an indication that the asset may be impaired. No impairment will arise if the present value of the expected net cash inflows into perpetuity support the fair value of the intangible asset acquired.

Estimates and judgements considered in determining the indefinite useful life of trademarks are disclosed in note 2.

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 its estimated useful lives of three to five years.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Accounting Policies (continued)

1. Significant accounting policies (continued)

1.5 Intangible assets (continued)

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 8 for details of the Group's intangible assets.

1.6 Financial instruments

Classification

The Group classifies financial assets and financial liabilities into the following categories:
- Financial assets measured at amortised cost
- Financial liabilities measured at amortised cost

Financial assets at amortised cost

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 assets.

Trade receivables and cash and cash equivalents have been classified at amortised cost as its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest and the Group's business model is to collect the contractual cash flows on these financial instruments.

Financial liabilities measured at amortised cost

Trade payables 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 consists 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.

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.

Cash and cash equivalents are initially recognised at fair value. Subsequently, cash and cash equivalents 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 Consolidated Income Statement 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 13 for the impact of the expected credit loss.

1. Significant accounting policies (continued)

1.6 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents include 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 Consolidated Statement of Financial Position date. Foreign exchange gains and losses resulting from the revaluation of these balances are recognised in the Consolidated Income Statement.

1.7 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 all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to its present location and condition. Unrealised trade, settlement and other discounts as well as unrealised rebates are netted off against the inventory balance.

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 year 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 year 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 year in which the reversal occurs.

Inventories includes a "right-to-return-goods asset" which represents the Group's right to recover products from customers where customers exercise their right of return under the Group's 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 12 for disclosures of inventory and related values.

1.8 Non-current assets held for sale

Non-current assets classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as such.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

1. Significant accounting policies (continued)

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 year and at the same time every year.
- tests goodwill acquired in a business combination for impairment on an annual basis.

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 of disposal 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 recognised as an impairment loss.

Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually, 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 indicators for the 12 months ended 25 June 2023 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 Cashbuild Limited's share capital, the consideration paid including attributable transaction costs (net of income taxes), is deducted from equity attributable to the Group'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, Cashbuild (South Africa) Proprietary Limited and Cashbuild 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 Consolidated Income Statement.

Details of share capital and share premium including the impact of treasury shares are disclosed in note 16.

1.11 Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave, which are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

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 the Consolidated Income Statement upon valuation. Gains and losses are recognised immediately in full.

1. Significant accounting policies (continued)

1.11 Employee benefits (continued)

Bonuses

The Group's bonus structure allows monthly and quarterly bonuses that employees at stores can earn based on store and divisional performance. An annual bonus is available to all store and divisional management, based on their areas' performance. Support Office staff and Executive Management qualifying for annual bonuses which is dependent on the Group's results and performance. Annual bonuses are calculated with reference to a formula that takes into consideration the revenue and profit before tax. The Group recognises a liability and an expense for bonuses. 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 making 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 years.

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;
- 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 its 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. When realisation of income is virtually certain, the related asset is recognised. Contingencies are disclosed in note 36.

1.13 Joint arrangements and associates

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 classified as a joint operation or a joint venture.

Joint operations

The Group 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 share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

Associates

An associate is an entity that the Group has significant influence over. The Group has significant influence over an entity if it holds more than 20% of the voting rights and there is no joint control. The Group accounts for its interests in associates using the equity method. Investment in associates are accounted for at cost and is increased with the Group's share of profit when applicable.

1.14 Prepayments

Prepayments comprises of general prepayments for goods or services to be provided after year end. Current prepayments relate to general prepayments that will realise within 12 months after year end.

1. Significant accounting policies (continued)

1.15 Tax

Current tax assets and liabilities

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

Current tax liabilities/(assets) for the current and prior years 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 year 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.

Deferred tax assets and liabilities are offset because there is a legally enforceable right to set off current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

At each reporting period, the Group assesses the recoverability of deferred tax assets. Measurement adjustments are recognised when the Group expect that the deferred tax assets will not result in future tax benefits.

For details of deferred tax assets and liabilities for the year refer to note 9.

Tax expenses

Current and deferred taxes are recognised as an 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 year, to Consolidated Statement of 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 year, 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 year, directly in equity.

Components of the tax expense and effective tax rate is disclosed in note 28.

1.16 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.

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.

1. Significant accounting policies (continued)

1.16 Leases (continued)

Group as lessee

The Group has entered into various leases in respect of premises. Leases for premises are on average contracted for periods between five and 15 years with renewal options for a further five to 10 year periods.

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. For these leases, the Group recognises the lease payments as an operating expense (note 25) 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 assets 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 stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The probability of utilising extension and termination options are considered when determining the lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments which are based on an index or rate are included in the lease liability. In the event of a modification which does not result in a separate lease, the lease liability is remeasured with a corresponding adjustment to the right of use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Refer to note 4 for details relating to the right-of-use assets.

The lease payments are discounted using the incremental borrowing rate. The incremental borrowing rate is determined by using the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the Group's business planning cycle, significance of related leasehold improvements and past history of terminating/not renewing leases. The lease term is reassessed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

1. Significant accounting policies (continued)

1.16 Leases (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when the following modifications occur:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the company will exercise a purchase,termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; and
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in the Consolidated Income Statement if the carrying amount of the right-of-use asset has been reduced to zero.

Details of leasing arrangements where the Group is a lessee are presented in note 19 Leases (Group as lessee).

1.17 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. The schemes has a vesting period of three years. The impact is recognised directly in the Consolidated Income Statement, with a corresponding adjustment to equity. The effect of all shares issued under this scheme is taken into account when calculating the diluted 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. The fair value at award date is determined as the share price at award date.

Cashbuild Operations Management Member Trust (OMT)
Share incentives under this operational managers scheme entitles qualifying store management members to receive a bonus that is split in equal proportion between cash and shares. The cash portion will be received immediately and the share portion will vest at the end of a three year period, or such earlier dates as provided in the Trust Deed.

Dividends from The Cashbuild Empowerment Trust
Amounts paid to beneficiaries of the trust, being employees of the Group, are treated as staff cost in the Consolidated and Standalone 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 38.

1.18 Cash settled share-based payments

Cash settled share-based payment liabilities are initially measured at fair value and subsequently remeasured to fair value at each reporting date as well as at the date of settlement, with any changes in fair value recognised in profit or loss. The expense is recognised on a straight-line basis over the vesting period, with a corresponding increase in the liability. The fair value of the shares represents the liability that will ultimately be paid to the employee, as derived from the ruling share price at date of settlement.

1. Significant accounting policies (continued)

1.19 Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it satisfies the performance obligation. The performance obligation would be the sale of goods and this would be satisfied at the point of sale.

The following is a description of principal activities where the Group generates revenue. The Group has disclosed the nature, timing of satisfaction of performance obligations and significant payment terms.

Sale of goods – retail

The Group 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. There are repayment agreements with certain customers. 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 based on the average number of days it would take a customer to return goods. 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.

Customers are entitled to volume rebates. Rebates will be awarded based on purchases as per agreed rebate structure with the customer. A corresponding reduction in revenue is recognised to account for rebates achieved.

1.20 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year 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 year 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 year 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-return-goods asset" which represents the Group right to recover products from customers where customers exercise their right of return under the group returns policy.

1.21 Translation of foreign currencies

Foreign currency transactions and Group translation

Stores which trade in foreign entities trade in foreign currencies being Botswana Pula, Malawian Kwacha, Zambian Kwacha and US dollar. These are translated into reporting currency (Rands) at the end of the reporting period.

The results of and financial positions of all the Group entities (none of which have the currency of a hyperinflation economy) that have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- income and expenses for each Income Statement line item 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.

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.

2. ESTIMATES AND JUDGEMENTS

The preparation of the Annual Consolidated 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 Annual Consolidated 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 year in which the estimate is revised and any affected future periods.

Judgements

The estimates and judgements that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year 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 12 for more information.
- **Indefinite useful life of trademarks** – 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. Management has no plans to discontinue the P&L Hardware store brand. Management expects to continue expanding the brands as they focus on different income groups, and therefore, there are no plans to rebrand the P&L Hardware stores. With this considered, it is, therefore, appropriate to classify this as an indefinite useful life asset. Refer to note 8 for more information.
- **Right-of-use asset impairment assessment** – The impairment assessment is performed at a store level. When a loss-making store has been identified, a cash flow forecast is performed for the remaining lease term in order to determine the value-in-use of the store. The discount rate applied is derived from the Group weighted average cost of capital (WACC), adjusted for tax and specific risks relating to the country of operation. Estimation of the expected future sales and cost of sales for the store requires judgement. Impairments related to store closures for stores that reached the end of its lease term. Refer to note 25 for more information.
- **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 19 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 that is linked to the term of the lease contract from inception. Refer to accounting policy 1.15 for more information.

Critical estimates

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 year are addressed below:

- **Goodwill impairment assessment** – The impairment assessment used the value-in-use method. The discount rate applied is derived from the entity specific weighted average cost of capital (WACC), adjusted for tax and specific risks relating to the operation. Estimation of the expected future sales and cost of sales for the store requires judgement. This forecast period covers a five-year period, after which a terminal value has been determined. The modelling of the future cash flows and consideration to Capital structures being the debt and right of use asset utilisation is continuously being re-assessed. Refer to note 5 for more information.

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.

The Group's operating segments include the Cashbuild model stores (based in South Africa, Botswana, eSwatini, Lesotho, Namibia, Malawi and Zambia) and the P&L Hardware model stores (based only in South Africa). The Zambian stores were closed due to continued losses being made after various attempts to make the operations profitable.

The Group's operating segments are also considered to be reportable segments.

The Group's reportable segments are as follows:
- Cashbuild South Africa (based in South Africa)
- P&L Hardware (based in South Africa)
- Cashbuild common monetary operations (eSwatini, Lesotho and Namibia)
- Cashbuild non-common monetary operations (Botswana, Malawi and Zambia)

The Group's common monetary operations consists of the countries that form part of the Rand common monetary area.

The Group's non-common monetary operations consists of the other countries which Cashbuild trades in. These other countries 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**
June 2023						
Cashbuild South African operations	**8 643 699**	**331 029**	**(335 885)**	**87 045**	**(135 417)**	**(56 423)**
P&L Hardware operations	**826 110**	**(191 433)**	**(28 755)**	**3 242**	**(9 217)**	**12 686**
Cashbuild common monetary operations	**690 482**	**39 279**	**(15 977)**	**7 919**	**(7 814)**	**(10 509)**
Cashbuild non-common monetary operations	**492 902**	**54 350**	**(10 582)**	**2 571**	**(3 507)**	**(8 899)**
Total	**10 653 193**	**233 225**	**(391 199)**	**100 777**	**(155 955)**	**(63 145)**

* *The Operating loss for P&L Hardware includes the impairment raised on the P&L Hardware Goodwill of R155.9 million.*

			Separately disclosable items			
Figures in Rand thousand	Revenue	Operating profit	Depreciation and amortisation	Interest income	Interest expense	Taxation
June 2022						
Cashbuild South African operations	8 984 025	765 368	(321 269)	48 744	(141 732)	(277 392)
P&L Hardware operations	922 337	12 275	(25 256)	1 997	(10 187)	2 782
Cashbuild common monetary operations	724 830	68 018	(17 840)	13 854	(7 182)	(19 951)
Cashbuild non-common monetary operations	513 915	30 060	(13 984)	8 077	(2 501)	(13 274)
Total	11 145 107	875 721	(378 349)	72 672	(161 602)	(307 835)

Notes to the Annual Consolidated Financial Statements (continued)

for the year ended 25 June 2023

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 Consolidated Statement of Financial Position.

Figures in Rand thousand	Capital investment*	Total assets	Total liabilities
June 2023			
Cashbuild South African operations	**145 065**	**4 944 741**	**(3 168 137)**
P&L Hardware operations	**6 670**	**604 905**	**(749 852)**
Cashbuild common monetary operations	**6 483**	**430 489**	**(231 916)**
Cashbuild non-common monetary operations	**689**	**292 808**	**(167 504)**
Total	**158 907**	**6 272 943**	**(4 317 409)**
June 2022			
Cashbuild South African operations	254 299	5 103 933	(3 010 974)
P&L Hardware operations	7 036	802 611	(757 688)
Cashbuild common monetary operations	1 198	458 859	(251 417)
Cashbuild non-common monetary operations	690	271 111	(251 429)
Total	263 223	6 636 514	(4 271 508)

* *Capital investment relates to total additions during the year of property, plant and equipment, excluding the additions to Right-of-use asset, (note 4) and intangible assets (note 8).*

4. PROPERTY PLANT AND EQUIPMENT

	June 2023			June 2022		
Figures in Rand thousand	Cost	Accumulated depreciation/ impairment	Carrying value	Cost	Accumulated depreciation/ impairment	Carrying value
Land and buildings	**772 429**	**(84 901)**	**687 528**	777 431	(72 534)	704 897
Leasehold improvements	**229 586**	**(153 645)**	**75 941**	224 433	(137 177)	87 256
Furniture and equipment	**1 613 657**	**(1 142 688)**	**470 969**	1 486 397	(1 025 923)	460 474
Vehicles	**35 426**	**(27 165)**	**8 261**	35 742	(22 803)	12 939
Right-of-use asset	**2 679 264**	**(1 538 394)**	**1 140 870**	2 458 795	(1 281 410)	1 177 385
Total	**5 330 362**	**(2 946 793)**	**2 383 569**	4 982 798	(2 539 847)	2 442 951

4. PROPERTY PLANT AND EQUIPMENT (continued)

Reconciliation of property plant and equipment – June 2023

Figures in Rand thousand	Opening balance	Additions	Disposals~	Classified as held for sale^	Transfers	Lease Remeasure-ments+	Foreign exchange movements	Depreciation	Impairment#	Closing balance
Land and buildings	704 897	–	(1 143)	(21 787)	13 711	–	4 217	(7 886)	(4 481)	687 528
Leasehold improvements	87 256	–	(388)	–	5 315	–	226	(16 468)	–	75 941
Furniture and equipment	460 474	–	(7 262)	–	133 514	–	1 008	(113 159)	(3 606)	470 969
Vehicles	12 939	–	(368)	–	51	–	–	(696)	(3 665)	8 261
Right-of-use asset	1 177 385	82 037	(14 610)	–	–	150 096	2 946	(248 434)	(8 550)	1 140 870
Capital work in progress*	–	152 591	–	–	(152 591)	–	–	–	–	–
Total	**2 442 951**	**234 628**	**(23 771)**	**(21 787)**	**–**	**150 096**	**8 397**	**(386 643)**	**(20 302)**	**2 383 569**

* *Capital work in progress mainly relates to store refurbishments during the year.*
~ *Disposal of right-of-use of assets relates to the early termination of lease agreements. The right-of-use asset and lease liability, net of the early termination payment if applicable, is derecognised and any gain or loss is recognised in the Consolidated Income Statement.*
\+ *The lease remeasurements relates to the exercising of the renewal option in the lease agreements, which did not result in a separate lease. The lease liability was remeasured with corresponding adjustments to the right-of-use asset for this remeasurement.*
^ *Refer to note 15 for details of buildings classified as held for sale.*
\# *The impairment on land and buildings relates to the impairment of the Kafue Road property in Zambia and Katimo Mulilo in Namibia. The remaining impairment relates to the provision recognised on loss-making stores and vehicles. Refer to note 5 for further detail.*

Reconciliation of property, plant and equipment – June 2022

Figures in Rand thousand	Opening balance	Additions	Disposals~	Transfers	Lease Remeasure-ments+	Foreign exchange movements	Depreciation	Impairment	Closing balance
Land and buildings	644 226	–	–	64 114	–	3 075	(6 518)	–	704 897
Leasehold improvements	83 936	–	(3 886)	19 773	–	(5)	(12 562)	–	87 256
Furniture and equipment	422 800	–	(3 088)	173 766	–	884	(111 170)	(22 718)	460 474
Vehicles	15 801	–	(632)	–	–	–	(2 230)	–	12 939
Right-of-use asset	1 297 622	59 522	(21 864)	–	81 575	1 821	(239 257)	(2 034)	1 177 385
Capital work in progress*	–	257 653	–	(257 653)	–	–	–	–	–
Total	2 464 385	317 175	(29 470)	–	81 575	5 775	(371 737)	(24 752)	2 442 951

* *Capital work in progress mainly relates to store refurbishments during the year.*
~ *Disposal of right-of-use of assets relates to the early termination of lease agreements. The right-of-use asset and lease liability, net of the early termination payment, is derecognised and any gain or loss is recognised in the Consolidated Income Statement.*
\+ *The lease remeasurements relates to the exercising of the renewal option in the lease agreements, which did not result in a separate lease. The lease liability was remeasured with corresponding adjustments to the right-of-use asset for this remeasurement.*

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 – 5 to 6 years
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.*

^ *Right-of-use assets relate to leased store properties.*

Amounts recognised in profit and loss for the year:

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Profit/(loss) on disposal of property, plant and equipment	**3 614**	(4 319)
Profit on disposal of non-current assets held for sale	**80**	–
Profit on disposal of right-of-use asset	**3 159**	2 939
Repairs and maintenance expenditure	**54 032**	51 237

5. IMPAIRMENT OF ASSETS

Goodwill impairment assessment

The below impairment assessment was performed over the goodwill arising on acquisition of P&L Hardware and indefinite lived intangible assets relating to the P&L Hardware trademark.

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Goodwill allocation		
P&L Hardware (net of impairment)	**40 393**	196 302
Cashbuild (South Africa)	**112 833**	112 833
Total Goodwill	**153 226**	309 135
P&L Hardware indefinite lived trademark	**96 409**	96 409

P&L Hardware cash-generating unit:

The recoverable amount of the P&L Hardware cash-generating unit has been determined based on a value-in-use calculation for the forecast period.

The value-in-use of P&L Hardware at 25 June 2023 was determined using assumptions regarding company profitability, growth rates, discount rates and target net working capital days. An impairment assessment was conducted and it was noted that the headroom on the P&L Hardware cash-generating unit has diminished. The decline in headroom leading to an impairment is ascribed to the increase in the discount rate as a result of increased interest rates, lower performance of the cash-generating unit due to challenging economic conditions and reflective changes to the working capital structure which further reduced the available headroom. The impact of the aforementioned resulted in an impairment of R155.9 million, which have been included in the other expenses line of the Consolidated Income Statement. The recoverable amount of the P&L Hardware cash-generating unit was determined as R262 million.

5. IMPAIRMENT OF ASSETS (continued)

Key assumptions used to determine the value-in-use

Listed below are the assumptions applied in the value-in-use calculation for the P&L Hardware cash-generating unit.

This forecast period covers the five-year period up to June 2028, after which a terminal value has been determined.

The discount rate has increased from previously reported, due to interest rate increases locally and worldwide.

P&L Hardware cash-generating unit:	June 2023 Assumptions applied	June 2022 Assumptions applied
Growth rate*	**9.0%**	8.0%
Terminal growth rate^	**5.5%**	4.5%
Discount rate – pre-tax	**17.5%-18.5%**	13.1%-14.1%
Discount rate – post-tax	**14.4%-15.4%**	11.3%-12.3%

* *Even though the performance of P&L Hardware has decreased, management believe the growth rate is reflective of the short to medium term as a result of inflationary pressure, as well as other improvements recently implemented in the operational structure and product range of stores. Inflationary increases will be transferred to the customer base to maintain a constant gross profit margin. The rate is supported by internal budgets, operational analysis and management expects that future performance of P&L Hardware should stabilise in line with the terminal growth rate used.*

^ *Whilst the South African inflation rate increased year-on-year, we believe that our terminal growth rate is reflective of the long term growth prospect of the cash-generating unit.*

Sensitivity analysis

A sensitivity analysis was performed to evaluate the impact of changes in the key assumptions applied. This considers the impact if the key assumption changed and all other variables remained constant. The below table illustrates how much an assumption must change before there is a 10% impairment on the current carrying value.

	Change in assumption applied
Growth rate	**Decrease of 0.3% to 8.7%**
Terminal growth rate	**Decrease of 0.3% to 5.2%**
Discount rate	**Increase of 0.1%**
Trading profit margin	**Decrease of 0.1%**

Cashbuild South Africa cash-generating unit:	June 2023 Assumptions applied	June 2022 Assumptions applied
Growth rate#	**4.5%**	4.5%
Terminal growth rate#	**5.0%**	4.5%
Discount rate – pre-tax@	**17.3%-18.3%**	15.5%-16.5%
Discount rate – post-tax@	**13.8%-14.8%**	11.3%-12.3%

\# *Whilst the South African inflation rate increased year-on-year, we believe that our growth rate and terminal growth rate is reflective of the long term growth prospect of the cash-generating unit. Inflationary increases will be transferred to the customer base to maintain a constant gross profit margin.*

@ *The discount rate increased due to the increase in cost of financing.*

Key assumptions used to determine value-in-use

The recoverable amount of the Cashbuild operating cash-generating unit has been determined based on a value-in-use calculation for the forecast period. This forecast period covers the five-year period up to June 2028, after which a terminal value has been determined. Due to significant headroom available, no sensitivity analysis has been provided.

Value-in-use – loss-making stores

Based on past experience, when a store is closed, 57% of the assets are sold for proceeds below book value, excluding the right-of-use assets and inventory. Therefore, loss-making stores are identified for possible impairment of the assets held by these stores. For each loss-making store that leases premises, the value-in-use is calculated as the net present value of the monthly forecasted cash flows per store (calculated to the end of the lease term). A store specific WACC rate was applied to the cash flow projections.

If at period end, a store is no longer loss-making and management believes that it will continue on this trend, any previous impairments raised are reversed.

5. IMPAIRMENT OF ASSETS (continued)

Figures in Rand thousand	June 2023 Assumptions applied	June 2022 Assumptions applied
Key assumptions used for the P&L Hardware operating segment loss-making store		
Growth rate	**5.0%-10%**	8.0%
Discount rate – pre-tax	**17.5%-18.5%**	13.1%-14.1%
Key assumptions used for the Cashbuild operating segment loss-making store		
Growth rate	**8.0%-9.7%**	4.5%
Discount rate – pre-tax	**17.3%-18.3%**	15.5%-16.5%
Impairment losses recognised on property, plant and equipment		
Land and buildings	**4 481**	–
Furniture and equipment	**3 606**	22 718
Vehicles	**3 665**	–
Right-of-use assets	**8 550**	2 034
	20 302	24 752

During the year, 1 Cashbuild South Africa and 8 P&L Hardware stores were impaired. The impairment losses recognised are included in the selling and marketing line of the Consolidated Income Statement. Impairment losses were recognised in the Cashbuild South Africa segment of R6.5 million (June 2022: R2.4 million), P&L Hardware segment of R9.2 million (June 2022: R1.9 million), Common Monetary operations segment of R1.7 million and Non-Common Monetary operations segment of R2.8 million (June 2022: R0.1 million). The disposal of accumulated impairment in the Non-Common Monetary operations segment relates to the closure of the Zambian stores of R6 million.

Reconciliation of the accumulated impairment	June 2023	June 2022
Opening balance	**37 843**	11 582
Total impairment recognised	**176 211**	24 752
Impairment for the year relating to loss-making stores	**15 369**	24 752
Impairment reversal relating to loss-making stores	**(3 213)**	–
Impairment relating to vehicles	**3 665**	–
Impairment relating to P&L Goodwill	**155 909**	–
Impairment relating to non-current assets held for sale^	**4 481**	–
Disposal of accumulated impairment due to sale of assets	**(6 041)**	–
Disposal of accumulated impairment on looted furniture and equipment~	**(20 384)**	–
Foreign exchange movements	**726**	1 509
Closing balance	**188 355**	37 843

^ *Refer to note 4 for more information.*

~ *This disposal of accumulated impairment relates to the furniture and equipment that was impaired as a result of the looting. The assets have been disposed.*

6. INVESTMENT PROPERTY

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Reconciliation of investment property		
Investment in Nasrec Corner – joint operation	**39 953**	39 953
Reconciliation of investment property		
Opening Balance	**39 953**	43 007
Investment in Nasrec Corner	**–**	(2 104)
– Additions	**–**	452
– Depreciation~	**–**	(2 556)
Transfer to non-current assets held for sale:		
– Kranskop property^	**–**	(950)
	39 953	39 953

~ *The residual value exceeds the carrying value, consequently depreciation was ceased. The fair value of Cashbuild's share in the investment property is R62 million based on the external valuation obtained in 2021. The Directors believe that the assumptions underlining the valuation are still appropriate in the context of the current market conditions.*

^ *The Kranskop property was classified was held for sale in the previous financial year. Refer to note 15 for further information.*

Investment property is carried at cost and depreciated on a straight-line basis over 50 years. Where the residual value of investment property exceeds the carrying value, no depreciation is recognised.

7. INTERESTS IN ASSOCIATE AND JOINT OPERATIONS

Joint operations – Nasrec Corner

During the 2014 financial year, Cashbuild entered into a joint operation agreement for the Nasrec Corner Shopping Centre in Johannesburg, South Africa. This consortium comprises a right to extend and develop a shopping centre. Cashbuild has 50% participation and control in the owner consortium with the other 50% participant being S-Identity Holdings (Pty) Ltd. Decisions relating to the operations of the consortium requires unanimous consent.

S-Identity Holdings (Pty) Ltd has, in its own capacity, raised finance from a third party and funded the remaining construction of the shopping centre. Profits of the joint operation will only be shared when the financed amounts are fully repaid to the third party. Cashbuild is entitled to its share of the assets and liabilities of the joint operation as stipulated in the joint operation agreement.

The information presented below is the standalone financial information of the Nasrec Corner joint operation at 100% and therefore, does not represent Cashbuild's share.

The table below summarises the financial position of Nasrec Corner as at 25 June 2023:

	Summarised financial information (100%)	
Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Investment property	**79 906**	79 906
Total current assets	**37 809**	27 358
Total assets	**117 715**	107 264
Joint operator loan	**85 018**	85 018
Total current liabilities	**32 697**	22 246
Total liabilities	**117 715**	107 264

7. INTERESTS IN ASSOCIATE AND JOINT OPERATIONS (continued)

The table below summarises the income statement of Nasrec Corner for the year:

	Summarised financial information (100%)	
Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Rental income	**7 581**	5 855
Operating expenses	**(7 581)**	(5 855)
Net profit for the period	**–**	–
Loan to joint operator		
The movement in the loan payable of Nasrec Corner relates to the other parties of the joint operation contributing more assets to the joint operation than Cashbuild did in the prior year. No party can contractually call upon this amount.		
Below is a reconciliation of the movement for the current year.		
Opening balance	**(18 619)**	(16 783)
Movement due to change in joint operators contributions	**–**	(1 836)
Closing balance	**(18 619)**	(18 619)
Associate – Ekhaya mall		
During the 2019 financial year, Cashbuild entered into a consortium 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 and significant influence in the consortium. S-Identity Holdings (Pty) Ltd holds 60% of the participation and control in the consortium and Nomatiki Trading Enterprise (Pty) Ltd holds the remaining balance of 20%. Cashbuild holds significant influence as their voting right is equal to their shareholding percentage. The investment in Ekhaya mall is classified as an associate in terms of the consortium agreement. Control was assessed in terms of the agreement which resulted in the company having significant influence, as opposed to joint control.		
Cashbuild has contributed R30 million in cash towards the development costs and no further contributions have been made subsequently.		
Investment in associate balance	**30 000**	30 000

No profits will be distributed to the participants of the agreement until the loan secured has been repaid.

7. INTERESTS IN ASSOCIATE AND JOINT OPERATIONS (continued)

The table below summarises the financial position of Ekhaya mall as at 25 June 2023:

Figures in Rand thousand	Summarised financial information (100%)
Investment property	119 477
Total current assets	6 900
Total assets	126 377
Fair value Reserve	2 697
Consortium holders loans	80 319
Total current liabilities	43 361
Total liabilities	123 680

The table below summarises the income statement of Ekhaya mall for the year:

Figures in Rand thousand	Summarised financial information (100%)
Rental income	16 858
Operating expenses	(16 858)
Net profit for the period	–

8. INTANGIBLE ASSETS

	June 2023			June 2022		
Figures in Rand thousand	Cost	Accumulated amortisation/ impairment	Carrying value	Cost	Accumulated amortisation/ impairment	Carrying value
Trademarks^	99 403	(2 988)	96 415	99 403	(2 976)	96 427
Computer software	111 290	(90 394)	20 896	105 282	(85 850)	19 432
Goodwill	309 135	(155 909)	153 226	309 135	–	309 135
Total	519 828	(249 291)	270 537	513 820	(88 826)	424 994

^ *Includes indefinite lived trademarks with a cost of R96.4 million. Refer to note 2 on the judgement apply in determining that the trademark has an indefinite useful life.*

8. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets

Figures in Rand thousand	Opening balance	Additions	Disposals	Foreign exchange movements	Amortisation	Impairment#	Closing balance
June 2023							
Trademarks^	96 427	–	–	–	(12)	–	96 415
Computer software	19 432	6 316	(243)	(65)	(4 544)	–	20 896
Goodwill	309 135	–	–	–	–	(155 909)	153 226
Total	**424 994**	**6 316**	**(243)**	**(65)**	**(4 556)**	**(155 909)**	**270 537**

Figures in Rand thousand	Opening balance	Additions	Disposals	Foreign exchange movements	Amortisation	Closing balance
June 2022						
Trademarks^	96 439	–	–	–	(12)	96 427
Computer software	17 890	5 570	(12)	28	(4 044)	19 432
Goodwill	309 135	–	–	–	–	309 135
Total	423 464	5 570	(12)	28	(4 056)	424 994

Amortisation rates

– Trademarks (Excluding indefinite lived)	Straight line basis – 10 years
– Computer software	Straight line basis – 5 years

^ *Includes indefinite lived trademarks with a cost of R96.4 million. Refer to note 2 on the judgement apply in determining that the trademark has an indefinite useful life.*

\# *Please refer to note 5 for more information on the impairments raised on Goodwill.*

9. DEFERRED TAX

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Deferred tax liability:		
Property, plant and equipment	**(50 355)**	(43 909)
Prepayments	**(4 927)**	(4 359)
Intangible assets	**(26 010)**	(26 112)
Dividend withholding tax#	**(2 484)**	(6 656)
Unrealised foreign exchange differences	**(9 901)**	(7 161)
Insurance from looting	**–**	(26 293)
Total deferred tax liability	**(93 677)**	(114 490)
Deferred tax asset:		
Provisions and accruals	**33 672**	18 584
Deferred lease incentive	**485**	1 731
Assessed losses*	**19 874**	13 564
IFRS 16 lease liability^	**134 484**	114 391
IFRS 15 sales return provision	**557**	641
Total deferred tax asset	**189 072**	148 911

\# *Dividend withholding tax relates to withholding tax payable on future dividend distributions by foreign subsidiaries.*

* *The deferred tax asset recognised on assessed losses represents the future tax benefit that the Group expects to realise when utilising the assessed losses. It is probable that sufficient taxable income will be generated in future for the Group to utilise these benefits based on the assumptions applied in the value-in-use for the P&L Hardware cash-generating unit. Refer to note 5 for more information. The total assessed loss income for the Group is R74 million (June 2022: R53 million), which relates to the P&L Hardware operating segment. The increase in the deferred tax asset from prior periods is due to the continued losses incurred by the segment.*

^ *The Group considers the lease as a single transaction in which the right-of-use asset and lease liability are integrally linked. This resulted in there being no net temporary difference at inception date. Subsequently, as differences arise on the settlement of the lease liability and the depreciation as recognised on the right-of-use asset, there is a net temporary difference on which deferred tax is recognised.*

The following are the movement of the deferred tax liabilities and assets recognised by the Group during the current year:

Figures in Rand thousand	Opening balance	Charge to profit or loss	Exchange differences	Closing balance
Deferred tax liability reconciliation:				
Property, plant and equipment	**(43 909)**	**(6 464)**	**18**	**(50 355)**
Prepayments	**(4 359)**	**(566)**	**(2)**	**(4 927)**
Intangible assets	**(26 112)**	**102**	**–**	**(26 010)**
Dividend withholding tax#	**(6 656)**	**4 172**	**–**	**(2 484)**
Unrealised foreign exchange differences	**(7 161)**	**(2 819)**	**79**	**(9 901)**
Insurance from looting	**(26 293)**	**26 293**	**–**	**–**
Deferred tax asset reconciliation:				
Provisions and accruals	**18 584**	**14 859**	**229**	**33 672**
Deferred lease incentive	**1 731**	**(1 246)**	**–**	**485**
Assessed losses*	**13 564**	**6 314**	**(4)**	**19 874**
IFRS 16 lease liability^	**114 391**	**19 896**	**197**	**134 484**
IFRS 15 sales return provision	**641**	**(87)**	**3**	**557**
	34 421	**60 454**	**520**	**95 395**

The deferred tax assets and the deferred tax liabilities have been presented in the statement of financial position as follows:

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Deferred tax liability	**(38 759)**	(45 911)
Deferred tax asset	**134 154**	80 332
Total net deferred tax asset	**95 395**	34 421

9. DEFERRED TAX (continued)

The deferred tax asset/(liability) balances presented above are the aggregated net positions of each individual company within the Group.

Deferred tax assets are supported by the expected taxable income generated by the applicable operating entities in the Group.

Amounts expected to be recovered or settled are as follows:

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Deferred tax to be recovered after more than 12 months	**58 604**	46 101
Deferred tax to be recovered/(paid) within 12 months	**36 791**	(11 680)
	95 395	34 421

10. INVESTMENTS IN SUBSIDIARIES AND RELATED TRANSACTIONS

The following Trusts were created for the purpose of facilitating employee benefit schemes:

- Cashbuild Empowerment Trust
- Cashbuild Store Operations Management Member Trust

The above Trusts are controlled by the Group. Refer to note 17 for further details.

The Give-a-Brick trust was established for corporate social initiatives.

The above trusts are consolidated by the Group.

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries.

	Issued share capital June 2023	Issued share capital June 2022	Nature of business	**% holding June 2023**	% holding June 2022
Cashbuild (Botswana) (Pty) Ltd	**P1 500 000**	P1 500 000	A	**100**	100
Cashbuild (Kanye) (Pty) Ltd	**P0**	P2	D	**–**	100
Cashbuild (Lesotho) (Pty) Ltd	**M100 000**	M100 000	A	**80**	80
Cashbuild (Lilongwe) Ltd	**MWK100 000**	MWK100 000	A	**51**	51
Cashbuild (Namibia) (Pty) Ltd	**N$1**	N$1	A	**100**	100
Cashbuild (South Africa) (Pty) Ltd	**R54 000**	R54 000	A	**100**	100
Cashbuild (Swaziland) (Pty) Ltd	**E500**	E500	A	**100**	100
P&L Hardware (Pty) Ltd	**R101**	R101	A	**100**	100
Cashbuild (Zambia) Ltd	**ZMK 2**	ZMK 2	A	**100**	100
Oldco PandL (Pty) Ltd	**R100**	R100	F	**100**	100
P&L Boerebenodighede Investments (Pty) Ltd	**R1 000**	R1 000	F	**100**	100
Rio Ridge 1027 (Pty) Ltd	**R100**	R100	F	**100**	100
Cashbuild (Kwandebele) (Pty) Ltd	**R0**	R200 000	D	**–**	100
Cashbuild (Transkei) (Pty) Ltd	**R0**	R0	E	**–**	–
Cashbuild (Properties) (Pty) Ltd	**R0**	R1	D	**–**	100
Cashbuild (Venda Properties) (Pty) Ltd	**R0**	R0.1	D	**–**	100
Cashbuild (Properties External Company)	**R0**	R1	D	**–**	100
Cashbuild (Management Services) (Pty) Ltd	**R1**	R1	C	**100**	100

A – Trading company.
B – Dormant company.
C – Holding company of subsidiaries.
D – Deregistered in the current financial year.
E – Deregistered in the prior financial year.
F – Deregistration in process.

10. INVESTMENTS IN SUBSIDIARIES AND RELATED TRANSACTIONS (continued)

Credit risk of loans between subsidiaries

The loans between subsidiaries relate to loans within the Cashbuild Group. Due to the low credit risk, Cashbuild assumes no increase in credit risk on these instruments occurred during the financial year. There are also no factors noted which raises concern about the recoverability of the loans.

Non-controlling interests

There are no individual subsidiaries within the Group that have material non-controlling interests in value. The aggregate non-controlling interests are also not material to the Group, therefore no additional disclosures required by IFRS 12: Disclosure of Interests in Other Entities have been included.

11. PREPAYMENTS

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Current prepayments*	**22 520**	22 596
Total current prepayments	**22 520**	22 596

* *Prepayments relate mostly to prepaid advertising, IT and insurance premiums which will be utilised within the next 12 months.*

12. INVENTORIES

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Merchandise	**1 698 486**	1 520 302

Cost of inventories recognised as an expense and included in cost of sales amounted to R7.9 billion (June 2022: R8.2 billion).

The provision for the net realisable value of inventory at reporting period is R58.9 million (June 2022: R76.9 million). The value of inventories carried at net realisable value is R282 million (June 2022: R276 million).

The right of return relating to the sales returns provision included in the amount above is R10.5 million (June 2022: R10.3 million).

Cost of inventories written off and included in cost of sales amounted to R29.5 million (June 2022: R26 million).

Inventory losses resulting from the July 2021 civil unrest and looting was R136 million. Included in prior year's cost of sales is R143 million relating to insurance compensation for loss of inventories at replacement cost.

13. TRADE AND OTHER RECEIVABLES

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Financial instruments:		
Trade receivables	**98 599**	105 266
Loss allowance	**(16 832)**	(17 121)
Trade receivables at amortised cost	**81 767**	88 145
Other receivables*	**5 088**	44 686
Total financial instruments	**86 855**	132 831
Non-financial instruments:		
VAT	**2 916**	2 966
Total trade and other receivables	**89 771**	135 797

* *Prior year other receivables includes the receivable for insurance income that was received in the current financial year.*

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 year end and the corresponding historical credit losses experienced within this period.

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. Refer to note 24 for the related impairment losses.

The historical loss rate is determined by considering the repayment history of debtors and historical bad debt write-offs. Cashbuild receives warnings should the circumstances of debtors change. This includes information about if they are defaulting on repayments or start losing credit with other creditors. Cashbuild reassesses the credit exposure and adjusts the expected credit loss provision accordingly. Unused credit facilities are removed regularly, and debtors are required to reapply. The Group's exposure to credit risk is reassessed on a continuous basis. The factors mentioned previously are used to inform the historical loss rate.

The Group considered the impact of forward-looking information on the risk of default of trade and other receivables. Considering all information available at Cashbuild's disposal, without undue costs or efforts, the estimated impact of forward-looking information on the calculation of expected credit losses is deemed to be immaterial.

Trade receivables are written off when there is no reasonable expectation of recovery and there has been no movement on the debtors account for three years. Once a debtor account has gone bad, the account is blocked and the debtor can make no further purchases.

Credit risk of other receivables

Other receivables primarily consist of deposits held and staff loans. The risk of impairment on these financial instruments are considered to be immaterial.

Charge cards

Cashbuild is predominantly a cash business however, 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 are set by retrieving credit ratings. A memo is compiled with the information received which is then reviewed and approved by management based on the credit limit applied for.

The expected credit losses (ECL) are a probability-weighted estimate of credit losses. A credit loss is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive discounted at the original effective interest rate. As ECL consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due. Where we have an off set agreement with the debtor/supplier, risk for default is considered low.

13. TRADE AND OTHER RECEIVABLES (continued)

Legal debtors

Charge cards are classified as legal debtors once amounts owed are handed over for collections.

Rebate debtors

The amount owing on rebate debtors are for suppliers who owe the Group money for rebate and advertising contributions as per the trade agreements. The contribution is based on purchases made and is calculated on either a percentage of purchases or volume.

Rebate debtors are 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 payments due to suppliers once final approval has been obtained from the supplier. The expected credit loss amount relates to debtors where we do not have set-off rights.

Expected Credit Loss Allowance

The loss allowance as at June 2023 for the trade receivables for which the provision has been applied is determined as follows:

Figures in Rand thousand	**June 2023**		June 2022	
Expected credit loss	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Sundry debtors				
Current	**2 202**	**–**	3 224	(329)
30 days past due	**1 375**	**–**	540	(3)
60 days past due	**–**	**–**	1 856	–
90 days past due	**1 438**	**–**	240	(113)
120 days past due	**78**	**(41)**	–	–
150 days past due	**615**	**(184)**	272	(177)
	5 708	**(225)**	6 132	(622)
Legal debtors				
Current	**196**	**(17)**	1 320	(288)
30 days past due	**–**	**–**	227	(49)
60 days past due	**173**	**(75)**	–	–
90 days past due	**96**	**(66)**	7	(2)
120 days past due	**357**	**(233)**	243	(53)
150 days past due	**19 408**	**(13 487)**	16 619	(13 338)
	20 230	**(13 878)**	18 416	(13 730)
Charge cards				
Current	**14 103**	**(234)**	15 687	(163)
30 days past due	**8 791**	**(209)**	9 093	(107)
60 days past due	**3 779**	**(180)**	1 443	(61)
90 days past due	**1 282**	**(109)**	193	(77)
120 days past due	**695**	**(71)**	101	(8)
150 days past due	**7 268**	**(1 461)**	4 630	(1 525)
	35 918	**(2 264)**	31 147	(1 941)
Rebate debtors				
Current	**36 743**	**(465)**	49 571	(828)
Total	**98 599**	**(16 832)**	105 266	(17 121)

13. TRADE AND OTHER RECEIVABLES (continued)

Each debtor is assessed on an individual basis. The table below indicates the loss allowance rate net effect for each debtors class.

	Sundry debtors	Charge cards	Legal debtors	Rebate debtors
June 2023				
Current	**0%**	**2%**	**9%**	**1%**
30 days past due	**0%**	**2%**	**0%**	**0%**
60 days past due	**0%**	**5%**	**43%**	**0%**
90 days past due	**0%**	**9%**	**69%**	**0%**
120 days past due	**53%**	**10%**	**65%**	**0%**
150 days past due	**30%**	**20%**	**69%**	**0%**
June 2022				
Current	10%	1%	22%	2%
30 days past due	1%	1%	22%	0%
60 days past due	0%	4%	0%	0%
90 days past due	47%	40%	29%	0%
120 days past due	0%	8%	22%	0%
150 days past due	65%	33%	80%	0%

Below is a reconciliation between the opening and closing balance of the expected credit loss recognised.

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Opening balance	**17 121**	26 812
Additional provision	**3 378**	8 824
Provision used	**(3 667)**	(18 515)
Closing balance	**16 832**	17 121

14. CASH AND CASH EQUIVALENTS

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Cash and cash equivalents consist of:		
Cash on hand	**1 744**	1 680
Bank balances	**1 580 422**	1 936 959
	1 582 166	1 938 639

For more information regarding facilities and financial management risks please refer to note 39.

15. NON-CURRENT ASSETS HELD FOR SALE

The following assets were classified as held for sale during the current financial year:

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Land and buildings held for sale		
Cashbuild South African operations		
– Erf 214 Thohoyandou	**1 083**	–
Cashbuild common monetary operations		
– Katimo Mulilo – Namibia	**12 000**	–
Cashbuild non-common monetary operations		
– Kafue Road – Zambia	**8 704**	–
P&L Hardware operations		
– Kranskop property	**–**	950
	21 787	950

Erf 214 Thohoyandou was classified as held for sale in the 2023 financial year. The sale agreement was signed and the process of transferring the property has started. The selling price for this property is R1.08 million.

Katimo Mulilo – Namibia was classified as held for sale in the 2023 financial year. An offer was received for R12 million and was accepted by the Board. The transfer is in process with the attorneys.

Kafue Road – Zambia was classified as held for sale in the 2023 financial year with the closure of the Zambian stores. A sale agreement was signed and it is expected that the transferring process will be finalised within the next 12 months. The selling price for this property is R8.7 million.

The Kranskop property was classified as held for sale in the 2022 financial year. The property was sold during the 2023 financial year and a gain of R0.08 million was recognised on sale of the property.

For more information regarding the proceeds on disposal of non-current assets held for sale refer to note 33.

16. SHARE CAPITAL

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Authorised		
35 000 000 ordinary shares of 1 cent each	**350**	350
There has been no change in the authorised share capital in the current or previous reporting period.		
Reconciliation of shares issued:		
Total shares issued	**239**	250
Treasury shares held	**(27)**	(23)
Total share capital	**212**	227
Movement reconciliation of the share capital:		
Opening balance	**227**	227
Shares repurchased and cancelled	**(11)**	–
Treasury shares held	**(4)**	–
Total share capital	**212**	227

16. SHARE CAPITAL (continued)

The total number of shares in issue as at 25 June 2023 is 23 900 647 (June 2022: 24 989 811). The total number of treasury shares held as at 25 June 2023 is 2 701 724 (June 2022: 2 472 579). The average share price for the shares repurchased during the year was R193.23.

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Share premium		
Opening balance	**(324 651)**	(288 005)
Shares repurchased and cancelled	**(212 398)**	–
Shares repurchased	**(46 512)**	–
Purchase by Cashbuild SA for the Forfeitable Share Plan	**(37 763)**	(36 646)
Total share premium	**(621 324)**	(324 651)
Consisting of:		
Share premium	**(208 463)**	3 935
Treasury share premium	**(412 861)**	(328 586)
Total share premium	**(621 324)**	(324 651)
Total share capital and premium	**(621 112)**	(324 424)

17. SHARE-BASED PAYMENTS

Forfeitable Share Plan

Cashbuild adopted and implemented a 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 holders of ordinary shares after meeting the performance conditions and retention period, 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 as they are subjected to forfeiture restrictions until the vesting date.

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. The fair value at award date is determined as the share price at award date.

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:

	Year ended June 2023	Year ended June 2022
Opening balance	**764 845**	534 675
Share movement	**217 513**	230 170
Total performance shares awarded	**982 358**	764 845

17. SHARE-BASED PAYMENTS (continued)

	5th Award	6th Award	7th Award
Share awards			
Issue date	9 Oct 2020	4 Oct 2021	3 Oct 2022
Vesting date	9 Oct 2023	4 Oct 2024	3 Oct 2025
Exercise price	Nil	Nil	Nil
Expected option lifetime	3 years	3 years	3 years
Share price at grant date	219.44	255.77	201.18

Vesting conditions consist of Group performance conditions (refer to detail below) and a retention condition that the employees remain in the employ of the Group up to vesting date.

	Applicable to Award 5 and 6		Applicable to Award 7	
	Threshold	Target	Threshold	Target
Performance conditions:				
EPS	CPI +2% p.a. (i.e. 2% real growth p.a.)	CPI +10% p.a. (i.e. 10% real growth p.a.)	CPI p.a.	CPI +5% p.a. (i.e. 5% real growth p.a.)
Relative TSR	Median of peers*	Upper quartile of peers*	Median of peers*	Upper quartile of peers*
ROCE	CB WACC	CB WACC +10% p.a	CB WACC	CB WACC +5% p.a

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

	Number of shares as at 25 June 2023^	Award face value* R'000
Executive directors:		
WF de Jager	89 361	19 844
AE Prowse	52 648	11 651
SA Thoresson	46 263	10 270
WP van Aswegen	43 621	9 676
	231 893	51 441
Key management:		
W Dreyer	22 746	5 069
A Hattingh	34 285	7 731
DS Masala	21 930	4 887
I McKay	21 730	4 843
T Myburgh	13 979	3 131
H Roos	19 548	4 357
	134 218	30 018

^ *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.*

17. SHARE-BASED PAYMENTS (continued)

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 year 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 year 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 to eighth schemes (2012 to 2019 schemes respectively) have fully vested. The ninth 2020 scheme qualified for 1 592 shares, the tenth 2021 scheme qualified for 83 403, the eleventh 2022 scheme qualified for 4 798 shares and the twelfth scheme provisionally qualified for 7 106 shares.

Summary of share-based payments for all schemes

The Group's expense and related movement in the share-based payment reserve is R22.7 million (June 2022: R25.9 million).

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

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Share-based payments reserve:		
Opening balance	**146 856**	120 908
– Forfeitable Share Scheme: 3rd award	**–**	1 336
– Forfeitable Share Scheme: 4th award	**1 803**	6 292
– Forfeitable Share Scheme: 5th award	**7 097**	7 037
– Forfeitable Share Scheme: 6th award	**3 864**	5 612
– Forfeitable Share Scheme: 7th award	**5 821**	–
– Operations Management Member Trust Schemes	**4 149**	5 671
	169 590	146 856

18. FOREIGN CURRENCY TRANSLATION RESERVE (FCTR)

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries.

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Opening balance	**(13 704)**	12 794
Currency translation differences	**8 597**	(26 498)
Closing balance	**(5 107)**	(13 704)

Notes to the Annual Consolidated Financial Statements (continued)

for the year ended 25 June 2023

19. LEASES

The Group has entered into various leases in respect of premises. Leases for premises are on average contracted for periods between 5 and 15 years with renewal options.

Details pertaining to leasing arrangements, where the group is the lessee are presented below:

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Net carrying amounts of right-of-use assets		
Buildings subject to lease arrangements	**1 140 870**	1 177 385
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.		
Net carrying amounts of right-of-use assets		
Leased buildings	**248 434**	239 257
Other disclosures		
Interest expense on lease liabilities	**154 520**	161 009
Variable lease payments	**1 419**	1 021

The Group entered into lease agreements where the lease term is less than 12 months. The practical expedient for short term leases have been applied by the Group.

No other practical expedients have been applied in the current financial year.

The undiscounted payment maturity analysis of lease liabilities are as follows:

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Within one year	**397 217**	501 934
Lease liability current portion, including finance costs	**397 217**	501 934
Two to five years	**1 504 395**	1 319 559
More than five years	**248 969**	462 670
Lease liability non-current portion, including finance costs	**1 753 364**	1 782 229
Total amount repayable	**2 150 581**	2 284 163

Notes to the Annual Consolidated Financial Statements (continued)

for the year ended 25 June 2023

19. LEASES (continued)

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
IFRS 16 lease liability reconciliation		
Opening balance	1 612 896	1 669 809
Payments	(384 437)	(340 930)
– Capital repayments	(229 917)	(179 921)
– Interest repayments	(154 520)	(161 009)
Interest	154 520	161 009
Additions	82 037	59 522
Remeasurement^	150 096	81 575
Disposals~	(17 769)	(25 234)
Foreign exchange movement#	3 242	7 145
Total lease liability	1 600 585	1 612 896

^ *Lease remeasurement represent the exercising of the renewal option in the lease agreements,. The lease liability is remeasured with reference to the revised lease payments and is discounted over the remaining lease term using a revised incremental borrowing rate. The revised discount rate is used to determine the effective interest on the lease liability. A corresponding adjustment is made to the right-of-use asset to account for any changes in the remeasurement of the lease liability.*

~ *Lease disposals relate to early lease terminations. Termination options are evaluated and where a penalty lump sum needs to be paid this is considered a disposal.*

Foreign exchange movements relate to the conversion of the foreign subsidiaries to the group's functional currency.

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Current	254 058	233 162
Non-current	1 346 527	1 379 734
Total lease liability	1 600 585	1 612 896

20. CASH SETTLED SHARE-BASED PAYMENTS

Cash settled scheme

During the year under review, Cashbuild implemented a cash settled scheme for middle management whereby participants would become entitled to a cash payment at the end of the vesting period. The payment is determined with reference to the ruling share price at date of vesting, subject to the achievement of performance conditions. The fair value of shares is the closing share price at the reporting date.

The cash settled scheme is subject to the achievement of the following performance conditions and continued employment.

	Threshold	Target
Performance conditions		
EPS	CPI p.a	CPI +5% p.a. (i.e. 5% real growth p.a.)
Relative TSR	Median of peers*	Upper quartile of peers*
ROCE	CB WACC	CB WACC +5% p.a

* *Based on the median of peers as at the award date.*

20. CASH SETTLED SHARE-BASED PAYMENTS (continued)

	1st award
The cash settled scheme key features are as follow:	
Award date	**3 Oct 2022**
Vesting date	**3 Oct 2025**
Fair value per share at reporting date	**R163**
Vesting period	**3 years**

Summary of cash settled share-based payments

The Group's expense and related liability is R1.9 million (including the dividend payout) and R1.6 million respectively for the current reporting period with no comparable expense in prior periods as this was only implemented in October 2022.

The movement in the cash settled share-based payments liability can be summarised as follows:

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Cash settled share-based payment liability:		
Opening balance	**–**	–
– Cash Settled Scheme: 1st award	**1 591**	–
	1 591	–

21. TRADE AND OTHER PAYABLES

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Financial instruments:		
Trade payables	**1 534 859**	1 521 738
Employee related accruals	**–**	57 579
Accruals#	**159 367**	131 517
Retirement awards and gifts	**13 280**	9 241
Refundable customer accounts*	**807 998**	–
Non-financial instruments:		
Employee related accruals	**46 748**	–
Refundable customer accounts*	**–**	725 352
VAT	**67 270**	90 637
	2 629 522	2 536 064

This relates to accruals where the Group has received service/goods and payment will take place after year-end.

* *Refundable customer accounts are made up of amounts received from customers in respect of future purchases. These amounts are refundable to the customer on demand.*

22. REVENUE

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Revenue from contracts with customers		
Sale of goods (recognised at point in time)	**10 653 193**	11 145 107

Disaggregation of revenue from contracts with customers

Cashbuild's revenue is derived from the sale of building materials. The nature of Cashbuild's operations is that goods are sold in retail stores and customers pay for related goods upon exiting the store. Control transfers to the customer at a point in time when goods are sold. Customers are entitled to volume rebates. A corresponding reduction in revenue is recognised to account for rebates achieved. The breakdown below illustrates the contribution to revenue (net of volume rebates) recognised by category.

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Revenue categories per segment		
Revenue categories		
Cement 23% (June 2022: 23%)	**2 432 821**	2 543 791
Decorative 14% (June 2022: 13%)	**1 503 684**	1 477 152
Roofing – Covering 9% (June 2022: 9%)	**919 191**	986 858
Timber 7% (June 2022: 7%)	**742 947**	828 117
Openings 7% (June 2022: 7%)	**768 617**	833 310
Bricks 7% (June 2022: 7%)	**728 439**	730 094
Other 33% (June 2022: 34%)	**3 557 494**	3 745 785
	10 653 193	11 145 107

23. COST OF SALES

Sale of goods	**7 948 438**	8 216 677

Included in cost of sales is rebates received from suppliers of R570 million (June 2022: R582 million).

24. OTHER INCOME

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Sundry income	**1 961**	7 447
Reversal of provision for impaired receivables	**289**	9 691
Profit on sale of non-current assets	**3 694**	–
Profit on disposal of right-of-use asset	**3 159**	–
Net foreign exchange gains	**15 966**	16 141
Insurance recovery*	**–**	180 692
	25 069	213 971

* *The insurance recovery in the prior year relates to compensation for the loss of assets due to the civil unrest and looting that occurred in July 2021.*

Notes to the Annual Consolidated Financial Statements (continued)

for the year ended 25 June 2023

25. OPERATING PROFIT

Operating profit for the year includes the following significant items:

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Expenses by nature:		
Employee costs	**1 038 976**	995 975
Depreciation and amortisation	**391 199**	378 349
Delivery charges	**149 531**	134 397
Advertising expenses	**177 609**	149 979
Impairment loss in accordance with IAS 36	**176 211**	24 752
Loss on sale of non-current assets	**–**	4 319
Bank and speed point charges	**86 270**	88 637
Municipal utility charges	**76 348**	75 134
Consumables	**6 367**	5 237
Repairs and maintenance	**54 032**	51 237
Telephone and fax	**14 110**	19 523
Security	**35 822**	33 800
Printing and stationery	**15 072**	13 992
Software licences	**28 322**	21 978
Fuel and oil	**29 056**	24 695
Insurance	**14 132**	11 604
Legal expenses	**11 576**	3 353
Staff recruitment	**1 034**	1 556
Short term lease expense*	**12 332**	2 663
Subscriptions	**6 109**	5 853
Additional operational costs from looting	**–**	9 191
Travel	**21 489**	15 590
Other expenses#	**24 564**	80 581
	2 370 161	2 152 395

* *The practical expedient noted in accounting policy 1.16 has been applied to all short-term leases. These leases have been expensed in the Consolidated Income Statement over the lease term.*

\# *Overall Cashbuild monitored and tightly controlled its expenses.*

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Auditor remuneration	**8 371**	11 546
Non-Audit services	**3**	–
Non-Audit services – PwC	**–**	414
	8 374	11 960
Remuneration paid for outsourced services:		
Information technology	**100 380**	94 806
Administrative*	**13 637**	2 221
Secretarial	**536**	412
Technical	**1 779**	2 515
Taxation services	**1 732**	2 371
	118 064	102 325
Total	**2 496 599**	2 266 680

* *The prior year included the release of the provision for the consulting fees relating to the cancelled acquisition of The Building Company.*

25. OPERATING PROFIT (continued)

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Classified on Income Statement as:		
Selling and marketing expenses	**(1 929 480)**	(1 912 972)
Administrative expenses	**(407 406)**	(325 713)
Other operating expenses	**(159 713)**	(27 995)
	(2 496 599)	(2 266 680)
Employee costs:		
Salary cost	**865 626**	807 882
Pension fund contributions – defined contribution fund	**128 197**	119 623
Employee benefits – long service awards	**5 347**	3 014
Share-based payments	**22 734**	25 948
Cash settled share-based payments	**1 865**	–
Distribution paid to participants of The Cashbuild Empowerment Trust	**15 207**	39 508
	1 038 976	995 975

26. FINANCE INCOME

Earned on bank balances	**100 776**	72 540
Revenue authorities	**1**	132
	100 777	72 672

27. FINANCE COST

Bank overdraft	**58**	68
Lease liability interest	**154 520**	161 009
Interest on loan	**1 374**	511
Revenue authorities	**3**	14
	155 955	161 602

28. TAX EXPENSE

Major components of the tax expense:		
Normal taxation		
Current	**92 249**	152 889
(Over)/under provision in prior years	**(4 572)**	4 840
Withholding tax	**11 434**	54 401
Foreign income tax – current year	**24 488**	33 168
	123 599	245 298
Deferred		
Current year temporary differences	**(21 753)**	57 387
Over provision in prior years	**(28 724)**	(1 141)
Foreign – Current year temporary differences	**(2 376)**	5
Foreign – over provision prior period	**(3 521)**	(2 223)
Corporate tax rate adjustment~	**–**	1 852
Withholding tax	**(4 080)**	6 657
	(60 454)	62 537
	63 145	307 835

28. TAX EXPENSE (continued)

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Reconciliation of effective tax rate:		
Applicable tax rate	**27.0%**	28.0%
Exempt income	**(2.3%)**	(0.6%)
Prior year adjustment*	**(20.6%)**	(0.2%)
Deferred tax rate adjustment~	**–**	0.2%
Foreign tax rate differences	**(0.1%)**	(0.1%)
Disallowable charges^	**28.8%**	2.4%
Deferred tax asset not recognised	**(1.5%)**	0.8%
Withholding tax on dividends#	**6.5%**	7.7%
Deferred withholding tax on dividends◆	**(2.3%)**	0.8%
	35.5%	39.0%

^ *Disallowable charges mainly relate to the P&L Goodwill impairment. The other disallowed charges are the Equity settled IFRS 2 adjustments, donations, disallowed legal fees, and the distributions distributed to employees through the Cashbuild Empowerment Trust.*

* *Prior year tax adjustments relate to over provisions of deferred taxes on the looting impact on the fixed assets and the over provision of the income taxes.*

\# *Withholding tax on dividends relate to the dividend declared during the year. The decrease resulted from the prior year being the first year that the foreign subsidiaries declared dividends, of which the value was more than the dividends declared in the current year.*

~ *On 23 February 2022, the South African Minister of Finance announced a change in the corporate tax rate from 28% to 27% in the Budget speech. The rate change is effective for years of assessment ending on or after 31 March 2023, resulting in the remeasurement of the deferred tax balances in the prior year.*

◆ *Deferred withholding tax on dividends relates to withholding tax payable on future dividend distributions by foreign subsidiaries. The movement from June 2022 is due to the release of deferred tax on the declaration of dividends by foreign subsidiaries during the year.*

29. 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 year. The weighted average number of shares in issue is calculated net of treasury shares acquired/sold during the year. Shares held by The Cashbuild Operations Management Member Trust and Cashbuild (South Africa) (Pty) Ltd have been included in the calculation from date of acquisition. Shares held by The Cashbuild Empowerment Trust have been included in the calculation from 7 February 2005.

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Attributable earnings	**106 346**	473 849
Less: Dividends distributed to participants of the share incentive schemes on unvested shares	**(5 034)**	–
Adjusted attributable earnings	**101 312**	473 849
Weighted number of shares in issue ('000)	**22 174**	22 621
Basic earnings per share (cents)	**456.9**	2 094.7

Notes to the Annual Consolidated Financial Statements (continued)

for the year ended 25 June 2023

29. EARNINGS PER SHARE (continued)

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Weighted average number of ordinary shares in issue ('000)		
Ordinary shares in issue beginning of the year	**24 990**	24 990
Less: Weighted average number shares repurchased and cancelled	**(281)**	–
Less: Weighted average number of treasury shares:	**(2 535)**	(2 369)
– The Cashbuild Empowerment Trust	**(1 765)**	(1 765)
– The Cashbuild Operations Management Member Trust	**(100)**	(28)
– Cashbuild (South Africa) (Pty) Ltd*	**(595)**	(576)
– Cashbuild Limited	**(75)**	–
	22 174	22 621

* *Shares held for Cashbuild Forfeitable Share Purchases share scheme current and future share allocations.*

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.

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Adjusted attributable earnings	**101 312**	473 849
Diluted number of ordinary shares in issue ('000)	**22 239**	22 679
Diluted earnings per share (cents)	**455.6**	2 089.4
Fully diluted weighted average number of ordinary shares in issue ('000)		
Weighted number of shares in issue ('000)	**22 174**	22 621
Dilutive effect of the following:		
Future potential issue of shares	**65**	58
	22 239	22 679

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 the year ended.

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.

Notes to the Annual Consolidated Financial Statements (continued)

for the year ended 25 June 2023

29. EARNINGS PER SHARE (continued)

Figures in Rand thousand	Year ended June 2023	Year ended June 2022
Reconciliation between earnings and headline earnings:		
Adjusted attributable earnings	**101 312**	473 849
Adjusted for:		
Net (profit)/loss on disposal of property, plant and equipment	**(719)**	1 914
Gross (profit)/loss on disposal of property, plant and equipment	**(3 694)**	4 319
Tax effect*	**2 975**	(2 405)
Net impairment	**170 265**	3 136
Gross impairment	**176 211**	4 368
Tax effect	**(5 946)**	(1 232)
Net profit effect of property, plant and equipment from insurance income	**–**	(42 448)
Insurance income for property, plant and equipment	**–**	(71 501)
Impairment on looted stores property, plant and equipment	**–**	20 384
Tax effect	**–**	8 669
Headline earnings	**270 858**	436 451
Headline earnings	**270 858**	436 451
Weighted average number of shares in issue ('000)	**22 174**	22 621
Headline earnings per share (cents)	**1 221.5**	1 929.4
Headline earnings	**270 858**	436 451
Diluted weighted average number of shares in issue ('000)	**22 239**	22 679
Diluted headline earnings per share (cents)	**1 217.9**	1 924.5
Dividends per share		
Interim (c)	**400**	587
Final (c)	**332**	677

* *The tax effect is high in relation to the (profit)/loss recognised on disposal due to the high recoupment of wear and tear allowances on assets disposed of.*

Notes to the Annual Consolidated Financial Statements (continued)

for the year ended 25 June 2023

30. CASH GENERATED FROM OPERATIONS

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Profit before taxation	**178 047**	786 791
Adjustments for:		
Depreciation and amortisation	**391 199**	378 349
Impairment of assets	**176 211**	24 752
Profit on disposal of assets held for sale	**(80)**	–
(Profit)/loss on sale of non-current assets	**(3 614)**	4 319
Profit on disposal of right-of-use asset	**(3 159)**	(2 939)
Insurance income relating to fixed assets	**–**	(71 514)
Finance income	**(100 777)**	(72 672)
Finance costs	**155 955**	161 602
Movements in equity settled share-based payments reserve	**22 734**	25 948
Movements in cash settled share-based payments balance	**1 591**	–
Changes in working capital:		
(Increase)/decrease in inventories	**(178 184)**	25 189
Decrease/(increase) in trade and other receivables	**46 026**	(6 637)
Decrease in prepayments	**76**	(2 932)
Increase/(decrease) in trade and other payables	**93 458**	(404 716)
	779 483	845 540

31. TAX PAID

Balance at the beginning of the year	**(58 018)**	(109 446)
Current tax for the year recognised in profit or loss	**(123 599)**	(245 298)
Balance at the end of the year	**28 333**	58 018
	(153 284)	(296 726)

32. DIVIDENDS PAID

Final dividend – prior year (Div. 59)	**(156 442)**	(513 172)
Interim dividend – current year (Div. 60)	**(92 725)**	(138 784)
Amounts paid to non-controlling shareholders	**(5 365)**	(14 785)
	(254 532)	(666 741)

Dividends are paid out of income reserves.

33. PROCEEDS ON DISPOSAL OF NON-CURRENT ASSETS HELD FOR SALE

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Net book value	**950**	–
Profit on sale of assets	**80**	–
	1 030	–

Notes to the Annual Consolidated Financial Statements (continued)

for the year ended 25 June 2023

34. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Net book value	**9 404**	7 618
Profit/(loss) on sale of assets	**3 614**	(4 319)
	13 018	3 299

35. COMMITMENTS

Authorised capital expenditure:		
Capital expenditure to be funded from internal resources as approved by the directors:		
– Authorised, contracted	**73 225**	148 069
– Authorised but not contracted for	**68 519**	24 657

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

36. 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.

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Bank guarantees	**2 549**	9 458

37. RELATED PARTIES

Relationships		
Ultimate holding company		
Cashbuild Limited		
Intermediate holding company		
Cashbuild Management Services Proprietary Limited		
Loan accounts – Owing (to)/by related parties		
– Kier and Kawder (Pty) Ltd*	**(1 960)**	(1 960)
– S-Identity Holdings (Pty) Ltd^	**–**	–
The below movements relate to the VAT facility granted:		
Opening Balance	**–**	11 139
Interest charged	**–**	630
Loan (repaid)/advanced	**–**	(11 769)
Closing balance	**–**	–

* *The loan is unsecured, interest free and is payable at the discretion of Cashbuild.*

^ *The loan was a VAT facility was repaid through VAT refunds received from SARS. Interest was charged at the prime overdraft rate.*

38. 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 25 June 2023, Cashbuild Limited had 23 900 647 (June 2022: 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 that 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 of R61.89 million to the beneficiaries of the Trust, which excludes transaction costs associated with the transaction of R1.62 million. As at 25 June 2023, The Cashbuild Empowerment Trust held 1 764 999 (June 2022: 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.

Dividends paid to the Trust and distributed to employees as follows:

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
– Final 2022 (2021)	**11 949**	39 024
– Interim 2023 (2022)	**7 060**	10 361
	19 009	49 385

39. RISK MANAGEMENT

Financial risk management		
Categories of financial instruments		
Financial assets at amortised cost		
Trade and other receivables	**86 855**	132 831
Cash and cash equivalents	**1 582 166**	1 938 639
Total	**1 669 021**	2 071 470
Financial liabilities at amortised cost		
Trade and other payables	**1 707 506**	1 720 075
Total	**1 707 506**	1 720 075

This note presents information about the Group's exposure to each of its applicable financial risks: liquidity risk, foreign exchange risk, credit risk, and interest rate risk. The information below contains the Group's objectives, policies, and processes for managing the risk, the methods used to measure the risk, and the Group's capital management. Further quantitative disclosures are included throughout the Annual Consolidated Financial Statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's 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. Through its training and management standards and procedures, the Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

39. RISK MANAGEMENT (continued)

The Audit and Risk 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 Audit and Risk 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 and Risk Committee.

The Group's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The capital structure of the group consists of debt, which includes lease liabilities as disclosed in note 19 and equity as disclosed in the Consolidated Statement of Financial Position.

The Group monitors capital using a gearing ratio. The ratio is calculated as debt (interest bearing borrowings and trade and other payables) divided by capital. Total capital is calculated as the sum of 'equity' and 'debt' as shown in the Consolidated Statement of Financial Position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure and gearing ratio of the Group at the reporting date was as follows:

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Lease liabilities	**1 600 585**	1 612 896
Trade and other payables	**2 629 522**	2 536 064
Debt	**4 230 107**	4 148 960
Equity	**1 955 534**	2 365 006
Total capital	**6 185 641**	6 513 966
Gearing ratio	**0.68**	0.64

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.

Exposure to credit risk mainly relates to cash equivalents and trade receivables. The Group only deposits cash with major banks and limits exposure to any one counterparty.

Funds are only invested with authorised financial service providers. 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.

Sales to retail customers are settled in cash or using debit and credit cards. Except for the total exposure represented by the respective Consolidated 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.

Refer to note 13 for detail relating to the expected credit loss allowance.

39. RISK MANAGEMENT (continued)

Trade receivables are not insured. The carrying amount of all financial assets represents the maximum exposure to credit risk. The carrying amount is equivalent to fair value for trade receivables, cash and cash equivalents and trade payables. 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.

Credit quality of cash at bank, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Internal credit rating as at 25 June 2023	External credit rating	**Year ended June 2023**	Year ended June 2022
Moderate	BB-	**1 580 422**	1 918 997
High	AAA	**–**	17 962
Total cash held at financial institutions		**1 580 422**	1 936 959

The internal credit rating represents Cashbuild's view on the credit risk ascribed to the financial institutions at which cash resources are held. Below investment-grade institutions are viewed as moderate credit risk, but are still within acceptable limits. Fitch Ratings agency is used to determine the credit risk ratings of the financial institutions.

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 unsecured, unutilised banking facilities of R235 million (June 2022: R515 million) with various banks.

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

Non-derivative financial liabilities	**30 days or less**	**More than 30 days but less than 1 year**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
June 2023						
Lease liabilities	**(34 081)**	**(363 136)**	**(401 210)**	**(1 103 185)**	**(248 969)**	**(2 150 581)**
Trade liabilities	**(762 183)**	**(945 323)**	**–**	**–**	**–**	**(1 707 506)**
Refundable customer accounts*	**(807 998)**	**–**	**–**	**–**	**–**	**(807 998)**

* *Refundable customer accounts are included in 30 days or less, as it is due on demand.*

Non-derivative financial liabilities	30 days or less	More than 30 days but less than 1 year	1 to 5 years	Over 5 years	Total
June 2022					
Lease liabilities	(30 770)	(471 164)	(1 319 559)	(462 670)	(2 284 163)
Trade liabilities	(893 726)	(628 012)	–	–	(1 521 738)

39. RISK MANAGEMENT (continued)

We expect that trade liabilities and accruals will be settled by cash resources and changes in working capital. At reporting date, the Group held cash of R1 582 million (June 2022: R1 939 million), which is 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, Zambian Kwacha and United States Dollar. 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 also has a translation risk arising from the consolidation of foreign entities into South African Rands.

Exposure from exchange rate fluctuations on transactions denominated in foreign currency is managed by reviewing foreign currency exposure in order to determine if foreign exchange contracts should be utilised on an ongoing basis. Foreign currency forward exchange contracts protect the Group from movements in exchange rates by establishing the rates at which a foreign currency asset or liability will be settled. The exposure to forward exchange contracts are not significant as the Group only had one open forward contract of which the value is considered to be immaterial.

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 Group is exposed to interest rate risk that relates to bank borrowings, deposits and lease liabilities. The incremental borrowing rate on lease liabilities are linked to the prime interest rate. Refer to note 19 for detail relating to the lease liabilities.

Price risk

The Group is not exposed to significant commodity price risk.

Foreign currency exposure at the end of the reporting period

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Rand exposed to Botswana Pula		
Trade receivables	**1 387**	2 048
Cash and cash equivalents	**29 267**	30 817
Trade payables	**(7 501)**	(7 768)
Rand exposed to Malawi Kwacha		
Trade receivables	**1 646**	260
Cash and cash equivalents	**51 171**	31 055
Trade payables	**(4 450)**	(1 625)
Rand exposed to Zambia Kwacha		
Trade receivables	**771**	84
Cash and cash equivalents	**5 192**	9 500
Trade payables	**–**	(1 394)
Rand exposed to US Dollar (Zambia)		
Cash and cash equivalents	**8 343**	717
Exchange rates used for conversion were:		
Botswana Pula – Reporting date rate	**1.40**	1.29
Botswana Pula – Average rate	**1.38**	1.33
Malawi Kwacha – Reporting date rate	**0.018**	0.014
Malawi Kwacha – Average rate	**0.017**	0.016
Zambia Kwacha – Reporting date rate	**1.07**	0.91
Zambia Kwacha – Average rate	**1.00**	0.87
US dollar – Reporting date rate	**18.97**	16.00

39. RISK MANAGEMENT (continued)

A sensitivity analysis was performed to evaluate the impact of exchange rate fluctuations on the exchange rate risk. This considers the impact if currency had weakened/strengthened by 10% and all other variables remained constant. The below table illustrates the net impact on the foreign denominated trade receivables, cash and cash equivalents and trade payables.

Figures in Rand thousand	**Year ended June 2023**	Year ended June 2022
Rand exposed to Botswana Pula	**2 315**	2 282
Rand exposed to Malawi Kwacha	**4 837**	2 699
Rand exposed to Zambia Kwacha	**596**	745
Rand exposed to US Dollar (Zambia)	**834**	667

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

Executive

Figures in Rand thousand	**Basic salary**	**Expenses and travel allowance**	**Medical benefits**	**Company pension scheme contributions**	**Bonus***	**Shares vesting value**	**Total**
June 2023							
WF de Jager	**7 068**	**113**	**250**	**658**	**745**	**2 282**	**11 116**
AE Prowse	**4 476**	**136**	**–**	**341**	**296**	**1 422**	**6 671**
SA Thoresson	**3 740**	**193**	**–**	**330**	**269**	**1 293**	**5 825**
WP van Aswegen	**3 652**	**186**	**–**	**342**	**261**	**1 090**	**5 531**
	18 936	**628**	**250**	**1 671**	**1 571**	**6 087**	**29 143**

* *Bonus accrued for the current year.*

Figures in Rand thousand	Basic salary	Expenses and travel allowance	Medical benefits	Company pension scheme contributions	Bonus#	Shares vesting value	Total
June 2022							
WF de Jager	6 164	116	234	577	706	2 516	10 313
AE Prowse	3 614	134	–	277	281	1 730	6 036
SA Thoresson	3 269	131	–	287	255	1 573	5 515
WP van Aswegen	3 066	200	–	290	248	1 326	5 130
	16 113	581	234	1 431	1 490	7 145	26 994

Paid in the current financial year.

Share schemes granted to directors:

Refer to note 17 for details of share incentive schemes of which directors are beneficiaries of at year end.

Non-executive

	Directors' fees	
Figures in Rand thousand	**June 2023**	June 2022
M Bosman (Mr)	**782**	944
M Bosman (Ms)	**658**	711
AGW Knock	**992**	1 116
Dr DSS Lushaba	**972**	958
AJ Mokgwatsane	**526**	518
GM Tapon Njamo	**778**	856
	4 708	5 103

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

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

Figures in Rand thousand	Basic salary	Expenses and travel allowance	Medical benefits	Company pension scheme contributions	Bonus^	Shares vesting value	Total
June 2023							
W Dreyer	2 358	131	–	236	164	662	3 551
A Hattingh	3 047	80	–	278	233	1 119	4 757
DS Masala*	2 122	123	160	226	184	639	3 454
I Mckay	2 232	217	87	196	156	633	3 521
T Myburg	1 728	359	177	170	134	113	2 681
H Roos	2 088	151	–	214	141	569	3 163
M Scholes	2 006	162	–	185	134	114	2 601
	15 581	1 223	424	1 505	1 146	3 849	23 728

^ *Bonus accrued for the current year.*

Figures in Rand thousand	Basic salary	Expenses and travel allowance	Medical benefits	Company pension scheme contributions	Bonus#	Shares vesting value	Total
June 2022							
P Champion	2 351	144	147	217	143	833	3 835
W Dreyer	2 241	60	121	224	155	806	3 607
A Hattingh	2 894	50	–	264	110	1 361	4 679
A Havenga	2 289	50	–	214	127	740	3 420
DS Masala*	2 021	120	138	214	175	734	3 402
ZB Matolo	1 933	160	92	223	120	–	2 528
I Mckay	2 121	130	79	186	148	1 247	3 911
T Myburg	1 650	267	149	162	127	133	2 488
H Roos	1 965	135	–	203	133	128	2 564
M Scholes	1 828	160	–	169	64	828	3 049
H Steenberg	1 982	120	–	184	114	712	3 112
	23 275	1 396	726	2 260	1 416	7 522	36 595

* *Prescribed Officer.*
# *Paid in the current Financial year.*

41. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

42. NEW STANDARDS AND INTERPRETATIONS

Standards and interpretations not yet effective or relevant.

	Effective date: Years beginning on or after	Expected date of implementation	Expected impact
Standard/Interpretation: **Effective for year end 25 June 2023**			
IFRS 3 Business Combinations – The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations	1 January 2022	1 July 2022	Did not impact results or disclosures
IAS 37 Provisions, Contingent Liabilities and Contingent Assets – amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making	1 January 2022	1 July 2022	Did not impact results or disclosures
IAS 16 Property, Plant and Equipment – Clarification on how selling costs should be recognised	1 January 2022	1 July 2022	Did not impact results or disclosures
Issued but not yet effective for year end 25 June 2023			
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Accounting Estimates: Clarification on how companies should distinguish changes in accounting policies from changes in accounting estimates	1 January 2023	1 July 2023	Not expected to impact results or disclosures
IAS 12 Income Taxes – The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items	1 January 2023	1 July 2023	Not expected to impact results or disclosures as the Group already implements the proposed changes
IFRS 17 Insurance contracts – One accounting model for all insurance contracts in all jurisdictions that apply IFRS	1 January 2023	1 July 2023	Not expected to impact results or disclosures
IFRS 16 Leases – Amendment on requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction	1 January 2024	1 July 2024	Not expected to impact results or disclosures
IAS 1 Presentation of Financial Statements – current and non-current liability classification and material accounting policies disclosure	1 January 2024	1 July 2024	Not expected to impact results or disclosures

Shareholders' Analysis

for the year ended 25 June 2023

	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000	1 735	76.80%	406 551	1.70%
1 001 – 10 000	363	16.07%	1 152 234	4.82%
10 001 – 100 000	133	5.89%	4 049 742	16.94%
100 001 – 1 000 000	21	0.93%	6 953 701	29.09%
Over 1 000 000	7	0.31%	11 338 419	47.44%
Total	2 259	100.00%	23 900 647	100.00%
Distribution of shareholders				
Assurance Companies	29	1.28%	544 204	2.28%
Close Corporations	27	1.20%	22 210	0.09%
Collective Investment Schemes	108	4.78%	6 292 546	26.33%
Custodians	35	1.55%	1 803 289	7.54%
Foundations & Charitable Funds	19	0.84%	172 247	0.72%
Hedge Funds	1	0.04%	34 019	0.14%
Insurance Companies	5	0.22%	317 436	1.33%
Investment Partnerships	8	0.35%	4 158	0.02%
Managed Funds	6	0.27%	20 697	0.09%
Medical Aid Funds	7	0.31%	197 023	0.82%
Organs of State	8	0.35%	3 770 729	15.78%
Private Companies	74	3.28%	5 534 049	23.15%
Public Companies	10	0.44%	30 599	0.13%
Retail Shareholders	1 646	72.86%	1 200 039	5.02%
Retirement Benefit Funds	128	5.67%	1 473 065	6.16%
Scrip Lending	4	0.18%	23 612	0.10%
Share Schemes	2	0.09%	1 861 842	7.79%
Stockbrokers & Nominees	10	0.44%	117 583	0.49%
Treasury	1	0.04%	250 000	1.05%
Trusts	130	5.75%	231 253	0.97%
Unclaimed Scrip	1	0.04%	47	0.00%
Total	2 259	100.00%	23 900 647	100.00%
Shareholder type				
Non-public shareholders	18	0.80%	11 076 286	46.34%
Beneficial shareholders > 10% of the shares in issue				
– SRA Investments (Pty) Ltd and entities related thereto	6	0.27%	4 689 900	19.62%
– Government Employees Pension Fund	3	0.13%	3 618 998	15.14%
Directors and Associates (Excl Employee Share Schemes)	5	0.22%	65 664	0.27%
Cashbuild Empowerment Trust	1	0.04%	1 764 999	7.38%
Cashbuild South Africa	1	0.04%	589 882	2.47%
Cashbuild Limited	1	0.04%	250 000	1.05%
Cashbuild Store Operations Management Trust	1	0.04%	96 843	0.41%
Public shareholders	2 241	99.20%	12 824 361	53.66%
Total	2 259	100.00%	23 900 647	100.00%
Beneficial shareholders with a holding greater than 5% of the issued shares				
SRA Investments (Pty) Ltd and entities related thereto			4 689 900	19.62%
Clients of Allan Gray			3 928 940	16.44%
Government Employees Pension Fund			3 618 998	15.14%
Cashbuild Empowerment Trust			1 764 999	7.38%
Total			14 002 837	58.59%
Total number of shareholders	2 259			
Total number of shares in issue	23 900 647			

Interests of Directors in the Share Capital of Cashbuild

The aggregate beneficial holdings of the directors of the Company and their immediate families in the issued ordinary shares of the Company are detailed below. There have been no changes in these shareholdings between 25 June 2023 and the date of approval of this report.

	Number of shares held			
	25 June 2023		26 June 2022	
	Direct	**Indirect**	Direct	Indirect
Beneficial				
WF de Jager	**16 548**	**–**	13 548	–
AJ Mokgwatsane	**1 135**	**–**	1 135	–
AE Prowse	**–**	**22 666**	9 701	10 000
SA Thoresson	**13 915**	**–**	7 806	–
WP van Aswegen	**11 400**	**–**	6 249	–
Total	**55 664**	**22 666**	38 439	10 000

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

Corporate Information

Registration number
1986/001503/06

Share code
CSB

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ZAE000028320

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Company Secretary
T Nengovhela

Sponsor
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Transfer Secretaries
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Investor Relations
Keyter Rech Investor Solutions CC
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Transactional Bankers
Nedcor Bank, a division of Nedbank Limited
The Standard Bank of South Africa Limited
First National Bank, a division of FirstRand Limited

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maxx

Cashbuild

QUALITY BUILDING MATERIALS AT THE BEST VALUE

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