



## **CASHBUILD INTEGRATED REPORT**

for the year ended 30 June 2015



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Documents available on the Company's website [www.cashbuild.co.za](http://www.cashbuild.co.za)

- GRI Index – "In accordance" – Comprehensive
- Chapter 2 Principles in terms of par 8.63(a) of the JSE Listings Requirements
- Stakeholder engagement and materiality issues identified by stakeholders



#### Abbreviations and definitions

The abbreviations and definitions used throughout this Integrated Report are detailed on pages 147 and 148.



# ABOUT THE INTEGRATED REPORT

## SCOPE AND BOUNDARY

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

There are no material changes to the content of this Integrated Report compared to the 2014 Integrated Report, other than a greater emphasis on providing additional supplementary information and ensuring that relevant information is provided in a comprehensive manner. The G4-Guidelines for the GRI Content Index for "In accordance" – Comprehensive have been followed and the GRI Index for 2015 can be found on the Group's website. The Company has also published its application of the Chapter 2 Principles, in terms of paragraph 8.63(a) of the JSE Listings Requirements, on its website.

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

## DISCLAIMER

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

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

## MATERIALITY

The Integrated Report is intended to provide insight into issues identified as the most relevant and material to Cashbuild and our various stakeholder groups that could potentially impact the Group as a going concern. Comprehensive information, pertaining to stakeholder

engagement and material issues relevant to the various stakeholder groups, has been placed on the Company's website.

The Board, specifically the Audit and Risk Committee and the Social and Ethics Committee, play a central role in the determination of Cashbuild's material risks as well as opportunities that may arise and further detail pertaining to these risks and opportunities is detailed on pages 14 to 17 of this report.

## ASSURANCE

This Integrated Report has not been independently assured as a whole and the Company will consider the need for such assurance and will implement the required processes as it deems appropriate.

In accordance with the Companies Act and the JSE Listings Requirements, the Annual Financial Statements of Cashbuild have been audited by PricewaterhouseCoopers Inc. and the Independent Auditor's Report can be found on page 73 of this report.

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

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

This Integrated Report provides an overview of our activities as Cashbuild for the financial year ended 30 June 2015. This report was prepared in accordance with IFRS, the requirements of the Companies Act, the JSE Listings Requirements, the principles of King III and the International Integrated Reporting <IR> Framework by the International Integrated Reporting Council and strives to provide information on all aspects of Cashbuild's activities in an integrated manner.

An independent accredited empowerment rating agency, has provided assurance on the B-BBEE scorecard for the current financial year. The B-BBEE status for Cashbuild for the year ended 30 June 2015 was verified as a Level 5-Contributor.

**Any queries regarding this Integrated Report or its contents should be addressed to:**

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ABOUT CASHBUILD



# GROUP HIGHLIGHTS

Our sustainability approach, termed the 'Profit, People, Planet' (PPP) model, delivered the following highlights for the year ended 30 June 2015



## PROFIT HIGHLIGHTS

| Financial                                       | Units |   | % change | 30 June 2015     | 30 June 2014 |
|-------------------------------------------------|-------|---|----------|------------------|--------------|
| Revenue                                         | R'000 | ▲ | 13%      | <b>7 692 646</b> | 6 781 274    |
| Operating profit                                | R'000 | ▲ | 30%      | <b>464 503</b>   | 357 566      |
| Profit before taxation                          | R'000 | ▲ | 32%      | <b>502 427</b>   | 380 489      |
| Attributable earnings                           | R'000 | ▲ | 35%      | <b>358 916</b>   | 265 915      |
| Headline earnings                               | R'000 | ▲ | 33%      | <b>352 331</b>   | 265 223      |
| HEPS                                            | Cents | ▲ | 33%      | <b>1 528</b>     | 1 145        |
| Dividend per share                              | Cents | ▲ | 35%      | <b>712</b>       | 528          |
| NAV per share^                                  | Cents | ▲ | 10%      | <b>5 329</b>     | 4 858        |
| Cash and cash equivalents                       | R'000 | ▲ | 33%      | <b>938 917</b>   | 704 322      |
| Operational                                     | Units |   | % change | 30 June 2015     | 30 June 2014 |
| Number of Cashbuild stores*                     |       | ▲ | 3%       | <b>222</b>       | 215          |
| Number of trading weeks                         |       |   |          | <b>52</b>        | 52           |
| Average basket size                             | Rands | ▲ | 3%       | <b>490</b>       | 471          |
| Total wealth distributed and reinvested         | Rands | ▲ | 20%      | <b>1 247 511</b> | 1 040 452    |
| Rental prepayments on store developer contracts | R'000 | ▲ | >100%    | <b>34 370</b>    | 16 250       |



## PEOPLE HIGHLIGHTS

| Employment                              | Units |   | % change | 30 June 2015   | 30 June 2014 |
|-----------------------------------------|-------|---|----------|----------------|--------------|
| Number of employees                     |       | ▲ | 6%       | <b>4 953</b>   | 4 687        |
| Learnerships granted                    |       | ▲ | 71%      | <b>65</b>      | 38           |
| Revenue per employee                    | R'000 | ▲ | 7%       | <b>1 553</b>   | 1 447        |
| B-BBEE Contributor Level                |       |   |          | <b>5</b>       | 5            |
| New employees                           |       | ▲ | 4%       | <b>1 011</b>   | 973          |
| Community investment                    | Units |   | % change | 30 June 2015   | 30 June 2014 |
| Number of schools contributed to        |       | ▼ | (5%)     | <b>316</b>     | 331          |
| Value of school contributions           | R'000 | ▲ | 5%       | <b>4 149</b>   | 3 972        |
| Payments for delivery driver employment | R'000 | ▲ | 5%       | <b>128 893</b> | 123 341      |
| Total CSI spend                         | R'000 | ▲ | 5%       | <b>133 042</b> | 127 313      |



## PLANET HIGHLIGHTS

| Environmental                                                   |   | % change | 30 June 2015 | 30 June 2014 |
|-----------------------------------------------------------------|---|----------|--------------|--------------|
| Number of stores converted through energy conservation projects | ▲ | 43%      | <b>30</b>    | 21           |

\*Excludes 11 (2014: six) Cashbuild DIY stores

^Based on ordinary number of shares in issue

# CASHBUILD AT A GLANCE

Cashbuild is a South African-based retailer of building materials and products providing these materials and products at the lowest price directly to the public. The first Cashbuild store opened in 1978 and was listed on the Main Board of the JSE in 1986.



Our footprint encompasses 233 stores (including 11 (2014: six) Cashbuild DIY stores) spread across six countries throughout southern Africa. We employ 4 953 (2014: 4 687) committed employees and contract 318 (2014: 330) equally committed contractors and service providers as at 30 June 2015. We are proud of our achievement in terms of growing our stores and broadening our footprint as well as of our relationships we have built in the past. We continue to build our relationships through our commitment to mutual growth and our sound strategies for sustainability.





# VISION, MISSION AND CORE VALUES

## OUR VISION – WHAT WE STRIVE FOR

Our vision is to be:

- the first-choice retailer and supplier of building materials and associated products and services in every region of southern Africa and selected regions in African countries; and
- to make a positive contribution in every community in which we trade.

As the leading mass retailer of building materials and associated products and services to the full spectrum of consumers in urban and rural areas of southern Africa, we continuously seek to maximise returns to all our stakeholders.

## OUR MISSION – OUR UNDERTAKING

We do this through:

- our ability to understand our customers and markets, which enables us to offer a focused range of products and services suited to the specific requirements of each of these markets;
- our mutually beneficial relationships with our suppliers, substantial buying power and ability to control costs, which enables us to offer quality products at the lowest prices to our customers at all times;
- our responsible human resources practices, which make us an employer of choice and creates a challenging and productive working environment in which all our people can develop to their fullest potential and are recognised and rewarded for outstanding performance;
- bringing to the communities in which we trade, the lowest priced, quality building materials and associated products and services, as well as providing employment opportunities and support to selected community projects;
- optimally utilising all our resources so as to provide superior, sustainable financial returns to our shareholders;
- a responsible expansion programme and continued growth in profitable market share;
- applying the highest standards of business ethics in all our dealings in line with appropriate corporate governance and international accounting standards, and in an environmentally and socially responsible manner; and
- applying business processes in line with international best practices through "The Cashbuild Way".

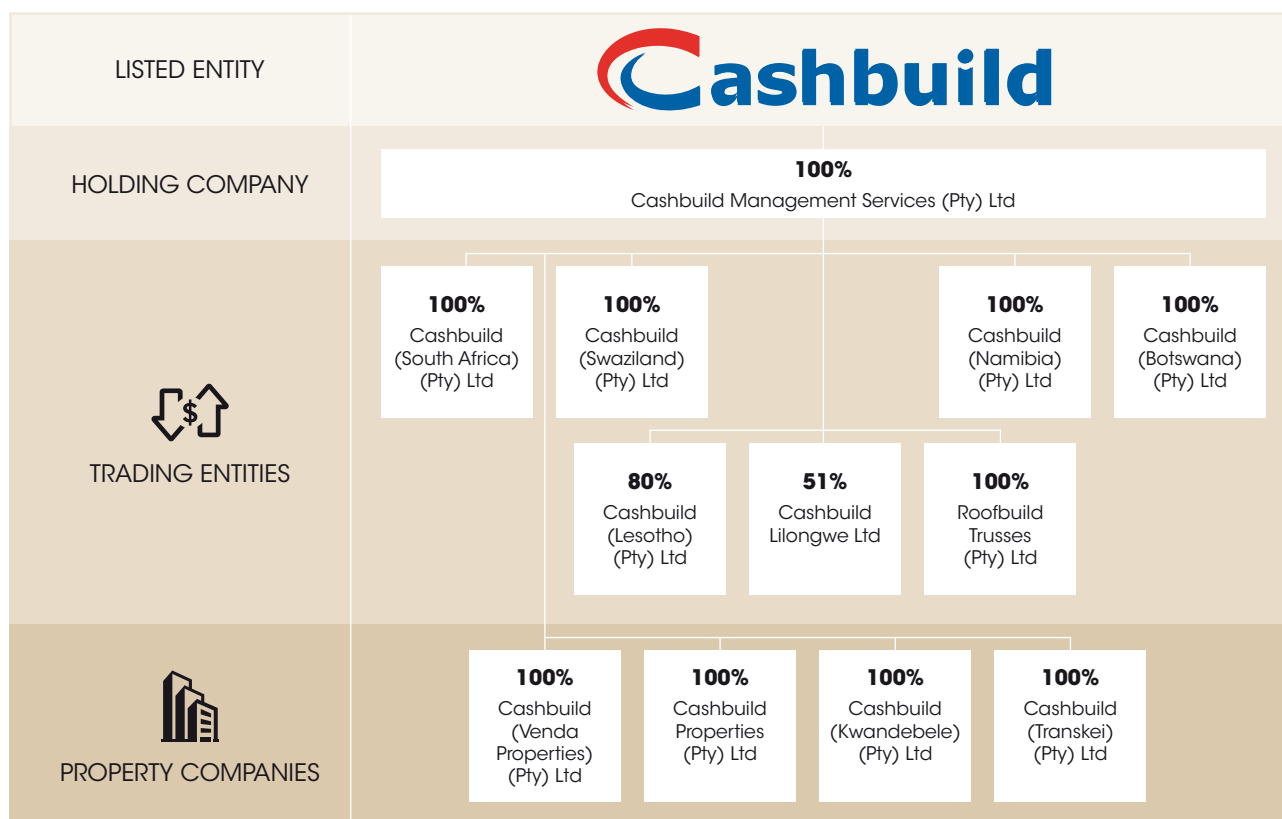
## OUR CORE VALUES – OUR PRINCIPLES

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

These core values are:

- We follow through to be successful
- We strive to do it right first time, every time
- We take responsibility in contributing to the Company's success
- We recognise and reward outstanding performance
- We listen attentively
- We communicate and share all relevant information
- We encourage people to seek ways to improve and innovate
- We deliver exceptional service and total customer satisfaction
- We show respect, honesty and integrity in all our dealings
- We empower our people to develop to their fullest potential
- We have pride in our work, our Company and ourselves
- We contribute to the communities in which we trade
- We treat people fairly and equitably
- We manage our business "The Cashbuild Way"

# OUR ORGANISATIONAL STRUCTURE



## OUR OPERATIONAL STRUCTURE

| Ops 1          | DIVISION                  | DIVISIONAL MANAGER        | Ops 2           | DIVISION                  | DIVISIONAL MANAGER           |
|----------------|---------------------------|---------------------------|-----------------|---------------------------|------------------------------|
| ANTON HATTINGH | Gauteng North West        | Eddie Prollius            | SHANE THORESSON | Mpumalanga North          | Kimber Ngobeni               |
|                | Central East Gauteng      | Fanie Craggs (Trainee)    |                 | Mpumalanga East           | Flippie du Plessis (Trainee) |
|                | Gauteng South (Soweto)    | David Makhuvele (Trainee) |                 | Mpumalanga                | Andre van der Walt /         |
|                | Vaal Triangle             | Tyron Myburgh             |                 |                           | Stephan Fourie (Trainee)     |
|                | Mpumalanga South          | Ian Mckay                 |                 | Swaziland                 | Zamani Tsabedze (Trainee)    |
|                | Northern Natal            | Wayne Graven              |                 | Gauteng North             | Christo Basson               |
|                | KwaZulu-Natal             | Tommy Naidoo              |                 | Limpopo North             | Renier Smith                 |
|                | Malawi                    | Hennie Roos               |                 | Limpopo                   | Simon Mafologela (Trainee)   |
|                | Gauteng West              | Ryno van Staden           |                 | Botswana North            | Alec Mandevu                 |
|                |                           |                           |                 | Botswana South            | Andre Phillips               |
| Ops 3          |                           |                           | Ops 4           | Namibia                   | Christo Basson (Relief)      |
|                | Eastern Cape <sup>1</sup> | Jeff Maas                 |                 | East London               | Mark Scholes                 |
|                | Western Cape              | Brian Mcpherson (Trainee) |                 | Eastern Cape <sup>4</sup> | Mark Sutherland              |
|                | North West <sup>2</sup>   | Musa Mkhwebane            |                 | Lesotho                   | Norbert Mokobori             |
|                | North West <sup>3</sup>   | Hennie Roos               |                 | Free State                | Kobus Venter                 |
| WILLIE DREYER  |                           |                           |                 | Free State <sup>5</sup>   | Sam Pejane (Trainee)         |
|                |                           |                           |                 | Freestate/Northern Cape   | Adriaan van der Berg         |
|                |                           |                           |                 | Northern Cape             | Johan van der Walt (Trainee) |
|                |                           |                           |                 | Eastern Cape <sup>6</sup> | Jacques Van Rooyen           |
|                |                           |                           |                 |                           |                              |
|                |                           |                           |                 |                           |                              |

<sup>1</sup> Covers Uitenhage Central, Ziyabuya, Daku, Humansdorp, Oudtshoorn, Thembalethu and New Brighton areas

<sup>2</sup> Covers Brits, Hebron, Lethlabile, Mabopane and Soshanguve areas

<sup>3</sup> Covers Lichtenburg, Mafikeng, Mmabatho Central, Mogwase, Northam, Lephalale, Rustenburg and Boitekong areas

<sup>4</sup> Covers Kokstad Central, Matatiele Central, Port Shepstone, Harding, Umzimkulu, Amalinda, Mdantsane, East London Relocation and Bizana areas

<sup>5</sup> Covers Thaba Nchu, Botshabelo and Ladybrand areas

<sup>6</sup> Covers Cofimvaba, King William's Town, Engcobo, Lady Frere, Sterkspruit, Queenstown Central, Alice and Fort Beaufort areas

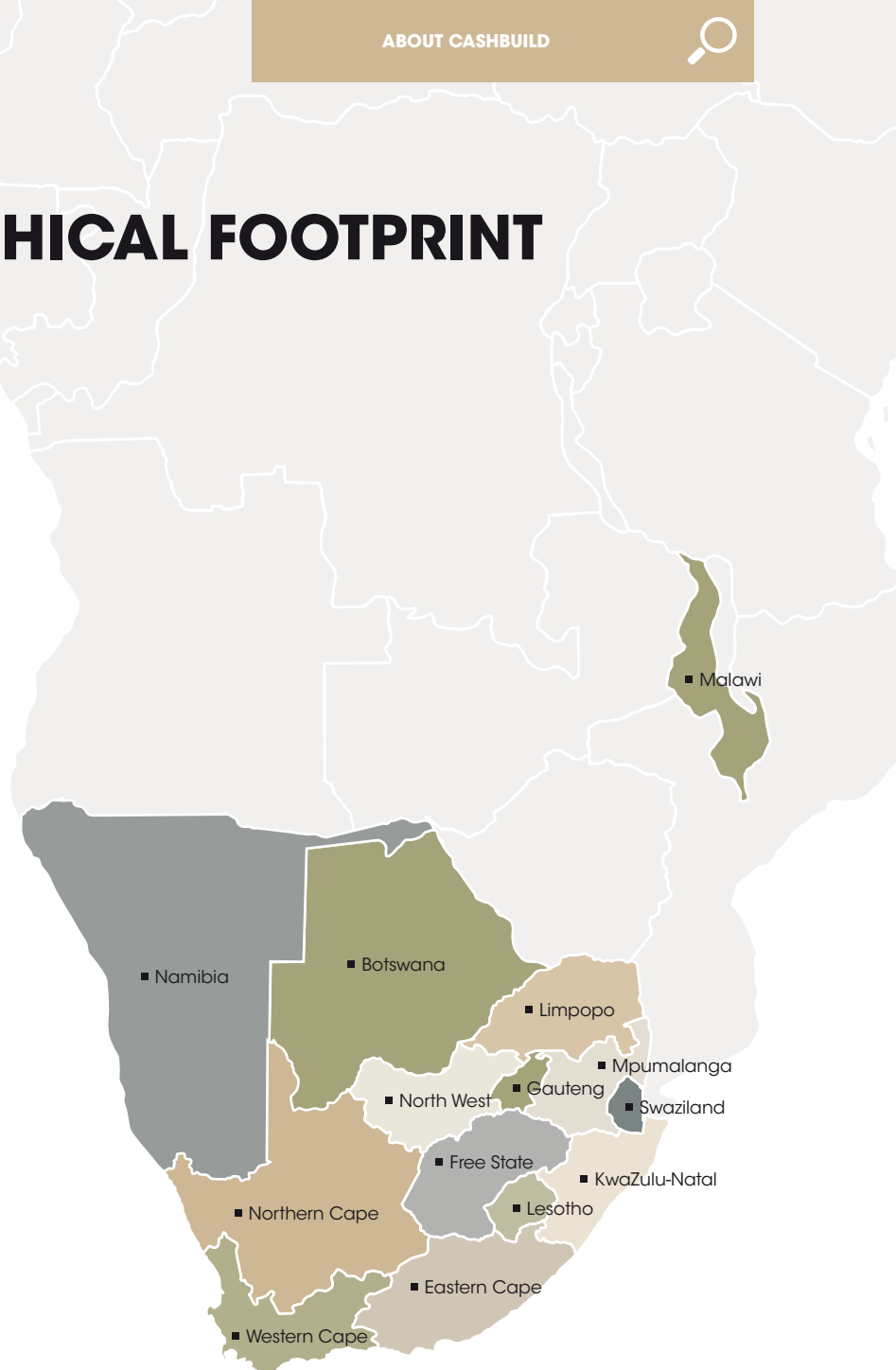




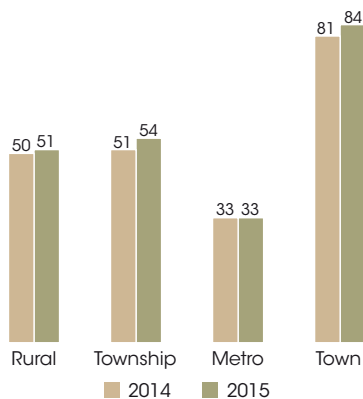
# OUR GEOGRAPHICAL FOOTPRINT

Cashbuild positions its stores to bring quality building materials at lowest prices to local communities, and strives to enhance each community in which each store trades. Store locations are selected on the basis of in-depth feasibility studies and extensive stakeholder engagement.

We will for the foreseeable future continue our strategy of store expansion, relocation and refurbishment, applying the same rigorous analysis and decision-making processes as in the past.



Location of stores



| COUNTRY      | Number of stores |                 | Number of employees |                 |
|--------------|------------------|-----------------|---------------------|-----------------|
|              | At 30 June 2015  | At 30 June 2014 | At 30 June 2015     | At 30 June 2014 |
| South Africa | 195              | 188             | 4 413               | 4 144           |
| Botswana     | 10               | 10              | 166                 | 175             |
| Swaziland    | 7                | 7               | 175                 | 166             |
| Lesotho      | 5                | 5               | 91                  | 96              |
| Namibia      | 3                | 3               | 75                  | 75              |
| Malawi       | 2                | 2               | 33                  | 31              |
| <b>Total</b> | <b>222</b>       | <b>215</b>      | <b>4 953</b>        | <b>4 687</b>    |

# "THE CASHBUILD WAY" – HOW WE DO THINGS

Cashbuild's business model strives to realise the Group's vision of being a leading business with the highest ethical standards and delivering exceptional value for all its stakeholders by incorporating the Six Capitals as defined by the International Integrated Reporting Framework.

## OUR INPUTS



### OUR SUPPLIERS

We focus on our suppliers by:

- applying a proven strategic sourcing strategy;
- using local suppliers, as far as possible;
- building long-term relationships over many years, based on common value sets; and
- positively influencing the upstream value chain.

## "THE CASHBUILD WAY"

### Key product suppliers



Cement manufacturers



Timber manufacturers



Various building material and product suppliers



### OUR FINANCIAL AND INTELLECTUAL CAPITAL

We focus on sound business principles by:

- ensuring that Cashbuild applies prudent debt management;
- spending capital in a responsible manner to grow the business;
- managing the various risks within the business;
- identifying business opportunities;
- investing in IT systems and procedures for monitoring, controlling and reporting the day-to-day activities;
- having a zero tolerance approach, which is supported by an anonymous tip-off system, controlled by a third party; and
- employing a triple catch system via an Internal Audit team, the Audit and Risk Committee and the External Auditors.

### Support services



### OUR PEOPLE

We focus on our people:

- to ensure we take pride in the Cashbuild brand, live the brand and apply our core values – every day;
- to ensure the success of the Group;
- by having a decentralised management style, supported by a centralised support office;
- to ensure a strong culture of working hard and being accountable;
- by having a best-in-class HR system, HR policies and processes; and
- by applying a consistent management approach in all things we do.

### Employees



4 953 Employees

318 Contractors



### OUR CUSTOMERS

We focus on our customers by ensuring that our stores are:

- ready for business;
- always in stock;
- carry quality branded products at lowest prices;
- offer everyday lowest prices in each community in which we trade;
- provide free local customer delivery services;
- honourable in all our dealings; and
- ready to go the extra mile.



Mass home owners/  
renovators



Contractors  
and builders



### OUR COMMUNITIES

We focus on our communities by:

- ensuring that Cashbuild is part of the community;
- ensuring brand loyalty;
- approaching each new region with cultural sensitivity and awareness; and
- uplifting the communities in which we operate to make it a better place to live in.

### School contributions



Total contributions R4,2 million to  
316 Schools over 16 years



### OUR ENVIRONMENT

We focus on the environment by:

- managing CO<sub>2</sub> emissions;
- ensuring responsible waste management; and
- resource consumption.



Waste



CO<sub>2</sub> emissions

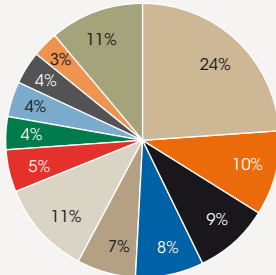


"The Cashbuild Way" is our comprehensive set of procedures which underpins every process in the Group and which is aligned to ISO 9001.

"The Cashbuild Way" policies and processes, accessible through our intranet, have proven highly successful in promoting adherence to the procedures and ensuring consistent operational practices in our stores.

#### Primary products

Cement  
 Roofing  
 Openings  
 Timber  
 Bricks  
 Decorative  
 Plumbing  
 Hardware  
 Ceilings  
 Electrical  
 Tools  
 Other



## OUR OUTPUTS



#### OUR SUPPLIERS

When we focus on our suppliers, we are able to:

- source building materials and product at good prices – cost focus;
- support local supplier growth and development;
- through the positive influence on the upstream value chain, enhance profit, people and planet;
- achieve economies of scale; and
- create opportunities to partner for mutual growth.

#### Stores

**Cashbuild**  
**222 Stores**  
 and  
**CashbuildDIY**  
 doing it your way  
**11 Stores**



#### OUR FINANCIAL AND INTELLECTUAL CAPITAL

When we focus on sound business principles, we:

- ensure financial growth of the Group;
- ensure effective management of the Group through established controls;
- unlock stakeholder value; and
- manage and mitigate potential risks associated with the business.

#### Learnerships



65 Learnerships granted



#### OUR PEOPLE

When we focus on our people, we:

- ensure that Cashbuild is the employer of choice;
- ensure our employees have a vested interest in the success of the company – when we profit, you profit;
- empower store managers and employee forums; and
- stimulate growth and development opportunities for each employee through learnership programmes and in-house training courses.



Retail customers



#### OUR CUSTOMERS

When we focus on our customers, we ensure:

- customer long-term loyalty through the Very Important Customer (VIC) programme;
- customer needs are met/exceeded;
- expert advice is available to customers;
- customer satisfaction is achieved; and
- that Cashbuild becomes the preferred building materials and product retailer of choice.

#### Delivery Driver initiative



318 Delivery Drivers



#### OUR COMMUNITIES

When we focus on our communities, we:

- ensure that our communities grow and prosper;
- ensure, brand loyalty, vested interest and pride in the Cashbuild brand;
- meet the requirements of the communities; and
- develop and empower the communities in which we trade through sustainable initiatives, like direct and indirect employment.



Recycling



#### OUR ENVIRONMENT

When we focus on the environment, we:

- ensure that Cashbuild manages its impact on the environment responsibly;
- keep CO<sub>2</sub> emissions at acceptable levels;
- ensure waste management is done responsibly; and
- ensure responsible resource consumption.



# FIVE-YEAR PERFORMANCE REVIEW

| 30 June                                        |       | 2015          | 2014     | 2013     | 2012     | 2011 *   |
|------------------------------------------------|-------|---------------|----------|----------|----------|----------|
| Group Income Statement                         |       | 52 weeks      | 52 weeks | 52 weeks | 53 weeks | 52 weeks |
| Revenue                                        | R'm   | <b>7 693</b>  | 6 781    | 6 377    | 6 310    | 5 667    |
| Profit before tax                              | R'm   | <b>502</b>    | 380      | 352      | 433      | 320      |
| Earnings attributable to owners of the Company | R'm   | <b>359</b>    | 266      | 245      | 287      | 206      |
| Group Statement of Financial Position          |       |               |          |          |          |          |
| Total assets                                   | R'm   | <b>3 068</b>  | 2 616    | 2 069    | 1 926    | 2 136    |
| Total equity                                   | R'm   | <b>1 363</b>  | 1 239    | 1 116    | 988      | 894      |
| Total liabilities                              | R'm   | <b>1 705</b>  | 1 377    | 953      | 938      | 1 242    |
| Group Cash Flow                                |       |               |          |          |          |          |
| Net cash from/(used in) operations             | R'm   | <b>593</b>    | 859      | 42       | (18)     | 372      |
| Working capital movements                      | R'm   | <b>133</b>    | 467      | (255)    | (329)    | 155      |
| Capital investment                             | R'm   | <b>(169)</b>  | (269)    | (198)    | (111)    | (147)    |
| Key performance statistics                     |       |               |          |          |          |          |
| Returns and profitability                      |       |               |          |          |          |          |
| Revenue per employee                           | R'000 | <b>1 553</b>  | 1 447    | 1 401    | 1 417    | 1 294    |
| Operating profit margin                        | %     | <b>6.0</b>    | 5.3      | 5.1      | 6.3      | 5.1      |
| Profit before tax on revenue                   | %     | <b>6.5</b>    | 5.6      | 5.5      | 6.9      | 5.6      |
| Profit before tax per employee                 | R'000 | <b>101</b>    | 81       | 77       | 97       | 73       |
| Basic EPS                                      | cents | <b>1 557</b>  | 1 148    | 1 063    | 1 261    | 909      |
| Basic HEPS                                     | cents | <b>1 528</b>  | 1 145    | 1 028    | 1 256    | 916      |
| Total dividend per share                       | cents | <b>712</b>    | 528      | 487      | 569      | 296      |
| NAV per share <sup>o</sup>                     | cents | <b>5 329</b>  | 4 858    | 4 379    | 3 877    | 3 109    |
| Return on shareholders' funds                  | %     | <b>27.9</b>   | 20.8     | 22.3     | 29.7     | 25.9     |
| Return on average capital employed             | %     | <b>28.0</b>   | 22.9     | 23.6     | 32.6     | 27.9     |
| Total asset turn                               | times | <b>2.5</b>    | 2.6      | 3.1      | 3.3      | 2.7      |
| Total assets per employee                      | R'000 | <b>620</b>    | 558      | 455      | 430      | 488      |
| Solvency and liquidity                         |       |               |          |          |          |          |
| Dividend cover                                 | times | <b>2.0</b>    | 2.0      | 2.0      | 2.0      | 2.0      |
| Current ratio                                  | times | <b>1.3</b>    | 1.4      | 1.6      | 1.6      | 1.3      |
| Total liabilities to total shareholders' funds | times | <b>1.3</b>    | 1.1      | 0.9      | 1.0      | 1.7      |
| Interest-free liabilities to total assets      | times | <b>0.6</b>    | 0.5      | 0.5      | 0.5      | 0.6      |
| Share performance                              |       |               |          |          |          |          |
| Market value per share                         |       |               |          |          |          |          |
| – At year end                                  | cents | <b>30 100</b> | 12 500   | 13 300   | 13 700   | 9 500    |
| – Highest (year to 30 June)                    | cents | <b>31 479</b> | 16 216   | 16 800   | 13 800   | 10 000   |
| – Lowest (year to 30 June)                     | cents | <b>12 162</b> | 11 854   | 11 491   | 8 980    | 6 500    |
| PE ratio at year end                           | times | <b>19.3</b>   | 10.9     | 12.5     | 10.8     | 10.5     |
| Market capitalisation – at year end            | R'm   | <b>7 582</b>  | 3 149    | 3 350    | 3 451    | 2 393    |
| Volume traded (year to 30 June)                | '000  | <b>12 286</b> | 11 183   | 17 140   | 7 651    | 5 844    |
| Weighted number of shares                      | '000  | <b>23 055</b> | 23 171   | 23 091   | 22 742   | 22 707   |
| Issued shares at 30 June                       | '000  | <b>25 190</b> | 25 190   | 25 190   | 25 190   | 25 190   |
| Other statistics                               |       |               |          |          |          |          |
| Number of employees                            |       | <b>4 953</b>  | 4 687    | 4 552    | 4 453    | 4 381    |
| Number of stores <sup>^</sup>                  |       | <b>222</b>    | 215      | 200      | 191      | 191      |

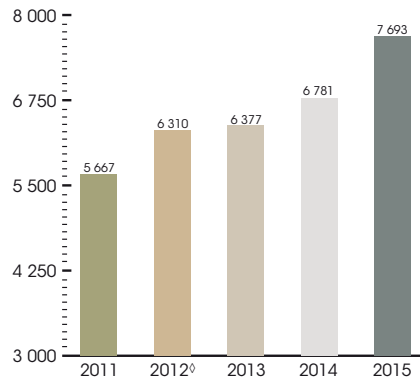
\* Excludes BEE transaction

<sup>^</sup> Excludes Cashbuild DIY stores

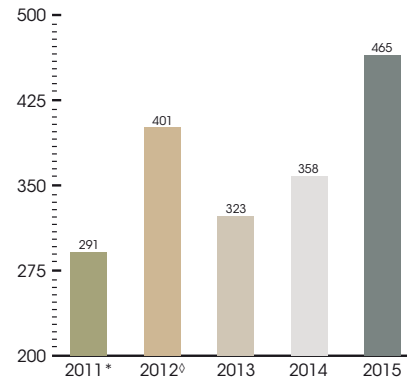
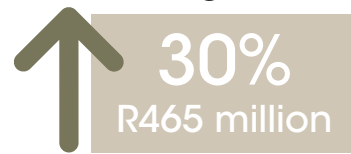
<sup>o</sup> Based on ordinary number of shares in issue



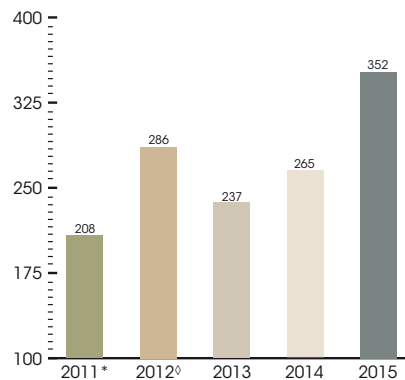
### Revenue



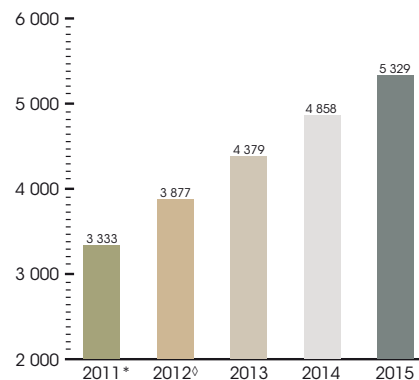
### Operating profit



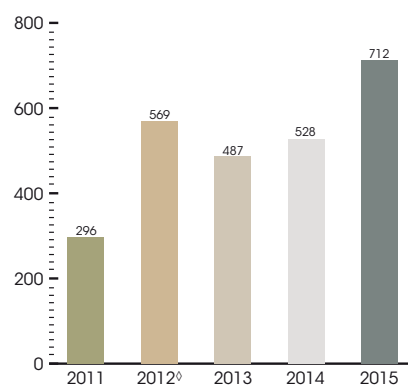
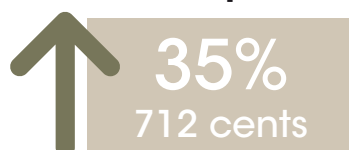
### Headline earnings



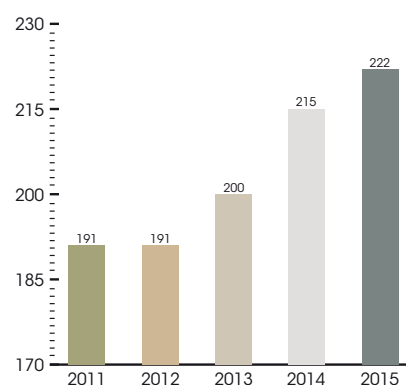
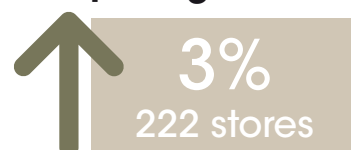
### Net asset value per share



### Total dividend per share



### Space growth



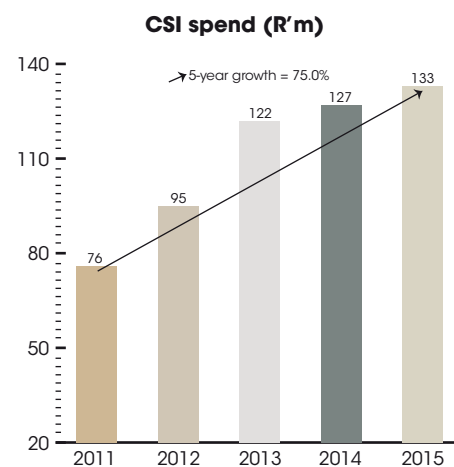
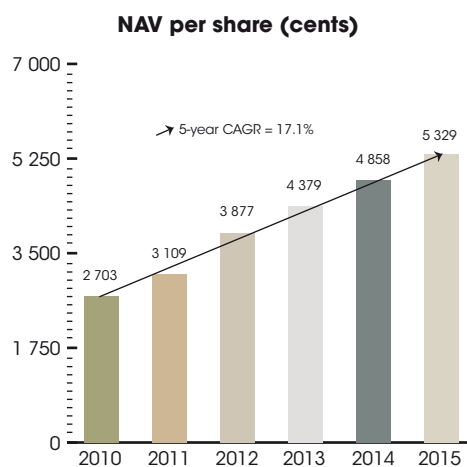
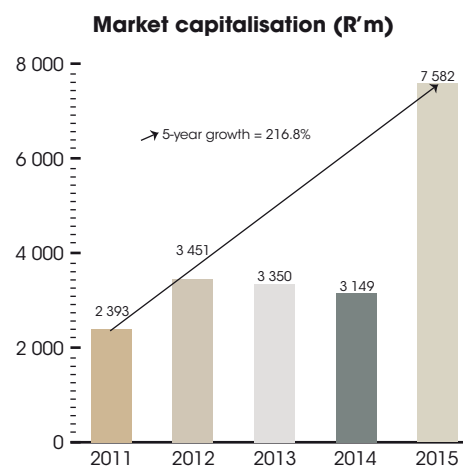
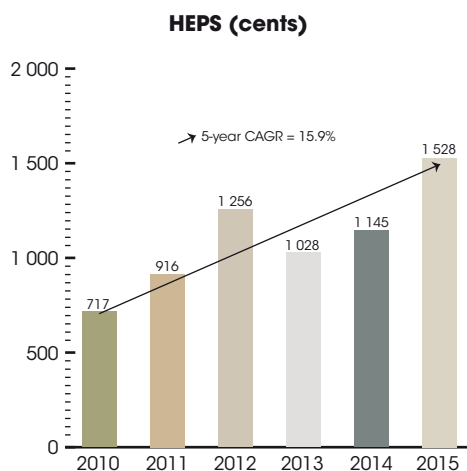
\* Excludes BEE transaction    ◇ Includes 53<sup>rd</sup> week

# WHY INVEST IN CASHBUILD?

“The Cashbuild Way” business outlook has proven itself in the “Profit, People, Planet” results reported, especially for the year ended 30 June 2015.

This resulted in us being able to proudly state that:

- Cashbuild’s market capitalisation increased by an impressive 140.8% to R7.6 billion over the reporting period. As at 30 June 2015, Cashbuild was one of the Top 20 best share performers on the JSE for the 12-month period to June 2015 (based on growth in market capitalisation).
- We are the largest retailer of quality building materials and associated products in southern Africa.
- Our financial track record of profitable growth is solid.
- We have an experienced Board and management team.
- We grow our employee base on an annual basis and invest extensively in the communities in which we trade.
- Our financial position to exploit growth opportunities is healthy and robust.
- We continue to successfully open new stores and refurbish or relocate existing stores.
- We reward our shareholders by paying dividends – applying a consistent 2 times cover.



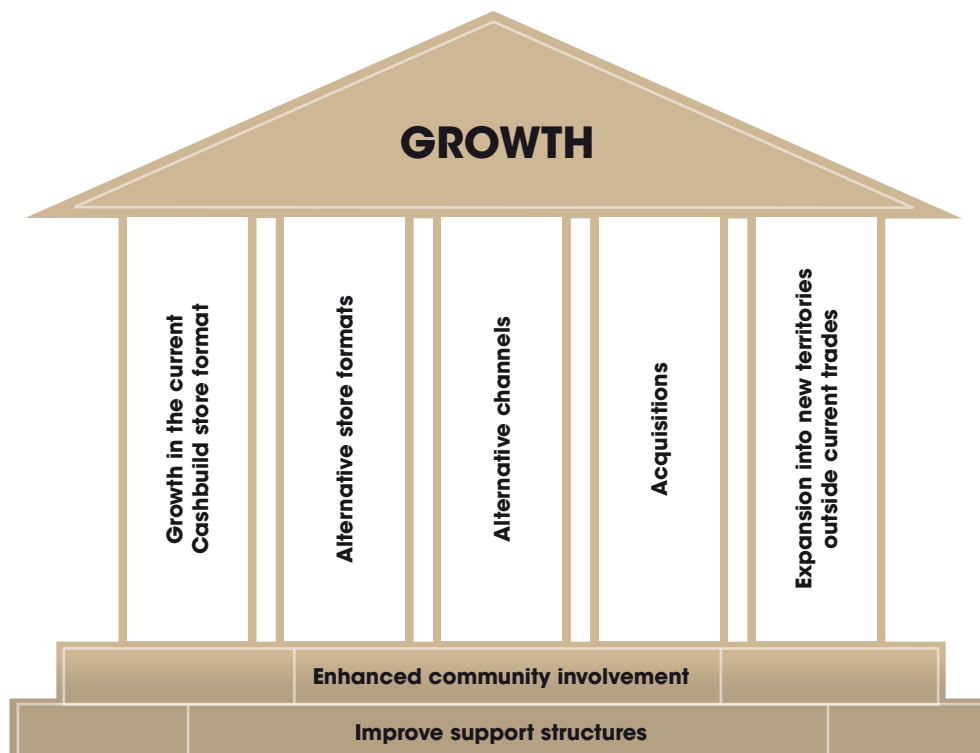


# STRATEGY, MATERIAL RISKS AND OPPORTUNITIES

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

## STRATEGY

The key strategic initiatives approved by the Board are summarised as follows:



Cashbuild's key strategic imperatives are:

- Maintaining a sustainable customer base and increasing customer loyalty;
- Increasing market share and maintaining growth;
- Creating stable operating environments (also by way of addressing social and economic concerns);
- Striving for internal excellence (related to employees, efficiency in processes and systems);
- Maintaining and developing strategic relationships and partnerships;
- Enhancing governance and control mechanisms;
- Maintaining the Company's competitive advantages over its competitors;
- Continuing to create economic growth in areas in which we trade; and
- Maintaining and enhancing supplier loyalty.

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



# STRATEGY, MATERIAL RISKS AND OPPORTUNITIES (CONTINUED)

## MATERIAL RISKS

### Risk management process

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



Each risk identified and recorded on the Company's risk register is assigned an impact and a likelihood rating based on a standard 10-point scale. The multiplied effect of the impact and likelihood rating provides the risk rating which ranks as High, Medium or Low, with priority given to the 10 highest ranked risks in the business at any given point in time.

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

The responsibility for risk management is discussed in the Audit and Risk Committee Report on page 67 of this Integrated Report.



## Material principal risks relevant to Cashbuild

The material risks identified are correlated with the Company's materiality determination and stakeholder engagement processes. The material principal risks and opportunities identified and attended to by Cashbuild are set out in the table below where the Company's top 10 business risks as at 30 June 2015 are ranked in order of ranked risk level.

| 2015<br>Risk<br>rating | 2014<br>Risk<br>rating | Level * | Risk description                                                                                                                                                                                                                                                                        | Mitigation plan                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------|------------------------|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1                      | 14                     |         | Integration and information flow of the IT solution, as implemented, does not meet all business expectations documented and agreed upon during scoping phase of the SAP and AR implementation project.                                                                                  | <ul style="list-style-type: none"> <li>Finalisation and roll-out of Hot Fix 35 intended to address issues at hand.</li> <li>Verification that roll-out of Hot Fix 35 addressed identified issues of:               <ul style="list-style-type: none"> <li>Optimal integration between SAP and AR</li> <li>Instances of AR down-time impacting trade in the business; and</li> <li>Timeliness and accuracy of management information.</li> </ul> </li> </ul> |
| 2                      | 2015<br>New            |         | The risks associated with power outages are: <ul style="list-style-type: none"> <li>the supply of product to Cashbuild; and</li> <li>Cashbuild's own operational performance.</li> </ul>                                                                                                | <ul style="list-style-type: none"> <li>Careful planning of product requirements and forecasting to suppliers to minimise risk of suppliers not able to supply.</li> <li>Deployment and utilisation of UPS and generators at Support Office and all stores to minimise the effect of power outages.</li> </ul>                                                                                                                                               |
| 3                      | 29                     |         | Administration and roll-out of Cashbuild's budgeting process.                                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>Documentation of budgeting process in policy and procedures manual format, and roll-out thereof, to improve knowledge and efficiency of application of the process.</li> </ul>                                                                                                                                                                                                                                       |
| 4                      | 2015<br>New            |         | Inability of IT Outsource Service Provider to take appropriate and speedy action on required deliverables.                                                                                                                                                                              | <ul style="list-style-type: none"> <li>Increased strategic alignment between Cashbuild and IT Outsource Service Provider.</li> <li>Increased monitoring and tracking of service delivery by IT Executive and action taken on areas identified for improvement.</li> </ul>                                                                                                                                                                                   |
| 5                      | 19                     |         | Dependency on key suppliers caused by single country wide suppliers contracted for specific products and instances of limited suppliers available for key product lines.                                                                                                                | <ul style="list-style-type: none"> <li>Identification and engagement of alternative suppliers.</li> <li>Continuous monitoring of high risk supplier relationships and addressing these on a case by case basis.</li> </ul>                                                                                                                                                                                                                                  |
| 6                      | 12                     |         | Inadequate VIC/Customer Loyalty programme and application thereof.                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>Rebranding and prioritisation of existing VIC/Customer Loyalty programme and increased marketing thereof.</li> </ul>                                                                                                                                                                                                                                                                                                 |
| 7                      | 7                      |         | Identified loss-making stores to be given priority attention and managed to profitable status within appropriate timeframe failing which action to commence to close identified stores and re-investing in areas targeted as meeting the Cashbuild business and investment return model | <ul style="list-style-type: none"> <li>Careful analysis per loss-making store with detailed store specific action plans put in place per store to address the situation</li> <li>Operations executives report back at the Chief Executive's meetings and quarterly Board meetings on successes achieved</li> </ul>                                                                                                                                          |
| 8                      | 23                     |         | Planograms not suitable for all stores resulting in a limited ("single") range of stock in some stores not meeting customer requirements.                                                                                                                                               | <ul style="list-style-type: none"> <li>Utilising DIY stores as a platform for testing new product ranges.</li> <li>Result of supply to market tests rolled-out to the rest of the Company when and where considered applicable.</li> </ul>                                                                                                                                                                                                                  |

# STRATEGY, MATERIAL RISKS AND OPPORTUNITIES (CONTINUED)

| 2015<br>Risk<br>rating | 2014<br>Risk<br>rating | Level*                                                                            | Risk description                                                                                                                                                                                             | Mitigation plan                                                                                                                                                                                                                                                                            |
|------------------------|------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9                      | 2015<br>New            |  | Effectiveness of the Cashbuild Employee Forum.                                                                                                                                                               | <ul style="list-style-type: none"> <li>Increased internal marketing amongst staff and management of the purpose and benefit of an employee forum.</li> <li>Training of employee forum members.</li> <li>Increased interaction between members of employee forum and management.</li> </ul> |
| 10                     | 2                      |  | Expectation of unrealistic (above inflation) rental escalations by landlords to be appropriately managed to effectively curtail growth of this business expense category within an acceptable set benchmark. | <ul style="list-style-type: none"> <li>Re-negotiation of existing lease conditions addressed as and when leases become due for renewal</li> <li>Target to negotiate rental escalations at a lower rate</li> <li>Consider purchasing sites due for renewal of rental contracts.</li> </ul>  |

 High

 Medium

 Low

\* No risks have been allocated a high residual risk rating, given the Executive Team's comfort and assurance over the risks faced by the Company.

- We are pleased that the below items from 2014 are no longer appearing on the risk register:
  - Potential shrinkage to be timeously identified, monitored and actioned per SKU per store per division, per operations area to enable as primary objective prevention and secondary objective minimising stock losses occurring – ranked 1<sup>st</sup> in 2014.
  - Expense growth in the business to be managed to be less than gross margin growth rate, thereby contributing to long term sustainability of the business – ranked 4<sup>th</sup> in 2014.
  - Stockholding within the Company to be optimally managed to be within benchmarked levels per store, division, and operational area, thereby ensuring continued availability of core stock items to customers while avoiding overstocking of any items, specifically high value slow moving items – ranked 5<sup>th</sup> in 2014.
  - Identified instances of transaction decrease, to be proactively managed to maximise return to the business – ranked 8<sup>th</sup> in 2014.
  - Growing competition in the industry to be pro-actively monitored and attended to in order to not only retain but continue growing market share – ranked 9<sup>th</sup> in 2014.
- Progress on the remaining 2014 Top 10 risks can be summarised as follows:
  - Expectation of unrealistic (above inflation) rental escalations by landlords to be appropriately managed to effectively curtail growth of this business expense category within an acceptable set benchmark – now ranked 10<sup>th</sup> (ranked 2<sup>nd</sup> in 2014).
  - Customer service delivery by Cashbuild employees to meet customer expectations within Cashbuild's core value framework – now ranked 13<sup>th</sup> (ranked 3<sup>rd</sup> in 2014).
  - Talent pool to meet Cashbuild's store expansion programme as per current store development plan, thereby ensuring necessary supply of required staff members to meet business growth and expansion objectives – now ranked 15<sup>th</sup> (ranked 6<sup>th</sup> in 2014).
  - Identified loss making stores to be given priority attention and managed to profitable status within appropriate timeframe failing which action to commence to close identified stores and re-investing in areas targeted as meeting the Cashbuild business and investment return model – ranked 7<sup>th</sup> in 2015 and 2014.
  - Identification and fast tracking of previously disadvantaged and recognised BEE candidates into senior management positions to receive priority attention with primary focus placed on internal qualifying candidates – now ranked 12<sup>th</sup> (ranked 10<sup>th</sup> in 2014).



## Macro-economic challenges and concerns

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

| Challenges/concerns                                                                                                                      | Potential impact | Probability | Response                                                                                                                                                                                | Outcome                                                                             |
|------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| General inflation increase                                                                                                               |                  |             | Controlled growth, management of overheads, implementation of various cost saving initiatives                                                                                           | Existing store expense growth contained to 5%                                       |
| Energy crisis in southern Africa, electricity supply shortages, rising electricity costs (a 24% rise expected over the next three years) |                  |             | Energy savings target of 50%, implementation of various initiatives and pilot projects                                                                                                  | 50% energy savings target achieved in pilot projects                                |
| Socio-economic climate (rising unemployment, skills shortages, long-term strikes, service delivery protests)                             |                  |             | Development of relationships with local communities in: obtaining inputs regarding CSI spend, local employment, empowerment and development, learnership programmes, employee education | 1 011 New jobs created, 65 learnerships awarded                                     |
| Rising fuel costs, potential fuel shortages                                                                                              |                  |             | Improved route planning and scheduling                                                                                                                                                  | Reductions in delivery expenses from 1.4% to 1.3% of sales and associated emissions |

High
 Medium
 Low

## OPPORTUNITIES

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

### Store expansion, relocation and refurbishment

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

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

With regard to store refurbishment, Cashbuild's strategy is to refurbish and/or upgrade all stores on a rolling five-year basis. During the 2015 financial year, 24 stores were refurbished and six relocated. As in the case of new store openings, store relocations are approved on the basis of strict operational and financial criteria.

### Customer growth

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

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

### African expansion

As part of Cashbuild's strategy, the Company aims to expand its geographical footprint and Africa, with its higher growth rates, poses expansion opportunities for the Group. Zambia and Zimbabwe have been identified as countries where Cashbuild would like to have a greater presence and at this stage, the Group is looking to open "greenfield" stores in these countries. Store openings have been approved in Namibia, Lesotho and Malawi.

# DIRECTORATE

## EXECUTIVE DIRECTORS



From left to right: André van Onselen, Etienne Prowse, Werner de Jager and Shane Thoreson

### **WF de Jager (44) o +**

CA(SA)

*Chief Executive*

Appointed 1 December 2004

Werner obtained his Chartered Accountant qualification in 1994 and completed his articles with PricewaterhouseCoopers. He joined Cashbuild on 1 December 2004 as Finance Director. Prior to joining Cashbuild, he worked in the retail industry where he gained valuable knowledge. On 1 March 2011, he was appointed Marketing and Procurement Director and on 1 March 2012 he was appointed Chief Executive of the Group.

### **AE Prowse (51) o +**

CA(SA)

*Financial Director*

Appointed 1 March 2011

Etienne completed his articles at Deloitte & Touche after completing his CA(SA) exam in 1990. He joined Cashbuild in June 2005 as Financial Controller and has served as the Financial Director of Cashbuild Limited since 1 March 2011.

### **SA Thoreson (52) +**

*Operations Director*

Appointed 27 March 2007

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

### **A van Onselen (53) +**

Dip MDP Unisa Business School

*Operations Director*

Appointed 20 September 2004

André holds a Diploma from MDP Unisa Business School and has over 30 years of retail experience. He joined Cashbuild in October 1997 as a Divisional Manager and has been an Operations Director of Cashbuild Limited since 20 September 2004.





## INDEPENDENT NON-EXECUTIVE DIRECTORS



From left to right: Donald Masson, Stefan Fourie, Hester Hickey, Alistair Knock, Dr Simo Lushaba and Nomahlubi Simamane

### **D Masson (84) # \* +**

ACIS

*Chairman*

Appointed 22 June 1988 and retired as Chairman 30 November 2015

Donald has over 40 years of experience as a Chief Executive and Chairman of companies for a variety of businesses. Donald has decided to retire as Chairman of the Cashbuild Board effective 30 November 2015, but has agreed to make himself available to continue to serve the Cashbuild Board as a non-executive director.

### **IS Fourie (68) \* ^**

CA(SA)

Appointed 1 July 2012

Stefan was the former Chief Operating Officer of PricewaterhouseCoopers South Africa. He currently serves as a Non-executive Director of Astral Foods Limited.

Appointed Chairman of the Board effective 1 December 2015.

### **HH Hickey (61) o ^**

CA(SA)

Appointed 1 July 2012

Hester serves on various Boards including Omnia Limited, Pan African Resources Plc and African Dawn Capital Limited. She serves as Audit and Risk Committee Chairperson for several joint ventures. She is a Trustee of Sentinel Pension Fund and performs board evaluations and directors training for the Institute of Directors of Southern Africa.

Appointed Chairman of the Audit and Risk Committee effective 1 December 2015.

### **AGW Knock (64) # \* +**

Pr Eng, BSc (Eng) (Wits), MSc (Eng) (Wits), MDP (Cape Town)

Appointed 1 July 2011

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

### **Dr DSS Lushaba (49) ^**

BSc (Hons) (Zululand), MBA (Wales), DBA (UKZN)

Appointed 1 July 2011

Dr Simo is currently the Facilitator of Corporate Governance Programmes at the Institute of Directors of Southern Africa. His directorships include Harmony Gold Ltd, GVSC (Pty) Ltd, Talent Africa (Pty) Ltd, NEPAD Business Foundation and Member of Council – University of Johannesburg.

### **NV Simamane (56) o ^**

BSc (Hons) Chemistry and Biology

Appointed 1 September 2004

Nomahlubi is the CEO of Zanusi Brand Solutions and Non-executive Director of The Foschini Group Ltd, Oceana Group Ltd, Etana (Pty) Ltd and Holland Insurance Company Ltd. She was named Top Businesswoman of the Year at the 2009 National Business Awards at the BBQ Awards.

\* Member of the Remuneration Committee  
o Member of the Social and Ethics Committee

# Member of the Nomination Committee  
+ Member of the IT Governance Committee

^ Member of the Audit and Risk Committee



A photograph of a hardware store aisle. The shelves are stocked with various items, including bags of fasteners (screws, bolts) and long pipes (copper and galvanized steel). The text is overlaid on a white rectangular background in the center of the image.

Cashbuild's strategy  
remains growing our  
market share through  
increasing our store  
numbers





# CHAIRMAN'S REPORT

*"This is my last report as Chairman of Cashbuild. It has been an honour and privilege to serve the Company in this capacity and I leave this position with fond memories and pride given the growth of the Group over my 27-year tenure. The market capitalisation of Cashbuild has increased by 141% over this financial year thanks to the hard work and dedication of the Cashbuild team."*

This year was marked by several achievements with the Group again posting new record results in a tough economic environment marked by increased competitive conditions. The success of the "Cashbuild Way" model and proven strategy adopted by the Group are reflected in our results.

Cashbuild continues to invest in the communities in which we operate by supporting sustainable initiatives. We invested R133 million during the financial year ended 30 June 2015 compared to the R127 million spent in the previous financial year. These CSI initiatives are set out in detail in the Sustainability Report.

Cashbuild remains committed to maintaining high standards of corporate governance. Our ongoing efforts around stakeholder engagement and maintaining transparency and open communication, is viewed as critical to our long-term success. Our Corporate Governance Report sets out our principles and policies in more detail.

Promoting the interdependence of performance and transformation, I am pleased to report that the Group has maintained its Level 5 B-BBEE rating. Although the ongoing success of the business is not dependent on a low B-BBEE rating, we will strive to improve our rating, especially given the negative impact of the new B-BBEE Charter for the retail sector in the coming financial year.

Whilst mindful of the risks associated with operating in the construction and building retail sector, the Group expects solid operating conditions to continue in the short to medium term.

Cashbuild's strategy remains growing our market share through increasing our store numbers. On average, we aim to open about 10 new stores per annum, but given the economic climate, this is not always achievable.

## APPRECIATION

I must express my thanks to Werner de Jager and his team for their hard work and dedication during another challenging year. I would also like to extend a special thank you to my fellow Board members for their support during my tenure as Chairman and as always, your experience and knowledge have contributed significantly to the success of this Company. Although I am retiring as Chairman, I hope to continue making a contribution to the Board of Cashbuild going forward in the capacity as Non-Executive Director.

**D Masson**  
Chairman

31 August 2015



# CHIEF EXECUTIVE'S REPORT

*"As at 30 June 2015, Cashbuild was one of the Top 20 Performers on the JSE. During this year we grew headline earnings by 33% to R352 million and over a five-year period have achieved an exceptional compound annual growth rate in HEPS of 16%."*

## THE YEAR AT A GLANCE

I am pleased to report that Cashbuild posted a solid set of results for the year ended 30 June 2015 despite facing challenges on many fronts. It is the first time in Cashbuild's recent history that we experienced a consistent first and second half performance during the year. I believe that this is commendable given the strained South African economic conditions such as high unemployment rates, fuel hikes and electricity price increases.

Although we managed to open nine new Cashbuild stores, one store below our intended target, we refurbished 24 stores, relocated six stores and closed two stores due to their proximity to other Cashbuild stores during the reporting period.

As an executive team we continued to focus on the following key areas during the year under review:

- Grow top line revenue – achieved 13.4% growth;
- Grow gross profit (Rands banked) – achieved 15% growth;
- Contain operating expenses in existing stores – increase of 5% in line with inflation;
- Increase our bottom line – achieved R352 million headline earnings, 33% up from 2014; and
- Expand our geographical footprint into Africa.

## FINANCIAL REVIEW

Revenue for the year increased by 13% from R6.8 billion (June 2014) to R7.7 billion and gross profit increased with a pleasing 15% from R1.6 billion (June 2014) to R1.84 billion. Stores in existence prior to 1 July 2013 (pre-existing stores – 198 stores) increased their revenue by 9% and the 24 new stores contributed 4% of the increase in Group revenue. This increase for the year has been achieved in tough trading conditions with selling price inflation of 2%. Due to a continued focus on margins within the competitive environment, gross profit percentage margin increased to 24% from the 23.7% of the prior year.

Operating expenses increased by 11% from R1.25 billion (June 2014) to R1.39 billion. Our operational expenses for the year remained well controlled with existing stores accounting for 5% of the increase and new stores 6%. The main contributor to the increase on existing stores is the people cost component in order to maintain and improve customer service standards.

The effective tax rate for the year of 28% is 1% lower than that of the previous year, mainly due to an increase in exempt income from the sale of property in a neighbouring country and an increase in deductible expenditure as a result of the Group share incentive scheme.

Basic EPS increased by 36% from 1 148 cents (June 2014) to 1 557 cents and HEPS increased by 34% from 1 145 cents (June 2014) to 1 528 cents.

Cashbuild's statement of financial position remains solid. NAV per share has shown a 10% increase, from 4 858 cents (June 2014) to 5 329 cents. Stock levels have increased by 15% in line with increased sales. Overall stockholding at 74 days (June 2014: 75 days) and trade receivables remain well controlled.

Cash and cash equivalents increased to R939 million (June 2014: R704 million) mainly due to cash generated by operating profits.

## DIVIDENDS

The Board declared a total dividend for the year ended 30 June 2015 of 712 cents, an increase of 35% on the total dividend for 2014 of 528 cents per share. The dividend policy of two times cover has been applied as the Board recognises the importance of rewarding its shareholders.

## STRATEGIC OVERVIEW

Our strategic initiatives remain in place and are set out on page 13 of this Integrated Report.

The success of Cashbuild continues to be based on the opening, refurbishing and relocation of stores as well as growing the Group's geographical footprint across southern Africa. At year end, we were trading from a total of 233 stores (2014: 221 stores), consisting of 222 Cashbuild stores (2014: 215 Cashbuild stores) and 11 Cashbuild DIY stores (2014: six Cashbuild DIY stores). We continue to make progress with expanding into Africa with one additional store in Blantyre Malawi, one additional store in Namibia expected within the next half year and good progress made in setting up our corporate structure in Zambia.

## LOOKING AHEAD

We expect macro-economic conditions to remain challenging with the competitive environment placing pressure on margins across all product categories. Home ownership and home improvement are seen as a consumer spend barometer, and although home ownership growth numbers are sluggish, home improvement statistics remain robust.

Cashbuild is however confident that its business model positions the Group to grow its local market share, expand its geographical footprint, increase profitability and unlock stakeholder value. Risks and opportunities are monitored and evaluated on a daily basis and the executive team understands the challenges faced going forward.



Our investment in the communities we operate, through our various CSI initiatives, are important and through our support and development of local opportunities we are able to create wealth for those less fortunate. We are also aware of the importance of caring for the environment and the impact Cashbuild, although not material, has on the environment and our improvements in this regard are set out in the Sustainability Report.

## ACKNOWLEDGEMENT

Our strong stakeholder relationships contributed to the success of the Group and I would like to start by thanking our Cashbuild family. A big thank you for your hard work and dedication making the Company into one of the leading hardware and building retailers in South Africa.

To our industry partners, suppliers, contractors, formal and informal partners, thank you for the excellent service you offer and enhancing our product and service offering.

A heartfelt thank you to our customers and shareholders for your continued loyalty and confidence in us as a Group. We endeavour to continue to unlock stakeholder value by doing it the "Cashbuild Way".

To my executive team, thank you for your continued guidance, support and friendship, especially given the challenging market conditions faced by the Group. To the Board members, thank you for your valued contribution during the year which, is as always, much appreciated.

A special thank you to Donald Masson who served as Chairman for over 20 years. Donald, you have led the Group with integrity and valuable insight. We appreciate your willingness to remain on the board as a non-executive director.

Stefan Fourie has been appointed as Chairman of the Board effective 1 December 2015 and we would like to wish him well in his new role.

**Werner de Jager**  
*Chief Executive*

31 August 2015







# CORPORATE GOVERNANCE AND SUSTAINABILITY REPORTS

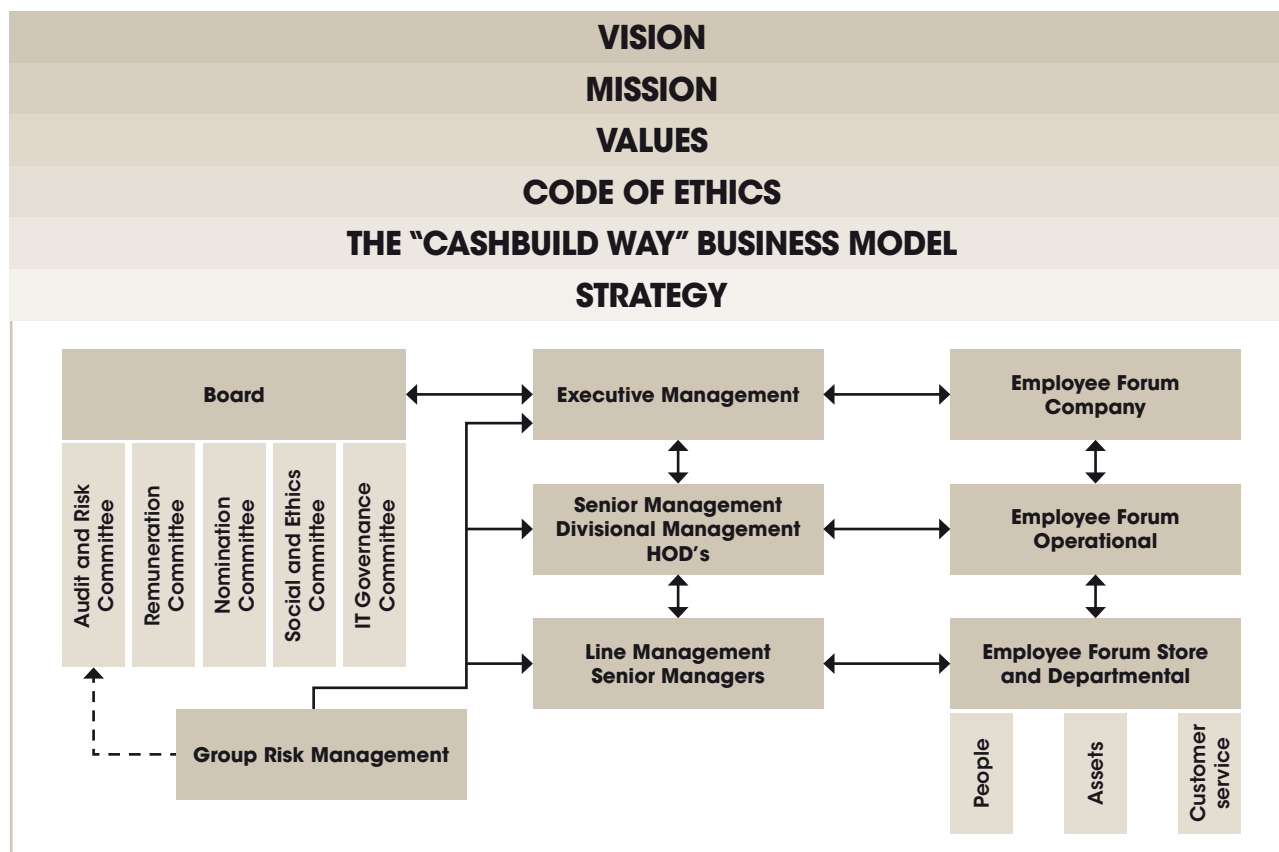


# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

Cashbuild is committed to embracing good corporate governance practices and subscribes to the philosophy of the Code of Corporate Practices and Conduct as set out in the King III Report, related requirements of the JSE and the International Integrated Reporting Framework by the International Integrated Reporting Council. Cashbuild is furthermore committed to complying with all legislation, regulations and best practices in every country and jurisdiction where it conducts business.

## GOVERNANCE FRAMEWORK AND STRUCTURE AT A GLANCE



## Board composition and Board committee representatives

| Name                 | Board Committee          |                        |                      |                             |                         |
|----------------------|--------------------------|------------------------|----------------------|-----------------------------|-------------------------|
|                      | Audit and Risk Committee | Remuneration Committee | Nomination Committee | Social and Ethics Committee | IT Governance Committee |
| <b>Non-executive</b> |                          |                        |                      |                             |                         |
| D Masson (CC)        | I                        | M                      | C                    | -                           | M                       |
| IS Fourie            | C                        | M                      | -                    | -                           | -                       |
| HH Hickey            | M                        | -                      | -                    | M                           | -                       |
| AGW Knock            | I                        | C                      | M                    | -                           | C                       |
| DSS Lushaba          | M                        | -                      | -                    | -                           | -                       |
| NV Simamane          | M                        | -                      | -                    | C                           | -                       |
| <b>Executive</b>     |                          |                        |                      |                             |                         |
| WF de Jager          | I                        | I                      | -                    | M                           | M                       |
| AE Prowse            | I                        | I                      | -                    | M                           | M                       |
| SA Thoresson         | I                        | -                      | -                    | -                           | M                       |
| A van Onselen        | I                        | -                      | -                    | -                           | M                       |

### Legend

- CC Chairman of the Board
- C Chairperson of the committee
- M Member of the committee
- I Attendance by invitation

# CORPORATE GOVERNANCE REPORT

(CONTINUED)

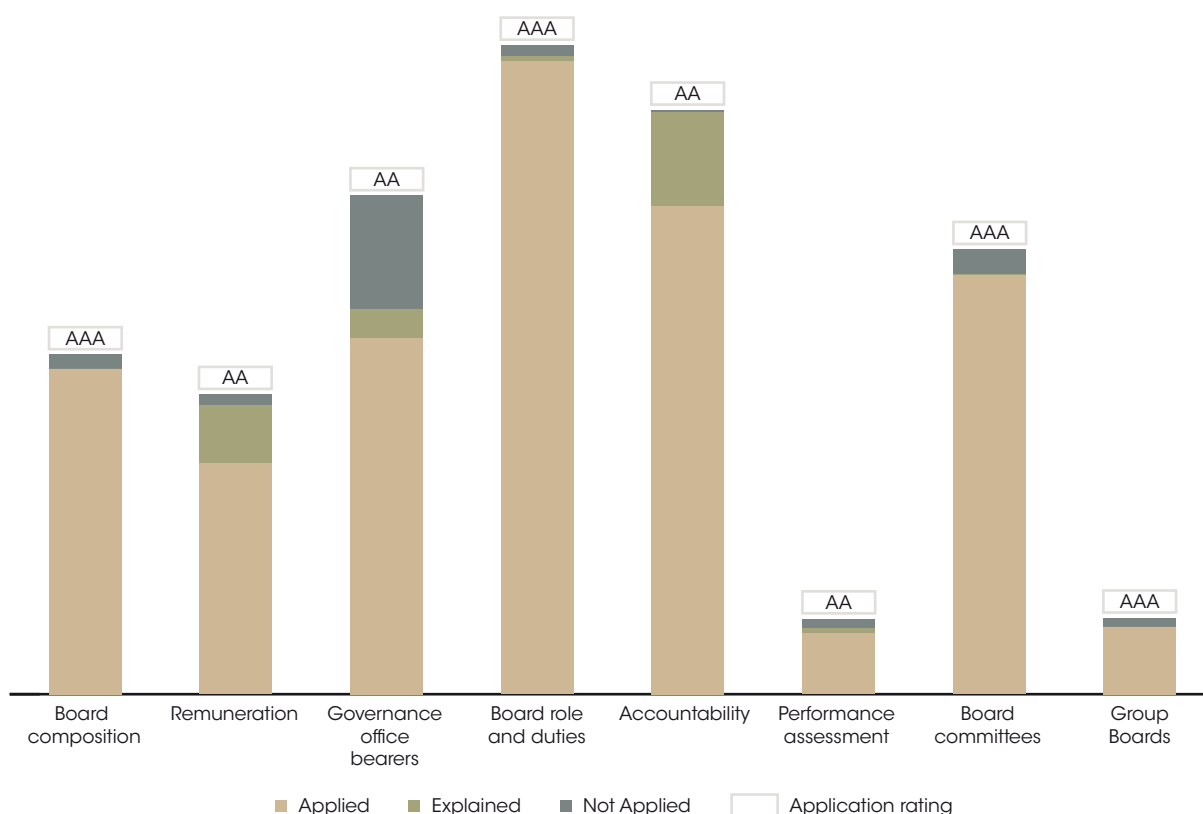
## KING III AND JSE LISTINGS REQUIREMENTS

In terms of paragraph 8.63(a) of the JSE Listings Requirements, the Group has published its application of King III on its website. There are no material changes to the content of this report compared to the 2014 Integrated Report, other than a greater emphasis on providing additional supplementary information on the Group's strategic direction, risk and sustainability initiatives. This includes supplying additional environmental information. Cashbuild's Board acknowledges that where it considers it to be in the best interest of the Company, it can adopt a practice different from that recommended in King III, but must explain its decisions. Cashbuild endorses and continuously assesses the principles of the Code and, where necessary, tailors these as appropriate to the organisation.

Based on the outcome of an independent corporate governance compliance review facilitated by PwC during September 2011, Cashbuild committed to action plans for improvement and recorded them in a three-year roadmap. The roadmap was completed in June 2015.

Cashbuild has subscribed to the Institute of Directors Southern Africa's assessment instrument (GAI). For more on GAI, refer to <http://www.iodsa-gai.co.za>. Application of the GAI provides the stakeholders of the Company with assurance that the principles of good governance as laid out in King III have been applied, as evidenced by the process of a complete and credible standardised review of all the supportive practices, and that adherence to JSE Listings Requirements has been appropriately reviewed. The result of this review exercise is available on the Cashbuild website under Investor Relations in the Corporate Governance section: <http://www.cashbuild.co.za>. The process of completing the governance assessment is cyclical in nature and will be repeated annually with action steps stemming therefrom.

**Governance assessment results**



**APPLICATION LEVELS**

| Highest application | High application | Notable application | Moderate application | Application to be improved | Low application |
|---------------------|------------------|---------------------|----------------------|----------------------------|-----------------|
| AAA                 | AA               | BB                  | B                    | C                          | L               |





## BOARD

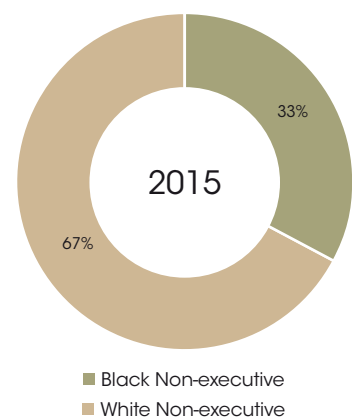
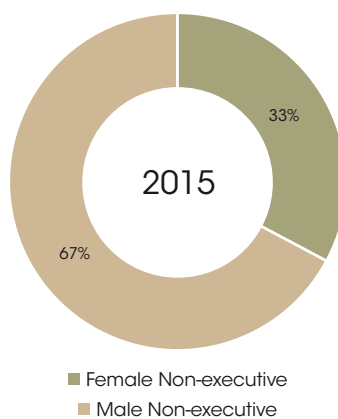
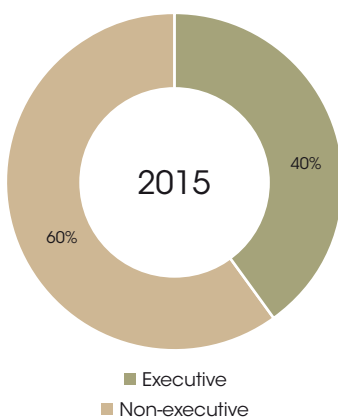
### Responsibilities

The Board is accountable and responsible for the performance and affairs of the Company. The terms of reference outlining its responsibilities are contained in the Board Charter. The Board takes responsibility for guiding and monitoring compliance with all applicable laws, regulations and codes of business practice, maintains oversight over compliance and risk management, but delegates operational control to management. The Board has defined levels of materiality, has delegated relevant matters to the executive directors and senior management based on detailed authority levels and believes it has full and effective control over the Company and oversight of management activities. The Board meets on a quarterly basis. All directors are encouraged to attend each meeting.

### Board composition

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

There were no changes to the Board during the course of the financial year. At financial year end, the Board consisted of the directors as set out on pages 18 and 19 of this report.



### Board appointments

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

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

### Board meetings

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



# CORPORATE GOVERNANCE REPORT

(CONTINUED)

## Board meeting attendance

| Name                 | Board | Audit and Risk Committee | Remuneration Committee | Social and Ethics Committee | IT Governance Committee |
|----------------------|-------|--------------------------|------------------------|-----------------------------|-------------------------|
| <b>Non-executive</b> |       |                          |                        |                             |                         |
| D Masson (CC)        | 4/4   | 4/4*                     | 3/3                    | -                           | 3/4+                    |
| IS Fourie            | 4/4   | 4/4                      | 3/3                    | -                           | -                       |
| HH Hickey            | 4/4   | 4/4                      | -                      | 4/4                         | -                       |
| AGW Knock            | 4/4   | 4/4*                     | 3/3                    | -                           | 4/4                     |
| DSS Lushaba          | 4/4   | 4/4                      | -                      | -                           | -                       |
| NV Simamane          | 3/4+  | 3/4+                     | -                      | 4/4                         | -                       |
| <b>Executive</b>     |       |                          |                        |                             |                         |
| WF de Jager          | 4/4   | 4/4*                     | 3/3*                   | 4/4                         | 4/4                     |
| AE Prowse            | 4/4   | 4/4*                     | 3/3*                   | 4/4                         | 4/4                     |
| SA Thoresson         | 4/4   | 4/4*                     | -                      | -                           | 3/4+                    |
| A van Onselen        | 4/4   | 4/4*                     | -                      | -                           | 3/4+                    |

### Legend

CC Company Chairman

\*By invitation

+Apologies were submitted and noted

The Nomination Committee did not meet during the year

## Independence of directors

King III requires the Board to review the independence of long-serving non-executive directors. This applies to the Chairman of the Board, Mr Donald Masson, who has served as a director for 27 years and Ms NV Simamane who has served as a director for 11 years. Mr Donald Masson has decided to retire as Chairman of the Group, but is available for re-election as a non-executive director. The Board has assessed the length of service of these directors and concludes that it has not impaired their independence, characters or judgements.

The matter of independence of directors is addressed during the recruitment stage and revisited annually when directors are required to declare any conflict in their interests. No conflict of interest or any factor hampering independence of any director has been identified during the 2015 financial year.

## Board and committee performance evaluation

Cashbuild undertakes an annual Board evaluation, as recommended by King III. The Board adopted a policy to have an external service provider assess its performance after every three years for good practice. During the year under review, the internal evaluation process was conducted by the Chairman. The performance evaluation process comprised of an organisational, Board, Committee and peer review.

The results of the assessments were presented to the Board as a whole and the performance assessment indicated that the Board and the Board Committees were performing their duties and responsibilities effectively and efficiently.

## Rotation of directors

In terms of the MOI, one third of the directors (other than the executive directors) retire by rotation and, if eligible, their names are submitted for re-election at the Annual General Meeting, accompanied by appropriate biographical details set out in the report to shareholders. Amongst other matters, the Board considers the performance of each director due for re-election at the Annual General Meeting.

## Conflicts of interest and other directorships

The directors declare actual and possible conflicts of interest to their co-directors and ensure that the declarations are included in the minutes of the Board meeting. They also recuse themselves from the relevant Board meeting while their co-directors take a decision on the matter.

Executive directors do not hold directorships outside the Cashbuild Group. The Board believes that other directorships held by non-executive directors do not affect their ability to fully discharge their responsibilities as Cashbuild directors. Details of other directorships held by Cashbuild directors are provided on page 19 of this report.



## Share dealings

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

## Legal compliance

The Board does not deem it necessary to appoint a Chief Compliance Officer. The Board takes full responsibility for legislative and regulatory compliance in the Company. Monitoring thereof is facilitated by various legal outsource partners. There were no cases of material legislative or regulatory non-compliance during the year and no penalty sanctions were imposed on the Company or any of its directors or officers during the year. A detailed regulatory compliance risk exercise involving the Cashbuild executive and senior management teams was completed during 2014/15. Acts identified as core to the Cashbuild business have subsequently been prioritised and an action plan drawn up. Cashbuild's Internal Audit team is tasked with doing internal audit compliance reviews on these action plans, utilising appropriately designed and supported legal compliance software supplied by a reputable external service provider.

## Access to information

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

## Company Secretary

The Company Secretary provides guidance to the Board as a whole and to individual directors, in the discharge of their responsibilities. The Company Secretary is empowered to fulfil duties and the Board is satisfied that the responsibilities of the Company Secretary are exercised in a meaningful and competent manner. The Company Secretary is not a director and maintains an arms-length relationship with the Board. The Company Secretarial duties have been outsourced to Corporate Governance Leaders CC with duties of the Company Secretary performed by Mr CD Kneale (FCIS).

## BOARD COMMITTEES

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

The Board has five Board committees, namely the:

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

All of these committees are chaired by an independent non-executive director and operate in accordance with the respective committees' terms of reference which are approved by the Board. The committees operate independently and report to the full Board.

## Audit and Risk Committee

*Members: Mr IS Fourie (Chairman); Dr DSS Lushaba, Ms NV Simamane and Ms HH Hickey*

In terms of the Companies Act, the members of the Audit and Risk Committee were directly elected at the Annual General Meeting on 1 December 2014 by the shareholders. All members of the committee, except for Mr IS Fourie, are standing for re-election at the Annual General Meeting to be held on 30 November 2015.

The Audit and Risk Committee performs its statutory duties in accordance with section 94(7) of the Companies Act. Further details of the role, responsibilities and functions of the Audit and Risk Committee are set out in the Audit and Risk Committee Report on pages 67 to 70 of this Integrated Report.

# CORPORATE GOVERNANCE REPORT

(CONTINUED)

## Remuneration Committee

*Members: Mr AGW Knock (Chairman); Mr D Masson and Mr IS Fourie*

The details pertaining to the responsibilities and functions of the Remuneration Committee are set out in the Remuneration Committee Report on pages 36 to 40 of this Integrated Report.

## Nomination Committee

*Members: Mr D Masson (Chairman) and Mr AGW Knock*

The Nomination Committee is responsible for developing selection criteria and identifying appropriate candidates for appointment to the Board. All appointments are done in a formal and transparent manner.

No meetings of this committee took place during the 2015 financial year. Cashbuild will in the next financial year appoint another member to the Nomination Committee.

## Social and Ethics Committee

*Members: Mrs NV Simamane (Chairman); Mrs HH Hickey, Mr WF de Jager and Mr AE Prowse*

The Social and Ethics Committee operates in terms of section 72(8) of the Companies Act and the details pertaining to the committee's duties, responsibilities and functions are set out in the Social and Ethics Committee Report on pages 44 and 45 of this Integrated Report.

## IT Governance Committee

*Members: Mr AGW Knock (Chairman); Mr D Masson, Mr WF de Jager, Mr AE Prowse, Mr SA Thoresson and Mr A van Onselen*

The details pertaining to the responsibilities and functions of the IT Governance Committee are set out in the IT Governance Committee Report on pages 41 and 42.





## EXECUTIVE MANAGEMENT

### Responsibility

Authority has been granted by the Board to the Chief Executive, supported by the Executive Management team, to determine and implement Company strategy. The Board is apprised of progress through Board meetings and communication with management. The Cashbuild Executive Management team takes full responsibility for corporate governance within the Company and consists of the following members:

- Mr PA Champion (Human Resource Executive)
- Mr IAC de Beer (Operations Executive)
- Mr WF de Jager (Chief Executive)
- Mr W Dreyer (Operations Executive)
- Mr A Hattingh (Operations Executive)
- Mr AHS Havenga (Risk and Audit Executive)
- Ms G Mead (General Manager Finance)
- Mr AE Prowse (Finance Director)
- Mr L Sithole (Operations Executive)
- Mr SA Thoresson (Operations Director)
- Mr WP van Aswegen (Procurement Executive)
- Mr A van Onselen (Operations Director)

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

### Succession planning and continuity of management

The Board regularly participates in the review of succession planning for key senior executive positions. The directors periodically discuss succession planning and are comfortable that, in the event of any executive and senior management transition, plans are in place to ensure smooth transition. None of the Executive Management team made any intentions known during the financial year to resign or retire.



From left to right: André Havenga, Peter Champion, Willie Dreyer, Gillian Mead, Anton Hattingh, Wimpie van Aswegen, Crous de Beer and Linda Sithole



# CORPORATE GOVERNANCE REPORT

(CONTINUED)

## PRESCRIBED OFFICERS

Prescribed officers are defined as Cashbuild employees who:

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

Three members of the Cashbuild Executive Team, Messrs Crous de Beer, Willie Dreyer and Anton Hattingh (Operations Executives), are classified as Prescribed Officers. They formally acknowledged and accepted all responsibilities and obligations associated with this designation.

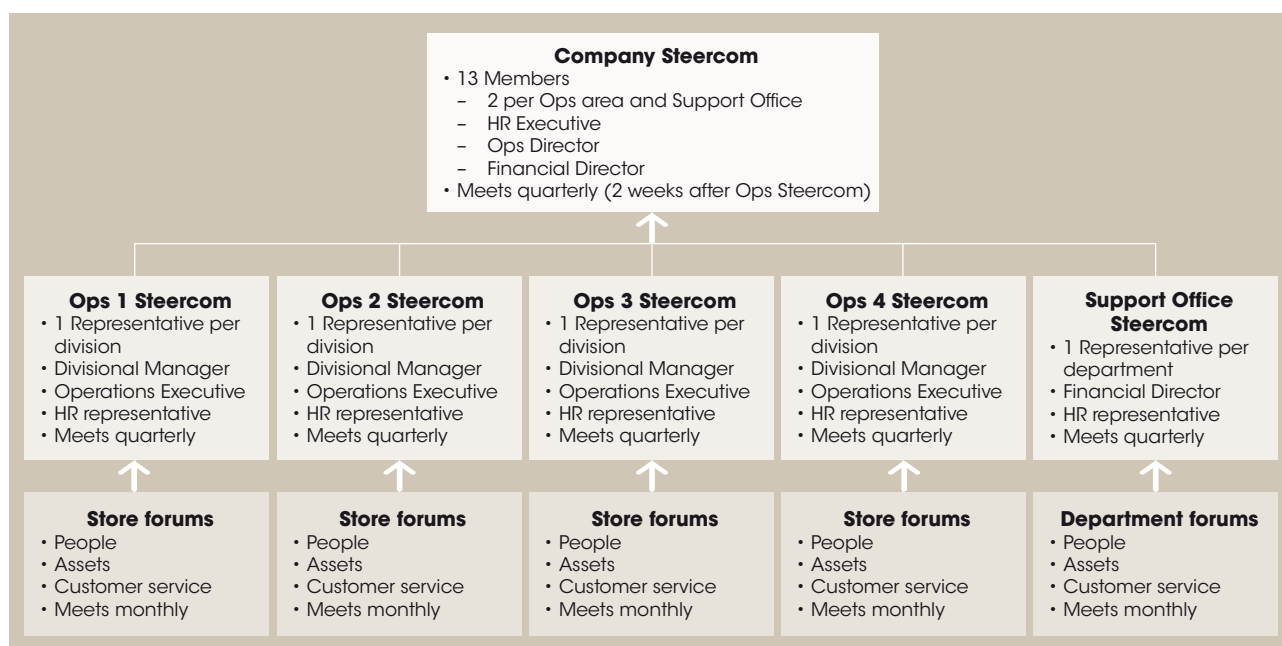
## EMPLOYEE FORUM

Employee Forum meetings are established to facilitate interaction and consultation between management and employees in the workplace.

### Employee Forum for the year ended 30 June 2015

The Employee Forum consisted of the following tiers:

- Store/Department Forum;
- Operations Steering Committee; and
- Company Steering Committee.





## Role of the Employee Forum

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

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

The role of the Company Steering Committee is to ensure Store and Divisional Forums are functioning effectively and discusses Company specific issues. The Company Steering Committee addresses general issues of concern raised by employees within the operations area not resolved at operations level. It also forms the Training Committee for the Company area to identify consolidated training needs for the Company along with strategies to address training needs. The forum monitors implementation and achievement of agreed strategies, and forms the Company Employment Equity Committee to be consulted with by the Company as required by the Employment Equity Act.

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

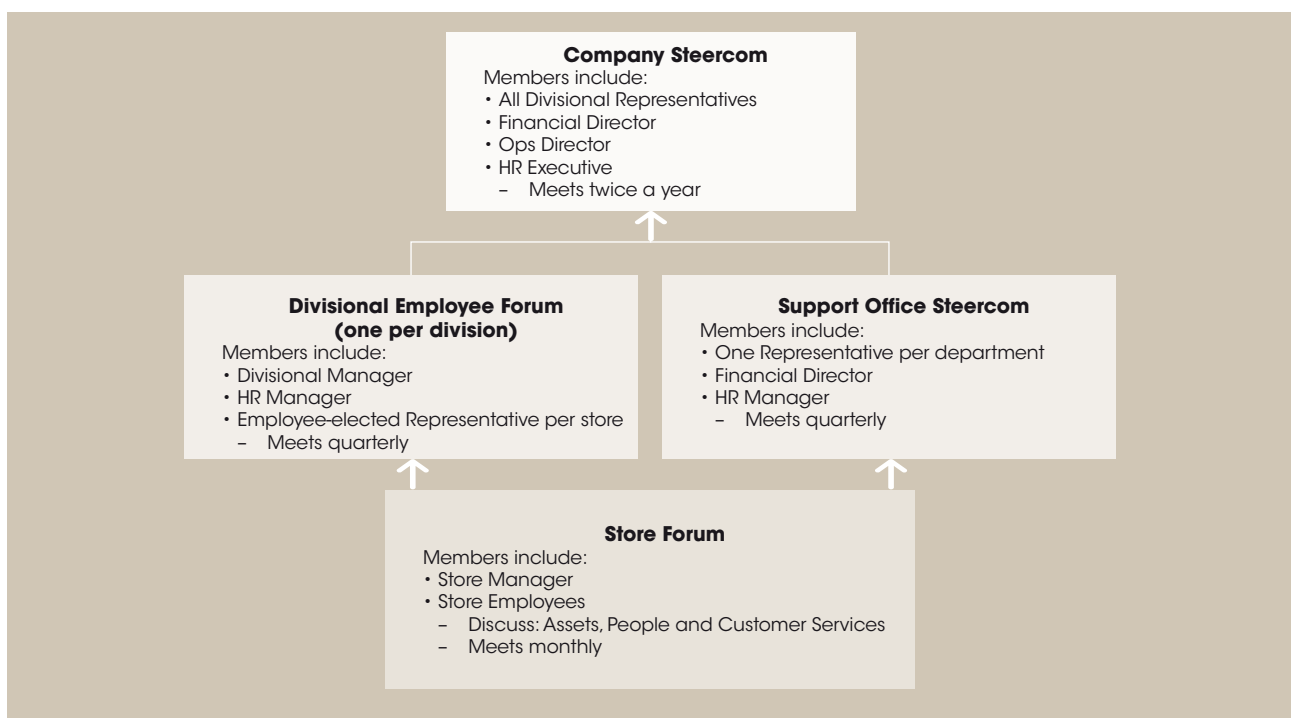
The Cashbuild Employee Forum constitutes the principal means of communication between employees and the Executive Management team.

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

## Employee Forum subsequent to year end

Effective August 2015, Cashbuild has changed its Employee Forum to allow Store Representatives more direct access to the Senior and Executive Management team.

The new Employee Forum structure, going forward, will be:



# CORPORATE GOVERNANCE REPORT

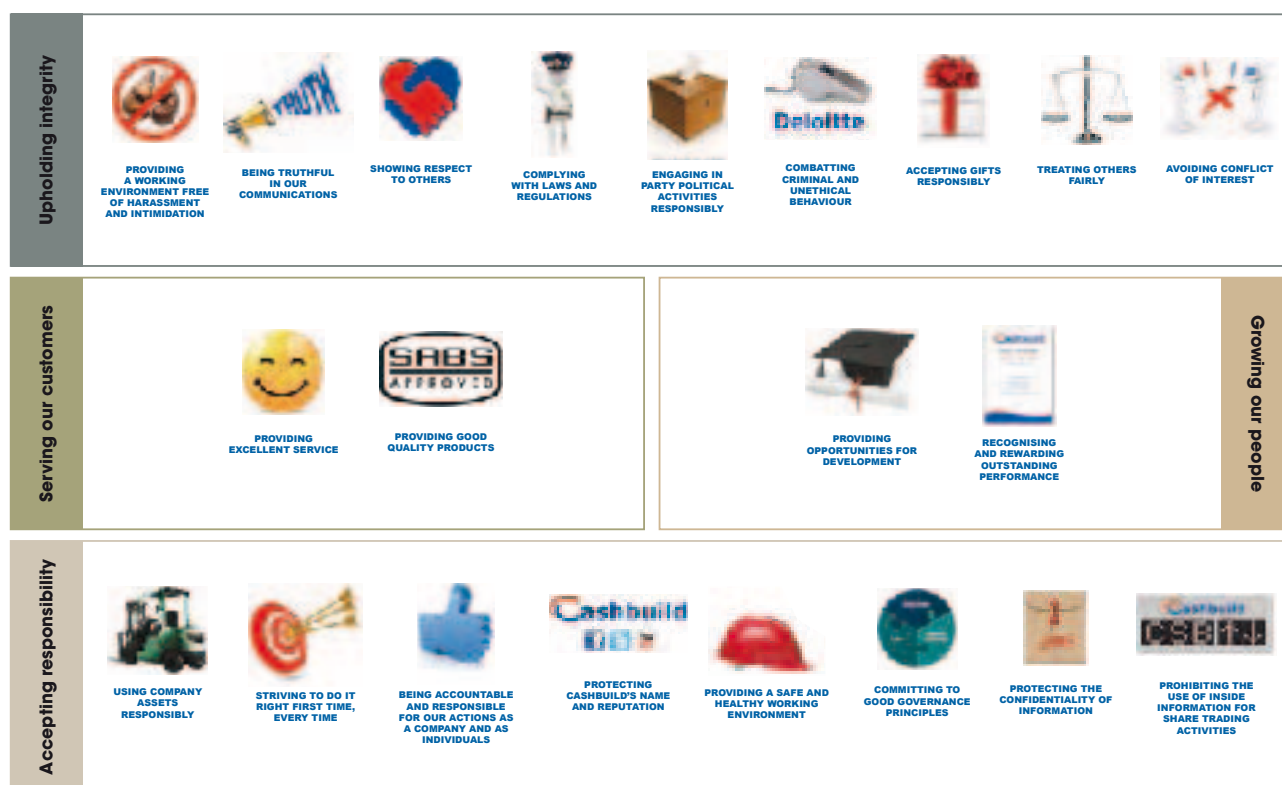
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## ETHICS

Cashbuild subscribes to the highest ethical standards of business practice. Cashbuild has a well-defined and entrenched business philosophy which is built around our customers, our team, our business partners, our systems and our finances. The business philosophy is underpinned by our vision, mission, values and guarantees.

Our culture of ethics and integrity defines who we are as a company, and how we as colleagues treat each other, our customers and our suppliers. Our business success rests on a foundation of values – upholding integrity, serving our customers, growing our people and accepting responsibility – and our reputation depends on us continuing to make the right choices, every day. Our values set us apart from others and have become a competitive advantage that we can never compromise in our actions and decisions. Our Code of Ethics contains principles that provide guidance for our behaviour. As a team it is our responsibility to continue building on our already strong ethical foundation, retain and further enhance Cashbuild's standing as an excellent and highly ethical organisation. With this in mind an ethics awareness programme consisting of 21 ethical principles underpinned by four core values was rolled out during the year.

These policies and guidelines require staff members to adhere to ethical business practices in their relationships with customers, one another, suppliers, intermediaries, shareholders, investors and the general public at large.



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

Compliance with The Cashbuild Way is monitored through our Internal Audit function. Audits are done on each store at least three times a year and support office processes are audited on a frequency that depends on the risk-based priority assigned to specific business support focus areas. Cashbuild has contracted Tip-offs Anonymous, which provides a secure system for the reporting of unethical or risky behaviour. All tip-offs logged are investigated and action taken to address any instances of non-compliance to ethical standards in the Company.

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

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



## INTERNAL CONTROL

Cashbuild maintains internal controls and systems designed to provide reasonable assurance of the achievement of operational business objectives and reliability of financial statements, while adequately protecting, verifying and maintaining accountability for assets. Controls within Cashbuild are based on established policies and procedures contained in The Cashbuild Way.

For details on Cashbuild's internal controls, refer to the Audit and Risk Committee Report on pages 67 to 70.



## RISK MANAGEMENT

Cashbuild's risk management process as well as material risks and concerns identified are set out on pages 15 to 17 of this Integrated Report. The risk management function, governed by the Audit and Risk Committee, is set out on page 69 in the Audit and Risk Committee Report.

## GOING CONCERN

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



# REMUNERATION COMMITTEE REPORT

## INTRODUCTION

The Remuneration Committee is responsible to the Board for ensuring that the remuneration policy is kept current, the remuneration packages are in line with industry norm, the criteria for performance measurement and determination of performance measurement criteria and remuneration packages for Cashbuild's Executive Management team is maintained and updated.

In addition, the committee facilitates a transparent process of performance review and evaluation for executive directors for the Board. Remuneration, in particular as it relates to Executive Management, is motivated by the dual criteria of delivering sustainable financial return to shareholders and the recognition and reward for outstanding performance. Executive compensation is also linked to the achievement of the organisation's non-financial goals.

## MEMBERS

The composition of the Remuneration Committee is set out on page 25. Biographical details of the committee members are provided on page 19.

## COMMITTEE MEETINGS

The committee held three meetings during the year under review. Attendance has been set out on page 28 of the Corporate Governance Report.

## FUNCTIONS OF THE COMMITTEE

### Introduction

All positions are graded using the Patterson grading methodology. Remuneration packages are benchmarked every three years via formal salary surveys using external remuneration specialists. The last survey was conducted in 2012. Cashbuild's policy is to remunerate staff at the 50th percentile, with scarce skills being pitched at the 75th percentile.

### Remuneration policy

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

The average CPI percentage over the preceding 12 months plus an agreed factor is used as the basis for the calculation of the annual cost of living increase. This formula and final percentage cost of living increase is discussed with and agreed to by the Company employee forum. This year a 7% cost of living increase was agreed to for all staff with senior and Executive Management receiving a 6.5% adjustment.

Over and above the annual cost of living increase, as agreed to with the employee forum and given in July, performance increases given in October are directly related to the individual's performance and aligned to the agreed performance increase parameters. This increase varies between 1% and 5%, depending on the individual's performance.

In addition there are monthly and quarterly bonuses store employees can earn based on store and divisional performance. An annual bonus is available to all store and divisional, management based on their areas' performance with support office staff and Executive Management qualifying for annual bonuses based on Group performance.

### Executive employee contracts

All executive directors and managers have employment contracts requiring one month's notice of resignation and do not contain any restraint clauses.

### Remuneration structure

The company's remuneration is structured between guaranteed and non-guaranteed or variable pay and the balance between these categories vary depending on the employee's Patterson grading within the organisation. Guaranteed pay consists of Basic pay, allowances and employee benefits whilst the components of non-guaranteed pay consist of Short Term Incentive (STI), the bonus scheme for all staff and a Long Term Incentive (LTI) being the Share incentive trust, BEE trust, Operations management member trust and the newly proposed Forfeitable Share Plan (FSP) (See page 133 for salient features and Form of Proxy on page 145).



| Grading              | Total remuneration |                                  |
|----------------------|--------------------|----------------------------------|
|                      | Guaranteed portion | Non-guaranteed/ variable portion |
| Chief Executive      | 45%                | 55%                              |
| Director             | 50%                | 50%                              |
| Executive Management | 55%                | 45%                              |
| Senior Management    | 70%                | 30%                              |
| Staff (SO)           | 85%                | 15%                              |
| Staff (Store)        | 77%                | 23%                              |

The table above is indicative of the goal of the remuneration structure. The FSP proposed and other existing incentives are all components in achieving this.

### Guaranteed pay

#### Basic salary

Management and staff are paid on a cost to Company basis. The guaranteed cost to Company package for all employees is set in line with the three yearly salary survey conducted by an external remuneration specialist. This survey was last conducted in 2012 and is scheduled for the 2015/16 financial year.

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

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

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

Details of all executive and non-executive directors' remunerations are detailed on page 39 of this report.

The performance of the Chief Executive is assessed against set performance criteria, by the Chairman and the Board, while the performance of executive directors and senior managers is evaluated against other set performance criteria, by the Chief Executive and reviewed by the Remuneration Committee. Any increases given over and above the July cost of living increase are directly related to the individual's performance.

### Retirement funds

Membership of the retirement fund is compulsory for all permanent employees. The retirement fund is part of the Alexander Forbes Umbrella Fund. The fund is managed by a management committee that meets twice a year and consists of 50% employer and 50% employee elected representatives. In order to facilitate financial decision-making aligned to Company policies, the Company's Chairman, Chief Executive and Finance Director are all employer elected members of this committee.

### Medical aid

Membership of a medical aid is optional. The medical schemes offered in South Africa are Discovery and Momentum. Approximately 4% of employees have elected to join these medical schemes.

The sourcing of affordable health care, and the promotion of membership in medical schemes by employees is a focus area for the future. However most staff have elected to not belong to one of the above medical schemes unless subsidised by the Company.

### Non-guaranteed pay

#### Short-Term Incentive Scheme (STI)

Operations management and staff participate in a monthly, quarterly and annual short-term incentive scheme which is directly related to the financial performance of their operating unit. The criteria for these awards relate to sales, transaction and gross contribution targets.

STI awards (excluding personal objectives) for executive and support office staff only take place on condition that the Company's profit before taxation, according to the approved budget for that specific financial year, has been achieved. Once this criteria has been met, dependent on the occupational level, an incentive of between 9% and 50% of annual cost-to-company for employees is calculated.

# REMUNERATION COMMITTEE REPORT

(CONTINUED)

In general, the following is assessed when determining the STI awards:

| Criteria                                                                                                                                                                                                              | Weighting of STI | Achievement of 2015 STI awards                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------------------------------------------------------------------------------------------|
| <b>Financial (2015 Financial Year)</b><br> Revenue >R7.6 billion<br>Gross margin of >R1.4 billion<br>Profit before tax >R425 million | 40%              | Yes<br>Yes<br>Yes                                                                                       |
| <b>Non-financial</b><br> Project-based achievements predetermined for each individual during the year                                | 40%              | Depending on individual's performance                                                                   |
| <b>Personal objectives</b><br> Personal objectives set for the individual to achieve                                                 | 20%              | This component is payable on achievement of agreed objectives irrespective of the Company's performance |
| <b>Total</b>                                                                                                                                                                                                          | <b>100%</b>      |                                                                                                         |

## Cashbuild Empowerment Trust

The philosophy of having all staff share in the success of the Company, and in so doing create a sense of belonging and ownership, is embodied in the Cashbuild Empowerment Trust to which all permanently employed staff, irrespective of seniority or length of service belong. Additionally, it aligns the goals of staff with those of the shareholders. This Trust owns 7.8% of the issued share capital. Dividends are paid twice per year to all members of the Trust on an equal basis. In the last financial year, a total of R12.4 million (2014: R9.2 million) was paid to all staff members. Since inception of this Trust in 2004, a total of R131 million has been distributed to staff in the employ of Cashbuild at dividend declaration date. Refer to Annexure 2 in the Notice of Annual General Meeting for the proposed specific repurchase of shares from the Cashbuild Empowerment Trust.

## Store Operations Management Member Trust

In 2011 the Store Operations Management Member Trust was established. The objectives of this trust are to:

- promote the continued growth and profitability of stores within the Group, and the growth of the Group, by recognising and rewarding qualifying members;
- empower and retain management members in the Group;
- develop an ethic and mindset of ownership, responsibility and accountability within the Group; and
- promote black economic empowerment and increased broad-based and effective participation in the Group by previously disadvantaged persons.

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

Since the inception of this scheme in 2012, a total of R11.2 million (2014: R5.4 million) (R5.6 million in cash and R5.6 million in shares after qualification of the vesting period) is to be paid, comprising 63 (2014: 29) store managers and two divisional managers.

| Scheme       | Number of shares | Share and cash value | Employees qualified |
|--------------|------------------|----------------------|---------------------|
| 2015         | 9 685            | R5.8 million         | 35                  |
| 2014         | 3 524            | R1.2 million         | 8                   |
| 2013         | 2 980            | R0.2 million         | 3                   |
| 2012         | 16 760           | R4.0 million         | 19                  |
| <b>Total</b> | <b>32 949</b>    | <b>R11.2 million</b> | <b>65</b>           |

## Senior Management Share Scheme

Long-term Share Incentive Scheme (LTI) – effective until April 2016.

See note 15 of the Annual Financial Statements for various scheme disclosure.

Executives and identified key positions participate in the Cashbuild share incentive scheme with share options being offered. Allocations of shares vary between 5 000 and 100 000 shares with a vesting period of three years.



Following feedback received from shareholders over the past years, even though the non-binding remuneration vote has been carried every year, management has committed to not awarding any further awards under the STI and plan to replace this scheme with a FSP. The aim of this scheme is to be more in line with best practice and better align management goals with that of shareholders. Refer to Annexure 1 in the Notes of Annual General Meeting for the proposed approval of the Cashbuild FSP.

## Remuneration

The remuneration of the executive directors and prescribed officers who served during the year under review was as follows:

| R'000                      | Year        | Basic salary | Bonus <sup>1</sup> | Allowances | Other material benefits <sup>2</sup> | Pension scheme | Share options exercised | Total         |
|----------------------------|-------------|--------------|--------------------|------------|--------------------------------------|----------------|-------------------------|---------------|
| <b>Executive directors</b> |             |              |                    |            |                                      |                |                         |               |
| WF de Jager                | 2015        | 2 735        | 2 104              | 113        | 60                                   | 256            | 18 048                  | 23 316        |
|                            | 2014        | 2 537        | 1 115              | 140        | 69                                   | 240            | 2 410                   | 6 511         |
| AE Prowse                  | 2015        | 1 848        | 1 091              | 142        | –                                    | 146            | 13 410                  | 16 637        |
|                            | 2014        | 1 719        | 608                | 149        | –                                    | 136            | –                       | 2 612         |
| SA Thoresson               | 2015        | 1 664        | 972                | 275        | –                                    | 152            | 13 401                  | 16 464        |
|                            | 2014        | 1 547        | 430                | 271        | –                                    | 142            | –                       | 2 390         |
| A van Onselen              | 2015        | 2 073        | 1 464              | 150        | 83                                   | 185            | 13 401                  | 17 356        |
|                            | 2014        | 1 935        | 601                | 180        | 75                                   | 172            | –                       | 2 963         |
| <b>Total</b>               | <b>2015</b> | <b>8 320</b> | <b>5 631</b>       | <b>680</b> | <b>143</b>                           | <b>739</b>     | <b>58 260</b>           | <b>73 773</b> |
|                            | 2014        | 7 738        | 2 754              | 740        | 144                                  | 690            | 2 410                   | 14 476        |
| <b>Prescribed officers</b> |             |              |                    |            |                                      |                |                         |               |
| W Dreyer                   | 2015        | 1 218        | 667                | 105        | 57                                   | 121            | –                       | 2 168         |
|                            | 2014        | 1 147        | 203                | 165        | 51                                   | 106            | –                       | 1 672         |
| IAC de Beer                | 2015        | 1 257        | 780                | 349        | 47                                   | 113            | –                       | 2 546         |
|                            | 2014        | 1 167        | 227                | 373        | 42                                   | 106            | 3 616                   | 5 531         |
| A Hattingh                 | 2015        | 1 020        | 825                | 204        | –                                    | 97             | –                       | 2 146         |
|                            | 2014        | 865          | 245                | 218        | –                                    | 85             | –                       | 1 413         |
| <b>Total</b>               | <b>2015</b> | <b>3 495</b> | <b>2 272</b>       | <b>658</b> | <b>104</b>                           | <b>331</b>     | <b>–</b>                | <b>6 860</b>  |
|                            | 2014        | 3 179        | 430                | 756        | 93                                   | 297            | 3 616                   | 8 616         |

### Notes

<sup>1</sup> Bonuses differ to the Notes to the Annual Financial Statements on pages 120 and 122 as these values have subsequently been approved for payment by the Remuneration Committee.

<sup>2</sup> Other material benefits include contributions to medical aid.

## Non-executive directors

Non-executive director fees are recommended by the Remuneration Committee and agreed to at the Annual General Meeting. Fees are based on market-related fees obtained via salary surveys conducted by external remuneration specialists.

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

| Non-executive directors | 2015*<br>R'000 | 2014<br>R'000 |
|-------------------------|----------------|---------------|
| D Masson                | 608            | 395           |
| IS Fourie               | 402            | 304           |
| HH Hickey               | 416            | 230           |
| AGW Knock               | 400            | 308           |
| Dr DSS Lushaba          | 384            | 247           |
| NV Simamane             | 444            | 223           |
| <b>Total</b>            | <b>2 654</b>   | <b>1 707</b>  |

\* Increase in fees was attributable to:

- 2014 trust meetings attended by Dr DSS Lushaba and NV Simamane only paid in this financial year;
- HH Hickey appointed to the Audit and Risk Committee; and
- a 22% increase in the Chairman's fee to align to the market, approved by shareholders on 1 December 2014.



# REMUNERATION COMMITTEE REPORT

(CONTINUED)

## Share options granted to directors and prescribed officers

The following tables set out the share options granted to the executive directors and prescribed officers.

|                            | Year | Balance at beginning of year | Options granted during year | Options exercised during year | Options outstanding at end of year |
|----------------------------|------|------------------------------|-----------------------------|-------------------------------|------------------------------------|
| <b>Executive directors</b> |      |                              |                             |                               |                                    |
| WF de Jager                | 2015 | 250 000                      | –                           | (150 000)                     | 100 000                            |
|                            | 2014 | 300 000                      | –                           | (50 000)                      | 250 000                            |
| AE Prowse                  | 2015 | 175 000                      | –                           | (100 000)                     | 75 000                             |
|                            | 2014 | 175 000                      | –                           | –                             | 175 000                            |
| SA Thoresson               | 2015 | 175 000                      | –                           | (100 000)                     | 75 000                             |
|                            | 2014 | 175 000                      | –                           | –                             | 175 000                            |
| A van Onselen              | 2015 | 175 000                      | –                           | (100 000)                     | 75 000                             |
|                            | 2014 | 175 000                      | –                           | –                             | 175 000                            |
| <b>Prescribed officers</b> |      |                              |                             |                               |                                    |
| W Dreyer                   | 2015 | 37 500                       | –                           | –                             | 37 500                             |
|                            | 2014 | 37 500                       | –                           | –                             | 37 500                             |
| IAC de Beer                | 2015 | 50 000                       | –                           | –                             | 50 000                             |
|                            | 2014 | 125 000                      | –                           | (75 000)                      | 50 000                             |
| A Hattingh                 | 2015 | 5 000                        | –                           | –                             | 5 000                              |
|                            | 2014 | 5 000                        | –                           | –                             | 5 000                              |

## 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 to the date of approval of this report.

|                   | Number of shares held |          |              |          |
|-------------------|-----------------------|----------|--------------|----------|
|                   | 30 June 2015          |          | 30 June 2014 |          |
|                   | Direct                | Indirect | Direct       | Indirect |
| <b>Beneficial</b> |                       |          |              |          |
| NV Simamane       | 1 200                 | –        | 1 200        | –        |
| AE Prowse         | 27 500                | –        | –            | –        |
| <b>Total</b>      | <b>28 700</b>         | <b>–</b> | <b>1 200</b> | <b>–</b> |

There are no associate interests for the above directors and also no non-beneficial shareholdings.

## AGW Knock

Remuneration Committee Chairman

31 August 2015



# IT GOVERNANCE COMMITTEE REPORT

## INTRODUCTION

The IT Governance Committee ("ITGov") assists the Board in monitoring Cashbuild's governance and risk management of its responsibilities of the IT infrastructure. This report by ITGov is prepared in accordance with the requirements of the Companies Act. It describes how ITGov has discharged its statutory duties in terms of the Companies Act and the additional duties assigned to it by the Board in respect of the financial year ended 30 June 2015.

## MEMBERS

The composition of the IT Governance Committee is set out on page 25. Biographical details of the committee members are provided on pages 18 and 19.

## COMMITTEE MEETINGS

The committee held four meetings during the year under review. Attendance has been set out on page 28 of the Corporate Governance Report.

## FUNCTIONS OF THE COMMITTEE

The IT Governance Committee is a sub-committee of the Board and is responsible for:

- governance of Cashbuild's IT projects;
- strategic alignment of IT with the business and collaborative solutions;
- value delivery of IT concentrating on optimising expenditure and proving the value of IT;
- risk management addressing the identification, assessment, monitoring and tracking of IT project and Company-wide IT risks;
- IT resource management which includes optimising IT knowledge and infrastructure; and
- Business continuity management (BCM) plans formulated and validated through testing.

IT Governance forms an integral part of Cashbuild's business. Achievement of IT Governance objectives is monitored through quarterly IT Governance meetings chaired by an independent non-executive director and attended to by representatives of all stakeholders having a part in Cashbuild's IT environment. The monitoring and achievement of IT Governance objectives is facilitated through this forum where appropriate IT risks and related business objectives are attended to.

As part of enhanced IT governance in Cashbuild, an IT Internal Audit service line exists. This service line addresses a number of focus areas which were identified during an IT risk assessment exercise completed during 2014. These are, amongst others, Logical Access, SAP and Active Retail (AR) interface, and IT Management Framework internal audit reviews.



# IT GOVERNANCE COMMITTEE REPORT

## (CONTINUED)

The results of a detailed IT Governance Framework Review conducted by Cashbuild IT Internal Audit in consultation with Executive Management is being considered in order to update the Cashbuild IT Management Framework and align IT strategy with business strategy. This is a long-term project receiving appropriate and prioritised attention from Executive Management.

Cashbuild's integrated Active Retail and SAP All-in-One solutions are continuously being refined and improved. Business imperative items receiving continued and focused attention include daily balancing of transactional data between Active Retail and SAP.

The roll-out of Active Retail to the Malawi store has been completed at the year-end after the unique business requirements associated with that country had successfully been made and tested by store and financial management.

The "SAP all in one" solution initially sourced for Cashbuild's budgeting and rebate billing/collection process was found not to meet business specific requirements. Initiatives are under way to simplify the existing budgeting process and potentially source and implement an alternate solution. Cashbuild is currently utilising an interim solution to meet budgeting and forecasting needs with appropriate checks and balances in place to ensure that immediate business requirements are met. The existing rebate system is being enhanced to integrate with SAP and provide the necessary controls over billing accuracy and collection management.

In support of a new Cashbuild store model (Cashbuild DIY), Cashbuild has contracted an alternate IT service provider who has developed and successfully implemented an in-store point of sale application which integrates retail store data generated within the DIY stores with SAP.

### **Assessment**

The IT Governance Committee is satisfied that it has fulfilled all its duties during the year under review and has made significant progress in formalising all relevant policies and implementing identified plans.

### **AGW Knock**

*IT Governance Committee Chairman*

31 August 2015





# HALL OF FAME

The annual event where our top performers are recognised



# SOCIAL AND ETHICS COMMITTEE REPORT

## INTRODUCTION

As fully outlined in the Ethics section of the Corporate Governance Report on page 34, Cashbuild subscribes to the highest ethical standards of business practices and has a well-entrenched and defined business philosophy around its customers, staff, business partners, systems and finances. The philosophy is underpinned by the Company's vision, mission, and values, as well as "The Cashbuild Way". The Company is also guided by its Code of Ethics and the staff ethics awareness programme, both of which employees are expected to adhere to.

Cashbuild also promotes an inclusive approach to governance and takes account of the impact of its operations on stakeholders. The Company's approach to corporate governance strives to include all these groupings, and is based on good communication and is integrated into every aspect of the business.

Central to this functionality is the Social and Ethics Committee ("SECOM"), which plays a pivotal role in assisting the Board in monitoring Cashbuild's performance as a good and responsible corporate citizen, taking the above into consideration.

This report is prepared in accordance with the requirements of the Companies Act and describes how SECOM has discharged its statutory duties in terms of the Companies Act and the additional duties assigned to it by the Board in respect of the financial year ended 30 June 2015.

The Sustainability Report is set out on pages 46 to 62 of this Integrated Report.

## MEMBERS

The composition of the Social and Ethics Committee is set out on page 25. Biographical details of the committee members are provided on pages 18 and 19 and the fees paid to the committee members are outlined on page 39.

## COMMITTEE MEETINGS

The committee held four meetings during the year under review. Attendance has been set out on page 28 of the Corporate Governance Report.

## FUNCTIONS OF THE COMMITTEE

### Introduction

SECOM's role and responsibilities are governed by Terms of Reference approved by the Board. These Terms of Reference are subject to an annual review by the committee and approval by the Board.

SECOM's main objective is to assist the Board in monitoring the Company's performance as a good and responsible corporate citizen, thereby helping the Board to achieve one of its important values, namely doing business ethically. To do this, SECOM monitors the sustainable development practices of the Company. It also monitors relevant legislation, legal requirements and prevailing codes of best practice relating to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, and labour and employment.

### Responsibilities and duties

SECOM is responsible for developing and reviewing the Company's policies with regard to its commitment to governance and reporting of sustainable development performance, as well as for making recommendations to management and/or the Board in this regard. During the year, SECOM reviewed and improved:

- the Company's Code of Business Conduct and Ethics;
- its Fraud Prevention Policy, including guidelines on Gifts;
- its Corporate Social Investment (CSI) Policy;
- its Occupational Health and Safety Policy;
- Its Public Relations and Investor Relations Policy; and
- Its Legislative Compliance.

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



In the execution of its statutory duties, SECOM monitors the Company's activities, with regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

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

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

### Assessment

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

### NV Simamane

*Social and Ethics Committee Chairman*

31 August 2015



# SUSTAINABILITY REPORT

## CASHBUILD'S MODEL FOR CORPORATE SUSTAINABILITY

Cashbuild's approach to corporate sustainability is informed by the Company's own interpretation of the widely accepted triple bottom line approach. This approach is termed the 'Profit, People, Planet' (PPP) model.

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

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

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

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





In developing any sustainability-related initiatives, or programmes aimed at creating value for stakeholders, the Company's Board and executive are required to adopt the precautionary approach, in order to ensure that neither Cashbuild nor any of its key stakeholder groups are in any way disadvantaged by the decisions taken within and implemented by the Company. This implies careful consideration of the intended and unintended consequences of the proposed initiatives, as well as comprehensive feasibility and impact assessments (including cause and future effect). In this regard, Cashbuild's comprehensive approach in the development and execution of pilot projects, prior to implementing widespread changes, has stood the Company in good stead across all areas of activity.

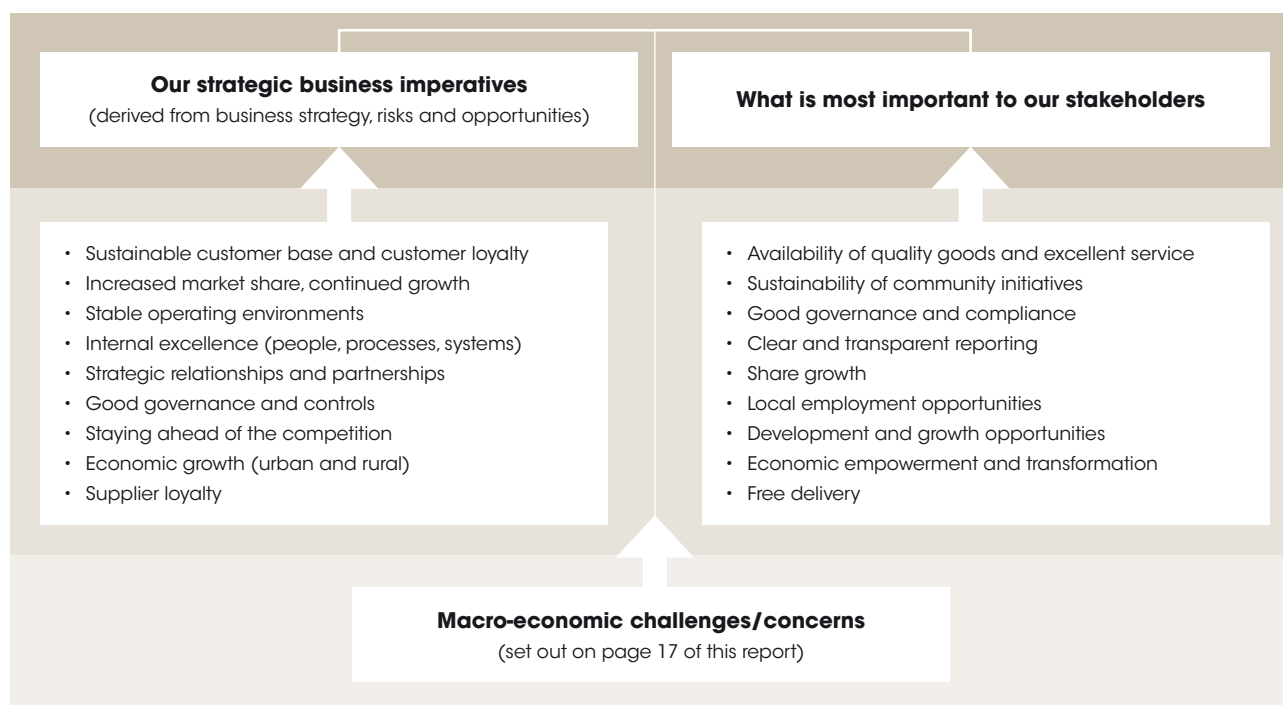
In the complex southern African environment in which Cashbuild operates, many valuable lessons have been learned over the Company's history, spanning more than 35 years. Particularly in terms of cultural sensitivities, community priorities, and the absolute necessity to build lasting, open relationships with stakeholders. The decentralised model and local recruitment policy, which empowers local managers who have the greatest understanding of the nuances of the communities in which their stores operate, has proven to be one of the Company's greatest advantages, and has significantly assisted in risk mitigation during the establishment of Cashbuild operations in new and often challenging environments.

## CASHBUILD'S APPROACH TO SUSTAINABILITY

Cashbuild's management approaches for mutually beneficial sustainability initiatives can be summarised as the following:

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

## CASHBUILD'S SUSTAINABILITY AND STRATEGY DRIVERS





# SUSTAINABILITY REPORT (CONTINUED)

## CASHBUILD'S "PROFIT, PEOPLE, PLANET" SUSTAINABILITY MODEL



### PROFIT – ECONOMIC SUSTAINABILITY

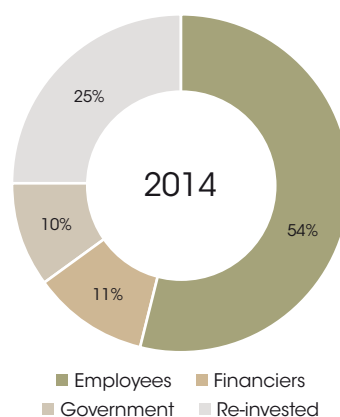
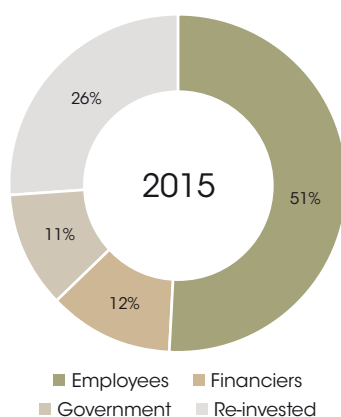
As a listed company, Cashbuild, along with its directors and Executive Management, acknowledges its fiduciary responsibility to shareholders and other stakeholders to manage the Company in such a manner as to ensure its financial viability and sustainability in both the short and long term, and create significant economic value for these stakeholders.

#### Value-Added Statement

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

|                                                         | Year ended<br>30 June 2015<br>R'000 | %            | Year ended<br>30 June 2014<br>R'000 | %     |
|---------------------------------------------------------|-------------------------------------|--------------|-------------------------------------|-------|
| Revenue                                                 | 7 692 646                           |              | 6 781 274                           |       |
| Less: Cost of merchandise and expenses                  | (6 484 811)                         |              | (5 764 749)                         |       |
| <b>Value-added from trading operations</b>              | <b>1 207 835</b>                    |              | 1 016 525                           |       |
| Interest received from investments                      | 39 676                              |              | 23 927                              |       |
| <b>Total wealth created</b>                             | <b>1 247 511</b>                    | <b>100.0</b> | 1 040 452                           | 100.0 |
| <b>Allocated as follows:</b>                            |                                     |              |                                     |       |
| To employees – salaries and benefits                    | 631 017                             | 50.6         | 561 115                             | 53.9  |
| To Government – Company taxation                        | 130 841                             | 10.5         | 108 292                             | 10.4  |
| To providers of capital:                                | 149 846                             | 12.0         | 112 305                             | 10.8  |
| • Dividend to shareholders                              | 143 630                             | 11.5         | 107 763                             | 10.4  |
| • Interest on borrowings                                | 1 753                               | 0.1          | 1 004                               | 0.1   |
| • Minorities' interest                                  | 4 463                               | 0.4          | 3 538                               | 0.3   |
| <b>Total wealth distributed</b>                         | <b>911 704</b>                      | <b>73.1</b>  | 781 712                             | 75.1  |
| To retain for reinvestment in the Group                 | 335 807                             | 26.9         | 258 740                             | 24.9  |
| • Depreciation, amortisation and impairment of property | 120 521                             | 9.7          | 100 588                             | 9.7   |
| • Income retained in the business                       | 215 286                             | 17.2         | 158 152                             | 15.2  |
| <b>Total wealth created</b>                             | <b>1 247 511</b>                    | <b>100.0</b> | 1 040 452                           | 100.0 |

| Statistics                      | June 2015 | June 2014 | % change |
|---------------------------------|-----------|-----------|----------|
| Number of employees             | 4 953     | 4 687     | 5.7      |
| Wealth created per employee     | 252       | 222       | 13.5     |
| Wealth distributed per employee | 184       | 167       | 10.2     |
| Revenue per employee            | 1 553     | 1 447     | 7.3      |





The Value-Added Statement is prepared on a continuing business basis only.

Financial highlights are set out on page 3, the Company's five-year financial performance history is set out on pages 10 and 11, why invest in Cashbuild is available on page 12 and the Annual Financial Statements of the Group are detailed on pages 64 to 125 of this Integrated Report.

## Assurance

External assurance is received from the providers listed in the following table:

| Compliance category | External assurance provider                                                                                                                                                                                                         |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Finance             | PricewaterhouseCoopers Inc. – Independent Auditor's Report (page 73 of this report), provide auditing, tax and advisory services                                                                                                    |
| Legal compliance    | Performed by Webber Wentzel and Van der Vyver, provide legal services for contractual agreement and Exclaim Innovations & Solutions provide software to perform internal legal assurance reviews on identified and prioritised Acts |
| IT compliance       | Performed Legal software provided by Deloitte. The IT risk assessment exercise includes interface with Logical Access, SAP and Active Retail (AR), UCS Solutions, provide IT Support services                                       |

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



## PEOPLE – SOCIAL SUSTAINABILITY

### Human Capital

Cashbuild's Human Capital strategy is an integral element of the Company's overall sustainability strategy, and actively contributes to efforts to create value for key stakeholders in the short, medium and long term. It takes advantage of the Company's mature procedures and processes in this area, in particular The Cashbuild Way, to drive institutional imperatives of internal excellence, entrepreneurship and innovation.

External broad-based value creation and distribution, through a variety of CSI initiatives, is vital to creating support, involvement and commitment from the communities in which Cashbuild stores are located.

Cashbuild's commitment to its people is clearly demonstrated in the Company's aspiration to be a preferred employer in the retail building supply industry. Our success in this area has been acknowledged by our achievements in various employee preference surveys, including recognition as a 'best employer to work for', for four consecutive years, as well as third place in the 2013 Deloitte employee survey, in the large business category.

The recognition and reward of employees is a key component of Cashbuild's pursuit of employee excellence. One of the principal means through which this takes place, is through our employee share schemes, namely the Cashbuild Empowerment Trust, Cashbuild Share Incentive Trust and the Operations Management Member Trust. These incentives take the form of performance-linked bonuses (50% paid in cash and 50% in shares). Through these initiatives, Cashbuild encourages excellence and teamwork at all levels of the Company, while at the same time financially empowering employees, encouraging loyalty and improving retention.

With regard to recruitment and succession planning, the Company has adopted a three-year view, which considers internal development and planned store growth. This is closely allied to the Company's transformation objectives and short- to medium-term growth strategies. This ensures that Cashbuild possesses the necessary human capital to successfully execute its ongoing programme of store expansion and redevelopment.

In brief, Cashbuild's HR policies can be summarised as follows:

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

### Employment

As at 30 June 2015, Cashbuild employed, on a permanent basis, 4 953 (2014: 4 687) individuals, across the Company's Support Office, 222 stores (2014: 215 stores) and 11 Cashbuild DIY outlets (2014: six outlets) over six (2014: six) African countries. These individuals have throughout the financial year clearly demonstrated, by constantly striving to understand and meet their customers' needs, that they are the right people for Cashbuild.

# SUSTAINABILITY REPORT (CONTINUED)

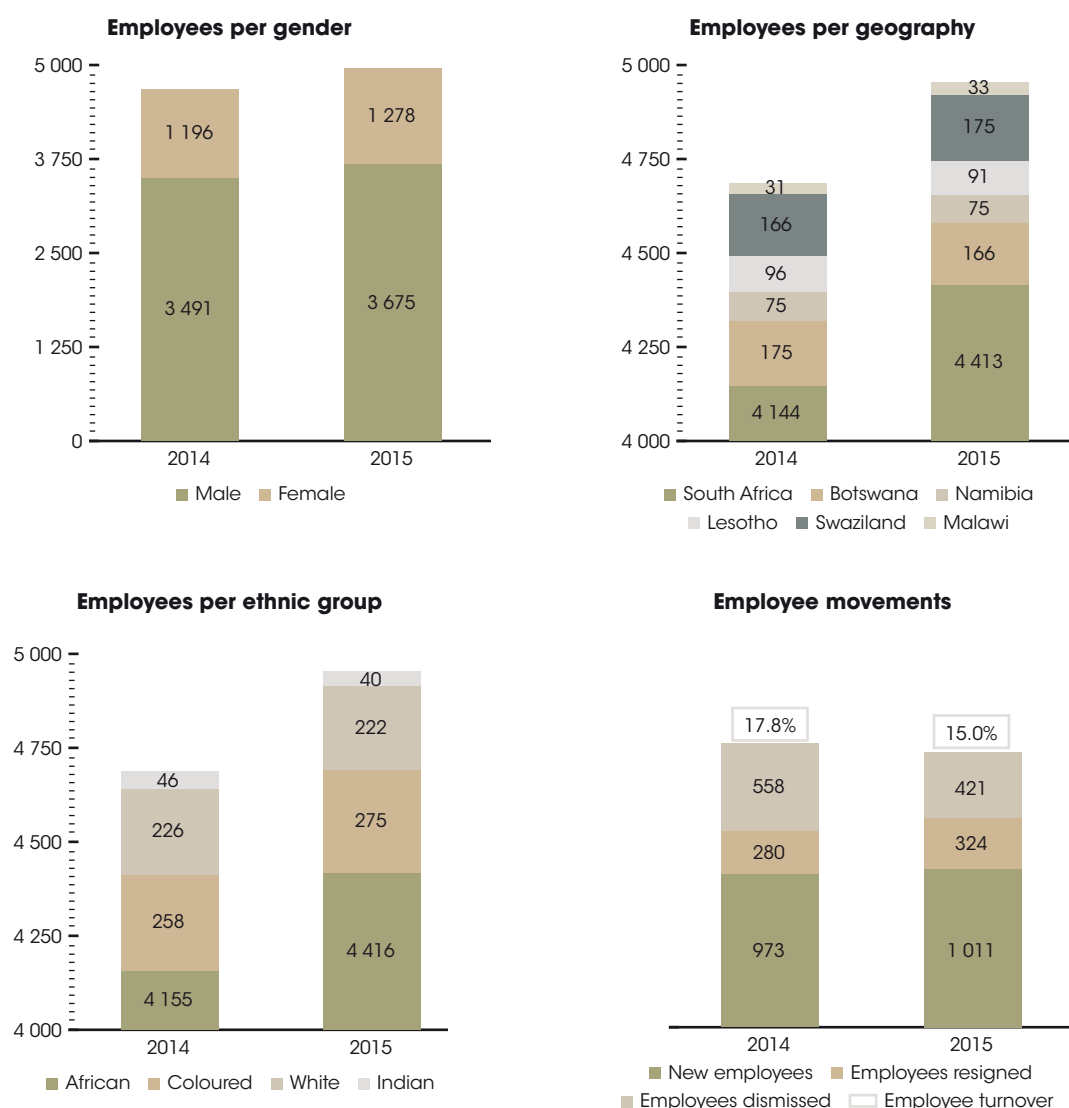
The Company's Employee Steering Committee continues to provide benefits across the entire business. The purpose of this committee is to facilitate harmonious working relationships within the Company by providing a formal communication structure between management and employees.

All employees are fully trained and qualified to carry out the functions for which they are employed, and Cashbuild encourages employees to make full use of every opportunity to enhance and diversify their skills, through formal and informal training, so as to improve their prospects for career advancement within the Company. In this regard, Cashbuild is extremely proud of the success that has been achieved by the growing wealth of enthusiastic, committed and capable talent that the Company has attracted and retained over many years, at all levels of the business. Cashbuild retains three full-time people development managers, who are responsible for supporting line managers in (and holding them accountable for) the ongoing training and development of all employees.

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

As part of its HR strategy, Cashbuild makes every effort to acknowledge and reward exceptional performance throughout the business. At store level, each store manager identifies and recognises an 'Employee of the Month'. At the annual Cashbuild Hall of Fame awards event, employees are rewarded for extended length of service (in excess of 20 and 30 years and in this year, for the first time in our history, 35 years of long service) and for exceptional performance by individuals and teams. Furthermore, at these awards, the Company recognises the top five store managers and top three divisional managers for the preceding financial year.

## Employment statistics





### Human capital challenges

In common with many South African companies, Cashbuild continues to be affected by the general skills shortage in the country's labour market, and the resulting challenges related to employee retention.

Cashbuild's policy of promotion from within, which is aimed at creating and maintaining an organisational culture based on employee loyalty and growth, has however to some degree inhibited the Company's ability to transform the structures of the Cashbuild Support Office. To address this issue, the Company's medium- to long-term HR strategy will direct significant levels of investment into the development of the current employee base to fill vacancies as these arise over time.

Cashbuild's influence over suppliers regarding their respective transformation programmes is limited; in order to address this, the Company will in future prioritise the implementation of measures such as preferential pricing for those suppliers exhibiting significant progress in this area.

In contrast to the ongoing challenges faced by Cashbuild in the area of internal transformation, from an external perspective, the Company continues to see significant progress in the emergence of small-scale female entrepreneurs in the construction sector. In this regard, Cashbuild is committed to supporting the initiatives implemented by the South African Government to empower women and sustainably promote ownership of small and medium enterprises in and related to the construction industry.

### Transformation and B-BBEE

Cashbuild remains fully committed to the principles and practices of empowerment and transformation throughout the organisation. The broad geographical footprint of our stores provides us with a richly diverse workforce. We focus on recruiting local talent into all our stores and employ all divisional managers from the regions in which we trade. As a result, significant success has already been achieved in developing locally recruited employees into a skilled and loyal work force, from which some individuals can mature into skilled senior managers, with a deep understanding of the Cashbuild culture and the skills required to contribute meaningfully to the Company's continued growth.

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

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

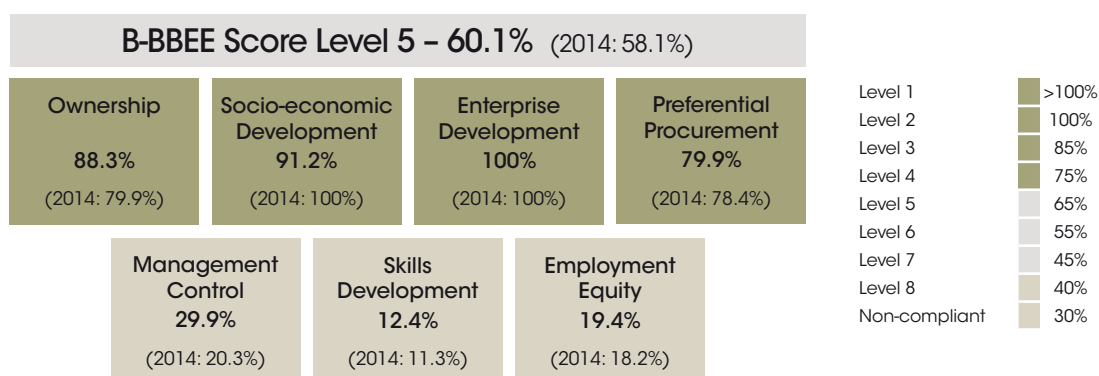
#### Expectations for 2016:

Due to the proposed amendments to the BEE scorecard and scoring system, scheduled to be implemented during Cashbuild's 2015/16 financial year it is expected that scores will be negatively impacted resulting in a reduction in the level of rating. Cashbuild remains committed to economic empowerment, and plans to significantly increase its transformation efforts in upcoming financial years.

### Industrial relations

Cashbuild respects the rights of its employees to freedom of association and consequently, no restrictions are placed on union membership. In spite of this, the level of union membership within the Company is less than 10%.

As a result, collective bargaining regarding remuneration, working conditions and other relevant issues takes place primarily through the Company's Employee Forum. For more information regarding the role, function and composition of this Forum, please refer to pages 32 and 33 under the Corporate Governance section of this report.





# SUSTAINABILITY REPORT (CONTINUED)

Cashbuild also continues to outsource much of its industrial relations support requirements to specialist third party organisations. The mandate of these specialists is to keep Cashbuild abreast of any changes to labour legislation that may impact the Company and advise on required changes which may require implementation to policy and in addition assist with litigation where required.

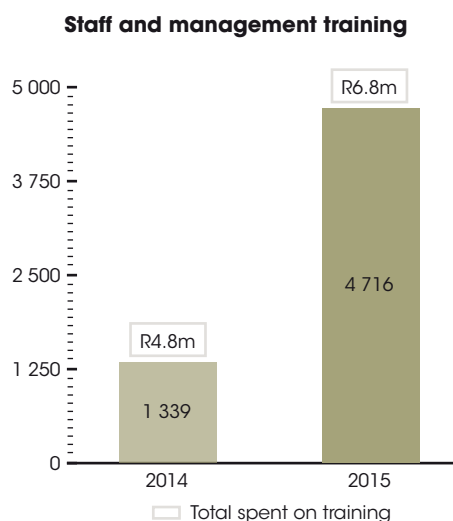
Cashbuild adheres to the ILO protocol on decent work and working conditions. The ILO describes decent work and working conditions as the sum of peoples' aspirations in their working lives. It involves opportunities for work that are productive and deliver a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men. Whilst there is no official policy within The Cashbuild Way that refers to the ILO and its focus on decent work and working conditions, it is evident that the protocols of the ILO are adequately adhered to.

In addition to subscribing to the UN Global Compact Principles, Cashbuild is a member of EDRA which is an international organisation representing home improvement retailers across the globe. Two of our Executive members attend their annual conference to remain abreast of international developments.

Communication with employees takes place through a number of channels, including the Employee Forum in a monthly meeting, CB mail and through the intranet, aimed at informing employees of developments taking place within the Company.

## Employee training and development

Cashbuild staff members underwent training courses, covering areas such as customer service, management, role-specific functional training and product knowledge enhancement. This training was for the most part internal and non-accredited e-learning. A total of 4 716 (2014: 1 339) staff members underwent this training during the year, at a cost of R6.8 million (2014: R4.8 million).



## Learnership programme

Cashbuild's learnership programme is implemented through the Wholesale and Retail Sector Education and Training Authority (W&R SETA) and is intended to support staff continuity and succession planning.

While the NQF Level 2 learnerships are intended to facilitate youth employment and nurture talent and skills amongst previously unemployed individuals who can then be brought into the Company, the NQF Level 5 management learnerships allow for selected staff who exhibit significant potential to be equipped to move into managerial positions at Cashbuild stores or the Support Office.

To date, in excess of 281 learnerships have been successfully completed by previously unemployed persons. As at the end of the 2015 financial year, over 150 of these learners are still in the employ of Cashbuild. During the year, 44 (2014: 25) NQF Level 2 learnerships were granted and 21 (2014: 13) NQF 5 learnerships were granted to management.

Cashbuild is also adding the BCom Retail programme, through the Da Vinci Institute, as part of our learnership programme effective October 2015.



### Security, crime prevention and counseling

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

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

Where such instances do occur, Cashbuild remains committed to offering the victims of such crimes appropriate counseling on both an individual and a group basis, through an external service provider. The majority of instances in this regard relate to armed robberies at Cashbuild stores; during the reporting period, nine such instances were recorded.

A mechanism is also provided for employees to anonymously report incidents of theft, fraud, mismanagement or unauthorised expenditure. Cashbuild subscribes to an anonymous tip-off service line provided by Deloitte. All tip-offs logged are investigated to identify their root causes and address the issues at hand. The status of tip-offs logged is administered by Cashbuild's Group Risk Management department with regular updates provided to Executive Management and quarterly reporting done to the Audit and Risk Committee. During the past financial year, 71 such incidents were reported, with each of these being directly addressed by the Company and the appropriate disciplinary action being implemented.

This issue is also linked to the rates of employee turnover within Cashbuild. In the reporting period, a total of 421 employees were dismissed across Cashbuild's operations, with the majority of these dismissals related to incidents of theft or corruption.

With regard to the behaviour of Cashbuild's security staff, the Company is not aware of any human rights violations committed by security personnel in the execution of their responsibilities.

### Occupational health and safety

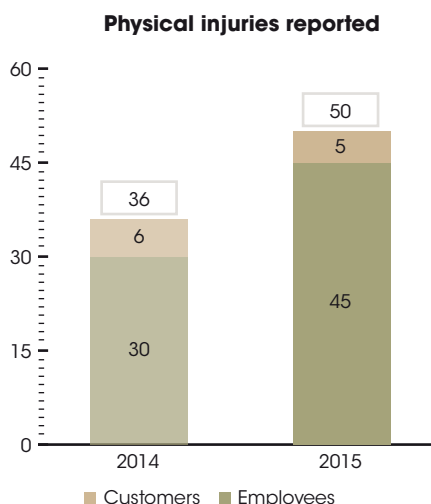
Cashbuild considers occupational health and safety to be a direct responsibility of all management representatives within the Company, including the office of the Chief Executive. The implementation of the Company's policies and practices in this area is enforced at all levels and across all operational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

A health and safety representative is appointed for each store and support office department, along with at least one appropriately trained and qualified first aid provider. The Company also strictly adheres to appropriate regulatory requirements and OHSA guidelines regarding the availability of medical and first aid supplies at Cashbuild stores and the Support Office.

The external service provider is responsible for undertaking independent audits of Company practice in this area, and for providing guidance and advice regarding areas where Cashbuild can not only meet, but exceed its legislated responsibilities.

Although the injuries have increased during the reporting period, it is in proportion to Cashbuild's workforce growth and in line with expectations. No incidents were identified in which the Company deviated from its legal or regulatory responsibilities in this area. The injuries in the graph did not result in any disruption or any significant downtime to our operations. Furthermore, there were no fatalities as a result of these reported injuries.

As part of its ongoing sustainability journey, Cashbuild is committed to continued improvement in this area, and to maintaining a safe working environment for its employees and customers.



# SUSTAINABILITY REPORT (CONTINUED)

## Indigenous rights

In line with the Company's commitment to community engagement, Cashbuild makes every effort to respect and collaborate with local leadership structures, both traditional and elected (where relevant).

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

## Procurement and Supply Chain Management

In terms of quality management, one of the principal objectives of the Company's procurement policies is to ensure the quality of the products sold in its stores.

Furthermore, in line with its own values, Cashbuild strives at all times to do business with companies that conduct their activities in a responsible and ethical manner. This imperative is also increasingly driven by the possibility of negative impacts or 'risk by association' arising from doing business with companies that do act unethically or irresponsibly.

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

## Opportunities for local artisans

The Company remains committed to its programme of supporting local artisans and entrepreneurs, including brickmakers, glass cutters and glazers. This programme offers entrepreneurs the opportunity to produce products such as bricks, blocks and lintels, which are purchased and resold by Cashbuild. It also offers glass cutters and glazers the opportunity to work rent-free on Cashbuild premises.



## Child labour, forced and compulsory labour

In line with its commitment to the UN Global Compact Principles, Cashbuild has a zero tolerance policy with regard to child labour and forced or compulsory labour amongst the contractors and delivery drivers that the Company supports.

## Product responsibility

As a retailer of building supplies, Cashbuild is not involved in the production or manufacturing processes of the products it sells. The Company is committed to source products that comply with applicable building industry standards, such as those developed by the SABS and other relevant certification agencies.

Furthermore, in line with Cashbuild's drive to be a responsible retailer, the Company only sources products that comply with legislative requirements related to product labelling, including warning labels. Since the Company does not produce or sell any house-brand items, labelling compliance remains the responsibility of the manufacturer. Cashbuild does however on an ongoing basis collaborate with suppliers to ensure compliance in this regard.



Cashbuild will refer to external tests conducted by credible agencies such as the SABS, and will only source and continue to sell products that comply with these standards.

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

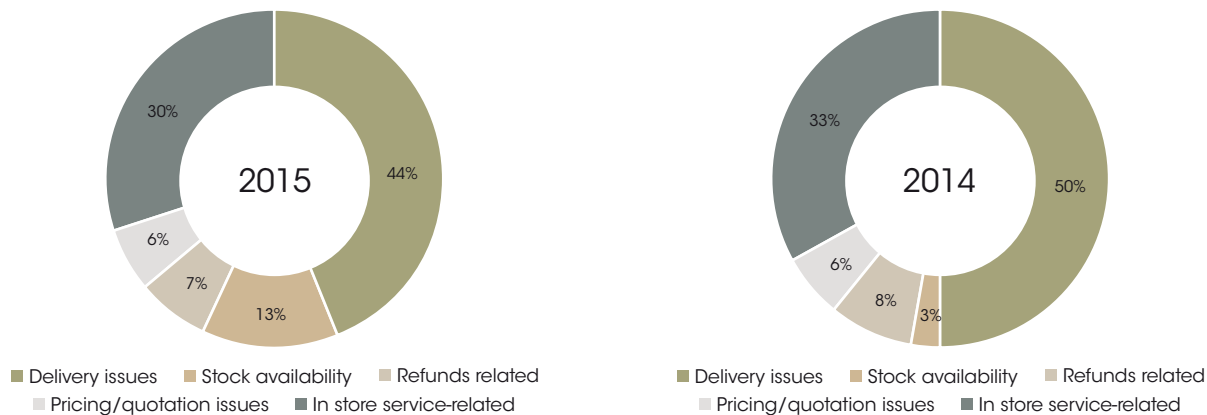
With regard to customer communication, the Company will, where appropriate, make use of in-store communication and signage, to both advise customers of inherent risks associated with certain products and to educate customers regarding their proper use.





# SUSTAINABILITY REPORT (CONTINUED)

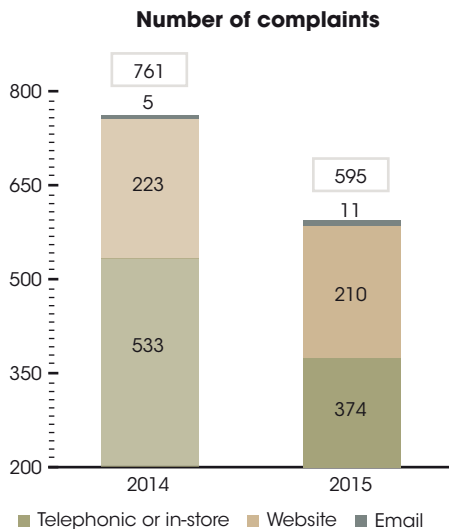
## Customer Satisfaction and Complaints



### How do our customers provide us with formal feedback?

In addition to formal complaints, we receive informal feedback in-store. The Divisional Manager's details are displayed in-store to allow customers to contact them directly with any service-related issues.

|                                                        | 2015          | 2014   |
|--------------------------------------------------------|---------------|--------|
| Total customer complaints                              | <b>595</b>    | 761    |
| Complaints as a percentage of total sales transactions | <b>0.004%</b> | 0.005% |





## Stakeholder Engagement

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

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

| Stakeholder                                                                         |                                                                                     | Forms of interaction                                                                                                                                                  |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | Employees, learners, contractors and sub-contractors                                | Informal social and employee forums<br>Employee surveys<br>Management roadshows<br>Health, safety and wellness forums                                                 |
|    | Customers and communities                                                           | Direct engagement at store openings<br>Marketing surveys<br>In-store kiosks, customer care and feedback mechanisms                                                    |
|  | Shareholders, investors, analysts and media                                         | Final and interim results presentations<br>One-on-one meetings with large shareholders<br>Media interviews<br>Annual General Meeting<br>Investor Relations consultant |
|  | Local and provincial governments and regulatory bodies (Labour, Health, SARS, etc.) | Partnering sessions for SARS – business coaching for development of sub-contractors<br>National builders forums<br>Audit and related meetings                         |
|  | Suppliers, service providers, specialists and industry partners                     | Strategic sourcing meetings<br>Meetings and correspondence<br>Industry conferences and functions                                                                      |
|  | JSE and other local and international regulatory/listings bodies                    | Business associations<br>Written communications and presentations                                                                                                     |
| General forms of interaction                                                        |                                                                                     |                                                                                                                                                                       |
| Internet                                                                            | SENS announcements                                                                  | Newspaper articles                                                                                                                                                    |
|                                                                                     |                                                                                     | Advertisements                                                                                                                                                        |
|                                                                                     |                                                                                     | Community participation                                                                                                                                               |
|                                                                                     |                                                                                     | Integrated Report                                                                                                                                                     |

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

# SUSTAINABILITY REPORT (CONTINUED)

## CSI Initiatives

Our Company views the communities in which our stores are located as part of the Cashbuild family, and remains committed to working together with communities to create tangible mutual benefits.

Cashbuild is involved on an ongoing basis, in a number of initiatives in the fields of corporate social investment, enterprise development and entrepreneur support. These initiatives are for the most part located within the communities in which the Company's stores operate, in order to provide benefits directly to these communities.

A major trigger point for many of these initiatives is the opening of new stores, relocation of existing, or the reopening of refurbished stores. During each such event, an established sequence of events takes place, aimed at providing the maximum benefit for both Cashbuild and the surrounding community.

### Store openings

Between 14 and 20 new local employment opportunities are created:

- A number of local delivery drivers are employed by Cashbuild, either formally or are provided with support in the development of their own enterprises;
- Local artisans (glass cutters, brick makers etc.) are trained and supported in the establishment of their own enterprises, either on the Cashbuild premises, or in close proximity to the store; and

For every new, relocated and refurbished store opened:

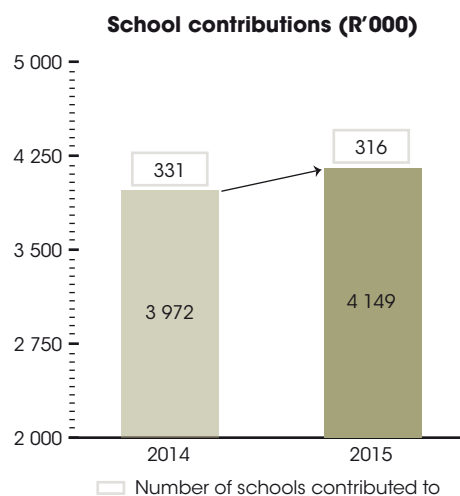
- R120 000 worth of building materials are donated to up to eight schools in the community;
- Through the Company's Art-at-Heart programme, prizes are awarded to local scholars, and their artwork is displayed in the store for a period of five years; and
- Local community leaders are actively engaged by the store management prior to and following the store opening.

### Delivery driver employment

Cashbuild's policy of free local customer delivery provides a value-added service to customers and directly supports local entrepreneurship and employment creation. As at the end of the financial year, over 318 (2014: 330) delivery drivers are contracted across the Company's stores, for this service.

### School contributions

Over the past 16 years Cashbuild has, in conjunction with store openings and/or re-openings, conducted a programme of donations of building materials to schools, orphanages and day care centres in each community in which such an opening or reopening takes place. In each such case, building materials with a total value of R96 000 (recently made R120 000) are donated to up to eight schools or other identified institutions within the surrounding community. Access to these building materials is strictly controlled by the Cashbuild store manager in question, in order to ensure that they are used for their intended purpose of school improvement.





Since the inception of this programme, building materials worth over R26 million have been donated to close to 2 000 schools and other educational and child care institutions. Cashbuild is extremely proud of our programme, and we look forward to continuing our contribution to the education of young people in our countries and communities in which we operate.

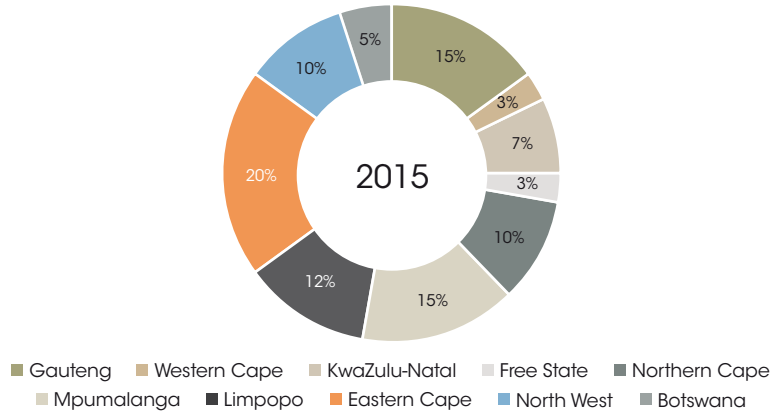
The following table reflects the amounts donated during the financial year at each store opening/reopening:

| Store                                                                                 | Opening date     | Province/<br>country | Amount donated<br>to local<br>schools |
|---------------------------------------------------------------------------------------|------------------|----------------------|---------------------------------------|
| Moratiwa Crossing (Relocation)                                                        | 24 July 2014     | North West           | R96 000                               |
| Elim (Refurbishment)                                                                  | 25 July 2014     | Limpopo              | R96 000                               |
| Colesberg                                                                             | 31 July 2014     | Northern Cape        | R96 000                               |
| Aliwal Noord                                                                          | 07 August 2014   | Eastern Cape         | R84 000                               |
| Lydenburg (Refurbishment)                                                             | 08 August 2014   | Mpumalanga           | R96 000                               |
| Hartswater (Refurbishment)                                                            | 14 August 2014   | Northern Cape        | R96 000                               |
| Daveyton                                                                              | 28 August 2014   | Gauteng              | R96 000                               |
| Lobatse (Refurbishment)                                                               | 02 October 2014  | Botswana             | R96 000                               |
| Welkom Cen (Refurbishment)                                                            | 02 October 2014  | Free State           | R96 000                               |
| Phangami Mall (Relocation)                                                            | 17 October 2014  | Limpopo              | R96 000                               |
| Phalaborwa (Relocation)                                                               | 23 October 2014  | Limpopo              | R96 000                               |
| Protea Glen (Refurbishment)                                                           | 28 October 2014  | Gauteng              | R96 000                               |
| Batho Plaza (Refurbishment)                                                           | 31 October 2014  | North West           | R96 000                               |
| Schoemansdal (Refurbishment)                                                          | 06 November 2014 | Mpumalanga           | R96 000                               |
| Thorntree (Refurbishment)                                                             | 14 November 2014 | North West           | R96 000                               |
| Meadowlands (Refurbishment)                                                           | 28 November 2014 | Gauteng              | R96 000                               |
| Mthatha East (Refurbishment)                                                          | 11 February 2015 | Eastern Cape         | R96 000                               |
| Lusikisiki (Relocation)                                                               | 12 February 2015 | Eastern Cape         | R84 000                               |
| Hammanskraal (Refurbishment)                                                          | 19 February 2015 | Gauteng              | R96 000                               |
| Amalinda (Refurbishment)                                                              | 25 February 2015 | Eastern Cape         | R96 000                               |
| Mdantsane (Refurbishment)                                                             | 26 February 2015 | Eastern Cape         | R96 000                               |
| Springbok                                                                             | 26 February 2015 | Northern Cape        | R96 000                               |
| Kimberley                                                                             | 05 March 2015    | Northern Cape        | R96 000                               |
| Krugersdorp                                                                           | 13 March 2015    | Gauteng              | R84 000                               |
| Ermelo (Refurbishment)                                                                | 20 March 2015    | Mpumalanga           | R96 000                               |
| Dawn Park                                                                             | 17 April 2015    | Gauteng              | R120 000                              |
| Tugela Ferry                                                                          | 23 April 2015    | KwaZulu-Natal        | R120 000                              |
| Emoyeni                                                                               | 30 April 2015    | Mpumalanga           | R120 000                              |
| King Williams Town (Refurbishment)                                                    | 14 May 2015      | Eastern Cape         | R120 000                              |
| Gugulethu (Refurbishment)                                                             | 21 May 2015      | Western Cape         | R120 000                              |
| Mthatha Central (Refurbishment)                                                       | 28 May 2015      | Eastern Cape         | R120 000                              |
| Newcastle (Refurbishment)                                                             | 29 May 2015      | KwaZulu-Natal        | R120 000                              |
| Mkhuhlu Central (Refurbishment)                                                       | 04 June 2015     | Mpumalanga           | R120 000                              |
| Naas (Refurbishment)                                                                  | 05 June 2015     | Mpumalanga           | R120 000                              |
| Burgersfort (Refurbishment)                                                           | 11 June 2015     | Limpopo              | R120 000                              |
| Francistown (Relocation)                                                              | 17 June 2015     | Botswana             | R120 000                              |
| Eshowe (Relocation)                                                                   | 18 June 2015     | KwaZulu-Natal        | R120 000                              |
| Lady Frere (Refurbishment)                                                            | 18 June 2015     | Eastern Cape         | R120 000                              |
| Lephalale (Refurbishment)                                                             | 24 June 2015     | North West           | R105 000                              |
| Musina (Refurbishment)                                                                | 25 June 2015     | Limpopo              | R120 000                              |
| <b>Total contributions for 2015 [(197 schools x R12 000)+(119 schools x R15 000)]</b> |                  |                      | <b>R4 149 000</b>                     |
| <b>Total contributions to date</b>                                                    |                  |                      | <b>R26 253 000</b>                    |



# SUSTAINABILITY REPORT (CONTINUED)

Donations per South African province and African country:



## Assurance

External assurance is received from the providers listed in the following table:

| Compliance category | External assurance provider      |
|---------------------|----------------------------------|
| SANS 4001-BT1       | SABS                             |
| Health and safety   | SHE Consultants                  |
| B-BBEE Scorecard    | Empowerdex (Accredited by SANAS) |

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



## PLANET – ENVIRONMENTAL SUSTAINABILITY

As a retailer that is not involved in activities such as product manufacturing or direct importation, the environmental impacts of Cashbuild's operations are considerably lower than those of companies involved in industries such as resource extraction, primary production or manufacturing. At the same time, however, as a responsible corporate citizen, Cashbuild recognises the need to minimise its environmental impacts through whatever means are available and financially viable, so as to maximise both the economic and non-economic value generated by the Company for key stakeholder groups.

In this regard, the key driver for the implementation of environmental impact reduction initiatives will mostly be for efficiency gains or cost savings that can be realised through such initiatives.

At present, the principal environmental issue confronting Cashbuild has been identified as energy consumption. As a result, the Company has implemented a target of 50% reduction in energy consumption across its operations, at both individual store and support office level. In order to achieve this target, Cashbuild has retained the services of a third party service provider with specific expertise in energy management and consumption reduction. The outcomes of the research undertaken by this service provider, as well as a number of pilot projects undertaken during the financial year, are discussed below.

### Energy and carbon management



In all its operations, Cashbuild is primarily dependent on electricity supplied by national or municipal electricity generation utilities. As a result, the Company has historically found itself constantly at the mercy of supply interruptions and price increases. In the case of South Africa, due to costs required to improve the national electricity infrastructure, there is a projected increase in electricity cost of approximately 24% over the next three years. To avoid disruption in operations, in each of Cashbuild stores is an auto start generator which is tested once a week.

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



### Electricity usage

At Cashbuild we have implemented a pilot project to reduce electricity consumption and lower the energy costs incurred by our stores and support office.

The aims of the project were to:

- benchmark utility costs;
- achieve savings from landlord/municipal billing validations; and
- lower utility costs and introduce carbon savings.

As a first step smart metering was installed at seven stores. The pilot project yielded very positive results with measured average energy and carbon emission reductions of 50%.

The next phase of the project will extend these savings to more of our sites. As reported in the prior year, these lighting retrofits are ongoing. Based on the measurements/experience at the pilot sites it is estimated that 3 260 tons in CO<sub>2</sub> emissions have been reduced annually at the 93 sites already converted. A further 29 sites have been identified and retrofits and energy savings are in progress.

Generally, lighting retrofits have an approximate payback period of between 12 to 18 months. The utility bills for the sites converted generally reduce by an approximate 50% as a result of the implementation.

In line with prior year, all new stores are fitted with energy efficient lighting from the outset. All stores refitted during the year were also upgraded with energy efficient lighting. Energy savings are implemented in all new stores at design phase. This ensures that savings will be achieved from day one at these stores.

### Carbon footprint

Cashbuild has yet to undertake a comprehensive carbon footprint analysis across the full extent of its operations. The requirement for such a step will however be considered by the Company's management on an annual basis, particularly in the context of the carbon tax legislation scheduled to be implemented in South Africa during the Company's upcoming financial year.

### Transportation

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

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

### Water conservation



As a retail operation, Cashbuild's water usage in its stores and head office operations is not considered to be a material issue or risk. All of the Company's facilities are located in areas with access to municipal water supply.

At the same time, however, Cashbuild is cognisant of the fact that the construction industry, on which its core business relies, is particularly water intensive, in both the upstream and downstream components of the Company's value chain. As a result, Cashbuild is committed to making use of every opportunity to work with suppliers and customers to minimise the water footprint of their activities. Unfortunately, however, given the nature of the Company's business, the opportunities for meaningful interventions, particularly with regard to customers, appear to be somewhat limited.

### Waste generation



Cashbuild has in the past not measured the volume of waste generated in its operations. As a matter of policy, however, the Company contracts with responsible waste collection agencies (whether public or private) to remove, recycle and dispose of waste that is generated, particularly at store level. For the most part, this waste consists of bulk packaging materials for the products sold in Cashbuild stores.

# SUSTAINABILITY REPORT (CONTINUED)

## Product responsibility



As mentioned, Cashbuild's business model, in which it operates exclusively as a retailer rather than a manufacturer or importer of quality building products at the lowest prices, provides the Company with limited opportunities to meaningfully influence the environmental impacts arising from either the manufacture or application of its products. As a responsible corporate citizen, however, Cashbuild remains committed to making full use of those opportunities that do present themselves in this regard.

In order to do this, Cashbuild attempts wherever possible to influence key stakeholders (particularly suppliers and customers) over which it can exert some influence, to affect positive changes particularly in the following areas:

- Energy efficiency;
- Greenhouse gas emissions reductions;
- Water conservation;
- Waste management;
- Product responsibility (in both manufacture and disposal); and
- Biodiversity conservation.

The long-term nature of the construction industry, in which the majority of Cashbuild's products are applied, also limits the Company's ability to influence the disposal or recycling of its products. In this regard however, as part of Cashbuild's own sustainability journey, the Company will in upcoming financial years investigate the feasibility of various initiatives in these areas.

## Assurance

External assurance is received from the provider listed in the following table:

| Compliance category | External assurance provider |
|---------------------|-----------------------------|
| Environmental       | GCX Africa                  |

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



# SHAREHOLDERS' ANALYSIS

| Public/non-public shareholders | No. of shareholders | %             | No. of shares     | %             |
|--------------------------------|---------------------|---------------|-------------------|---------------|
| <b>Non-public shareholders</b> | <b>5</b>            | <b>0.22</b>   | <b>2 562 930</b>  | <b>10.17</b>  |
| Directors holdings             | 2                   | 0.10          | 28 700            | 0.11          |
| Empowerment                    | 1                   | 0.04          | 1 964 999         | 7.80          |
| Share trust                    | 1                   | 0.04          | 548 712           | 2.18          |
| Ops trust                      | 1                   | 0.04          | 20 519            | 0.08          |
| <b>Public shareholders</b>     | <b>2 232</b>        | <b>99.78</b>  | <b>22 626 881</b> | <b>89.83</b>  |
| <b>Total</b>                   | <b>2 237</b>        | <b>100.00</b> | <b>25 189 811</b> | <b>100.00</b> |

For more details refer to note 42 of the Annual Financial Statements.

# SHAREHOLDERS' DIARY

|                                                            |                   |
|------------------------------------------------------------|-------------------|
| Final results published                                    | 1 September 2015  |
| Final dividend paid                                        | 28 September 2015 |
| 2015 Integrated Report posted to shareholders              | 2 November 2015   |
| Annual General Meeting                                     | 30 November 2015  |
| Interim results for the six months ending 31 December 2015 | March 2016        |
| Annual results for the year ending 30 June 2016            | September 2016    |







## ANNUAL FINANCIAL STATEMENTS





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# DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The Annual Financial Statements have been prepared in accordance with IFRS and in the manner required by the Companies Act.

The directors are also responsible for the Company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the Company has adequate resources in place to continue in operation for the foreseeable future.

The external auditor is responsible for independently reviewing and reporting on the Group's Annual Financial Statements. The Annual Financial Statements have been examined by the Group's external auditor. The audit report of PricewaterhouseCoopers Inc. is presented on page 73.

The Annual Financial Statements set out on pages 74 to 125, which have been prepared on the going-concern basis under the supervision of the Finance Director, Mr AE Prowse CA(SA), were approved by the Board on 31 August 2015 in Johannesburg and were signed on its behalf by:

**WF de Jager**  
*Chief Executive*

**D Masson**  
*Chairman*

31 August 2015

## COMPANY SECRETARY'S CERTIFICATION

We declare that, in respect of the year ended 30 June 2015, to the best of our knowledge, the Company has filed all such returns and notices as required by the Companies Act and that all such returns and notices appear to be true, correct and up to date.

**Corporate Governance Leaders CC**  
*Chartered Secretaries*  
*Company Secretary*

31 August 2015



# AUDIT AND RISK COMMITTEE REPORT

## 1. INTRODUCTION

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

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

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

I S Fourie (*Chairman*)  
 Dr D S S Lushaba  
 N V Simamane  
 H H Hickey

## 2. MEETINGS HELD BY THE AUDIT COMMITTEE

The committee held four meetings during the year under review. Attendance has been set out on page 28.

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

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

## 3. FUNCTIONS OF THE COMMITTEE

### Responsibilities and duties

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

The functions of the Audit and Risk Committee include:

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

### External auditor

#### Independence

During the year under review, the Audit and Risk Committee reviewed the independence of the auditor. PwC is the Group's external auditor with Mr I Buys as the independent individual registered auditor who will undertake the Group's audit for the ensuing year. Before recommending to the Board the re-election of PwC and being proposed to shareholders, the committee satisfied itself of PwC's independence.

This assessment was made after considering the following:

- Confirmation from the external auditor that their employees, or their immediate family, do not hold any direct or indirect financial interest or have any material business relationship with Cashbuild. The external auditors also confirmed that they have internal monitoring procedures to ensure their independence.

# AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

- The auditor does not, other than in their capacity as external auditors or rendering permitted non-audit services, receive any remuneration or other benefits from us.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor. In addition, an audit partner rotation process is in place in accordance with the relevant legal and regulatory requirements.
- The criteria specified for independence by the Independent Regulatory Board for Auditors.
- The audit firm and the designated auditor are accredited with the JSE.

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

## *External audit fees*

The committee:

- Approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2015 financial year;
- Reviewed and approved the non-audit services fees for the year under review and ensured that the fees were within limit and in line with the non-audit service policy; and
- Determined the nature and extent of allowable non audit services and approved the contract terms for the provision of non-audit services.

## *External audit performance*

The audit committee reviewed:

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

The committee confirms that the external auditor has functioned in accordance with its terms of reference for the 2015 financial year.

## **Financial statements**

### *Responsibility*

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

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

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

### *Expertise and experience of Financial Director*

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

### *Adequacy of finance function*

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

## **Internal controls**

### *The Cashbuild Way*

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

### *Internal Audit team*

Internal Audit within Cashbuild consists of a team of 23 members with two auditors dedicated to the auditing of support office-based processes, and 16 auditors dedicated to the auditing of key processes at stores. An Internal Audit Manager and two senior internal auditors take responsibility for quality assurance within the internal audit





function. An administrator assists the Group Risk Manager with monitoring and reporting on Issues Management (e.g. tipoffs, burglaries and robberies, OHASA incidents, etc.). Cashbuild's Group Risk Manager, heading up Internal Audit reports functionally to the Chief Executive with a reporting line to the Chairman of the Audit and Risk Committee. Internal audit results are reported to the Audit and Risk Committee with emphasis placed on areas of high risk requiring management attention as identified in terms of non-compliance with 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 principle 7.3 of the King III report, Internal Audit should provide a written assessment of the effectiveness of the Company's system of internal control and risk management. The principle further states that Internal Audit should provide an assessment regarding internal financial controls which should be reported specifically to the Audit and Risk Committee.

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

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

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

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

#### **Risk management**

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

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

#### **Integrated Report**

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

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

# AUDIT AND RISK COMMITTEE REPORT (CONTINUED)



## 4. ASSURANCE

### **Combined assurance**

The creation of a Combined Assurance Framework as recommended by King III has been completed and enacted in policy format. The purpose of this policy is integration and alignment of assurance processes in Cashbuild to minimise the risk of governance and control deficiencies, and optimise overall assurance to the Audit and Risk Committee as recommended by King III. Implementation of the policy, with the objective of optimising effective coordination across assurance providers (internal and external to Cashbuild), was completed during the 2015 financial year.

### **Financial statements**

The Directors' Report is set out in pages 71 and 72.

### **External audit:**

The Independent Auditor's Report is set out on page 73.

### **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 2014 to June 2015) supports the assertion that Cashbuild's system of internal controls and risk management is effective, and that any serious problem and or concern identified by the Group Risk Management Department during performance of its risk management, issues management and internal audit duties are reported on in quarterly Audit and Risk Committee Reports".

On behalf of the Audit and Risk Committee

**I S Fourie**

*Audit and Risk Committee Chairman*

31 August 2015



# DIRECTORS' REPORT

The directors have pleasure in presenting their report, which forms part of the audited Annual Financial Statements of the Group for the year ended 30 June 2015.

## 1. NATURE OF THE BUSINESS

### Main business and operations

Cashbuild is southern Africa's largest retailer of quality building materials and associated products, selling direct to a cash-paying customer-base through our constantly expanding chain of stores (222 at the end of this financial year). 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 lowest prices.

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

### Group results summary

Refer to page 3 of this report.

## 2. TRADING WEEKS

For the financial year under review and the comparative year, Cashbuild had 52 trading weeks.

## 3. FINANCIAL HIGHLIGHTS

Revenue for the year increased by 13% whilst gross profit increased by 15%. This together with operating expense growth being contained at 11% resulted in an operating profit increase of 30%. Basic earnings per share increased by 36% and headline earnings per share increased by 34%. Net asset value per share has shown a 10% increase, from 4 858 cents (June 2014) to 5 329 cents. Cash and cash equivalents increased to R939 million (June 2014: R704 million).

Revenue for stores in existence prior to July 2013 (pre-existing stores – 198 stores) increased by 8% whilst our 24 new stores contributed 5%. This increase for the year has been achieved in tough trading conditions with selling price inflation of 2%.

Gross profit percentage increased to 24.0% from the 23.7% of the prior year.

Operational expenses for the year remained well controlled with existing stores accounting for 5% of the increase and new stores 6%. The total increase for the year amounted to 11%.

The effective tax rate for the year of 28% is 1% lower than that of the previous year, due to an increase in exempt income from the sale of property in a neighbouring country and an increase in deductible expenditure as a result of the Group share incentive scheme.

Cashbuild's statement of financial position remains solid. Cash and cash equivalents increased by 33% to R939 million. Stock levels have increased by 15% in line with increased sales, with overall stockholding at 78 days (June 2014: 75 days) at year-end. Trade receivables remain well under control.

For the financial year, nine new stores were opened, 24 stores were refurbished, six stores were relocated and two stores trading in close proximity to other Cashbuild stores were closed. The DIY pilot continues with 11 Cashbuild DIY pilot stores (not included in the 222 total stores number). Cashbuild will continue its store expansion, relocation and refurbishment strategy in a controlled manner, applying the same rigorous process as in the past.

## 4. DIVIDENDS

Cashbuild's dividend policy is two times cover based on first and second half results. The dividend declared by the Board is consistent with this policy.

The board has declared a final dividend (No. 45), of 336 cents (June 2014: 253 cents) per ordinary share out of income reserves to all shareholders of Cashbuild Limited. The dividend per share is calculated based on 25 189 811 (June 2014: 25 189 811) shares in issue at date of dividend declaration. Net local dividend amount is 285.6 cents per share for shareholders liable to pay Dividends Tax and 336 cents per share for shareholders exempt from paying Dividends Tax. The total dividend for the year amounts to 712 cents (June 2014: 528 cents) a 35% increase on the prior year. Local dividend tax is 15%. Cashbuild Limited's tax reference number is 9575168712.

Relevant dates for the declaration are as follows: Date dividend declared: Monday, 31 August 2015; Last day to trade "CUM" the dividend: Thursday, 17 September 2015; Date to commence trading "EX" the dividend: Friday, 18 September 2015; Record date: Friday, 25 September 2015; Date of payment: Monday, 28 September 2015. Share certificates may not be dematerialised or rematerialised between Friday, 18 September 2015 and Friday, 25 September 2015, both dates inclusive.

## 5. EVENTS AFTER THE REPORTING PERIOD

On 6 August 2015 Cashbuild announced that it had entered into an agreement to acquire 100% of the shareholding in P&L Hardware Proprietary Limited from André Prinsloo Trust and FJP Beleggings Proprietary Limited for an amount of R350 million plus R80 million if certain profit targets are achieved during a three-year period. The effective date of the acquisition will be five business days following the date on which all conditions precedent have been met, which is anticipated to be by the end of November 2015. The purchase consideration will be

# DIRECTORS' REPORT (CONTINUED)

funded from Cashbuild's existing cash resources. Refer to SENS for the detailed announcement. Additional details of this acquisition have also been disclosed under note 39 of these Annual Financial Statements.

## 6. SUBSIDIARY COMPANIES

Refer to note 38 on pages 117 to 119 of this Integrated Report.

## 7. DIRECTORATE

The names of the directors and their curriculum vitae are set out on pages 18 and 19 of this report.

## 8. DIRECTORS' SHAREHOLDING

The directors held in aggregate, direct and indirect beneficial interests, and non-beneficial interests, of 0.11% (June 2014: 0.005%) in the issued share capital of the Company at the Statement of Financial Position date. The Company has not been notified of any material change in these interests from the end of the financial year ended 30 June 2015 to the date of this report. The beneficial interest both direct and indirect and non-beneficial interest of the directors in office at the date of this report as disclosed in note 41.

## 9. DIRECTORS' INTEREST IN CONTRACTS

No material contracts involving directors' interest were entered into during the current period. A register of other directorships and interests are disclosed and circulated at every board meeting.

## 10. DIRECTORS' ATTENDANCE OF MEETINGS

Refer to page 28 of the Corporate Governance Report.

## 11. DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in note 40 of these Annual Financial Statements.

## 12. THE CASHBUILD SHARE INCENTIVE TRUST

The trust makes shares available to executive directors and employees of the Group in accordance with the rules of the trust. The shares subject to the trust have been dealt with as follows:

|                                                              | June 2015        | June 2014 |
|--------------------------------------------------------------|------------------|-----------|
| Shares subject to the scheme at the beginning of year        | <b>408 500</b>   | 117 825   |
| Shares sold on open market                                   | <b>(558 500)</b> | (266 500) |
| Shares purchased during the year                             | <b>698 712</b>   | 557 175   |
| Shares subject to the scheme at the end of year              | <b>548 712</b>   | 408 500   |
| <b>Shares held in trust for future exercising of options</b> | <b>548 712</b>   | 408 500   |

Details of The Cashbuild Share Incentive Trust are set out in note 15 of these Annual Financial Statements.

## 13. CASHBUILD STORE OPERATIONS MANAGEMENT MEMBER TRUST

The Store Operations Management Member Trust (referred to as the "Ops Trust") was introduced during the 2012 financial year as a performance incentive to store managers, divisional managers and operations directors.

The incentive scheme considers all stores that generate an operating margin in excess of 10%. The profit share amount is determined with reference to a specified hurdle rate that takes into account the prior period operating margin of the qualifying store. The calculated profit share is split equally between a cash bonus and an amount utilised for the purchase of Cashbuild Limited shares. The cash bonus is recognised as an expense in the period in which the store qualifies. The attributable equity portion is treated as an equity-settled share-based payment expense and recognised equally over the four-year period which is linked to employment.

At the end of the period (third anniversary of the date of distribution) the employees are allowed to trade the shares.

## 14. OTHER SPECIAL RESOLUTIONS

On 1 December 2014 the directors signed a special resolution resolving that, in accordance with section 45 of the Companies Act, the Board be and is hereby authorised, by way of a general authority to, at any time and from time to time during the period of two years commencing on the date of this special resolution, provide any direct or indirect financial assistance (as contemplated in section 45(1) of the Companies Act) in any form or amount to any company which is related or inter-related to the Company (from time to time and for the time being), as defined in the Companies Act, on such terms and conditions as the board may determine.

On the above date a resolution was also signed to approve the remuneration of the non-executive directors, with effect from 1 July 2014 to 30 June 2015.



# INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated and separate financial statements of Cashbuild Limited set out on pages 74 to 125, which comprise the statements of financial position as at 30 June 2015, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

## *Directors' Responsibility for the Financial Statements*

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

## *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## *Opinion*

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Cashbuild Limited as at 30 June 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

## *Other reports required by the Companies Act*

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2015, we have read the Directors' Report, the Audit and Risk Committees Report and the Company Secretary's Certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

## **PricewaterhouseCoopers Inc.**

### **Director: I Buys**

*Registered Auditor*

Sunninghill  
31 August 2015



# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

| Figures in Rand thousand                                    | Note(s) | GROUP     |           | COMPANY |         |
|-------------------------------------------------------------|---------|-----------|-----------|---------|---------|
|                                                             |         | 2015      | 2014      | 2015    | 2014    |
| <b>Assets</b>                                               |         |           |           |         |         |
| <b>Non-current assets</b>                                   |         |           |           |         |         |
| Property, plant and equipment                               | 5       | 836 252   | 794 174   | -       | -       |
| Intangible assets                                           | 6       | 39 048    | 42 019    | -       | -       |
| Investments in subsidiaries                                 | 7       | -         | -         | 113 254 | 104 277 |
| Deferred tax                                                | 8       | 6 788     | 421       | -       | -       |
| Prepayments                                                 | 12      | 68 807    | 36 530    | -       | -       |
|                                                             |         | 950 895   | 873 144   | 113 254 | 104 277 |
| <b>Current assets</b>                                       |         |           |           |         |         |
| Assets held for sale                                        | 9       | 9 548     | 12 393    | -       | -       |
| Inventories                                                 | 11      | 1 073 129 | 933 035   | -       | -       |
| Trade and other receivables                                 | 12      | 95 939    | 93 261    | 6 936   | 6 638   |
| Cash and cash equivalents                                   | 13      | 938 917   | 704 322   | 4 289   | 3 582   |
|                                                             |         | 2 117 533 | 1 743 011 | 11 225  | 10 220  |
| <b>Total assets</b>                                         |         | 3 068 428 | 2 616 155 | 124 479 | 114 497 |
| <b>Equity and liabilities</b>                               |         |           |           |         |         |
| <b>Equity</b>                                               |         |           |           |         |         |
| Capital and reserves attributable to owners of the Company: |         |           |           |         |         |
| Ordinary share capital                                      | 14      | 227       | 229       | 252     | 252     |
| Share premium                                               |         | (126 559) | (19 871)  | 62 912  | 62 912  |
| Share-based payment reserve                                 | 15      | 45 091    | 35 815    | 45 091  | 35 815  |
| Foreign currency translation reserve                        | 16      | (4 289)   | (6 083)   | -       | -       |
| Retained income                                             |         | 1 427 856 | 1 213 633 | 12 475  | 12 477  |
|                                                             |         | 1 342 326 | 1 223 723 | 120 730 | 111 456 |
| Non-controlling interest                                    |         | 20 419    | 15 395    | -       | -       |
|                                                             |         | 1 362 745 | 1 239 118 | 120 730 | 111 456 |
| <b>Liabilities</b>                                          |         |           |           |         |         |
| <b>Non-current liabilities</b>                              |         |           |           |         |         |
| Deferred operating lease liability                          | 17      | 105 979   | 100 217   | -       | -       |
| <b>Current liabilities</b>                                  |         |           |           |         |         |
| Current income tax liabilities                              |         | 43 387    | 28 813    | -       | -       |
| Trade and other payables                                    | 19      | 1 551 433 | 1 243 406 | 3 749   | 3 041   |
| Employee benefits                                           | 20      | 4 884     | 4 601     | -       | -       |
|                                                             |         | 1 599 704 | 1 276 820 | 3 749   | 3 041   |
| <b>Total liabilities</b>                                    |         | 1 705 683 | 1 377 037 | 3 749   | 3 041   |
| <b>Total equity and liabilities</b>                         |         | 3 068 428 | 2 616 155 | 124 479 | 114 497 |

The notes on pages 78 to 125 are an integral part of these Consolidated Annual Financial Statements.



# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

| Figures in Rand thousand                                                                          | Note(s) | GROUP              |             | COMPANY        |         |
|---------------------------------------------------------------------------------------------------|---------|--------------------|-------------|----------------|---------|
|                                                                                                   |         | 2015               | 2014        | 2015           | 2014    |
| Revenue                                                                                           | 21      | <b>7 692 646</b>   | 6 781 274   | -              | -       |
| Cost of sales                                                                                     | 22      | <b>(5 844 200)</b> | (5 175 906) | -              | -       |
| <b>Gross profit</b>                                                                               |         | <b>1 848 446</b>   | 1 605 368   | -              | -       |
| Selling and marketing expenses                                                                    | 22      | <b>(1 161 479)</b> | (1 051 550) | -              | -       |
| Administrative expenses                                                                           | 22      | <b>(226 871)</b>   | (200 734)   | <b>(2)</b>     | (2)     |
| Other operating expenses                                                                          | 22      | <b>(3 352)</b>     | (3 713)     | -              | -       |
| Other income                                                                                      | 24      | <b>7 759</b>       | 8 195       | <b>158 444</b> | 117 385 |
| <b>Operating profit</b>                                                                           |         | <b>464 503</b>     | 357 566     | <b>158 442</b> | 117 383 |
| Finance costs                                                                                     | 25      | <b>(1 752)</b>     | (1 004)     | -              | -       |
| Finance income                                                                                    | 26      | <b>39 676</b>      | 23 927      | -              | -       |
| <b>Profit before income tax</b>                                                                   |         | <b>502 427</b>     | 380 489     | <b>158 442</b> | 117 383 |
| Income tax expense                                                                                | 27      | <b>(139 048)</b>   | (111 036)   | -              | 322     |
| <b>Profit for the year</b>                                                                        |         | <b>363 379</b>     | 269 453     | <b>158 442</b> | 117 705 |
| <b>Profit attributable to:</b>                                                                    |         |                    |             |                |         |
| Owners of the Company                                                                             |         | <b>358 916</b>     | 265 915     | <b>158 442</b> | 117 705 |
| Non-controlling interests                                                                         |         | <b>4 463</b>       | 3 538       | -              | -       |
|                                                                                                   |         | <b>363 379</b>     | 269 453     | <b>158 442</b> | 117 705 |
| <b>Earnings per share for profit attributable to the owners of the Company during the period:</b> |         |                    |             |                |         |
| Basic earnings per share (c)                                                                      | 28      | <b>1 556.8</b>     | 1 147.6     | <b>629.0</b>   | 467.3   |
| Diluted earnings per share (c)                                                                    | 28      | <b>1 536.7</b>     | 1 136.6     | <b>621.5</b>   | 463.2   |
| <b>Profit for the year</b>                                                                        |         | <b>363 379</b>     | 269 453     | <b>158 442</b> | 117 705 |
| <b>Other comprehensive income re-classifiable to profit or loss:</b>                              |         |                    |             |                |         |
| Total movement in foreign currency translation reserve (FCTR)                                     |         | <b>2 272</b>       | 3 711       | -              | -       |
| <b>Attributable to:</b>                                                                           |         |                    |             |                |         |
| - Owners of the Company                                                                           |         | <b>1 794</b>       | 4 253       | -              | -       |
| - Non-controlling interests                                                                       |         | <b>478</b>         | (542)       | -              | -       |
| <b>Total comprehensive income</b>                                                                 |         | <b>365 651</b>     | 273 164     | <b>158 442</b> | 117 705 |
| <b>Total comprehensive income attributable to:</b>                                                |         |                    |             |                |         |
| - Owners of the Company                                                                           |         | <b>360 710</b>     | 270 168     | <b>158 442</b> | 117 705 |
| - Non-controlling interest                                                                        |         | <b>4 941</b>       | 2 996       | -              | -       |
|                                                                                                   |         | <b>365 651</b>     | 273 164     | <b>158 442</b> | 117 705 |

The notes on pages 78 to 125 are an integral part of these Consolidated Annual Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

| Figures in Rand thousand                                                                                     | Share capital | Treasury share capital | Share premium | Treasury share premium | FCTR            | Share-based payment reserve | Retained income  | Non-controlling interest | Total equity     |
|--------------------------------------------------------------------------------------------------------------|---------------|------------------------|---------------|------------------------|-----------------|-----------------------------|------------------|--------------------------|------------------|
| <b>GROUP</b>                                                                                                 |               |                        |               |                        |                 |                             |                  |                          |                  |
| <b>Balance at 30 June 2013</b>                                                                               | <b>252</b>    | <b>(20)</b>            | <b>65 823</b> | <b>(30 111)</b>        | <b>(10 336)</b> | <b>21 887</b>               | <b>1 055 481</b> | <b>13 460</b>            | <b>1 116 436</b> |
| Total comprehensive income for the year                                                                      | -             | -                      | -             | -                      | 4 253           | -                           | 265 915          | 2 996                    | 273 164          |
| Shares purchased by The Cashbuild Share Incentive Trust                                                      | -             | (6)                    | -             | (77 343)               | -               | -                           | -                | -                        | (77 349)         |
| Shares sold by The Cashbuild Share Incentive Trust                                                           | -             | 3                      | -             | 21 760                 | -               | -                           | -                | -                        | 21 763           |
| Share-based payments                                                                                         | -             | -                      | -             | -                      | -               | 13 928                      | -                | -                        | 13 928           |
| Dividends paid                                                                                               | -             | -                      | -             | -                      | -               | -                           | (107 763)        | (1 061)                  | (108 824)        |
| <b>Balance at 30 June 2014</b>                                                                               | <b>252</b>    | <b>(23)</b>            | <b>65 823</b> | <b>(85 694)</b>        | <b>(6 083)</b>  | <b>35 815</b>               | <b>1 213 633</b> | <b>15 395</b>            | <b>1 239 118</b> |
| Total comprehensive income for the year                                                                      | -             | -                      | -             | -                      | 1 794           | -                           | 358 916          | 4 941                    | 365 651          |
| Shares purchased by The Cashbuild Share Incentive Trust and The Cashbuild Operations Management Member Trust | -             | (8)                    | -             | (161 229)              | -               | -                           | -                | -                        | (161 237)        |
| Shares sold by The Cashbuild Share Incentive Trust                                                           | -             | 6                      | -             | 54 541                 | -               | -                           | -                | -                        | 54 547           |
| Share-based payments                                                                                         | -             | -                      | -             | -                      | -               | 9 276                       | -                | -                        | 9 276            |
| Increase in shareholding of subsidiary                                                                       | -             | -                      | -             | -                      | -               | -                           | (1 063)          | 1 063                    | -                |
| Dividends paid                                                                                               | -             | -                      | -             | -                      | -               | -                           | (143 630)        | (980)                    | (144 610)        |
| <b>Balance at 30 June 2015</b>                                                                               | <b>252</b>    | <b>(25)</b>            | <b>65 823</b> | <b>(192 382)</b>       | <b>(4 289)</b>  | <b>45 091</b>               | <b>1 427 856</b> | <b>20 419</b>            | <b>1 362 745</b> |
| Note(s)                                                                                                      | 14            | 14                     |               |                        |                 |                             |                  |                          |                  |
| <b>COMPANY</b>                                                                                               |               |                        |               |                        |                 |                             |                  |                          |                  |
| <b>Balance at 30 June 2013</b>                                                                               | <b>252</b>    | <b>-</b>               | <b>62 912</b> | <b>-</b>               | <b>-</b>        | <b>21 887</b>               | <b>12 156</b>    | <b>-</b>                 | <b>97 207</b>    |
| Total comprehensive income for the year                                                                      | -             | -                      | -             | -                      | -               | -                           | 117 705          | -                        | 117 705          |
| Dividends paid                                                                                               | -             | -                      | -             | -                      | -               | -                           | (117 384)        | -                        | (117 384)        |
| Share-based payments                                                                                         | -             | -                      | -             | -                      | -               | 13 928                      | -                | -                        | 13 928           |
| <b>Balance at 30 June 2014</b>                                                                               | <b>252</b>    | <b>-</b>               | <b>62 912</b> | <b>-</b>               | <b>-</b>        | <b>35 815</b>               | <b>12 477</b>    | <b>-</b>                 | <b>111 456</b>   |
| Total comprehensive income for the year                                                                      | -             | -                      | -             | -                      | -               | -                           | 158 442          | -                        | 158 442          |
| Dividend paid                                                                                                | -             | -                      | -             | -                      | -               | -                           | (158 444)        | -                        | (158 444)        |
| Share-based payments                                                                                         | -             | -                      | -             | -                      | -               | 9 276                       | -                | -                        | 9 276            |
| <b>Balance at 30 June 2015</b>                                                                               | <b>252</b>    | <b>-</b>               | <b>62 912</b> | <b>-</b>               | <b>-</b>        | <b>45 091</b>               | <b>12 475</b>    | <b>-</b>                 | <b>120 730</b>   |
| Note(s)                                                                                                      | 14            | 14                     |               |                        | 16              | 15                          |                  |                          |                  |

The notes on pages 78 to 125 are an integral part of these Consolidated Annual Financial Statements.



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

|                                                                                                              |         | GROUP            |                  | COMPANY          |                  |
|--------------------------------------------------------------------------------------------------------------|---------|------------------|------------------|------------------|------------------|
| Figures in Rand thousand                                                                                     | Note(s) | 2015             | 2014             | 2015             | 2014             |
| <b>Cash flows from operating activities</b>                                                                  |         |                  |                  |                  |                  |
| Cash generated from operations                                                                               | 29      | 725 567          | 929 670          | 168 128          | 105 604          |
| Interest paid                                                                                                |         | (1 752)          | (1 004)          | -                | -                |
| Tax paid                                                                                                     | 30      | (130 841)        | (70 127)         | -                | -                |
| <b>Net cash generated from operating activities</b>                                                          |         | <b>592 974</b>   | <b>858 539</b>   | <b>168 128</b>   | <b>105 604</b>   |
| <b>Cash flows from investing activities</b>                                                                  |         |                  |                  |                  |                  |
| Purchase of property, plant and equipment                                                                    | 5       | (156 879)        | (264 497)        | -                | -                |
| Proceeds on disposal of property, plant and equipment                                                        | 32      | 3 871            | 1 835            | -                | -                |
| Proceeds on disposal of assets held for sale                                                                 | 33      | 15 816           | 5 635            | -                | -                |
| Purchase of intangibles                                                                                      | 6       | (11 723)         | (5 058)          | -                | -                |
| Sale of other intangible assets                                                                              | 6       | -                | 117              | -                | -                |
| Decrease in financial assets                                                                                 |         | -                | 125 628          | -                | -                |
| (Increase)/decrease in subsidiary loan account                                                               |         | -                | -                | (8 977)          | 12 228           |
| Interest income                                                                                              |         | 39 676           | 23 927           | -                | -                |
| <b>Net cash (used in)/generated from investing activities</b>                                                |         | <b>(109 239)</b> | <b>(112 413)</b> | <b>(8 977)</b>   | <b>12 228</b>    |
| <b>Cash flows from financing activities</b>                                                                  |         |                  |                  |                  |                  |
| Shares purchased by The Cashbuild Share Incentive Trust and The Cashbuild Operations Management Member Trust | 14      | (161 237)        | (77 349)         | -                | -                |
| Shares sold by The Cashbuild Share Incentive Trust                                                           |         | 54 547           | 21 763           | -                | -                |
| Decrease in other borrowings                                                                                 |         | -                | (250)            | -                | -                |
| Dividends paid                                                                                               | 31      | (143 630)        | (107 763)        | (158 444)        | (117 384)        |
| Dividends paid to non-controlling interests                                                                  |         | (980)            | (1 061)          | -                | -                |
| Acquisition of/increase in shareholding in subsidiary                                                        | 7       | -                | (2 238)          | -                | -                |
| <b>Net cash used in financing activities</b>                                                                 |         | <b>(251 300)</b> | <b>(166 898)</b> | <b>(158 444)</b> | <b>(117 384)</b> |
| <b>Net increase in cash and cash equivalents</b>                                                             |         | <b>232 435</b>   | <b>579 228</b>   | <b>707</b>       | <b>448</b>       |
| Cash at the beginning of the year                                                                            |         | 704 322          | 123 818          | 3 582            | 3 134            |
| Effect of exchange rate movements on cash balances                                                           |         | 2 160            | 1 276            | -                | -                |
| <b>Total cash at end of the year</b>                                                                         | 13      | <b>938 917</b>   | <b>704 322</b>   | <b>4 289</b>     | <b>3 582</b>     |

The notes on pages 78 to 125 are an integral part of these Consolidated Annual Financial Statements.

# ACCOUNTING POLICIES

## 1. PREPARATION AND BASIS OF CONSOLIDATION

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act. The consolidated Annual Financial Statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

Entities are consolidated when control exists, being when an entity is exposed to, or has rights to variable returns from its involvement with the entity, and has the ability to effect those returns through power over the investee.

### **Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquired either at fair value or at the non-controlling interest's proportionate share of the acquired's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired and the acquisition-date fair value of any previous equity interest in the acquired over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains and impairments on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

### **Changes in ownership in subsidiary without change of control**

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### **Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### **Cashbuild Share Incentive Trust**

The Cashbuild Share Incentive Trust has been consolidated in the Group Annual Financial Statements for all periods presented in the financial statements.

### **Cashbuild Empowerment Trust**

The Cashbuild Empowerment Trust has been consolidated in the Group Annual Financial Statements for all periods presented in the financial statements. Dividends paid to The Cashbuild Empowerment Trust are accounted for as a staff expense in the income statement.

### **Cashbuild Operations Management Member Trust**

The Cashbuild Operations Management Member Trust has been consolidated in the Group Annual Financial Statements for all periods presented in the financial statements.





## 1. PREPARATION AND BASIS OF CONSOLIDATION (continued)

### 1.1 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. This is in accordance with IFRS 8.

For segment reporting and how segments were determined refer to note 37.

### 1.2 Foreign currency translation

#### Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Rands, which is the Group's functional currency and the presentation currency of the parent.

#### Transactions and balances

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

#### Group companies

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 are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions);
- assets and liabilities for each financial position presented are translated at the closing rates at the date of that financial position; and
- all resulting exchange differences are recognised through other comprehensive income.

On consolidation exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. If a foreign entity were to be sold, such exchange differences would be recognised in the income statement as part of the gain or loss on sale.

If goodwill and fair value adjustments were to arise on the acquisition of foreign entities they would be treated as assets and liabilities of the foreign entity and translated at closing rates. Exchange differences arising are recognised in other comprehensive income.

### 1.3 Property, plant and equipment

The cost of 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 Company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item                    | Average useful life |
|-------------------------|---------------------|
| Buildings               | 25 – 50 years       |
| Leasehold improvements  | 10 years            |
| Furniture and equipment | 3 – 15 years        |
| Vehicles                | 5 years             |

# ACCOUNTING POLICIES (CONTINUED)

## 1. PREPARATION AND BASIS OF CONSOLIDATION (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the Group holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.4 Non-current assets held for sale

Non-current assets and disposal groups are 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 (or disposal group) 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 its carrying amount and fair value less costs to sell.

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

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

### 1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.



## 1. PREPARATION AND BASIS OF CONSOLIDATION (continued)

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

| Item              | Useful life |
|-------------------|-------------|
| Trademarks        | 10 years    |
| Computer software | 5 years     |

### 1.6 Financial assets

#### **Classification**

##### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

#### **Initial recognition and measurement**

##### **Financial assets at fair value through profit or loss**

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other operating expenses' in the period in which they arise.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

##### **Loans to shareholders, directors, managers and employees**

These financial assets are classified as loans and receivables.

##### **Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

##### **Trade and other payables**

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

##### **Cash and cash equivalents**

In the consolidated cash flow statement and statement of financial position, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

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

##### **Borrowings**

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 income statement over the period of the borrowings using the effective interest rate method.

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.

# ACCOUNTING POLICIES (CONTINUED)

## 1. PREPARATION AND BASIS OF CONSOLIDATION (continued)

### 1.7 Loans to owners of leased premises

These constitute prepayments made to acquire leasehold premises, measured at cost and amortised over the life of the lease. The non-current portion of the prepayment is classified as a non-current assets whilst the current portion realisable within 12 months is included in trade and other receivables.

### 1.8 Investment property

Prepayments made to acquire leased premises are included in trade and other receivables at cost and are amortised over the life of the lease.

### 1.9 Tax

#### **Current tax assets and liabilities**

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

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or 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 asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

### 1.10 Leases

#### **Sale and leaseback transactions**

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognised as income by a seller-lessee. Instead, it shall be deferred and amortised over the lease term. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used. For operating leases, if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value shall be recognised immediately.

#### **The Group is the lessee**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Such assets are depreciated over the shorter of the useful life of the asset or the lease term. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other non-current liabilities. Lease finance charges are allocated to the income statement over the duration of the leases using the effective interest rate method.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as an expense in the period in which termination takes place.



## 1. PREPARATION AND BASIS OF CONSOLIDATION (continued)

### 1.11 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 their present location and condition.

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

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

### 1.12 Impairment of non-financial assets

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

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

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### 1.13 Share capital and equity

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

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

The shares held by The Cashbuild Empowerment Trust, The Cashbuild Share Incentive Trust and The Cashbuild Management Member Trust are classified as treasury shares.



# ACCOUNTING POLICIES (CONTINUED)

## 1. PREPARATION AND BASIS OF CONSOLIDATION (continued)

### 1.14 Employee benefits

#### **Pension fund obligations**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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

#### **Other employment benefits obligations:**

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

#### *Bonus scheme*

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

#### *Share-based plans*

The Group operates a number of equity-settled, share-based compensation plans. Shares are offered under a share purchase and a share option scheme to executive directors and selected management. The scheme has a vesting period of three years. The impact is recognised directly in the income statement, with a corresponding adjustment to equity. The effect of all options issued under the share option scheme is taken into account when calculating the diluted basic and headline earnings per share.

#### *Share-based payments*

The Group grants directors and key-management the option of acquiring shares in Cashbuild Limited. The fair value determined at the Grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value is based on a Black-Scholes option pricing model.

At each financial position date, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. A vested share option is exercised when the Group delivers the share to the director or employee on receipt of payment of the grant (strike) price. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

When shares are acquired for the purpose of share-based payments, these are disclosed as treasury shares with the cost of the shares purchased being eliminated against share premium on Group consolidation.

#### *Empowerment trust dividends*

Amounts paid to beneficiaries of the trust, being employees of the Company, are treated as staff cost in the income statement. The amounts paid out by the members is equal to dividends received by the trust less specific cost incurred by the trust.

#### *Management incentive scheme*

Referred to as the "operational managers' scheme" which entitles qualifying 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.



## 1. PREPARATION AND BASIS OF CONSOLIDATION (continued)

### 1.15 Provisions and contingencies

Provisions are recognised when:

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken;
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

### 1.16 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the Group's right to receive payment has been established.

# ACCOUNTING POLICIES (CONTINUED)

## 1. PREPARATION AND BASIS OF CONSOLIDATION (continued)

### 1.17 Cost of sales

Cost of sales includes the historical cost of merchandise and overheads appropriate to the distribution thereof.

### 1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.19 Reporting period

The Group adopts the retail accounting calendar, which comprises the reporting period ending on the last Sunday of the month (28 June 2015 – 52 weeks; 29 June 2014 – 52 weeks).

### 1.20 Dividend distribution

Dividends are recorded and recognised as a liability in the Group's financial statements in the period in which they are declared and approved by Company's shareholders.

### 1.21 Investments in subsidiaries

The Company's investment in ordinary shares of its subsidiaries is carried at cost.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### **Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities**

Clarification of certain aspects concerning the requirements for offsetting financial assets and financial liabilities.

The effective date of the amendment is for years beginning on or after 1 January 2014.

The Group has adopted the amendment for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material.

#### **Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets**

The amendment to IAS 36 Impairment of Assets now require:

- disclosures to be made of all assets which have been impaired, as opposed to only material impairments;
- the disclosure of each impaired asset's recoverable amount; and
- certain disclosures for impaired assets whose recoverable amount is fair value less costs to sell in line with the requirements of IFRS 13 Fair Value Measurement.

The effective date of the amendment is for years beginning on or after 1 January 2014.

The Group has adopted the amendment for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material.

#### **IFRIC 21 Levies**

The interpretation provides guidance on accounting for levies payable to government. It specifies that the obligating event giving rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. A constructive obligation for levies that will be triggered by operating in future is not raised by virtue of the entity being economically compelled to operate in future or for being a going concern. Furthermore, if the obligating event occurs over a period of time, then the liability is recognised progressively. An asset is recognised if an entity has prepaid a levy before the obligating event. This accounting also applies to interim reporting.

The effective date of the interpretation is for years beginning on or after 1 January 2014.

The Group has adopted the interpretation for the first time in the 2015 Annual Financial Statements.

The impact of the interpretation is not material.

#### **Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting**

The amendment provides guidance on whether an entity is required to discontinue hedging when the derivatives which are designated hedging instruments are novated to a central counterparty.

The effective date of the amendment is for years beginning on or after 1 January 2014.

The Group has adopted the amendment for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material.

#### **Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities**

The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments in its consolidated and separate Annual Financial Statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27.

The effective date of the amendments is for years beginning on or after 1 January 2014.

The Group has adopted the amendments for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 2. NEW STANDARDS AND INTERPRETATIONS (continued)

### 2.1 Standards and interpretations effective and adopted in the current year (continued)

#### **Amendments to IAS 19: Defined Benefit Plans: Employee Contributions.**

The amendment relates to contributions received from employees or third parties for defined benefit plans. These contributions could either be discretionary or set out in the formal terms of the plan. If they are discretionary then they reduce the service cost. Those which are set out in the formal terms of the plan are either linked to service or not. When they are not linked to service then the contributions affect the re-measurement. When they are linked to service and to the number of years of service, they reduce the service cost by being attributed to the periods of service. If they are linked to service but not to the number of years' service then they either reduce the service cost by being attributed to the periods of service or they reduce the service cost in the period in which the related service is rendered.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group has adopted the amendment for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material.

#### **Amendment to IFRS 2: Share-based Payment: Annual improvements project**

Amended the definitions of "vesting conditions" and "market conditions" and added definitions for "performance condition" and "service condition."

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group has adopted the amendment for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material.

#### **Amendment to IFRS 3: Business Combinations: Annual improvements project**

The amendment clarifies that contingent consideration in a business combination which meets the definition of a financial instrument shall be classified as a financial liability or equity. It further stipulates that contingent consideration which is required to be measured at fair value shall be done so by recognising changes in fair value through profit or loss. Reference to measuring contingent consideration to fair value through other comprehensive income has been deleted.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group has adopted the amendment for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material.

#### **Amendment to IFRS 8: Operating Segments: Annual improvements project**

Management are now required to disclose the judgements made in applying the aggregation criteria. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group has adopted the amendment for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material.

#### **Amendment to IAS 16: Property, Plant and Equipment: Annual improvements project**

The amendment adjusts the option to proportionately restate accumulated depreciation when an item of property, plant and equipment is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated depreciation is then adjusted as the difference between the gross and net carrying amount.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group has adopted the amendment for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material.





## 2. NEW STANDARDS AND INTERPRETATIONS (continued)

### 2.1 Standards and interpretations effective and adopted in the current year (continued)

#### **Amendment to IAS 24: Related Party Disclosures: Annual improvements project**

The definition of a related party has been amended to include an entity, or any member of a group of which it is a part, which provides key management personnel services to the reporting entity or to the parent of the reporting entity ("management entity"). Disclosure is required of payments made to the management entity for these services but not of payments made by the management entity to its directors or employees.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group has adopted the amendment for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material.

#### **Amendment to IAS 38: Intangible Assets: Annual improvements project**

The amendment adjusts the option to proportionately restate accumulated amortisation when an intangible asset is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated amortisation is then adjusted as the difference between the gross and net carrying amount.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group has adopted the amendment for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material.

#### **Amendment to IFRS 3: Business Combinations: Annual improvements project**

The amendment to the scope exclusions removes reference to the formation of joint ventures. It now excludes from the scope, the formation of a joint arrangement in the financial statements of the joint arrangement itself.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group has adopted the amendment for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material.

#### **Amendment to IFRS 13: Fair Value Measurement: Annual improvements project**

The amendment clarifies that references to financial assets and financial liabilities in paragraphs 48–51 and 53–56 should be read as applying to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group has adopted the amendment for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material.

#### **Amendment to IAS 40: Investment Property: Annual improvements project**

The amendment requires an entity to determine whether the acquisition of investment property is the acquisition of an asset or a business combination, in which case the provisions of IFRS 3 Business Combinations applies.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group has adopted the amendment for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 2. NEW STANDARDS AND INTERPRETATIONS (continued)

### 2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2015 or later periods:

#### IFRS 9 Financial Instruments

This new standard is the result of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and de-recognition of financial assets and liabilities as well as new hedging requirements. The following are main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the Group changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.
- The new hedging provisions align hedge accounting more closely with the actual risk management approach.
- Certain non-derivative financial instruments are now allowed as hedging instruments.
- Additional exposures are allowed as hedged items. These exposures include risk components of non-financial items, net positions and layer components of items, aggregated exposures combining derivative and non-derivative exposures and equity instruments at fair value through other comprehensive income.
- The hedge effectiveness criteria have been amended, including the removal of the 80% – 125% "bright line test" to qualify for hedge accounting.
- The concept of rebalancing has been introduced when the hedging relationship is ineffective because the hedge ratio is no longer appropriate. When rebalancing is required, and provided the risk management objective remains the same, the hedge ratio is adjusted rather than discontinuing the hedging relationship.
- Additional disclosure requirements have been introduced for hedging.

The effective date has not yet been established as the project is currently incomplete. The IASB has communicated that the effective date will not be before years beginning on or after 1 January 2018. IFRS 9 may be early adopted. If IFRS 9 is early adopted, the new hedging requirements may be excluded until the effective date.

The Group expects to adopt the standard for the first time in the first annual financial period after the effective date.

It is unlikely that the standard will have a material impact on the Group's Annual Financial Statements.



## 2. NEW STANDARDS AND INTERPRETATIONS (continued)

### 2.2 Standards and interpretations not yet effective (continued)

#### **IFRS 14 Regulatory Deferral Accounts**

The new standard is an interim standard applicable to entities subject to rate regulation. The standard is only applicable to entities adopting IFRS for the first time. It permits entities to recognise regulatory deferral account balances in the statement of financial position. When the account has a debit balance, it is recognised after total assets. Similarly, when it has a credit balance, it is recognised after total liabilities. Movements in these accounts, either in profit or loss or other comprehensive income are allowed only as single line items.

The effective date of the standard is for years beginning on or after 1 January 2016.

The Group expects to adopt the standard for the first time in the 2017 Annual Financial Statements.

It is unlikely that the standard will have a material impact on the Group's Annual Financial Statements.

#### **Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations**

The amendments apply to the acquisitions of interest in joint operations. When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, it shall apply, to the extent of its share, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in this IFRS and disclose the information that is required in those IFRSs in relation to business combinations. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business.

The effective date of the amendments is for years beginning on or after 1 January 2016.

The Group expects to adopt the amendments for the first time in the 2017 Annual Financial Statements.

It is unlikely that the amendments will have a material impact on the Group's Annual Financial Statements.

#### **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendment clarifies that a depreciation or amortisation method that is based on revenue that is generated by an activity that includes the use of the asset is not an appropriate method. This requirement can be rebutted for intangible assets in very specific circumstances as set out in the amendments to IAS 38.

The effective date of the amendment is for years beginning on or after 1 January 2016.

The Group expects to adopt the amendment for the first time in the 2017 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group's Annual Financial Statements.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January 2017.

The Group expects to adopt the standard for the first time in the 2018 Annual Financial Statements.

The impact of this standard is currently being assessed.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 3. FINANCIAL RISK MANAGEMENT

|                                                        | GROUP            |           | COMPANY       |        |
|--------------------------------------------------------|------------------|-----------|---------------|--------|
| Figures in Rand thousands                              | 2015             | 2014      | 2015          | 2014   |
| Financial instruments by category:                     |                  |           |               |        |
| Loans and receivables                                  | <b>1 024 947</b> | 788 808   | <b>79 388</b> | 78 682 |
| Financial liabilities carried at amortised cost        | <b>1 482 980</b> | 1 220 444 | <b>3 749</b>  | 3 041  |
| <b>Loans and receivables:</b>                          |                  |           |               |        |
| Trade and other receivables (excluding prepayments)    | <b>86 030</b>    | 84 486    | <b>6 936</b>  | 6 638  |
| Cash and cash equivalents                              | <b>938 917</b>   | 704 322   | <b>4 289</b>  | 3 582  |
| Loans receivable                                       | <b>-</b>         | -         | <b>68 163</b> | 68 462 |
|                                                        | <b>1 024 947</b> | 788 808   | <b>79 388</b> | 78 682 |
| <b>Financial liabilities carried at amortised cost</b> |                  |           |               |        |
| Trade liabilities and accruals*                        | <b>1 482 980</b> | 1 191 631 | <b>3 749</b>  | 3 041  |

\* Included in trade liabilities and accruals (note 19) are items to the value of (Group) R68 452 604; (Company) R Nil (June 2014: (Group): R51 775 258; (Company): R Nil) which do not meet the definition of a financial trade liability. These mostly comprise of employee related provisions and accruals.

### Overview

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Credit risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes managing the risk and the methods used to measure the risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Potential concentrations of credit risk consist mainly of cash and cash equivalents and trade and other receivables.

Funds are only invested with Southern African financial institutions with a minimum Fitch short term credit rating of F2. Due to the Group's international operational requirements it is forced to transact with financial institutions in certain countries where independent internationally accredited credit ratings are not available. In these instances the Group's exposure to credit risk at each of these financial institutions are evaluated by management on a case by case basis. 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.



### 3. FINANCIAL RISK MANAGEMENT (continued)

Sales to retail customers are settled in cash or using debit and credit cards. Except for the total exposure represented by the respective statement of financial position items, the Group has no other significant concentration of credit risk. Accounts receivable comprise a wide spread 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.

The table below shows the cash invested at the statement of financial position date at financial institutions grouped per the Fitch short-term credit rating of the financial institutions.

|                                               | GROUP          |         | COMPANY      |       |
|-----------------------------------------------|----------------|---------|--------------|-------|
|                                               | 2015           | 2014    | 2015         | 2014  |
| Figures in Rand thousands                     |                |         |              |       |
| Rating                                        |                |         |              |       |
| Cash held at financial institutes (rating F2) | <b>937 605</b> | 703 125 | <b>4 289</b> | 3 582 |
| Cash on hand and in transit                   | <b>1 312</b>   | 1 197   | -            | -     |
|                                               | <b>938 917</b> | 704 322 | <b>4 289</b> | 3 582 |

#### Trade and other receivables

Credit is only given to a small number of customers of which the majority is covered by credit insurance. At year end only 3% (June 2014: 4%) of our trade debtors over 90 days were not covered by credit insurance. Therefore from a credit risk perspective, trade debtors are considered an insignificant portion of the business. Accordingly the Group has no significant concentrations of credit risk.

A credit policy has been established where each new customer is analysed individually for creditworthiness before the companies standard payment and delivery terms are offered. The Group review includes external ratings, bank references and obtaining credit reports. Purchase limits are established for each customer. Furthermore, credit insurance is taken out for the majority of receivables balances.

For smaller customers, surety from directors is required.

#### Cash and cash equivalents

The Group limits its counter party exposures from its money market investment operations by only dealing with well-established financial institutions of high quality credit standing.

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

|                                                                                                           |                  |         |               |        |
|-----------------------------------------------------------------------------------------------------------|------------------|---------|---------------|--------|
| Loans and receivables                                                                                     | <b>1 024 947</b> | 788 808 | <b>79 388</b> | 36 158 |
| Bank held guarantees (refer to note 36)                                                                   | <b>2 216</b>     | 1 411   | -             | -      |
| The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was: |                  |         |               |        |
| - South Africa                                                                                            | <b>69 357</b>    | 96 855  | -             | 3 685  |
| - Other members of common monetary area                                                                   | <b>9 476</b>     | 12 147  | -             | -      |
| - Botswana and Malawi                                                                                     | <b>7 218</b>     | 3 547   | -             | -      |



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 3. FINANCIAL RISK MANAGEMENT (continued)

The ageing of Group trade receivables at reporting date was as follows:

|                        | June 2015<br>Gross | June 2015<br>Impairment | June 2014<br>Gross | June 2014<br>Impairment |
|------------------------|--------------------|-------------------------|--------------------|-------------------------|
| Not past due           | 65 147             | -                       | 67 361             | -                       |
| Past due 1 – 30 days   | 13 316             | -                       | 7 139              | -                       |
| Past due 31 – 60 days  | 1 700              | -                       | 2 591              | (1 216)                 |
| Past due 61 – 90 days  | 1 217              | (1 217)                 | 964                | (964)                   |
| Past due 91 – 120 days | 363                | (363)                   | 1 743              | (1 743)                 |
| More than 120 days     | 17 021             | (17 021)                | 14 541             | (14 541)                |
| Total                  | 98 764             | (18 601)                | 94 339             | (18 464)                |

The payment terms for receivables is 30 days.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

|                                                | GROUP   |         | COMPANY |      |
|------------------------------------------------|---------|---------|---------|------|
| Figures in Rand thousands                      | 2015    | 2014    | 2015    | 2014 |
| Balance at beginning of year                   | 18 464  | 20 526  | -       | -    |
| Creation of provision for impaired receivables | 2 860   | 405     | -       | -    |
| Utilisation                                    | (2 723) | (2 467) | -       | -    |
| Balance at end of year                         | 18 601  | 18 464  | -       | -    |

### 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.

### Credit facilities

The Group manages liquidity risk through the compilation and monitoring of cash flow forecasts, as well as ensuring that adequate borrowing facilities are maintained. Borrowing powers are disclosed in note 34.

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

| GROUP                                 | Carrying amount | Contractual cash flows | 30 days or less | More than 30 days but less than 1 year | 1 – 5 years | More than 5 years |
|---------------------------------------|-----------------|------------------------|-----------------|----------------------------------------|-------------|-------------------|
| <b>At 30 June 2015</b>                |                 |                        |                 |                                        |             |                   |
| Non-derivative financial liabilities: |                 |                        |                 |                                        |             |                   |
| Trade liabilities and accruals        | (1 482 980)     | (1 482 980)            | (517 138)       | (965 842)                              | -           | -                 |
| Guarantees                            | (2 216)         | (2 216)                | -               | -                                      | (2 216)     | -                 |
| <b>At 30 June 2014</b>                |                 |                        |                 |                                        |             |                   |
| Non-derivative financial liabilities: |                 |                        |                 |                                        |             |                   |
| Trade liabilities and accruals        | (1 191 631)     | (1 191 631)            | (487 520)       | (704 111)                              | -           | -                 |
| Guarantees                            | (1 411)         | (1 411)                | -               | -                                      | (1 411)     | -                 |



### 3. FINANCIAL RISK MANAGEMENT (continued)

| COMPANY                               | Carrying amount | Contractual cash flows | 30 days or less | More than 30 days but less than 1 year | 1 - 5 years | More than 5 years |
|---------------------------------------|-----------------|------------------------|-----------------|----------------------------------------|-------------|-------------------|
| <b>At 30 June 2015</b>                |                 |                        |                 |                                        |             |                   |
| Non-derivative financial liabilities: |                 |                        |                 |                                        |             |                   |
| Trade liabilities and accruals        | (3 749)         | (3 749)                | (3 749)         | -                                      | -           | -                 |
| <b>At 30 June 2014</b>                |                 |                        |                 |                                        |             |                   |
| Non-derivative financial liabilities: |                 |                        |                 |                                        |             |                   |
| Trade liabilities and accruals        | (3 041)         | (3 041)                | (3 041)         | -                                      | -           | -                 |

Trade liabilities and accruals we expect to be settled by cash resources and changes in working capital. At reporting date, the Group held cash and other liquid assets of R939 million and R1 073 million respectively, which are expected to readily generate cash inflows to manage any liquidity risk.

#### Market risk

##### Foreign exchange risk

The Group operates throughout southern Africa and is exposed to foreign exchange risk arising from various currency exposure, primarily the Botswana Pula and Malawi Kwacha. 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 did not hedge borrowings in foreign currencies as the intention is to repay these from its foreign earned income stream. The Group also has a translation risk arising from the consolidation of foreign entities into South African Rands.

Exposure from exchange rate fluctuations on transactions denominated in foreign currency is managed by reviewing foreign currency exposure in order to determine if foreign exchange contracts should be utilised on an ongoing basis. Foreign currency forward exchange contracts protect the Group from movements in exchange rates by establishing the rates at which a foreign currency asset or liability will be settled. It is Group policy to enter into forward exchange contracts when adverse exposure to foreign currency exchange rate fluctuations exist. There were no open forward exchange contracts at period end. Refer below for the uncovered positions at period-end.

*Exposure to currency risk*

**The Group's exposure to foreign currency risk was as follows based on notional amounts:**

|                             | GROUP    |          | COMPANY |      |
|-----------------------------|----------|----------|---------|------|
| Figures in Rand thousands   | 2015     | 2014     | 2015    | 2014 |
| Pula exposed to Rand        |          |          |         |      |
| - Trade receivables         | 7 502    | 2 655    | -       | -    |
| - Cash and cash equivalents | 78 691   | 75 578   | -       | -    |
| - Trade payables            | (66 317) | (60 151) | -       | -    |
| Kwacha exposed to Rand      |          |          |         |      |
| - Trade receivables         | 264      | 2 231    | -       | -    |
| - Cash and cash equivalents | 12 641   | 3 110    | -       | -    |
| - Trade payables            | (7 944)  | (9 386)  | -       | -    |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 3. FINANCIAL RISK MANAGEMENT (continued)

The following significant exchange rates applied during the year:

|                           | GROUP |       | COMPANY |      |
|---------------------------|-------|-------|---------|------|
| Figures in Rand thousands | 2015  | 2014  | 2015    | 2014 |
| Pula                      |       |       |         |      |
| – Average rate            | 1.22  | 1.20  | -       | -    |
| – Reporting date rate     | 1.24  | 1.23  | -       | -    |
| Kwacha                    |       |       |         |      |
| – Average rate            | 40.69 | 40.70 | -       | -    |
| – Reporting date rate     | 37.81 | 39.52 | -       | -    |

### Sensitivity analysis

A 10 percent strengthening of the functional currency against the following currencies as at 30 June would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as 2014.

A 10 percent weakening of the Rand against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown below, on the basis that all other variables remain constant.

Figures in Rand thousands

|                   |         |         |   |   |
|-------------------|---------|---------|---|---|
| Profit and (loss) |         |         |   |   |
| – Pula            | (1 807) | (1 644) | - | - |
| – Kwacha          | (451)   | 368     | - | - |
|                   | (2 258) | (1 276) | - | - |

### Cash flow and fair value 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.

### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Figures in Rand thousands

|                                          |           |           |       |       |
|------------------------------------------|-----------|-----------|-------|-------|
| Variable rate instruments:               |           |           |       |       |
| Financial assets (bank account balances) |           |           |       |       |
| – carrying amount                        | 9 389 917 | 7 043 322 | 4 289 | 3 582 |

### Cash flow sensitivity analysis for variable rate instruments

A 100 bp (basis points) increase or decrease in the interest rate at 30 June would have had the equal but opposite effect on the interest paid or received, assuming that all other variables remain constant.

Figures in Rand thousands

|                                     |       |       |    |    |
|-------------------------------------|-------|-------|----|----|
| Effect on variable rate instruments | 9 389 | 7 043 | 43 | 36 |
|-------------------------------------|-------|-------|----|----|

### Fair values

The carrying amount of financial assets and liabilities approximates their fair value. The values of loans, receivables, and payables represent the value that would be payable or receivable to settle these obligations.



### 3. FINANCIAL RISK MANAGEMENT (continued)

#### Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group is further exposed to price risk in its own share price due to the equity settled share based payment schemes. The Group hedges this risk by managing the timing of share acquisitions so as to have the most minimal effect on cash flow. The Groups potential exposure on future share options is disclosed in note 15.

#### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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 Group's target is to maintain a dividend cover of two times annual result.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are mainly the impairment of tangible and intangible assets; the estimation of useful lives of property, plant and equipment and intangible assets, and establishing uniform depreciation and amortisation methods; the likelihood that deferred and income taxes can be realised and the probability of doubtful debts. The key estimates and assumptions relating to these areas are disclosed in the relevant notes to the financial statements.

All estimates and underlying assumptions are based on historical experience and various other factors that management believe are reasonable under the circumstances. The results of these estimates form the basis of judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any affected future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Inventory:

- Impairment allowances are raised against inventory when the amount realisable from such inventory's sale is considered to be less than its carrying amount. The impairment allowance is made with reference to an inventory age analysis.

(b) Income taxes:

- Management has to exercise judgement with regards to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognised.

(c) Fair value of share based payments:

- The fair value of options granted are being determined using either a binominal, Black-Scholes or a Monte Carlo valuation model. The significant inputs into the model are: vesting period, risk free interest rate, volatility, price on date of grant and dividend yield.

(d) Useful lives of assets:

- In determining the depreciation and amortisation charge for property, plant and equipment and intangible assets, management applies judgement in estimating the useful lives and residual values of these different asset classes.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 5. PROPERTY, PLANT AND EQUIPMENT

| GROUP                              | 2015             |                          |                | 2014             |                          |                |
|------------------------------------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
|                                    | Cost             | Accumulated depreciation | Carrying value | Cost             | Accumulated depreciation | Carrying value |
| Land and buildings                 | 386 173          | (33 120)                 | 353 053        | 367 225          | (30 277)                 | 336 948        |
| Improvements to leasehold premises | 109 721          | (42 714)                 | 67 007         | 98 168           | (35 856)                 | 62 312         |
| Furniture and equipment            | 832 002          | (416 259)                | 415 743        | 750 031          | (355 363)                | 394 668        |
| Vehicles                           | 519              | (70)                     | 449            | 339              | (93)                     | 246            |
| <b>Total</b>                       | <b>1 328 415</b> | <b>(492 163)</b>         | <b>836 252</b> | <b>1 215 763</b> | <b>(421 589)</b>         | <b>794 174</b> |

Reconciliation of property, plant and equipment – Group – 2015

|                                    | Opening balance | Additions      | Disposals      | Classified as held for sale | Transfers | Foreign exchange movements | Depreciation     | Total          |
|------------------------------------|-----------------|----------------|----------------|-----------------------------|-----------|----------------------------|------------------|----------------|
| Land and buildings                 | 336 948         | -              | -              | (3 468)                     | 24 720    | 238                        | (5 385)          | 353 053        |
| Improvements to leasehold premises | 62 312          | -              | (516)          | -                           | 14 517    | 29                         | (9 335)          | 67 007         |
| Furniture and equipment            | 394 668         | 18             | (5 398)        | -                           | 117 378   | 146                        | (91 069)         | 415 743        |
| Vehicles                           | 246             | -              | (20)           | -                           | 246       | 9                          | (32)             | 449            |
| Capital work in progress           | -               | 156 861        | -              | -                           | (156 861) | -                          | -                | -              |
|                                    | <b>794 174</b>  | <b>156 879</b> | <b>(5 934)</b> | <b>(3 468)</b>              | <b>-</b>  | <b>422</b>                 | <b>(105 821)</b> | <b>836 252</b> |

Reconciliation of property, plant and equipment – Group – 2014

|                                    | Opening balance | Additions      | Disposals      | Classified as held for sale | Transfers | Foreign exchange movements | Depreciation    | Total          |
|------------------------------------|-----------------|----------------|----------------|-----------------------------|-----------|----------------------------|-----------------|----------------|
| Land and buildings                 | 234 657         | -              | -              | (379)                       | 105 780   | 982                        | (4 092)         | 336 948        |
| Improvements to leasehold premises | 53 182          | -              | (28)           | -                           | 16 186    | 143                        | (7 171)         | 62 312         |
| Furniture and equipment            | 330 722         | 20             | (3 300)        | -                           | 142 277   | 1 017                      | (76 068)        | 394 668        |
| Vehicles                           | 36              | -              | -              | -                           | 234       | (4)                        | (20)            | 246            |
| Capital work in progress           | -               | 264 477        | -              | -                           | (264 477) | -                          | -               | -              |
|                                    | <b>618 597</b>  | <b>264 497</b> | <b>(3 328)</b> | <b>(379)</b>                | <b>-</b>  | <b>2 138</b>               | <b>(87 351)</b> | <b>794 174</b> |

A register containing the information for land and buildings as required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection by members or their representatives at the registered office of the Company. The directors are of the opinion that the open market value of land and buildings is at least equal to their net book value.

Capital work in progress mainly related to store refurbishments during the year.

The following costs were expensed to the income statement, included in operating profit:

|                                                                              | 2015           | 2014   |
|------------------------------------------------------------------------------|----------------|--------|
| Profit on disposal of property, plant and equipment and assets held for sale | <b>(7 435)</b> | (439)  |
| Repairs and maintenance expenditure on property, plant and equipment         | <b>20 171</b>  | 16 108 |





## 6. INTANGIBLE ASSETS

| GROUP             | 2015               |                             |                   | 2014               |                             |                   |
|-------------------|--------------------|-----------------------------|-------------------|--------------------|-----------------------------|-------------------|
|                   | Cost/<br>Valuation | Accumulated<br>amortisation | Carrying<br>value | Cost/<br>Valuation | Accumulated<br>amortisation | Carrying<br>value |
| Trademarks        | 783                | (680)                       | 103               | 783                | (667)                       | 116               |
| Computer software | 82 239             | (44 446)                    | 37 793            | 70 516             | (29 759)                    | 40 757            |
| Goodwill          | 1 152              | -                           | 1 152             | 1 146              | -                           | 1 146             |
| Total             | 84 174             | (45 126)                    | 39 048            | 72 445             | (30 426)                    | 42 019            |

Reconciliation of intangible assets – Group – 2015

|                   | Opening<br>balance | Additions | Disposals | Foreign<br>exchange<br>movements | Amortisation | Total  |
|-------------------|--------------------|-----------|-----------|----------------------------------|--------------|--------|
| Trademarks        | 116                | -         | -         | -                                | (13)         | 103    |
| Computer software | 40 757             | 11 723    | -         | -                                | (14 687)     | 37 793 |
| Goodwill          | 1 146              | -         | -         | 6                                | -            | 1 152  |
|                   | 42 019             | 11 723    | -         | 6                                | (14 700)     | 39 048 |

Reconciliation of intangible assets – Group – 2014

|                   | Opening<br>balance | Additions | Disposals | Foreign<br>exchange<br>movements | Amortisation | Total  |
|-------------------|--------------------|-----------|-----------|----------------------------------|--------------|--------|
| Trademarks        | 1                  | 121       | -         | -                                | (6)          | 116    |
| Computer software | 49 168             | 4 937     | (117)     | -                                | (13 231)     | 40 757 |
| Goodwill          | 1 164              | -         | -         | (18)                             | -            | 1 146  |
|                   | 50 333             | 5 058     | (117)     | (18)                             | (13 237)     | 42 019 |

### Impairment test for goodwill

Goodwill is allocated to the Group's cash generating units (CGU's) identified according to country of operation (South African goodwill arises from its Kabokweni stores).

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections which have been extrapolated using estimated growth rates based on past performance and expectations for market development. The discount rates used are pre-tax and reflect the risk relating to South African segments.

The following assumptions were used for the analysis of each CGU:

Note 1: Budgeted gross margin

Note 2: Growth rates used are based on inflation and are expected to be achieved in perpetuity

Note 3: Pre-tax discount rate applied to the cash flow projections.

Based on the above there are no indicators that goodwill requires impairment.

86% (June 2014: 87%) of the goodwill relates to a South African store and 14% (June 2014: 13%) to the Malawi store.

The assumptions are summarised as follows:

|                                    | June 2015    |        | June 2014    |        |
|------------------------------------|--------------|--------|--------------|--------|
|                                    | South Africa | Malawi | South Africa | Malawi |
| Gross margin (refer Note 1 above)  | 21%          | 23%    | 18%          | 26%    |
| Growth rate (refer Note 2 above)   | 5%           | 21%    | 7%           | 15%    |
| Discount rate (refer Note 3 above) | 29%          | 17%    | 18%          | 5%     |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 7. INVESTMENTS IN SUBSIDIARIES

| Interests in subsidiaries               | % holding by<br>Group 2015 | % holding by<br>Group 2014 | % holding by<br>*NCI 2015 | % holding by<br>*NCI 2014 |
|-----------------------------------------|----------------------------|----------------------------|---------------------------|---------------------------|
| Cashbuild Management Services (Pty) Ltd | 100                        | 100                        | -                         | -                         |
| Cashbuild (Botswana) (Pty) Ltd          | 100                        | 100                        | -                         | -                         |
| Cashbuild Kanye (Pty) Ltd               | 100                        | 100                        | -                         | -                         |
| Cashbuild (Lesotho) (Pty) Ltd           | 80                         | 80                         | 20                        | 20                        |
| Cashbuild Lilongwe Ltd                  | 51                         | 51                         | 49                        | 49                        |
| Cashbuild (Namibia) (Pty) Ltd           | 100                        | 100                        | -                         | -                         |
| Cashbuild (South Africa) (Pty) Ltd      | 100                        | 100                        | -                         | -                         |
| Cashbuild (Swaziland) (Pty) Ltd         | 100                        | 100                        | -                         | -                         |
| Roofbuild Trusses (Pty) Ltd             | 100                        | 71                         | -                         | 29                        |
| Cashbuild Properties (Pty) Ltd          | 100                        | 100                        | -                         | -                         |
| Cashbuild (Venda Properties) (Pty) Ltd  | 100                        | 100                        | -                         | -                         |
| Tradebuild (Pty) Ltd                    | 100                        | 100                        | -                         | -                         |
| Cashbuild (Kwandebele) (Pty) Ltd        | 100                        | 100                        | -                         | -                         |
| Cashbuild (Transkei) (Pty) Ltd          | 100                        | 100                        | -                         | -                         |

\* Non-controlling interests (NCI)

During the period Cashbuild (Management Services) (Pty) Ltd acquired the 29% non-controlling interest in Roofbuild Trusses (Pty) Ltd. As a result of this transaction Cashbuild (Management Services) (Pty) Ltd holds 100% in Roofbuild Trusses (Pty) Ltd.

The carrying amounts of subsidiaries shown below are net of impairment losses where applicable. The loan accounts are unsecured, non-interest bearing with no fixed repayment terms. Refer to note 15 for details of the share option schemes.

|                                          | COMPANY<br>2015 | COMPANY<br>2014 |
|------------------------------------------|-----------------|-----------------|
| Share-based payment capital contribution | 45 091          | 35 815          |
| Loan account                             | 68 163          | 68 462          |
| Investment in subsidiaries               | 113 254         | 104 277         |

### Non-controlling interests

There are no individual subsidiaries within the Group that have material non-controlling interests. The aggregate non-controlling interest is also not material to the Group, therefore no additional IFRS 12 disclosures have been included.



## 8. DEFERRED TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

| Figures in Rand thousands                                                 | GROUP           |          | COMPANY |      |
|---------------------------------------------------------------------------|-----------------|----------|---------|------|
|                                                                           | 2015            | 2014     | 2015    | 2014 |
| Deferred income tax liabilities to be recovered after more than 12 months | <b>(16 765)</b> | (13 795) | -       | -    |
| Deferred income tax assets to be recovered within 12 months               | <b>23 553</b>   | 14 216   | -       | -    |
| Total net deferred income tax asset                                       | <b>6 788</b>    | 421      | -       | -    |
| Property, plant and equipment                                             | <b>(46 366)</b> | (41 163) | -       | -    |
| Prepayments                                                               | <b>(1 360)</b>  | (943)    | -       | -    |
| Provisions and accruals                                                   | <b>23 614</b>   | 14 074   | -       | -    |
| Straight-lining of leases                                                 | <b>29 601</b>   | 27 368   | -       | -    |
| Assessed losses                                                           | <b>1 347</b>    | 1 166    | -       | -    |
| Unrealised foreign exchange differences on intergroup loans               | <b>(62)</b>     | (96)     | -       | -    |
| Income received in advance                                                | <b>14</b>       | 15       | -       | -    |
| Total net deferred income tax asset                                       | <b>6 788</b>    | 421      | -       | -    |
| The net movement in the deferred income tax account is as follows:        |                 |          |         |      |
| At beginning of the year                                                  | <b>421</b>      | 3 238    | -       | -    |
| Exchange differences                                                      | <b>35</b>       | 606      | -       | -    |
| Income statement charge                                                   | <b>6 332</b>    | (3 423)  | -       | -    |
| Total net deferred income tax asset                                       | <b>6 788</b>    | 421      | -       | -    |

Deferred tax has not been recognised on temporary differences associated with investments in subsidiaries, as the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Should all distributable reserves be declared as a dividend, it would result in dividend tax of 15% (June 2014 – 15%):

|                                             |                |         |   |   |
|---------------------------------------------|----------------|---------|---|---|
| Potential dividend tax on retained earnings | <b>214 178</b> | 182 045 | - | - |
|---------------------------------------------|----------------|---------|---|---|

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 9. ASSETS HELD FOR SALE

Non-current assets held for sale include land and buildings which were placed on the market after approval by the board. The Group is engaged in an active plan to sell these assets, it is highly probable that the assets will be sold in the next financial period.

| Figures in Rand thousands                                        | GROUP        |        | COMPANY |      |
|------------------------------------------------------------------|--------------|--------|---------|------|
|                                                                  | 2015         | 2014   | 2015    | 2014 |
| Assets classified as held for sale (at historic carrying amount) | <b>9 548</b> | 12 393 | -       | -    |
| Land and buildings held for sale                                 |              |        |         |      |
| - Plot 2461 Serowe, Botswana                                     | <b>819</b>   | 811    | -       | -    |
| - Portion 934 of Farm no 2, Mbabane, Swaziland                   | -            | 5 903  | -       | -    |
| - Erf 29 Powerville                                              | -            | 380    | -       | -    |
| - Worcester Erf 21280, South Africa                              | <b>5 261</b> | 5 261  | -       | -    |
| - Erf 1343A and B, Oshakati, Namibia                             | -            | 38     | -       | -    |
| - Erf 148097 Cape Town, Philippi, South Africa                   | <b>1 968</b> | -      | -       | -    |
| - Erf 21521 Francistown, Botswana                                | <b>1 500</b> | -      | -       | -    |
|                                                                  | <b>9 548</b> | 12 393 | -       | -    |

The land and buildings were initially purchased as the location for Cashbuild stores. The stores were relocated and the land and buildings were left vacant. These land and buildings were placed on the market after approval by the board.

During the current year the Mbabane, Powerville and Oshakati properties were sold (refer to note 33 for proceeds received). The movement in the Serowe properties net book value is due to foreign exchange differences on Group consolidation. The Serowe and Worcester properties were classified as held for sale in previous financial year, however based on the current progress the sale of these properties is expected to be realised in the next financial year.

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

## 10. FINANCIAL ASSETS AT FAIR VALUE

During the prior year these investments were discontinued and the proceeds transferred to cash and cash equivalents. These investments were classified as Level 2 financial instruments, carried at fair value through profit and loss.

Reconciliation of movements in financial assets at fair value:

|                                |   |           |   |   |
|--------------------------------|---|-----------|---|---|
| Opening balance                | - | 125 628   | - | - |
| Fair value gain for the year   | - | 3 681     | - | - |
| Disinvestments during the year | - | (129 309) | - | - |
|                                | - | -         | - | - |

## 11. INVENTORIES

|                                                      |                  |         |   |   |
|------------------------------------------------------|------------------|---------|---|---|
| Merchandise at lower of cost or net realisable value | <b>1 073 129</b> | 933 035 | - | - |
|------------------------------------------------------|------------------|---------|---|---|

Cost of inventories recognised as an expense and included in cost of sales amounted to R6 243 305 427 (June 2014: R5 510 462 434).

The provision for obsolete and slow moving stock at the end of the year is R72 362 869 (June 2014: R68 911 625).



## 12. TRADE AND OTHER RECEIVABLES

|                                                             | GROUP    |          | COMPANY |       |
|-------------------------------------------------------------|----------|----------|---------|-------|
| Figures in Rand thousands                                   | 2015     | 2014     | 2015    | 2014  |
| Trade accounts receivable                                   | 98 764   | 94 339   | -       | -     |
| Less: Provision for impairment of trade accounts receivable | (18 601) | (18 463) | -       | -     |
| Prepayments                                                 | 78 716   | 45 305   | -       | -     |
| VAT receivables                                             | 2 022    | 3 344    | -       | -     |
| Other accounts receivable                                   | 3 845    | 5 266    | 4       | 4     |
| Less: Non-current portion of rental prepayments             | (68 807) | (36 530) | -       | -     |
| Amounts receivable from Group companies                     | -        | -        | 6 932   | 6 634 |
|                                                             | 95 939   | 93 261   | 6 936   | 6 638 |

The carrying amount of trade and other receivables approximates fair value and are expected to be realised within 12 months.

Related party trade and other receivables arise as a result of transactions between companies in the Group. All of the companies are consolidated and all receivables are eliminated upon consolidation and excluded from the balances above. Refer to the related parties note 38 where related party receivables have been disclosed.

The Group holds a provision of R18 600 563 (June 2014: R18 462 810) for the impairment of its trade receivables at year ended 30 June 2015. The creation and usage of the provision for impaired receivables has been included in selling and marketing cost in the income statement.

Cashbuild has entered into agreements with store developers whereby advances were granted to the developers in exchange for reduced rentals over the period of the lease. The total advances to date amount to R73 035 950 (June 2014: R38 665 899), which will be amortised and recognised as a lease expense over the period of the lease.

A breakdown of the total advances to developers between current and non-current is as follows:

|                                        |        |        |   |   |
|----------------------------------------|--------|--------|---|---|
| Current portion: Rental prepayment     | 4 229  | 2 136  | - | - |
| Non-current portion: Rental prepayment | 68 807 | 36 530 | - | - |
|                                        | 73 036 | 38 666 | - | - |

Current rental prepayments relate to the portion of the advance that will realise within 12 months after year-end. Non-current rental prepayments relate to the portion of the advance that will realise in one to 12 years.

## 13. CASH AND CASH EQUIVALENTS

|                           |         |         |       |       |
|---------------------------|---------|---------|-------|-------|
| Cash at banks and on hand | 938 917 | 704 322 | 4 289 | 3 582 |
|---------------------------|---------|---------|-------|-------|

Rate of interest earned on cash in bank varies between 1% and 6.5%.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 14. ORDINARY SHARE CAPITAL

| Figures in Rand thousands                                                                                                                    | GROUP       |      | COMPANY    |      |
|----------------------------------------------------------------------------------------------------------------------------------------------|-------------|------|------------|------|
|                                                                                                                                              | 2015        | 2014 | 2015       | 2014 |
| <b>Authorised</b>                                                                                                                            |             |      |            |      |
| 35 000 000 ordinary shares of 1 cent each                                                                                                    | <b>350</b>  | 350  | <b>350</b> | 350  |
| <b>Reconciliation of number of shares issued:</b>                                                                                            |             |      |            |      |
| Opening balance: 25 189 811 ordinary shares of 1 cent each (June 2014: 25 189 811)                                                           | <b>252</b>  | 252  | <b>252</b> | 252  |
| Less: Treasury shares held by the Cashbuild Trusts                                                                                           | <b>(25)</b> | (23) | -          | -    |
| Comprising of:                                                                                                                               |             |      |            |      |
| Opening balance: 2 390 259 shares                                                                                                            | <b>(23)</b> | (20) | -          | -    |
| Less: Shares disposed by The Cashbuild Share Incentive Trust (June 2015: 558 500; June 2014: 266 500)                                        | <b>6</b>    | 3    | -          | -    |
| Add: Shares purchased by The Cashbuild Operations Management Member Trust and Share Incentive Trust (June 2015: 702 236; June 2014: 557 175) | <b>(8)</b>  | (6)  | -          | -    |
| <b>Issued</b>                                                                                                                                | <b>227</b>  | 229  | <b>252</b> | 252  |

The Cashbuild Share Incentive Trust holds 548 712 (June 2014: 408 500) ordinary shares. The Cashbuild Empowerment Trust holds 1 964 999 (June 2014: 1 964 999) ordinary shares. The Cashbuild Operations Management Member Trust holds 20 519 (June 2014: 16 760). The shares held by these trusts are eliminated on consolidation.

## 15. SHARE-BASED PAYMENTS

The Group has put in place share option schemes which are operated through the Cashbuild Share Incentive Trust ("The Trust"). All the option schemes issued by the trust vest over a period of three years from grant date and expire five years from grant date. All of the options vest after three years provided the employee or director remain in the employ of the Group for that period of time. The share options are forfeited if the employee or director leaves the Group before vesting date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Share options outstanding at year-end are as follows:

|                                                                                                                                                                                        |                  |           |                  |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------|------------------|-----------|
| Opening balance                                                                                                                                                                        | <b>1 336 000</b> | 1 627 500 | <b>1 336 000</b> | 1 627 500 |
| Options exercised                                                                                                                                                                      | <b>(558 500)</b> | (266 500) | <b>(558 500)</b> | (266 500) |
| Options forfeited                                                                                                                                                                      | <b>(5 000)</b>   | (25 000)  | <b>(5 000)</b>   | (25 000)  |
| Closing balance of outstanding options                                                                                                                                                 | <b>772 500</b>   | 1 336 000 | <b>772 500</b>   | 1 336 000 |
| The Cashbuild Share Incentive Trust, which administers the schemes, holds the following number of ordinary shares as an economic hedge against the options to be granted by the scheme | <b>548 712</b>   | 408 500   | -                | -         |



## 15. SHARE-BASED PAYMENTS (continued)

|                                       | 1st Scheme    | 2nd Scheme    | 3rd Scheme         | 4th Scheme      | 5th Scheme      |
|---------------------------------------|---------------|---------------|--------------------|-----------------|-----------------|
|                                       | <b>16 May</b> | <b>27 May</b> | <b>13 December</b> | <b>20 March</b> | <b>18 April</b> |
| Grant date                            | <b>2009</b>   | <b>2011</b>   | <b>2011</b>        | <b>2012</b>     | <b>2013</b>     |
|                                       | <b>16 May</b> | <b>27 May</b> | <b>13 December</b> | <b>20 March</b> | <b>18 April</b> |
| Vesting date                          | <b>2012</b>   | <b>2014</b>   | <b>2014</b>        | <b>2015</b>     | <b>2016</b>     |
| Exercise price/weighted average price | 52.03         | 92.27         | 106.75             | 114.14          | 126.35          |
| Expected option lifetime              | 4 years       | 4 years       | 4 years            | 4 years         | 4 years         |
| Rolling volatility                    | 33%           | 32%           | 32%                | 31%             | 24%             |
| Dividend yield                        | 2.9%          | 3.4%          | 3.4%               | 3.4%            | 3.2%            |
| Risk-free rate                        | 7.3%          | 5.4%          | 5.2%               | 5.1%            | 5.5%            |
| Options remaining at 30 June 2015     | -             | -             | -                  | -               | 772 500         |

During the year the third and fourth schemes vested, in addition the remaining options for the second scheme were also exercised. 558 500 share options were exercised at an average selling price of R204.16. No options expired during the year.

The fair value exercise price at grant date was calculated based on the Black-Scholes option pricing model. The volatility rates above are calculated with reference to the movement of the share price in prior periods. If all remaining options for all schemes were exercised at year end at the closing share price of R301, approximately R39 million in cash would need to be accessed to purchase the shares in the market to satisfy the issuance of the shares to the beneficiaries.

|                                      | GROUP         |               | COMPANY       |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
| Figures in Rand thousands            | 2015          | 2014          | 2015          | 2014          |
| <b>Share-based payment expense:</b>  |               |               |               |               |
| Opening balance                      | <b>35 815</b> | 21 887        | <b>35 815</b> | 21 887        |
| Share options expensed for the year: |               |               |               |               |
| - Share Incentive Trust schemes      |               |               |               |               |
| - second scheme                      | -             | 4 699         | -             | 4 699         |
| - third scheme                       | <b>219</b>    | 483           | <b>219</b>    | 483           |
| - fourth scheme                      | <b>803</b>    | 1 107         | <b>803</b>    | 1 107         |
| - fifth scheme                       | <b>6 933</b>  | 7 127         | <b>6 933</b>  | 7 127         |
| - Operational managers scheme *      | <b>1 321</b>  | 512           | <b>1 321</b>  | 512           |
| <b>Total expensed</b>                | <b>45 091</b> | <b>35 815</b> | <b>45 091</b> | <b>35 815</b> |

### \* The Operations Management Member Trust:

The operational managers' scheme considers all stores that generate an operating margin in excess of 10%. The profit share amount is determined with reference to a specified hurdle rate that takes into account the prior period operating margin of the qualifying store. The calculated profit share is the excess profit (profit achieved in excess of prior year operating profit plus a hurdle rate) split equally between a cash bonus and an amount utilised for the purchase of Cashbuild Limited shares. The cash bonus is recognised as an expense in the period in which the store qualifies. The attributable equity portion is treated as an equity-settled share-based payment expense and recognised equally over the four-year period which is linked to employment. At the end of the period (third anniversary of the date of distribution) the shares will vest to the employees.

The first year scheme qualified for 16 760 shares in June 2012, the second year scheme qualified for 2 980 shares in June 2013, the third year scheme qualified for 3 524 shares in June 2014. The fourth year 2015 scheme has provisionally qualified for 9 685 shares at the end of June 2015.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 15. SHARE-BASED PAYMENTS (continued)

The following directors have been granted share options. The share options are contingent on the person retaining their employment by the vesting date. The movement in the share option schemes per director is summarised as follows:

|                                         | WF de Jager    | AE Prowse     | S Thoreson    | A van Onselen | Total          |
|-----------------------------------------|----------------|---------------|---------------|---------------|----------------|
| <b>1st Scheme</b>                       |                |               |               |               |                |
| 30 June 2014                            | -              | -             | -             | -             | -              |
| Options granted                         | -              | -             | -             | -             | -              |
| Exercised                               | -              | -             | -             | -             | -              |
| 30 June 2015                            | -              | -             | -             | -             | -              |
| <b>2nd Scheme</b>                       |                |               |               |               |                |
| 30 June 2014                            | 50 000         | 100 000       | 100 000       | 100 000       | 350 000        |
| Options granted                         | -              | -             | -             | -             | -              |
| Exercised                               | (50 000)       | (100 000)     | (100 000)     | (100 000)     | (350 000)      |
| 30 June 2015                            | -              | -             | -             | -             | -              |
| <b>3rd Scheme</b>                       |                |               |               |               |                |
| Options granted to directors            | -              | -             | -             | -             | -              |
| <b>4th Scheme</b>                       |                |               |               |               |                |
| 30 June 2014                            | 100 000        | -             | -             | -             | 100 000        |
| Options granted                         | -              | -             | -             | -             | -              |
| Exercised                               | (100 000)      | -             | -             | -             | (100 000)      |
| 30 June 2015                            | -              | -             | -             | -             | -              |
| <b>5th Scheme</b>                       |                |               |               |               |                |
| 30 June 2014                            | 100 000        | 75 000        | 75 000        | 75 000        | 325 000        |
| Options granted                         | -              | -             | -             | -             | -              |
| Exercised                               | -              | -             | -             | -             | -              |
| 30 June 2015                            | 100 000        | 75 000        | 75 000        | 75 000        | 325 000        |
| <b>NET SHARE OPTIONS - 30 JUNE 2015</b> | <b>100 000</b> | <b>75 000</b> | <b>75 000</b> | <b>75 000</b> | <b>325 000</b> |

## 16. FOREIGN CURRENCY TRANSLATION RESERVE (FCTR)

|                                  | GROUP   |          | COMPANY |      |
|----------------------------------|---------|----------|---------|------|
| Figures in Rand thousands        | 2015    | 2014     | 2015    | 2014 |
| Opening balance                  | (6 083) | (10 336) | -       | -    |
| Currency translation differences | 1 794   | 4 253    | -       | -    |
| Closing balance                  | (4 289) | (6 083)  | -       | -    |

The foreign currency translation reserves arise as a result of foreign exchange differences calculated on the conversion of foreign operations into the Group reporting currency, accounted for directly in the statement of other comprehensive income. The movement is due to the consistent strength of the Pula and Kwacha against the Rand during the year compared to prior periods when this was more volatile.



## 17. DEFERRED OPERATING LEASE LIABILITY

|                                                      | GROUP   |         | COMPANY |      |
|------------------------------------------------------|---------|---------|---------|------|
| Figures in Rand thousands                            | 2015    | 2014    | 2015    | 2014 |
| Deferred operating lease liability                   | 104 453 | 98 620  | -       | -    |
| Deferred lease incentives received                   | 1 700   | 1 700   | -       | -    |
| Realised lease incentives portion in profit and loss | (174)   | (103)   | -       | -    |
|                                                      | 105 979 | 100 217 | -       | -    |

The Group has entered into various operating leases in respect of premises. Rentals comprise minimum monthly payments and additional payments based on turnover levels.

Operating leases with fixed escalation charges are recognised in the income statement on a straight-line basis and the liability has been allocated to deferred operating lease liability.

|                            |           |           |   |   |
|----------------------------|-----------|-----------|---|---|
| To be realised as follows: |           |           |   |   |
| Current portion            | 4 777     | 3 187     | - | - |
| Non-current portion        | (110 756) | (103 404) | - | - |
|                            | (105 979) | (100 217) | - | - |

## 18. DEFERRED INCOME

Profit in respect of properties sold in terms of the sale and leaseback transaction was recognised in profit and loss on a straight-line basis over the term of the lease. During the prior period this lease was unwound and the remaining portion of this deferred profit was realised. Refer to note 38 for additional disclosure on this lease unwinding.

|                               |   |         |   |   |
|-------------------------------|---|---------|---|---|
| Opening balance               | - | 1 595   | - | - |
| Recognised in profit and loss | - | (1 595) | - | - |
|                               | - | -       | - | - |

## 19. TRADE AND OTHER PAYABLES

|                |           |           |       |       |
|----------------|-----------|-----------|-------|-------|
| Trade payables | 1 140 952 | 911 830   | (1)   | -     |
| VAT            | 13 971    | 22 087    | -     | -     |
| Accruals       | 396 510   | 309 489   | 3 750 | 3 041 |
|                | 1 551 433 | 1 243 406 | 3 749 | 3 041 |

Trade and other liabilities are unsecured and are payable within a period of 12 months.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 20. EMPLOYEE BENEFITS

| Figures in Rand thousands                                                     | GROUP          |         | COMPANY |      |
|-------------------------------------------------------------------------------|----------------|---------|---------|------|
|                                                                               | 2015           | 2014    | 2015    | 2014 |
| <b>Long service awards</b>                                                    |                |         |         |      |
| The amounts recognised in the statement of financial position are as follows: |                |         |         |      |
| Present value of the obligation                                               | <b>4 884</b>   | 4 601   | -       | -    |
| <b>Reconciliation of movement</b>                                             |                |         |         |      |
| Balance at beginning of period                                                | <b>4 601</b>   | 2 536   | -       | -    |
| Amount charged to the income statement                                        | <b>283</b>     | 2 065   | -       | -    |
|                                                                               | <b>4 884</b>   | 4 601   | -       | -    |
| <b>The principal assumptions used are as follows:</b>                         |                |         |         |      |
| - Discount rate                                                               | <b>12% p.a</b> | 12% p.a |         |      |
| - Salary inflation                                                            | <b>6% p.a</b>  | 6% p.a  |         |      |
| Average retirement age:                                                       |                |         |         |      |
| - Males                                                                       | <b>63</b>      | 63      |         |      |
| - Females                                                                     | <b>63</b>      | 63      |         |      |

The Group has an obligation to pay long service awards to employees who reach certain predetermined milestone periods of service.

### Retirement Fund

The retirement fund is a defined contribution fund established in terms of the Pension Funds Act, 1956, as amended. All employees who are eligible through qualifying service are members of the Fund. At 30 June 2015, there were 4 837 (June 2014: 4 522) members, equal to 98% (June 2014: 96%) of staff, who were members of the retirement fund.

### Post-retirement medical aid benefit

The Group has no post-retirement medical aid liability.

## 21. REVENUE

|                                           |                  |           |   |   |
|-------------------------------------------|------------------|-----------|---|---|
| Revenue comprises the sale of merchandise | <b>7 692 646</b> | 6 781 274 | - | - |
|-------------------------------------------|------------------|-----------|---|---|





## 22. EXPENSES BY NATURE

|                                                               | GROUP     |           | COMPANY   |           |
|---------------------------------------------------------------|-----------|-----------|-----------|-----------|
| Figures in Rand thousands                                     | 2015      | 2014      | 2015      | 2014      |
| Depreciation and amortisation                                 | 120 521   | 100 588   | -         | -         |
| Employee benefit expense (Note 23)                            | 631 223   | 561 115   | -         | -         |
| Cost of goods sold                                            | 5 844 200 | 5 175 906 | -         | -         |
| Net creation/(reversal) of provision for impaired receivables | 137       | (2 062)   | -         | -         |
| Consumables                                                   | 2 195     | 2 802     | -         | -         |
| Delivery charges                                              | 106 224   | 105 007   | -         | -         |
| Operating lease charges – premises                            | 198 115   | 170 807   | -         | -         |
| Auditor remuneration                                          |           |           |           |           |
| Audit services                                                | 8 286     | 8 343     | -         | -         |
| Taxation services                                             | 901       | 729       | -         | -         |
| Outsourced services:                                          |           |           |           |           |
| Administrative                                                | 16 304    | 11 979    | -         | -         |
| Technical                                                     | 4 457     | 7 454     | -         | -         |
| Secretarial                                                   | 506       | 719       | -         | -         |
| Other income (Note 24)                                        | (7 759)   | (8 195)   | (158 444) | (117 385) |
| Other expenses                                                | 302 833   | 288 516   | 2         | 2         |
|                                                               | 7 228 143 | 6 423 708 | (158 442) | (117 383) |
| Classified as:                                                |           |           |           |           |
| Cost of sales                                                 | 5 844 200 | 5 175 906 | -         | -         |
| Selling and marketing expenses                                | 1 161 479 | 1 051 550 | -         | -         |
| Administrative expenses                                       | 226 871   | 200 734   | 2         | 2         |
| Operating expenses                                            | 3 352     | 3 713     | -         | -         |
| Other income                                                  | (7 759)   | (8 195)   | (158 444) | (117 385) |
|                                                               | 7 228 143 | 6 423 708 | (158 442) | (117 383) |

## 23. EMPLOYEE BENEFIT EXPENSES

|                                                                   |         |         |   |   |
|-------------------------------------------------------------------|---------|---------|---|---|
| Salary cost                                                       | 534 293 | 468 423 | - | - |
| Pension fund contributions – defined contribution fund            | 75 011  | 67 542  | - | - |
| Employee benefits – long service awards                           | 283     | 2 065   | - | - |
| Share-based payments                                              | 9 276   | 13 928  | - | - |
| Dividends paid to participants of The Cashbuild Empowerment Trust | 12 360  | 9 157   | - | - |
|                                                                   | 631 223 | 561 115 | - | - |

The number of persons employed by the Company at 30 June 2015 was 4 953 (June 2014: 4 687). For details of The Cashbuild Empowerment Trust refer to related parties note 38. The dividends arising from the shares held in this Trust are distributed to employees of the Company and therefore disclosed as an employee expense.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 24. OTHER INCOME

| Figures in Rand thousands                              | GROUP   |         | COMPANY   |           |
|--------------------------------------------------------|---------|---------|-----------|-----------|
|                                                        | 2015    | 2014    | 2015      | 2014      |
| Rental related income                                  | (39)    | (714)   | -         | -         |
| Fair value gain on financial assets                    | -       | (3 681) | -         | -         |
| Profit on sale of non-current assets and sundry income | (7 720) | (2 718) | -         | -         |
| Insurance recoveries                                   | -       | (1 082) | -         | -         |
| Dividend income                                        | -       | -       | (158 444) | (117 385) |
|                                                        | (7 759) | (8 195) | (158 444) | (117 385) |

## 25. INTEREST PAID

|                                 |       |       |   |   |
|---------------------------------|-------|-------|---|---|
| Finance lease and loan interest | 424   | 698   | - | - |
| Bank borrowings                 | 8     | 63    | - | - |
| Revenue authorities             | 759   | -     | - | - |
| Other                           | 561   | 243   | - | - |
|                                 | 1 752 | 1 004 | - | - |

## 26. INTEREST INCOME

|               |          |          |   |   |
|---------------|----------|----------|---|---|
| Bank balances | (39 676) | (23 927) | - | - |
|---------------|----------|----------|---|---|

## 27. TAXATION

### Major components of the tax expense/(income)

|                                                       |         |         |   |       |
|-------------------------------------------------------|---------|---------|---|-------|
| <b>Current</b>                                        |         |         |   |       |
| Income tax – current period                           | 126 998 | 95 986  | - | (322) |
| Over provision in prior years                         | (3 119) | (3 370) | - | -     |
| Withholding tax                                       | 814     | 2 050   | - | -     |
| Foreign income tax – current period                   | 20 777  | 13 269  | - | -     |
| Foreign income tax – under provision in prior periods | (56)    | 357     | - | -     |
|                                                       | 145 414 | 108 292 | - | (322) |
| <b>Deferred</b>                                       |         |         |   |       |
| Current year temporary differences                    | (7 246) | 2 277   | - | -     |
| Prior year adjustments                                | 194     | 10      | - | -     |
| Foreign – Current year temporary differences          | 307     | 1 437   | - | -     |
| Foreign – Prior year adjustments                      | 379     | (1 000) | - | -     |
| Tax rate change                                       | -       | 20      | - | -     |
|                                                       | (6 366) | 2 744   | - | -     |
| Total tax expense/(income) for the period             | 139 048 | 111 036 | - | (322) |



## 27. TAXATION (continued)

|                                         | GROUP |       | COMPANY |        |
|-----------------------------------------|-------|-------|---------|--------|
| Figures in Rand thousands               | 2015  | 2014  | 2015    | 2014   |
| <b>Reconciliation of tax rate:</b>      | %     | %     | %       | %      |
| South African normal rate               | 28.0  | 28.0  | 28.0    | 28.0   |
| Exempt income                           | (2.7) | (0.1) | (28.0)  | (28.0) |
| Foreign tax at different rates          | (0.2) | (0.2) | -       | -      |
| Under/(over) provision in prior periods | (0.5) | (1.0) | -       | 0.3    |
| Non-resident shareholders' tax          | 1.3   | 0.5   | -       | -      |
| Disallowed expenditure                  | 1.8   | 1.9   | -       | -      |
| Effective tax rate                      | 27.7  | 29.1  | -       | 0.3    |

The increase in exempt income arises from the sale of property in a neighbouring country subsidiary and an increase in deductible expenditure as a result of the Group share incentive scheme.

## 28. EARNINGS PER SHARE

### Basic earnings per share

Basic earnings per share is determined by dividing profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares in issue is calculated net of treasury shares acquired/sold during the year. The Cashbuild Share Incentive Trust and The Cashbuild Operations Management Member Trust have been included in the calculation from date of acquisition. The Cashbuild Empowerment Trust has been included in the calculation from 7 February 2005.

|                                                     |         |         |         |         |
|-----------------------------------------------------|---------|---------|---------|---------|
| Attributable earnings                               | 358 916 | 265 915 | 158 442 | 117 705 |
| Weighted number of ordinary shares in issue         | 23 055  | 23 171  | 25 190  | 25 190  |
| Basic earnings per share (cents)                    | 1 556.8 | 1 147.6 | 629.0   | 467.3   |
| <b>Weighted number of ordinary shares in issue:</b> |         |         |         |         |
| Ordinary shares in issue                            | 25 190  | 25 190  | 25 190  | 25 190  |
| Less: Weighted average number of treasury shares:   |         |         |         |         |
| - The Cashbuild Share Incentive Trust               | (151)   | (37)    | -       | -       |
| - The Cashbuild Empowerment Trust                   | (1 965) | (1 965) | -       | -       |
| - The Cashbuild Operations Management Member Trust  | (19)    | (17)    | -       | -       |
|                                                     | 23 055  | 23 171  | 25 190  | 25 190  |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 28. EARNINGS PER SHARE (continued)

### Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all potentially dilutive ordinary shares.

|                                                                           | GROUP          |                | COMPANY       |               |
|---------------------------------------------------------------------------|----------------|----------------|---------------|---------------|
| Figures in Rand thousands                                                 | 2015           | 2014           | 2015          | 2014          |
| Attributable earnings                                                     | 358 916        | 265 915        | 158 442       | 117 705       |
| Fully diluted weighted average number of ordinary shares in issue ('000)  | 23 357         | 23 395         | 25 492        | 25 414        |
| <b>Fully diluted basic earnings per share (cents)</b>                     | <b>1 536.7</b> | <b>1 136.6</b> | <b>621.5</b>  | <b>463.2</b>  |
| <b>Fully diluted weighted average number of ordinary shares in issue:</b> |                |                |               |               |
| Weighted number of ordinary shares in issue                               | 23 055         | 23 171         | 25 190        | 25 190        |
| Share options                                                             | 302            | 224            | 302           | 224           |
|                                                                           | <b>23 357</b>  | <b>23 395</b>  | <b>25 492</b> | <b>25 414</b> |

### 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 year-end.

Headline earnings and diluted headline earnings are determined by adjusting basic earnings and diluted earnings by excluding separately identifiable re-measurement items. Headline earnings and diluted headline earnings are presented after tax and non-controlling interest.

|                                                                                   |                |                |                |                |
|-----------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| <b>Reconciliation between attributable earnings and headline earnings</b>         |                |                |                |                |
| Attributable earnings                                                             | 358 916        | 265 915        | 158 442        | 117 705        |
| <b>Adjusted for:</b>                                                              |                |                |                |                |
| Net gains on disposal of property, plant and equipment                            | (6 585)        | (692)          | -              | -              |
| Gross gains on disposal of property, plant and equipment                          | (7 435)        | (439)          | -              | -              |
| Tax effect                                                                        | 850            | (253)          | -              | -              |
| <b>Headline earnings</b>                                                          | <b>352 331</b> | <b>265 223</b> | <b>158 442</b> | <b>117 705</b> |
| Headline earnings                                                                 | 352 331        | 265 223        | 158 442        | 117 705        |
| Weighted average number of ordinary shares in issue ('000)                        | 23 055         | 23 171         | 25 190         | 25 190         |
| <b>Headline earnings per share (cents)</b>                                        | <b>1 528.2</b> | <b>1 144.6</b> | <b>629.0</b>   | <b>467.3</b>   |
| Headline earnings                                                                 | 352 331        | 265 223        | 158 442        | 117 705        |
| Fully diluted weighted average number of ordinary shares in issue ('000)          | 23 357         | 23 395         | 25 492         | 25 414         |
| <b>Fully diluted headline earnings per share (cents)</b>                          | <b>1 508.5</b> | <b>1 133.7</b> | <b>621.5</b>   | <b>463.2</b>   |
| <b>Dividends per share (cents)</b>                                                |                |                |                |                |
| Interim: No 44 paid on 30 March 2015 (2014: No 42 paid on 31 March 2014)          | 376.00         | 275.00         | 376.00         | 275.00         |
| Final: No 45 payable on 28 September 2015 (2014: No 43 paid on 29 September 2014) | 336.00         | 253.00         | 323.00         | 253.00         |

For details of dividends declared after reporting date refer to the directors' report.



## 29. CASH GENERATED FROM OPERATIONS

| Figures in Rand thousands                          | GROUP            |          | COMPANY        |          |
|----------------------------------------------------|------------------|----------|----------------|----------|
|                                                    | 2015             | 2014     | 2015           | 2014     |
| Profit before taxation                             | <b>502 427</b>   | 380 489  | <b>158 442</b> | 117 383  |
| <b>Adjusted for:</b>                               |                  |          |                |          |
| Depreciation of property, plant and equipment      | <b>105 821</b>   | 87 351   | -              | -        |
| Amortisation of intangible assets                  | <b>14 700</b>    | 13 237   | -              | -        |
| Profit on disposal of assets held for sale         | <b>(9 496)</b>   | (1 946)  | -              | -        |
| Loss on sale of non-current assets                 | <b>2 061</b>     | 1 507    | -              | -        |
| Interest received                                  | <b>(39 676)</b>  | (23 927) | -              | -        |
| Interest paid                                      | <b>1 752</b>     | 1 004    | -              | -        |
| Increase in deferred operating lease liability     | <b>5 762</b>     | 8 201    | -              | -        |
| Movement in employee benefits                      | <b>283</b>       | 2 065    | -              | -        |
| Exchange differences on monetary assets            | <b>(436)</b>     | (2 177)  | -              | -        |
| Share-based payments                               | <b>9 276</b>     | 13 928   | <b>9 276</b>   | 13 928   |
| Deferred income                                    | -                | (1 595)  | -              | -        |
| <b>Changes in working capital</b>                  |                  |          |                |          |
| (Increase)/decrease in inventories                 | <b>(140 036)</b> | 55 232   | -              | -        |
| Decrease/(increase) in trade and other receivables | <b>(2 673)</b>   | 22 029   | <b>(298)</b>   | (6 634)  |
| Increase in prepayments                            | <b>(32 277)</b>  | (15 973) | -              | -        |
| Increase/(decrease) in trade and other payables    | <b>308 079</b>   | 390 245  | <b>708</b>     | (19 073) |
|                                                    | <b>725 567</b>   | 929 670  | <b>168 128</b> | 105 604  |

## 30. TAX PAID

|                                                      |                  |           |   |       |
|------------------------------------------------------|------------------|-----------|---|-------|
| Taxation receivable/(owing) at beginning of the year | <b>(28 813)</b>  | 9 279     | - | (322) |
| Amount charged to income statement                   | <b>(139 048)</b> | (111 036) | - | 322   |
| Movement in deferred taxation                        | <b>(6 367)</b>   | 2 817     | - | -     |
| Amount owing at end of the year                      | <b>43 387</b>    | 28 813    | - | -     |
| Cash amounts paid                                    | <b>(130 841)</b> | (70 127)  | - | -     |



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 31. DIVIDENDS PAID

| Figures in Rand thousands                    | GROUP            |           | COMPANY          |           |
|----------------------------------------------|------------------|-----------|------------------|-----------|
|                                              | 2015             | 2014      | 2015             | 2014      |
| Final dividend – prior year                  | <b>(57 725)</b>  | (44 169)  | <b>(63 730)</b>  | (48 113)  |
| Interim dividend – current year              | <b>(85 905)</b>  | (63 594)  | <b>(94 714)</b>  | (69 272)  |
| Amounts paid to non-controlling shareholders | <b>(980)</b>     | (1 061)   | -                | -         |
|                                              | <b>(144 610)</b> | (108 824) | <b>(158 444)</b> | (117 385) |

Dividends paid are from capital profits.

## 32. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

|                        |                |         |   |   |
|------------------------|----------------|---------|---|---|
| Net book value         | <b>5 932</b>   | 3 342   | - | - |
| Loss on sale of assets | <b>(2 061)</b> | (1 507) | - | - |
|                        | <b>3 871</b>   | 1 835   | - | - |

## 33. PROCEEDS ON DISPOSAL OF ASSETS HELD FOR SALE

|                          |               |       |   |   |
|--------------------------|---------------|-------|---|---|
| Net book value           | <b>6 320</b>  | 3 689 | - | - |
| Profit on sale of assets | <b>9 496</b>  | 1 946 | - | - |
|                          | <b>15 816</b> | 5 635 | - | - |

For detail of assets held for sale and disposed during the year refer to note 9.

## 34. BORROWING POWERS

|                                          |               |        |   |   |
|------------------------------------------|---------------|--------|---|---|
| Banking facilities:                      |               |        |   |   |
| Flexible term general banking facilities | <b>62 660</b> | 62 660 | - | - |
| Unutilised banking facilities            | <b>62 660</b> | 62 660 | - | - |

In terms of the Articles of Association of the Company, the borrowing powers of Cashbuild Limited are unrestricted.



### 35. COMMITMENTS

| Figures in Rand thousands                                                              | GROUP          |         | COMPANY |      |
|----------------------------------------------------------------------------------------|----------------|---------|---------|------|
|                                                                                        | 2015           | 2014    | 2015    | 2014 |
| Capital commitments                                                                    |                |         |         |      |
| Capital expenditure to be funded from internal resources as approved by the directors: |                |         |         |      |
| Authorised and contracted for                                                          | <b>26 194</b>  | 21 778  | -       | -    |
| Authorised by directors, but not contracted for                                        | <b>105 134</b> | 163 787 | -       | -    |
| Total commitments                                                                      | <b>131 328</b> | 185 565 | -       | -    |
| Capital commitments for the 12 months after accounting date                            | <b>105 134</b> | 163 787 | -       | -    |

Nedbank Limited has issued guarantees of R805 000 (June 2014: Nil) on behalf of the Group for contracts entered into by the Group. The Group has other bond guarantees of R1 410 730 (June 2014: R1 410 730).

#### Operating lease commitments

Leases for premises are on average contracted for periods between five and 15 years with renewal options for further five to 10 year periods. Rental escalations vary on average at a rate of 7% (June 2014: 7%) per annum.

The future minimum lease payments under non-cancellable operating leases for premises, equipment and cancellable arrangements with transport contractors which constitute an operating lease, are as follows:

|                                                                              |                  |           |   |   |
|------------------------------------------------------------------------------|------------------|-----------|---|---|
| - Not later than in one year                                                 | <b>298 222</b>   | 273 341   | - | - |
| - Later than one year - not later than five years                            | <b>590 639</b>   | 547 519   | - | - |
| - Later than five years                                                      | <b>434 052</b>   | 410 018   | - | - |
| Total future cash flows                                                      | <b>1 322 913</b> | 1 230 878 | - | - |
| Straight-lining of leases already accrued in statement of financial position | <b>(105 979)</b> | (100 217) | - | - |
| Future expenses                                                              | <b>1 216 934</b> | 1 130 661 | - | - |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 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 our suppliers and for revenue authorities.

|                           | GROUP |       | COMPANY |      |
|---------------------------|-------|-------|---------|------|
| Figures in Rand thousands | 2015  | 2014  | 2015    | 2014 |
| Bank guarantees           | 2 216 | 1 411 | -       | -    |

## 37. SEGMENTAL INFORMATION

The Group's business has been segmented based on common monetary area:

- South Africa
- Common monetary countries (Swaziland, Lesotho and Namibia)
- Non-common monetary countries (Botswana and Malawi)

South Africa is divided into 4 operations areas, made up by geography. Each operations area has its own manager and is made up of divisions of stores. Each division has a manager and is responsible for reporting to the operations manager.

The remaining countries are all seen as a single operations area which has a manager and follows the same reporting structure as South Africa.

Management reviews results per operations on a weekly basis and identifies focus areas. The board of directors reviews Group and country results on a higher level.

### Segmental information for the year ended 30 June 2015:

|                                        | South Africa | *Other members of common monetary area | Botswana and Malawi | Group          |
|----------------------------------------|--------------|----------------------------------------|---------------------|----------------|
| <b>Income statement</b>                |              |                                        |                     |                |
| - External                             | 6 732 667    | 599 648                                | 360 331             | 7 692 646      |
| - Internal                             | 99           | -                                      | -                   | 99             |
| Operating profit                       | 394 039      | 48 371                                 | 22 093              | 464 503        |
| Finance cost                           | (1 120)      | (462)                                  | (170)               | (1 752)        |
| Finance income                         | 25 732       | 13 005                                 | 939                 | 39 676         |
| Profit before tax                      | 418 651      | 60 914                                 | 22 862              | 502 427        |
| Income tax expense                     |              |                                        |                     | (139 048)      |
| <b>Profit for the year</b>             |              |                                        |                     | <b>363 379</b> |
| <b>Statement of financial position</b> |              |                                        |                     |                |
| Segment assets                         | 2 457 852    | 392 983                                | 217 593             | 3 068 428      |
| Segment liabilities                    | 1 477 423    | 148 989                                | 79 271              | 1 705 683      |
| Depreciation                           | 95 394       | 5 400                                  | 5 027               | 105 821        |
| Amortisation                           | 14 700       | -                                      | -                   | 14 700         |
| Capital investment                     | 148 522      | 8 731                                  | 11 349              | 168 602        |



### 37. SEGMENTAL INFORMATION (continued)

Segmental information for the year ended 30 June 2014:

|                                        | South Africa | *Other members of common monetary area | Botswana and Malawi | Group     |
|----------------------------------------|--------------|----------------------------------------|---------------------|-----------|
| <b>Income statement</b>                |              |                                        |                     |           |
| – External                             | 5 879 898    | 568 700                                | 322 705             | 6 771 303 |
| – Internal                             | 9 971        | –                                      | –                   | 9 971     |
| Operating profit                       | 311 405      | 34 718                                 | 11 443              | 357 566   |
| Finance cost                           | (938)        | (44)                                   | (22)                | (1 004)   |
| Finance income                         | 15 978       | 5 864                                  | 2 085               | 23 927    |
| Profit before tax                      | 326 446      | 40 538                                 | 13 505              | 380 489   |
| Income tax expense                     |              |                                        |                     | (111 036) |
| Profit for the year                    |              |                                        |                     | 269 453   |
| <b>Statement of financial position</b> |              |                                        |                     |           |
| Segment assets                         | 2 072 733    | 354 062                                | 189 360             | 2 616 155 |
| Segment liabilities                    | 1 155 662    | 151 474                                | 69 901              | 1 377 037 |
| Depreciation                           | 78 209       | 5 251                                  | 3 891               | 87 351    |
| Amortisation                           | 13 237       | –                                      | –                   | 13 237    |
| Capital investment                     | 247 785      | 9 107                                  | 12 663              | 269 555   |

\* Includes Namibia, Swaziland and Lesotho

\*\* Cashbuild applies the cost plus method in determining transfer pricing between Group companies

### 38. RELATED PARTIES

Cashbuild Limited is the ultimate holding company, holding 100% directly in Cashbuild (Management Services) (Pty) Ltd. Cashbuild (Management Services) (Pty) Ltd holds shares in several other companies, shareholding varies between 50% to 100%. All the companies are subsidiaries of Cashbuild (Management Services) (Pty) Ltd and sub-subsidiaries of Cashbuild Limited.

#### Subsidiaries

| Name of company                           | Nature | Domicile | Issued share capital | June 2015 | June 2014 |
|-------------------------------------------|--------|----------|----------------------|-----------|-----------|
| <b>DIRECTLY HELD</b>                      |        |          |                      |           |           |
| Cashbuild (Management Services) (Pty) Ltd | 1      |          | R1                   | 100%      | 100%      |
| <b>INDIRECTLY HELD</b>                    |        |          |                      |           |           |
| Cashbuild (Botswana) (Pty) Ltd            | 2      | A        | P1 500 000           | 100%      | 100%      |
| Cashbuild Kanye (Pty) Ltd                 | 3      | A        | P2                   | 100%      | 100%      |
| Cashbuild (Lesotho) (Pty) Ltd             | 2      | B        | M100 000             | 80%       | 80%       |
| Cashbuild Lilongwe Ltd                    | 2      | C        | MWK100 000           | 51%       | 51%       |
| Cashbuild (Namibia) (Pty) Ltd             | 2      | D        | N\$1                 | 100%      | 100%      |
| Cashbuild (South Africa) (Pty) Ltd        | 2      |          | R54 000              | 100%      | 100%      |
| Cashbuild (Swaziland) (Pty) Ltd           | 2      | E        | E500                 | 100%      | 100%      |
| Roofbuild Trusses (Pty) Ltd               | 2      |          | R100                 | 100%      | 71%       |
| Tradebuild (Pty) Ltd                      | 3      |          | R4                   | 100%      | 100%      |
| Cashbuild (Kwandebele) (Pty) Ltd          | 4      |          | R200 000             | 100%      | 100%      |
| Cashbuild (Transkei) (Pty) Ltd            | 4      |          | R250 000             | 100%      | 100%      |
| Cashbuild (Venda Properties) (Pty) Ltd    | 4      |          | R –                  | 100%      | 100%      |
| Cashbuild Properties (Pty) Ltd            | 4      |          | R1                   | 100%      | 100%      |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 38 RELATED PARTIES (continued)

During the period Cashbuild (Management Services) (Pty) Ltd acquired the 29% non-controlling interest in Roofbuild Trusses (Pty) Ltd. As a result of this transaction Cashbuild (Management Services) (Pty) Ltd holds 100% in Roofbuild Trusses (Pty) Ltd. During the prior year Cashbuild (Management Services) (Pty) Ltd acquired the 100% shareholding of Cashbuild Properties (Pty) Ltd and Cashbuild (Venda Properties) (Pty) Ltd, which was previously held by Rand Merchant Bank.

| Domicile                               | Nature                               |
|----------------------------------------|--------------------------------------|
| South African unless otherwise stated: | 1. Investment and management company |
| A. Botswana                            | 2. Trading company                   |
| B. Lesotho                             | 3. Dormant                           |
| C. Malawi                              | 4. Property holding company          |
| D. Namibia                             |                                      |
| E. Swaziland                           |                                      |

The intercompany balances and transactions disclosed below exist on the individual company levels and are appropriately eliminated on consolidation. All inter-company loans, are unsecured and bear no interest.

| June 2015 (R'000)                         | Sales | Purchases | Receivable balance | Payables balance | Loan/equity liabilities | Loan/equity assets |
|-------------------------------------------|-------|-----------|--------------------|------------------|-------------------------|--------------------|
| Cashbuild Limited                         | -     | -         | -                  | -                | -                       | 68 163             |
| Cashbuild (South Africa) (Pty) Ltd        | 99    | -         | 499                | -                | 21 804                  | 39 676             |
| Cashbuild (Management Services) (Pty) Ltd | -     | -         | -                  | -                | 45 360                  | 75 374             |
| Cashbuild (Botswana) (Pty) Ltd            | -     | -         | -                  | -                | -                       | 9 931              |
| Cashbuild (Lesotho) (Pty) Ltd             | -     | -         | -                  | -                | -                       | 1 506              |
| Cashbuild Lilongwe Ltd                    | -     | -         | -                  | -                | 2 893                   | -                  |
| Cashbuild (Namibia) (Pty) Ltd             | -     | -         | -                  | -                | 16 111                  | 3 017              |
| Cashbuild (Swaziland) (Pty) Ltd           | -     | -         | -                  | -                | -                       | 7 043              |
| Roofbuild Trusses (Pty) Ltd               | -     | 99        | -                  | 499              | 3 505                   | -                  |
| Tradebuild (Pty) Ltd                      | -     | -         | -                  | -                | -                       | -                  |
| Cashbuild (Kwandebele) (Pty) Ltd          | -     | -         | -                  | -                | -                       | -                  |
| Cashbuild (Transkei) (Pty) Ltd            | -     | -         | -                  | -                | -                       | -                  |
| The Cashbuild Share Incentive Trust       | -     | -         | -                  | -                | 39 970                  | -                  |
| Cashbuild Empowerment Trust               | -     | -         | -                  | -                | 75 067                  | -                  |
| Cashbuild (Venda Properties) (Pty) Ltd    | -     | -         | -                  | -                | -                       | -                  |
| Cashbuild (Properties) (Pty) Ltd          | -     | -         | -                  | -                | -                       | -                  |
|                                           | 99    | 99        | 499                | 499              | 204 710                 | 204 710            |



### 38. RELATED PARTIES (continued)

| June 2014 (R'000)                         | Sales        | Purchases    | Receivable balance | Payables balance | Loan/equity liabilities | Loan/equity assets |
|-------------------------------------------|--------------|--------------|--------------------|------------------|-------------------------|--------------------|
| Cashbuild Limited                         | -            | -            | -                  | -                | -                       | 42 225             |
| Cashbuild (South Africa) (Pty) Ltd        | 9 971        | -            | 499                | -                | 22 775                  | 36 683             |
| Cashbuild (Management Services) (Pty) Ltd | -            | -            | -                  | -                | 44 772                  | 75 374             |
| Cashbuild (Botswana) (Pty) Ltd            | -            | -            | -                  | -                | -                       | 10 625             |
| Cashbuild (Lesotho) (Pty) Ltd             | -            | -            | -                  | -                | -                       | 1 682              |
| Cashbuild Lilongwe Ltd                    | -            | -            | -                  | -                | 816                     | -                  |
| Cashbuild (Namibia) (Pty) Ltd             | -            | -            | -                  | -                | 30 111                  | 3 197              |
| Cashbuild (Swaziland) (Pty) Ltd           | -            | -            | -                  | -                | -                       | 7 268              |
| Roofbuild Trusses (Pty) Ltd               | -            | 9 971        | -                  | 499              | 3 811                   | -                  |
| Tradebuild (Pty) Ltd                      | -            | -            | -                  | -                | -                       | -                  |
| Cashbuild (Kwandebele) (Pty) Ltd          | -            | -            | -                  | -                | -                       | -                  |
| Cashbuild (Transkei) (Pty) Ltd            | -            | -            | -                  | -                | -                       | -                  |
| The Cashbuild Share Incentive Trust       | -            | -            | -                  | -                | -                       | 298                |
| Cashbuild Empowerment Trust               | -            | -            | -                  | -                | 75 067                  | -                  |
| Cashbuild (Venda Properties) (Pty) Ltd    | -            | -            | -                  | -                | -                       | -                  |
| Cashbuild (Properties) (Pty) Ltd          | -            | -            | -                  | -                | -                       | -                  |
|                                           | <b>9 971</b> | <b>9 971</b> | <b>499</b>         | <b>499</b>       | <b>177 352</b>          | <b>177 352</b>     |

#### Directors

##### Non-Executive:

D Masson  
I S Fourie  
H H Hickey  
A G W Knock  
Dr D S S Lushaba  
N V Simamane

##### Executive:

W F de Jager  
A E Prowse  
S A Thoreson  
A van Onselen

Directors' information is fully disclosed in note 40. There are no loans held between directors and any of the companies in the Group.

#### Key management compensation

|                              | June 2015     | June 2014 |
|------------------------------|---------------|-----------|
| Short-term employee benefits | <b>9 714</b>  | 9 131     |
| Bonus/bonus accruals         | <b>1 887</b>  | 230       |
| Pension fund contributions   | <b>817</b>    | 730       |
|                              | <b>12 418</b> | 10 091    |



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 38 RELATED PARTIES (continued)

Prescribed Officers, paid by the subsidiary company Cashbuild (South Africa) (Pty) Ltd, for the year ended 30 June 2015:

|               | Basic salary | Bonus* allowances | Expenses and travelling allowances | Other material benefits ** | Pension scheme contributions | Share options exercised | Total |
|---------------|--------------|-------------------|------------------------------------|----------------------------|------------------------------|-------------------------|-------|
| A Hattingh    | 1 020        | 825               | 204                                | -                          | 97                           | -                       | 2 146 |
| W Dreyer      | 1 218        | 768               | 105                                | 57                         | 121                          | -                       | 2 269 |
| I A C de Beer | 1 257        | 855               | 349                                | 47                         | 113                          | -                       | 2 621 |
|               | 3 495        | 2 448             | 658                                | 104                        | 331                          | -                       | 7 036 |

There are no loans held between key management and any of the companies in the Group.

Top three earners other than Directors and prescribed officers for the year ended 30 June 2015:

|                 | Basic salary | Bonus* allowances | Expenses and travelling allowances | Other material benefits ** | Pension scheme contributions | Share options exercised | Total  |
|-----------------|--------------|-------------------|------------------------------------|----------------------------|------------------------------|-------------------------|--------|
| G Mead          | 1 056        | 605               | 4                                  | 45                         | 109                          | 403                     | 2 222  |
| W P van Aswegen | 1 338        | 794               | 134                                | -                          | 130                          | -                       | 2 396  |
| A H S Havenga   | 1 222        | 696               | 72                                 | -                          | 117                          | 6 271                   | 8 378  |
|                 | 3 616        | 2 095             | 210                                | 45                         | 356                          | 6 674                   | 12 996 |

The following share options have been granted, but not yet vested to the following key managers for the year ended 30 June 2015:

|                 | Balance at 30 June 2013 | Movement for the year | Balance at 30 June 2014 | Movement for the year | Balance at 30 June 2015 |
|-----------------|-------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| P A Champion    | 87 500                  | (50 000)              | 37 500                  | -                     | 37 500                  |
| I A C de Beer   | 125 000                 | (75 000)              | 50 000                  | -                     | 50 000                  |
| W Dreyer        | 37 500                  | -                     | 37 500                  | -                     | 37 500                  |
| A Hattingh      | 5 000                   | -                     | 5 000                   | -                     | 5 000                   |
| A H S Havenga   | 87 500                  | -                     | 87 500                  | (50 000)              | 37 500                  |
| G Mead          | 62 500                  | (16 500)              | 46 000                  | (8 500)               | 37 500                  |
| W P van Aswegen | 87 500                  | (50 000)              | 37 500                  | -                     | 37 500                  |
|                 | 492 500                 | (191 500)             | 301 000                 | (58 500)              | 242 500                 |

\* Bonuses refer to bonuses paid and accrued for and are authorised by the remuneration committee

\*\* Other material benefits' include contributions to medical aid.

Refer to note 15 for details of the share option schemes.



### 38. RELATED PARTIES (continued)

#### The Cashbuild Share Incentive Trust

Cashbuild (South Africa) Proprietary Limited, a wholly-owned subsidiary within the Group, purchased shares in Cashbuild Ltd during the period December 2001 to February 2002. These shares were sold to The Cashbuild Share Incentive Trust in December 2002.

The trust makes shares available to executive directors and employees of the Group in accordance with the rules of the trust. The shares subject to the trust have been dealt with as follows:

|                                                        | June 2015      | June 2014      |
|--------------------------------------------------------|----------------|----------------|
| Shares subject to the scheme at beginning of period    | 408 500        | 117 825        |
| Shares purchased by the Trust                          | 698 712        | 557 175        |
| Shares sold on open market                             | (558 500)      | (266 500)      |
| <b>Shares held in the Trust for future allocations</b> | <b>548 712</b> | <b>408 500</b> |

#### 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) (Pty) Ltd. As at 30 June 2015, Cashbuild Limited had 25 189 811 (June 2014: 25 189 811) 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 (R81.23 per share). The proceeds on the share repurchase were distributed as a dividend to beneficiaries of the Trust, equal to R20 million as at statement of financial position date. As at 30 June 2015, The Cashbuild Empowerment Trust held 1 964 999 (June 2014: 1 964 999) 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:

|                     | June 2015     | June 2014    |
|---------------------|---------------|--------------|
| – Final 2014 (2013) | 4 971         | 3 753        |
| – Interim 2015      | 7 389         | 5 404        |
|                     | <b>12 360</b> | <b>9 157</b> |

#### The Operations Management Member Trust

The operational management members' scheme considers all stores that generate an operating margin in excess of 10%. The profit share amount is determined with reference to a specified hurdle rate that takes into account the prior period operating margin of the qualifying store. The calculated profit share is split equally between a cash bonus and an amount utilised for the purchase of Cashbuild Limited shares. The cash bonus is recognised as an expense in the period in which the store qualifies. The attributable equity portion is treated as an equity-settled share based payment expense and recognised equally over the four year vesting period which is linked to employment. Refer to note 15.

### 39. EVENTS AFTER THE REPORTING PERIOD

Cashbuild subsequent to year end has entered into an agreement to acquire 100% of the shareholding in P&L Hardware (Pty) Limited. The effective date of the acquisition will be five business days following the date on which all conditions precedent have been met, which is anticipated to be by the end of November 2015. This acquisition is categorised as a Category 2 transaction in terms of the JSE Listings Requirements and accordingly does not require shareholder approval.

The purchase consideration payable upon fulfilment of the abovementioned conditions precedent, is the sum of R350 million plus additional amounts totalling up to R80 million if certain profits targets are achieved by P&L Hardware (Pty) Limited during a three year measured payment period. The purchase consideration will be funded from Cashbuild's existing cash resources. The value of the net assets subject to the acquisition is R117.9 million and the profit attributable to the net assets is R35.8 million.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 40. DIRECTORS' INFORMATION

Executive directors

Directors' emoluments for the year ended 30 June 2015

|               | Basic salary | Bonus*       | Expenses and travelling allowance | Other material benefits** | Company's pension scheme contributions | Share options exercised | Total         |
|---------------|--------------|--------------|-----------------------------------|---------------------------|----------------------------------------|-------------------------|---------------|
| W F de Jager  | 2 735        | 2 355        | 113                               | 60                        | 256                                    | 18 048                  | 23 567        |
| A van Onselen | 2 073        | 1 451        | 150                               | 83                        | 185                                    | 13 401                  | 17 343        |
| A E Prowse    | 1 848        | 1 268        | 142                               | -                         | 146                                    | 13 410                  | 16 814        |
| S A Thoreson  | 1 664        | 1 162        | 275                               | -                         | 152                                    | 13 401                  | 16 654        |
|               | <b>8 320</b> | <b>6 236</b> | <b>680</b>                        | <b>143</b>                | <b>739</b>                             | <b>58 260</b>           | <b>74 378</b> |

Directors' emoluments for the year ended 30 June 2014

|               | Basic salary | Bonus*       | Expenses and travelling allowance | Other material benefits** | Company's pension scheme contributions | Share options exercised | Total         |
|---------------|--------------|--------------|-----------------------------------|---------------------------|----------------------------------------|-------------------------|---------------|
| W F de Jager  | 2 537        | 1 115        | 140                               | 69                        | 240                                    | 2 410                   | 6 511         |
| A van Onselen | 1 935        | 601          | 180                               | 75                        | 172                                    | -                       | 2 963         |
| A E Prowse    | 1 719        | 608          | 149                               | -                         | 136                                    | -                       | 2 612         |
| S A Thoreson  | 1 547        | 430          | 271                               | -                         | 142                                    | -                       | 2 390         |
|               | <b>7 738</b> | <b>2 754</b> | <b>740</b>                        | <b>144</b>                | <b>690</b>                             | <b>2 410</b>            | <b>14 476</b> |

\* Bonuses refer to bonuses paid (2014) and provisional accrued (2015) for and require authorisation by the Remuneration Committee

\*\* Other material benefits' include contributions to medical aid.

### Securities issued

The following share options have been granted, but not yet vested to the following directors for the year ended 30 June 2015 (refer to note 15 for details of the share options schemes):

|               | Balance at 30 June 2013 | Movement for the period | Balance at 30 June 2014 | Movement for the period | Balance at 30 June 2015 |
|---------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| W F de Jager  | 300 000                 | (50 000)                | 250 000                 | (150 000)               | 100 000                 |
| A van Onselen | 175 000                 | -                       | 175 000                 | (100 000)               | 75 000                  |
| A E Prowse    | 175 000                 | -                       | 175 000                 | (100 000)               | 75 000                  |
| S A Thoreson  | 175 000                 | -                       | 175 000                 | (100 000)               | 75 000                  |
|               | <b>825 000</b>          | <b>(50 000)</b>         | <b>775 000</b>          | <b>(450 000)</b>        | <b>325 000</b>          |



## 40. DIRECTORS' INFORMATION (continued)

### Non-executive directors

Directors' emoluments for the year ended 30 June 2015

|                                                       | Expenses and travelling allowance |          |              |
|-------------------------------------------------------|-----------------------------------|----------|--------------|
|                                                       | Fees                              |          | Total        |
| D Masson                                              | 608                               | -        | 608          |
| N V Simamane                                          | 444                               | -        | 444          |
| H H Hickey                                            | 416                               | -        | 416          |
| I S Fourie                                            | 402                               | -        | 402          |
| A G W Knock                                           | 400                               | -        | 400          |
| Dr D S S Lushaba                                      | 384                               | -        | 384          |
|                                                       | <b>2 654</b>                      | <b>-</b> | <b>2 654</b> |
| Directors' emoluments for the year ended 30 June 2014 |                                   |          |              |
| D Masson                                              | 395                               | -        | 395          |
| A G W Knock                                           | 308                               | 7        | 315          |
| I S Fourie                                            | 304                               | -        | 304          |
| Dr D S S Lushaba                                      | 247                               | -        | 247          |
| H H Hickey                                            | 230                               | -        | 230          |
| N V Simamane                                          | 223                               | -        | 223          |

## 41. DIRECTORS' SHAREHOLDING

The directors held in aggregate, direct and indirect beneficial interests and non-beneficial interests of 0.11% in the issued share capital of the Company at 30 June 2015 (June 2014: 0.005%). The direct and indirect beneficial interest and non-beneficial interests of the directors in office at 30 June 2015 are as follows:

|                                   | Beneficial    | Non-beneficial |
|-----------------------------------|---------------|----------------|
| A E Prowse                        | 27 500        | -              |
| N V Simamane                      | 1 200         | -              |
| <b>Total ordinary shares held</b> | <b>28 700</b> | <b>-</b>       |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015 (CONTINUED)

## 42. SHAREHOLDERS' ANALYSIS

Listed below is an analysis of holdings extracted from register of ordinary holders at 30 June 2015:

|                                                                                                      | % Holding      | No. of shares        |
|------------------------------------------------------------------------------------------------------|----------------|----------------------|
| Directors                                                                                            | 0.11           | 28 700               |
| Staff, The Cashbuild Share Incentive Trust                                                           | 2.18           | 548 712              |
| The Cashbuild Empowerment Trust                                                                      | 7.80           | 1 964 999            |
| The Cashbuild Operations Management Member Trust                                                     | 0.08           | 20 519               |
| Banks                                                                                                | 18.70          | 4 711 003            |
| Brokers                                                                                              | 1.93           | 485 541              |
| Close Corporations                                                                                   | 6.11           | 1 539 958            |
| Endowment Funds                                                                                      | 0.07           | 18 738               |
| Individuals                                                                                          | 9.41           | 2 370 451            |
| Insurance Companies                                                                                  | 3.09           | 777 364              |
| Medical Aid Schemes                                                                                  | 0.29           | 72 971               |
| Mutual Funds                                                                                         | 12.76          | 3 214 239            |
| Nominees and Trusts                                                                                  | 18.52          | 4 663 551            |
| Other Corporations                                                                                   | 0.33           | 83 232               |
| Pension Funds                                                                                        | 15.40          | 3 879 647            |
| Private Companies                                                                                    | 2.28           | 573 598              |
| Public Companies                                                                                     | 0.94           | 236 588              |
|                                                                                                      | 100.00         | 25 189 811           |
| <b>Portfolio size</b>                                                                                |                |                      |
| 1 – 1 000                                                                                            | 1.84           | 462 734              |
| 1 001 – 5 000                                                                                        | 2.86           | 721 256              |
| 5 001 – 100 000                                                                                      | 14.05          | 3 539 976            |
| 100 001 – 1 000 000                                                                                  | 39.25          | 9 887 149            |
| 1 000 000 – over                                                                                     | 42.00          | 10 578 696           |
|                                                                                                      | 100.00         | 25 189 811           |
| <b>The following shareholders held in excess of 5% of the shares of the Company at 30 June 2015:</b> |                |                      |
| Government Employees Pension Fund                                                                    | 10.68          | 2 691 010            |
| Goldrick, PK                                                                                         | 9.67           | 2 436 673            |
| The Cashbuild Empowerment Trust                                                                      | 7.80           | 1 964 999            |
| SRA Investments CC                                                                                   | 5.95           | 1 500 000            |
| <b>Directors' shareholding in main register 30 June 2015:</b>                                        | <b>Holders</b> | <b>No. of shares</b> |
| AE Prowse                                                                                            | 1              | 27 500               |
| NV Simamane                                                                                          | 1              | 1 200                |
|                                                                                                      | 2              | 28 700               |



## 42. SHAREHOLDERS' ANALYSIS (continued)

Listed below is an analysis of holdings extracted from register of ordinary holders at 30 June 2014:

|                                                                                                      | % Holding      | No. of shares        |
|------------------------------------------------------------------------------------------------------|----------------|----------------------|
| Directors                                                                                            | 0.01           | 1 200                |
| Staff, The Cashbuild Share Incentive Trust                                                           | 1.62           | 408 500              |
| The Cashbuild Empowerment Trust                                                                      | 7.80           | 1 964 999            |
| Banks                                                                                                | 21.48          | 5 405 352            |
| Brokers                                                                                              | 2.21           | 555 463              |
| Close Corporations                                                                                   | 6.11           | 1 539 122            |
| Endowment Funds                                                                                      | 0.11           | 26 577               |
| Individuals                                                                                          | 10.26          | 2 589 332            |
| Insurance companies                                                                                  | 4.08           | 1 026 771            |
| Investment companies                                                                                 | 0.20           | 51 589               |
| Medical aid schemes                                                                                  | 0.09           | 21 983               |
| Mutual funds                                                                                         | 12.35          | 3 111 015            |
| Nominees and trusts                                                                                  | 19.10          | 4 810 413            |
| Other Corporations                                                                                   | 0.42           | 105 079              |
| Pension funds                                                                                        | 10.09          | 2 541 776            |
| Private companies                                                                                    | 3.12           | 786 507              |
| Public companies                                                                                     | 0.97           | 244 133              |
|                                                                                                      | <b>100.00</b>  | <b>25 189 811</b>    |
| <b>Portfolio size</b>                                                                                |                |                      |
| 1 – 1 000                                                                                            | 2.03           | 511 907              |
| 1 001 – 5 000                                                                                        | 3.08           | 776 427              |
| 5 001 – 100 000                                                                                      | 14.83          | 3 734 803            |
| 100 001 – 1 000 000                                                                                  | 56.26          | 14 170 658           |
| 1 000 000 – over                                                                                     | 23.80          | 5 996 016            |
|                                                                                                      | <b>100.00</b>  | <b>25 189 811</b>    |
| <b>The following shareholders held in excess of 5% of the shares of the Company at 30 June 2014:</b> |                |                      |
| Goldrick, PK                                                                                         | 10.05          | 2 531 017            |
| The Cashbuild Empowerment Trust                                                                      | 7.80           | 1 964 999            |
| Government Employees Pension Fund                                                                    | 6.01           | 1 513 146            |
| SRA Investments CC                                                                                   | 5.95           | 1 500 000            |
| <b>Directors' shareholding in main register 30 June 2014:</b>                                        | <b>Holders</b> | <b>No. of shares</b> |
| NV Simamane                                                                                          | 1              | 1 200                |
|                                                                                                      | <b>1</b>       | <b>1 200</b>         |





GENERAL  
INFORMATION



# CORPORATE INFORMATION

|                       |                                                                                                                                                                                               |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Registration number   | 1986/001503/06                                                                                                                                                                                |
| Share code            | CSB                                                                                                                                                                                           |
| ISIN                  | ZAE000028320                                                                                                                                                                                  |
| Registered office     | 101 Northern Parkway, Ormonde, Johannesburg, 2001                                                                                                                                             |
| Postal address        | PO Box 90115, Bertsham, 2013                                                                                                                                                                  |
| Telephone number      | +27 (0)11 248 1500                                                                                                                                                                            |
| Facsimile             | +27 (0) 86 666 3291                                                                                                                                                                           |
| Website               | <a href="http://www.cashbuild.co.za">www.cashbuild.co.za</a>                                                                                                                                  |
| Company Secretary     | Corporate Governance Leaders CC                                                                                                                                                               |
| Sponsor               | Nedbank Corporate and Investment Banking, a division of Nedbank Group Limited<br>(Registration number 1966/010630/06)<br>135 Rivonia Road, Sandown, 2196<br>(PO Box 1144, Johannesburg, 2000) |
| Auditors              | PricewaterhouseCoopers Inc<br>2 Eglin Road, Sunninghill, Johannesburg, 2157<br>(Private Bag X36, Sunninghill, 2157)                                                                           |
| Transfer Secretaries  | Computershare Investor Services Pty Ltd<br>(Registration number 2004/003647/07)<br>Ground Floor, 70 Marshall Street, Johannesburg, 2001<br>(PO Box 61051, Marshalltown, 2107)                 |
| Investor Relations    | Keyter Rech Investor Solutions CC<br>(Registration number 2008/156985/23)<br>Fountain Grove, 5 2nd Street, Hyde Park, 2195<br>(PO Box 653078, Benmore, 2010)                                  |
| Transactional Bankers | Nedbank Limited<br>The Standard Bank of South Africa Limited<br>First National Bank, a division of FirstRand Limited                                                                          |

# NOTICE OF ANNUAL GENERAL MEETING

## CASHBUILD LIMITED

(Incorporated in the Republic of South Africa)  
REG NO. 1986/001503/06 • ISIN: ZAE000028320 • JSE code: CSB  
("Cashbuild" or "the Company")

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF MEMBERS OF CASHBUILD WILL BE HELD IN THE CASHBUILD BOARDROOM, CORNER NORTHERN PARKWAY AND CROWNWOOD ROAD, ORMONDE, JOHANNESBURG ON MONDAY, 30 NOVEMBER 2015 AT 10:00 FOR THE PURPOSES OF CONSIDERING AND, IF DEEMED FIT, PASSING WITH OR WITHOUT MODIFICATION, THE RESOLUTIONS SET OUT BELOW:

1. **Ordinary Resolution number one (Auditor's report)**

"RESOLVED THAT the auditor's report be taken as read."

2. **Ordinary Resolution number two (Adoption of Annual Financial Statements)**

"RESOLVED THAT the Annual Financial Statements of the Company and the Group for the financial year ended 30 June 2015, together with the Directors' Report, Audit and Risk Committee Report and the Independent Auditor's Report be adopted."

**NOTE: PROCEDURE FOR THE APPOINTMENT OF DIRECTORS**

In terms of section 68(2) of the Companies Act, 71 of 2008, the directors shall be individually appointed by the shareholders in general meeting.

3. **Ordinary Resolution number three (Re-election of director: D MASSON)**

"RESOLVED THAT Mr D Masson who has served as Chairman of the Cashbuild Board since 22 June 1988 and who retires by rotation and, being eligible, be re-elected as a director of the Company."

Qualifications: ACIS

Directorships: Mr Masson's current appointments include:

- Bidvest Group;
- McCarthy; and
- Valley Irrigation of Southern Africa.

His current Cashbuild related appointments include:

- Director of Cashbuild Management Services (Pty) Ltd;
- Director of Cashbuild (South Africa) (Pty) Ltd;
- Trustee of the Cashbuild Share Incentive Trust;
- Member of the Cashbuild Remuneration Committee; and
- Member of the Cashbuild Nomination Committee.

4. **Ordinary Resolution number four (Re-election of director: NV SIMAMANE)**

"RESOLVED THAT MS NV SIMAMANE who became a director on 1 September 2004 and who retires by rotation and, being eligible, be re-elected as a director of the Company."

Qualifications: BSc (Hons) (Botswana and Swaziland)

Work experience: Ms Simanane's work experience includes:

- Marketing Manager (Unilever); and
- Marketing director (British American Tobacco).

Directorships: Ms Simamane's current appointments include:

- Foschini;
- Oceana; and
- Zanusi Marketing Consultants.

Top Businesswoman of the Year: 2009 National Business Awards

Member of the Cashbuild Audit and Risk Management Committee and Chairman of the Social and Ethics Committee.



# NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

## 5. Ordinary Resolution number five (Re-appointment of auditor)

Following the Audit and Risk Committee being satisfied as to the auditors' independence, to re-appoint PricewaterhouseCoopers Inc. as the auditor for the current financial year ending 30 June 2016. The responsible audit partner is Mr I Buys.

Audit fees

In terms of section 94(7)(b) of the Companies Act, the Audit and Risk Management Committee is responsible for determining the audit fees and the auditor's terms of appointment.

## 6. Ordinary Resolutions numbers six, seven and eight (Appointment of Audit and Risk Management Committee members)

Section 94 of the Companies Act requires each Annual General Meeting of a public company to elect an Audit Committee comprising at least three members.

It is accordingly proposed that the following directors should be elected to serve as members of the Audit and Risk Management Committee by separate resolutions:

### 6.1 Ordinary Resolution number six

"RESOLVED THAT Ms NV Simamane be appointed as a member of the Audit and Risk Committee."

### 6.2 Ordinary Resolution number seven

"RESOLVED THAT Dr DSS Lushaba be appointed as a member of the Audit and Risk Committee."

### 6.3 Ordinary Resolution number eight

"RESOLVED THAT Ms HH Hickey be appointed as a member of the Audit and Risk Committee."

## 7. Ordinary Resolution number nine (non-binding advisory vote on the Company's remuneration policy)

"RESOLVED THAT, through a non-binding advisory vote, the Company's remuneration policy as set out on page 36 of the Integrated Report is endorsed."

## 8. Special Resolution number one (Approval of the Cashbuild Limited Forfeitable Share Plan 2015)

"RESOLVED THAT, the Cashbuild Limited Forfeitable Share Plan 2015 ("FSP"), the salient features of which are summarised in Annexure 1 to the notice of Annual General Meeting, is hereby approved and that the directors of the Company are authorised to implement and give effect to all of the provisions of the FSP"

### Additional information in respect of Special Resolution number one

In line with local and global best practice, the Company intends to adopt a new share plan, namely the FSP, for executives and senior management.

This Special Resolution number one is required in terms of the JSE Listings Requirements to be passed by achieving a 75% majority of the votes exercised on such resolution by shareholders present or represented by proxy at the Annual General Meeting. Shares held as treasury shares and shares held by a share trust or scheme will not have their votes taken into account for purposes of this resolution.

### Documents available for inspection

Copies of the following documents will be available for inspection at the registered offices of the Company at 101 Northern Parkway, Ormonde, Johannesburg, South Africa during normal business hours (excluding Saturdays, Sundays and public holidays) from the date of this notice up to and including the date of the Annual General Meeting on 30 November 2015:

- a signed copy of this notice (including Annexure 1 which summarises the salient features of the FSP), as approved by the JSE;
- the rules of the FSP; and
- the MOI of Cashbuild.

# NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

## 9. Special Resolution number two (Authority to implement FSP 2015)

"RESOLVED THAT, subject to approval of Special Resolution number one, to, in terms of sections 39 and 41 of the Companies Act, 71 of 2008, authorise the board of directors of the Company, from time-to-time:

9.1 To issue awards;

9.2 To issue shares pursuant to the settlement of awards; in terms of the FSP for executive directors and senior managers."

## 10. Special Resolution number three (Specific repurchase from the Cashbuild Empowerment Trust)

RESOLVED THAT, subject to the execution of the repurchase of shares agreement ("the Repurchase of Shares Agreement") between the Company and the Cashbuild Empowerment Trust ("the Trust"), the Company be and is hereby authorised to repurchase 200 000 (two hundred thousand) ordinary shares in the Company from the Trust in accordance with the provisions of section 48 of the Companies Act, 2008, upon the terms and subject to the conditions set out in the Repurchase of Shares Agreement, which shares shall be cancelled and restored to the status of authorised but unissued shares in the Company.

The reason for Special Resolution number three is for the Company to repurchase 200 000 (two hundred thousand) ordinary shares in the Company held by the Trust in accordance with section 48 of the Companies Act, 2008.

In order for the Special Resolution number three to be passed the support of at least 75% (seventy-five per cent) of the voting rights exercised on the resolution by the shareholders, either present in person, or represented by proxy, at the annual general meeting is required. The Trust will be excluded from voting on the special Resolution number three.

Shareholders are referred to Annexure 2 which provides further detail on the specific repurchase from the Trust.

## 11. Special Resolution number four (Remuneration of non-executive directors)

"RESOLVED THAT the remuneration for the non-executive directors, for the period 1 July 2015 to 30 June 2016, as set out below is approved."

|                                              |          | Rand    | Payable      |
|----------------------------------------------|----------|---------|--------------|
| Annual retainer                              | Chairman | 235 000 | Annually     |
|                                              | Director | 147 000 | Annually     |
| Board and strategy meetings                  | Chairman | 40 000  | Each meeting |
|                                              | Director | 21 000  | Each meeting |
| Audit and Risk Management Committee meetings | Chairman | 16 000  | Each meeting |
|                                              | Director | 13 000  | Each meeting |
| All other meetings                           | Chairman | 14 000  | Each meeting |
|                                              | Director | 11 000  | Each meeting |

*The percentage of voting rights that will be required for this special resolution to be adopted is 75% of the votes exercised on this special resolution.*

## 12. Special Resolution number five (Financial assistance in terms of section 45 of the Companies Act)

"RESOLVED THAT, in accordance with section 45 of the Companies Act, the Board be and is hereby authorised, by way of a general authority to, at any time and from time to time during the period of two years commencing on the date of this special resolution, provide any direct or indirect financial assistance (as contemplated in section 45(1) of the Companies Act) in any form or amount to any company which is related or inter-related to the Company (from time to time and for the time being), as defined in the Companies Act, on such terms and conditions as the Board may determine."

### Explanatory note in respect of Special Resolution number five

Special Resolution number five is required in order to authorise financial assistance by the Company to other Group companies. In terms of section 45 of the Companies Act, the directors of the Company may not authorise the Company to provide financial assistance by way of loans, guarantees, the provision of security or otherwise, to any company which is related or inter-related to Cashbuild, i.e. its subsidiaries, unless such financial assistance is pursuant to a special resolution of shareholders. This Special Resolution does not authorise the provision of financial assistance to a director or prescribed officer of the Company.

In terms of the treasury management function and policies of the Group, Cashbuild is required, from time to time, to provide financial assistance to other entities within the Group to ensure that these entities maintain appropriate liquidity levels.



# NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

The authorisation of any such financial assistance will be, and remain, subject to the Board being satisfied that immediately after granting financial assistance, the Company will satisfy the solvency and liquidity test set out in the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

In accordance with section 45(5) of the Companies Act, the Board gives notice to shareholders of its intention to propose a resolution authorising the Company to provide financial assistance to certain related and/or inter-related companies, which Board resolution will take effect on the passing of Special Resolution number five set out above.

*The percentage of voting rights that will be required for this special resolution to be adopted is 75% of the votes exercised.*

## 13. Ordinary Resolution number ten (section 75 of the Companies Act)

RESOLVED THAT, subject to the passing of Special Resolution number three above, in accordance with section 75(7)(b)(i) of the Companies Act, 2008 (and only to the extent required), any and all personal financial interests which any director of the Company and/or related person (including any affiliate of the Company of which any director is also a director) may have in the transactions contemplated by the Repurchase of Shares Agreement, are hereby ratified in their entirety.

In order for the Ordinary Resolution number ten to be passed the support of more than 50% (fifty per cent) of the voting rights exercised on the resolution by the shareholders, either present in person, or represented by proxy, at the annual general meeting is required.

Shareholders are referred to Annexure 2 which provides further detail on the specific repurchase from the Trust.



# NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

## Quorum for all resolutions

The quorum for all resolutions is sufficient persons being present to exercise, in aggregate, at least 25% of all of the voting rights, subject to three shareholders being present at the meeting.

## Record date

The record date in terms of section 59 of the Companies Act, for shareholders to be recorded on the shareholders' register of the Company, in order to be able to attend, participate and vote at the Annual General Meeting is Friday, 20 November 2015.

## Electronic participation

Should any shareholder (or any proxy for a shareholder) wish to participate in the Annual General Meeting by way of electronic participation, that shareholder should make application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the transfer secretary, Computershare Investor Services Proprietary Limited, at its address below, to be received by the transfer secretary at least five business days prior to the Annual General Meeting in order for the transfer secretary to arrange for the shareholder (or its representative or proxy) to provide reasonably satisfactory identification to the transfer secretary for the purposes of section 63(1) of the Companies Act, and for the transfer secretary to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The Company reserves the right to elect not to provide for electronic participation at the Annual General Meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation.

## Voting and proxies

### Shareholders are reminded that:

- a shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy (or more than one proxy) to attend, participate in and vote at the Annual General Meeting in the place of the shareholder, and shareholders are referred to the attached form of proxy;
- a proxy holder need not also be a shareholder of the Company; and
- in terms of section 63(1) of the Companies Act, any person attending or participating in a meeting of shareholders must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.

For the convenience of certificated shareholders and dematerialised shareholders with "own-name" registration, a form of proxy is attached hereto. Duly completed forms of proxy must be lodged with the transfer secretary at either of the below addresses 48 hours before the commencement of the Annual General Meeting (or any adjournment of the Annual General Meeting) or handed to the Chairman of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (or any adjournment of the Annual General Meeting), provided that should a shareholder lodge a form of proxy with the transfer secretary at either of the below addresses less than 48 hours before the Annual General Meeting, such shareholder will also be required to furnish a copy of such form of proxy to the Chairman of the Annual General Meeting before the appointed proxy exercises any of such shareholder's rights at the Annual General Meeting (or any adjournment of the Annual General Meeting).

Dematerialised shareholders without "own-name" registration who wish to attend the Annual General Meeting in person should request their CSDP or broker to provide them with the necessary letter of representation in terms of their custody agreement with their CSDP or broker. Dematerialised shareholders without "own-name" registration who do not wish to attend but wish to be represented at the Annual General Meeting must advise their CSDP or broker of their voting instructions. Dematerialised shareholders without "own-name" registration should contact their CSDP or broker with regard to the cut-off time for their voting instructions.

By order of the Board

## CORPORATE GOVERNANCE LEADERS CC

*Chartered Secretaries*

*Company Secretary to Cashbuild Limited*

2 November 2015



# NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

## Annexure 1

### Special Resolution number one (Approval of the Cashbuild Limited FSP 2015)

## 1. INTRODUCTION AND RATIONALE

In line with local and global best practice, Cashbuild Limited ("Cashbuild", or "the Company") intends to adopt a new share incentive plan, namely the Cashbuild Limited Forfeitable Share Plan ("FSP") for executives and senior management.

The Company currently operates the Cashbuild Long-Term Share Incentive Scheme, under which the Company issues share options with a vesting period of three years. The principal rationale behind this plan is the retention of senior management personnel, rather than a reward for personal or Company performance. No further awards will be made under this plan.

## 2. SALIENT FEATURES OF THE FSP

### 2.1 Purpose

Best practice indicates a move away from the use of option-type plans only, to the use of full share plans – either alone, or in conjunction with the existing option-type plans. Full share plans, like the FSP, are less leveraged and have less upside than option-type plans, but provide more certain outcomes and mitigate the risk of unjustified windfalls.

FSP instruments therefore aid retention and support the Company's policy of retaining the talent and expertise required for its business strategy, and drive behaviour and performance other than share price growth.

The FSP will provide selected employees, including executive directors, of the companies within the Group with the opportunity of receiving shares in the Company.

The FSP will be used primarily as an incentive to participants to deliver the Group's business strategy over the long term with annual awards being made in the form of performance shares. It can also be used as a retention mechanism and as a tool to attract prospective employees through the award of retention shares on an ad hoc basis to address specific retention or attraction needs. It is intended that senior management be awarded performance shares only.

The FSP will provide participants with the opportunity to share in the success of the Company and provide direct alignment between participants and shareholders, with personal and Company performance conditions governing the vesting of awards.

### 2.2 Participants

Executives and senior management will be eligible to participate in the FSP.

### 2.3 Rights of Participants

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

Performance shares will be subject to predetermined performance conditions and continued employment (employment condition). The employment condition stretches over three years.

Retention shares will only be subject to an employment condition with a staggered vesting profile from year three to five.

### 2.4 Basis of awards and awards levels

In line with the requirements of King III and best practice regular annual awards are made on a consistent basis to ensure long-term shareholder value creation. Annual awards of performance shares will be made under the FSP.

The number of performance shares awarded to a participant will primarily be based on the participant's annual salary, grade, performance, retention and attraction requirements and market benchmarks.

The award levels will be decided by the Remuneration Committee each time that awards are granted, by taking into account the particular circumstances at that time. Annual allocations will be benchmarked and set to a market-related level of remuneration while considering the overall affordability thereof to the Company.

### 2.5 Performance conditions and vesting

The vesting of performance shares will be subject to predetermined performance conditions and the employment condition for vesting.

It is envisaged that for the first award of performance shares, the performance condition will constitute the following:

|              | <b>Weighting</b> | <b>Threshold (30% vesting)</b>           | <b>Target (100% vesting)</b>               |
|--------------|------------------|------------------------------------------|--------------------------------------------|
| EPS          | 50%              | CPI + 2% p.a. (i.e. 2% real growth p.a.) | CPI + 10% p.a. (i.e. 10% real growth p.a.) |
| Relative TSR | 30%              | Median of peers*                         | Upper quartile of peers*                   |
| ROCE         | 20%              | WACC                                     | WACC + 10% p.a.                            |

\* Based on the constituents of the INDI-25 as at the vesting date

Linear vesting will be applied for performance between the above levels.

The Remuneration Committee will set appropriate performance conditions, performance periods, employment conditions and employment periods, as relevant, for each award, taking into account the business environment at the time of making the awards, and, where considered necessary, in consultation with shareholders. These will be agreed with the participant in terms of the award letter.

In line with corporate governance principles, performance conditions will not be retested if they are not met at the end of the performance period, and to the extent that they are not satisfied, awards will lapse at this time.

## 2.6 Manner of settlement

The rules of the FSP are flexible in order to allow for settlement in any of the following manners:

- By way of a market purchase of shares;
- Use of treasury shares; and
- Issue of shares.

The exact method of settlement will be determined by the Remuneration Committee, although the preference will be a market purchase of shares which will cause no dilution to shareholders.

The employer companies will, as regulated by the recharge policy, remain responsible to procure the settlement of shares under the FSP to the participants employed by them on the settlement date, or as may otherwise be regulated under the recharge policy, save as regards an issue of shares in which case the Company shall be responsible to procure the issue of the shares, but at all times at the expense and cost of the employer companies.

In order to effect any forfeiture of awards, performance shares and retention shares will be held by an escrow agent on behalf of the participants until the vesting date.

## 2.7 Limits and adjustments

### 2.7.1 Company Limit

The maximum aggregate number of shares which may at any time be allocated in respect of this FSP together with the Company's existing share scheme to all participants shall not exceed 1 259 490 (one million two hundred and fifty nine thousand four hundred and ninety) shares. This represents approximately 5% (five percent) of the Shares in issue. For purposes of this clause if a percentage is referred to as well as numerals and if there is any conflict between the two, the numerals shall prevail.

Shares issued by the Company or shares held in treasury which are used to settle the FSP, will be included in the Company limit. Shares allocated under the FSP, which are not subsequently settled to a participant as a result of the forfeiture thereof, will revert back to the FSP and will be excluded in calculating the Company limit. Similarly, any shares purchased in the market in settlement of the FSP will be excluded. The Remuneration Committee must, where required, adjust the Company limit, to take account of a repurchase, sub-division or consolidation of the shares of the Company.

### 2.7.2 Individual Limit

The maximum number of shares allocated to any participant in respect of all vested and unvested awards under the FSP together with the Company's existing share scheme shall not exceed 125 949 (one hundred and twenty five thousand nine hundred and forty nine) shares. This represents approximately 0.5% of the shares.

The auditors, or other independent advisers acceptable to the JSE, shall confirm to the JSE in writing that any adjustment made in terms of this paragraph has been properly calculated on a reasonable and equitable basis, in accordance with the rules of the FSP and must be reported on in the Company's financial statements in the year during which the adjustment is made. The issue of shares as consideration for an acquisition or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the Company limit and the individual limit.



## 2.8 Consideration

The Participant will give no consideration for the award or settlement of retention shares and/or performance shares.

## 2.9 Termination of employment

Participants terminating employment due to resignation or dismissal on grounds of misconduct, poor performance, dishonest behaviour or fraudulent conduct or on the basis of abscondment will be classified as "bad leavers" and will forfeit all unvested FSP awards.

Participants terminating employment due to death, ill health, disability, injury, retrenchment, Retirement (except to the extent that it constitutes bad leaver termination as set out above), or the sale of a subsidiary company, will be classified as "good leavers" and a portion of the FSP awards will vest on date of termination of employment. This portion will reflect the number of months served since the award date to the date of termination of employment over the total number of months in the employment period and the extent to which the performance conditions (if applicable) have been met. The remainder of the award will lapse.

## 2.10 Change of control

In the event of a change of control of the Company occurring before the vesting date of any award, a portion of the award will vest. This portion will reflect the number of months served since the award date to the change of control date over the total number of months in the employment period and the extent to which the performance condition (if applicable) has been met.

The portion of the award which does not vest as a result of the change of control will continue to be subject to the terms of the award letter, unless the Remuneration Committee determines otherwise. Awards will not vest as a consequence of an internal reconstruction or similar event which is not a change of control as defined in the rules of the FSP. In this case the Remuneration Committee shall make such adjustment to the number of awards or convert awards into awards in respect of shares in one or more other companies, provided the participants are no worse off.

## 2.11 Variation in share capital

In the event of a variation in share capital such as a capitalisation issue, sub-division of shares, consolidation of shares etc, Participants shall continue to participate in the FSP. The Remuneration Committee may make such adjustment to the award or take such other action to place participants in no worse a position than they were prior to the happening of the relevant event and to provide that the fair value of the award immediately after the event is materially the same as the fair value of the award immediately before the event. The issue of shares as consideration for an acquisition or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to awards.

## 2.12 Liquidation

If the Company is placed into liquidation, other than for purposes of reorganisation, an award shall ipso facto lapse as from the liquidation date.

## 2.13 Amendments

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

- the category of persons who are eligible for participation in the FSP;
- the number of shares which may be utilised for the purpose of the FSP;
- the individual limitations on benefits or maximum entitlements;
- the basis upon which Awards are made;
- the amount payable upon the award, settlement or vesting of an award;
- the voting, dividend, transfer and other rights attached to the awards, including those arising on liquidation of the Company.

## Annexure 2

### Special resolution number three (Specific repurchase of shares from the Cashbuild Empowerment Trust ("the Trust"))

#### 1. INTRODUCTION

In 2005, Cashbuild implemented a Black Economic Empowerment ("BEE") transaction, through the introduction of all of its employees, of whom more than 90% qualified as historically disadvantaged individuals ("Participants"), as beneficiaries of the Trust ("the Transaction").

The Transaction was effected through the establishment of the Trust, with the Trust subscribing for approximately 2.5 million ordinary shares in Cashbuild ("Trust Shares"), representing 10% of the ordinary shares in Cashbuild at the time. The subscription for the Trust Shares was funded by way of a non-interest-bearing loan from Cashbuild Management Services (Proprietary) Limited ("CMS"), a wholly-owned subsidiary of Cashbuild. The loan provided by CMS to the Trust was in the amount of R75 million and was used to subscribe for the Trust Shares at a subscription price of R29.09 per Trust Share. In terms of the trust deed governing the Trust, the Trust would only be required to repay the R75 million loan to CMS on termination of the Trust.

The Trust was established in such a way that Participants do not have direct access to the Trust Shares in their personal capacities, but only indirectly in their capacities as beneficiaries of the Trust. The Participants are, *inter alia*, entitled to the receipt of dividends flowing from the Trust Shares, provided they are Participants on the declaration date(s) of such dividends. In respect of dividends, the Participants rank equally.

In 2010, given the significant increase in the ordinary share price of Cashbuild to that date, there had been a substantial amount of value created in the Trust. The Company and the Trust released a portion of this value to the Participants by entering into a repurchase agreement dated 27 October 2010 ("the Repurchase Agreement") in terms of which a specific repurchase of 615 536 Trust Shares was implemented, which constituted an aggregate value of R50 million (fifty million Rand), based on the 30 (thirty) day volume weighted average price, calculated on the date on which the Repurchase Agreement was entered into. The proceeds of the specific repurchase were distributed to the Participants in five quarterly payments which commenced on 15 February 2011.

In order to effect the specific repurchase, to enable the Trust to sell the Trust Shares to the Company and the subsequent distribution to the Participants, certain amendments were made in 2010 to the trust deed governing the Trust.

The Trust currently holds 1 964 999 Trust Shares representing approximately 7.80% of the ordinary shares in Cashbuild. Given the continued increase in the ordinary share price of Cashbuild to date, there has been a substantial amount of additional value created in the Trust. In light of this, the Company and the Trust are proposing releasing a further portion of this value to the Participants by entering into a second repurchase agreement dated 14 October 2015 ("the Second Repurchase Agreement") in terms of which a specific repurchase of 200 000 (two hundred thousand) Trust Shares is proposed, which shall constitute an aggregate amount of R61 890 000.00 (sixty one million eight hundred and ninety thousand rand), based on the 30 (thirty) day volume weighted average price, calculated on the date on which the Second Repurchase Agreement was entered into ("Specific Repurchase"). The proceeds of the Specific Repurchase will be distributed to the Participants in one payment on or before 28 February 2016.

#### 2. PURPOSE

The purpose of this Annexure 2 is to provide the Company's shareholders with the terms of the Specific Repurchase and all relevant information necessary in connection therewith.

#### 3. THE SPECIFIC REPURCHASE

Cashbuild will repurchase 200 000 (two hundred thousand) Trust Shares to the value of R61 890 000.00 (sixty one million eight hundred and ninety thousand rand) from the Trust. The consideration payable in respect of the Specific Repurchase will be R309.45 (three hundred and nine rand and forty five cents) per repurchased Trust Share based on the 30 (thirty) day volume weighted average price, calculated on 13 October 2015, being the date prior to the date on which the Second Repurchase Agreement was entered into, being 14 October 2015. The repurchased Trust Shares will be cancelled pursuant to the Specific Repurchase and will be restored to the authorised but unissued ordinary shares of the Company.

#### 4. CONDITIONS PRECEDENT

The Specific Repurchase is subject to the condition precedent that Special Resolution number three in this notice of annual general meeting is passed by Cashbuild shareholders eligible to vote thereon by no later than 15 December 2015.



## 5. PRO FORMA FINANCIAL INFORMATION

The *pro forma* income statement, statement of financial position and financial effects (the "*pro forma* financial information") presented in Annexure 3 and below has been prepared to show the impact of the Specific Repurchase as if the Specific Repurchase had occurred on 1 July 2014, for purposes of the *pro forma* income statement and 30 June 2015 for purposes of the *pro forma* statement of financial position. The *pro forma* financial information is presented for illustrative purposes only and because of its nature may not fairly reflect the Company's results or financial position going forward.

The *pro forma* financial information has been prepared using accounting policies that are consistent with IFRS and with the basis on which the historical financial information has been prepared in terms of the accounting policies adopted by the Company.

The directors of the Company are responsible for the compilation, contents and preparation of the *pro forma* financial information contained in the notice of annual general meeting and for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of the Company; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the Listings Requirements.

### Pro Forma Financial Effects

|                                                                  | Before <sup>(1)</sup> | After the specific repurchase and distribution <sup>(2)</sup> | % Change |
|------------------------------------------------------------------|-----------------------|---------------------------------------------------------------|----------|
| Earnings per share (cents) <sup>(3)</sup>                        | 1 556.8               | 1 271.5                                                       | (18.3)   |
| Headline earnings per share (cents) <sup>(3)</sup>               | 1 528.2               | 1 243.0                                                       | (18.7)   |
| Net asset value per share (NAV) (cents) <sup>(4)</sup>           | 5 924.9               | 5 647.3                                                       | (4.7)    |
| Net tangible asset value per share (TNAV) (cents) <sup>(4)</sup> | 5 725.6               | 5 475.0                                                       | (4.8)    |
| Weighted average number of shares ('000) <sup>(5)</sup>          | 23 055                | 23 055                                                        |          |
| Shares in issue (excl. Treasury shares) ('000) <sup>(5)</sup>    | 22 656                | 22 656                                                        |          |

### Notes

- Based on the published audited annual financial results of Cashbuild for the year ended 30 June 2015.
- Represents the *pro forma* financial effects after the Specific Repurchase, which has been accounted for in terms of IFRS2: Share-Based Payment as a cash-settled share-based payment.
- Earnings and headline earnings per share effects are based on the following principal assumptions:
  - The Specific Repurchase was effective on 1 July 2014.
  - The Specific Repurchase of R61.89 million, including Dividend Withholding Tax ("DWT"), is expensed as an employee cost, which is once-off in nature.
  - Transaction costs of R1.0 million, which are once-off in nature; and
  - Interest foregone on the Specific Repurchase and transaction costs at an average rate of 6.35% pa before tax, which is recurring in nature.
- NAV and TNAV per share effects are based on the following principal assumptions.
  - The Specific Repurchase was effective on 30 June 2015.
  - The Specific Repurchase of R61.89 million, including the resulting DWT, is settled in cash from reserves; and
  - Transaction costs of R1.0 million.
- The Specific Repurchase has no impact on weighted average and number of shares in issue due to the Trust being consolidated and shares held by the Trust being eliminated. The number of shares in issue is net of 2 534 230 treasury shares.



## 6. ANNUAL GENERAL MEETING

- 6.1 The annual general meeting to, *inter alia*, approve the implementation of the Specific Repurchase will be held at Cashbuild's office in the Cashbuild boardroom, Corner Northern Parkway and Crownwood Roads, Ormonde, Johannesburg on Monday, 30 November 2015 at 10:00
- 6.2 A form of proxy for use by certificated shareholders, nominee dematerialised shareholders and own-name dematerialised shareholders who are unable to attend the annual general meeting and wish to be represented thereat is included in the Integrated Report.
- 6.3 Dematerialised shareholders (other than with own-name registration) must provide their CSDP or broker with their voting instruction. Should such shareholders wish to attend the annual general meeting, they must obtain the relevant Letter of Representation from their CSDP or broker to allow them to do so. Dematerialised shareholders should ascertain from their CSDP or broker as to the deadline required by them to receive instructions for voting.
- 6.4 The Trust, as a beneficiary of the Specific Repurchase will be excluded from voting on the resolution being proposed in terms of this notice of annual general meeting, in respect of the Specific Repurchase.

## 7. WORKING CAPITAL STATEMENT

Having considered the effect of the Specific Repurchase, the directors, whose names are set out on pages 18 and 19 of the Integrated Report of which this notice of annual general meeting forms part, are satisfied that the provisions of section 4 and section 48 of the Companies Act, 2008 ("the Companies Act") have been complied with and are of the opinion that for a period of at least 12 months from the date of issue of this notice of annual general meeting:

- 7.1 Cashbuild and its subsidiaries ("the Group") will be able in the ordinary course of business to pay their debts;
- 7.2 the assets of Cashbuild and the Group will be in excess of the liabilities of Cashbuild and the Group;
- 7.3 the share capital and reserves of Cashbuild and the Group will be adequate for ordinary business purposes; and
- 7.4 the working capital of Cashbuild and the Group will be adequate for ordinary business purposes.

## 8. LITIGATION STATEMENT

The directors, whose names are set out on pages 18 and 19 of the Integrated Report of which this notice of annual general meeting forms part, are not aware of any litigation or arbitration proceedings, including proceedings that are pending or threatened of which the Company is aware, that may have or have in the previous 12 months, had a material effect on the Group's financial position.

## 9. DIRECTORS AND DIRECTORS' INTERESTS

### 9.1 Directors' details

Details of Cashbuild's directors are set out on pages 18 and 19 of the Integrated Report of which this notice of annual general meeting forms part.

### 9.2 Directors' interests in Cashbuild

The directors' interests in Cashbuild are set out on page 40 of the Integrated Report of which this notice of annual general meeting forms part. No changes have occurred between 30 June 2015 and the 15 October 2015 ("Last Practicable Date").

## 10. SHARE CAPITAL

The authorised and issued share capital of Cashbuild, is set out on page 104 of the Integrated Report of which this notice of annual general meeting forms part. No changes have occurred between 30 June 2015 and Last Practicable Date.

## 11. MAJOR SHAREHOLDERS

As far as is known to Cashbuild, shareholders beneficially holding more than 5% of Cashbuild's shares as at the Last Practicable Date are set out below:

| Shareholder                   | Number of shares held | % of ordinary shares |
|-------------------------------|-----------------------|----------------------|
| Public Investment Corporation | 3 262 745             | 12.95                |
| Pat Goldrick                  | 2 436 673             | 9.67                 |
| Cashbuild Empowerment Trust   | 1 964 999             | 7.80                 |
| SRA Investments CC            | 1 500 000             | 5.95                 |



## 12. MATERIAL CHANGES

There have been no material changes in the financial or trading position of Cashbuild and its subsidiaries between 30 June 2015 and the date of this notice of annual general meeting.

## 13. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear on pages 18 and 19 of the Integrated Report of which this notice of annual general meeting forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading, and that they have made all reasonable enquiries to ascertain such facts have been made and that the notice of annual general meeting contains all information required by law and the Listings Requirements.

## 14. CONSENTS

Nedbank Corporate and Investment Bank as the investment bank and sponsor, PricewaterhouseCoopers Inc. as the independent reporting accountants and Webber Wentzel as the legal advisers have all provided their written consents to act in the capacity stated and to their names being used in this notice of annual general meeting and have not withdrawn their consents prior to the publication of this notice of annual general meeting.

## 15. COSTS

The estimated costs relating to the Specific Repurchase, including the fees payable to professional advisers, are approximately R1 million, exclusive of value-added tax, and include the following:

|                             | Rand                |
|-----------------------------|---------------------|
| Investment bank and sponsor | 750 000.00          |
| Legal costs                 | 120 000.00          |
| Reporting accountants       | 90 000.00           |
| JSE documentation fees      | 19 629.75           |
| Printing                    | 26 280.00           |
| <b>Total</b>                | <b>1 005 909.75</b> |

## 16. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection by shareholders at the registered office of the Company, 101 Northern Parkway, Ormonde, Johannesburg during normal business hours on normal business days from the date of this notice of annual general meeting up to and including the date of the annual general meeting:

- 16.1 the Memorandum of Incorporation of the Company and its subsidiaries;
- 16.2 signed copy of the Second Repurchase Agreement;
- 16.3 the independent reporting accountants' report;
- 16.4 notarial deed of variation to the notarial deed of trust in respect of the Cashbuild Empowerment Trust;
- 16.5 notarial deed of trust in respect of the Cashbuild Empowerment Trust;
- 16.6 the consent letters referred to in paragraph 14;
- 16.7 the audited consolidated financial statements of the Company for the preceding three financial years; and
- 16.8 a signed copy of this notice of annual general meeting.

By order of the board

### Corporate Governance Leaders CC

*Chartered Secretaries*

*Company Secretary to Cashbuild Limited*

2 November 2015

### **Annexure 3**

#### ***Pro forma* statement of financial position and income statement of Cashbuild**

The *pro forma* statement of financial position at 30 June 2015 and income statement of the Company and its subsidiaries for the financial year then ended is set out below. The *pro forma* financial information has been prepared to show the impact of the Specific Repurchase.

The *pro forma* statement of financial position and income statement have been prepared for illustrative purposes only and because of its nature may not fairly present the Company's financial position and results of operations, nor the effect and impact of the Specific Repurchase.

The directors of the Company are responsible for the compilation, contents and preparation of the *pro forma* financial information contained in this notice of annual general meeting and for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of the Company; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the Listings Requirements.

The *pro forma* statement of financial position and income statement are presented in a manner consistent in all respects with IFRS and with the basis on which the historical financial statements have been prepared in terms of accounting policies.

The *pro forma* statement of financial position and income statement set out below should be read in conjunction with the independent reporting accountants' report set out in Annexure 4 to this notice of annual general meeting.



### Pro forma group statement of financial position of Cashbuild

The *pro forma* group statement of financial position set out below presents the effects of the Specific Repurchase on the financial position of the Company at 30 June 2015 based on the assumption that the Specific Repurchase was effective 30 June 2015.

|                                                                 | Before the Specific Repurchase <sup>(1)</sup><br>R' 000 | Specific Repurchase <sup>(2)</sup><br>R' 000 | After the Specific Repurchase<br>R' 000 |
|-----------------------------------------------------------------|---------------------------------------------------------|----------------------------------------------|-----------------------------------------|
| <b>ASSETS</b>                                                   |                                                         |                                              |                                         |
| <b>Non-current assets</b>                                       | <b>950 895</b>                                          | <b>-</b>                                     | <b>950 895</b>                          |
| Property, plant and equipment                                   | 836 252                                                 |                                              | 836 252                                 |
| Intangible assets                                               | 39 048                                                  |                                              | 39 048                                  |
| Rent prepayments                                                | 68 807                                                  |                                              | 68 807                                  |
| Deferred income tax asset                                       | 6 788                                                   |                                              | 6 788                                   |
| <b>Current assets</b>                                           | <b>2 117 533</b>                                        | <b>(62 896)</b>                              | <b>2 054 637</b>                        |
| Assets held for sale                                            | 9 548                                                   |                                              | 9 548                                   |
| Inventories                                                     | 1 073 129                                               |                                              | 1 073 129                               |
| Trade and other receivables                                     | 95 939                                                  |                                              | 95 939                                  |
| Cash and cash equivalents                                       | 938 917                                                 | (62 896)                                     | 876 021                                 |
| <b>Total assets</b>                                             | <b>3 068 428</b>                                        | <b>(62 896)</b>                              | <b>3 005 532</b>                        |
| <b>EQUITY AND LIABILITIES</b>                                   |                                                         |                                              |                                         |
| <b>Shareholders' equity</b>                                     | <b>1 362 745</b>                                        | <b>(62 896)</b>                              | <b>1 299 849</b>                        |
| Share capital and reserves                                      | 1 342 326                                               | (62 896)                                     | 1 279 430                               |
| Non-controlling interests                                       | 20 419                                                  |                                              | 20 419                                  |
| <b>Liabilities</b>                                              |                                                         |                                              |                                         |
| <b>Non-current liabilities</b>                                  | <b>105 979</b>                                          | <b>-</b>                                     | <b>105 979</b>                          |
| Deferred operating lease liability                              | 105 979                                                 |                                              | 105 979                                 |
| <b>Current liabilities</b>                                      | <b>1 599 704</b>                                        | <b>-</b>                                     | <b>1 599 704</b>                        |
| Trade and other liabilities                                     | 1 551 433                                               |                                              | 1 551 433                               |
| Current income tax liabilities                                  | 43 387                                                  |                                              | 43 387                                  |
| Employee benefits                                               | 4 884                                                   |                                              | 4 884                                   |
| <b>Total equity and liabilities</b>                             | <b>3 068 428</b>                                        | <b>(62 896)</b>                              | <b>3 005 532</b>                        |
| NAV per share (cents)                                           | 5 925                                                   |                                              | 5 647                                   |
| TNAV per share (cents)                                          | 5 753                                                   |                                              | 5 475                                   |
| Number of shares (excl. Treasury shares) ("000") <sup>(3)</sup> | 22 656                                                  |                                              | 22 656                                  |

#### Notes

1. Extracted from the published audited annual financial results of Cashbuild for the financial year ended 30 June 2015.
2. The Specific Repurchase has been accounted for in terms of IFRS2: Share-Based Payment as a cash-settled share-based payment. Adjustments for the Specific Repurchase reflect the following:
  - i. the Specific Repurchase of R61.89 million, including the resulting DWT, is settled in cash from reserves; and
  - ii. estimated transaction costs of R1.0 million.
3. The Specific Repurchase has no impact on the number of shares due to the Cashbuild Empowerment Trust being consolidated and shares held by the Cashbuild Empowerment Trust are eliminated. The number of shares in issue is net of 2 534 230 treasury shares.

### Pro forma group income statement of Cashbuild

The *pro forma* group income statement set out below presents the effects of the Specific Repurchase on the results of the Company for the financial year ended 30 June 2015 based on the assumption that the Specific Repurchase was effective 1 July 2014.

|                                                               | Before the Specific Repurchase <sup>(1)</sup> | Specific Repurchase <sup>(2)</sup> | After the Specific Repurchase |
|---------------------------------------------------------------|-----------------------------------------------|------------------------------------|-------------------------------|
|                                                               | R' 000                                        | R' 000                             | R' 000                        |
| Revenue                                                       | 7 692 646                                     |                                    | 7 692 646                     |
| Cost of sales                                                 | (5 844 200)                                   |                                    | (5 844 200)                   |
| <b>Gross profit</b>                                           | <b>1 848 446</b>                              | <b>-</b>                           | <b>1 848 446</b>              |
| Selling and marketing expenses                                | (1 161 479)                                   |                                    | (1 161 479)                   |
| Administrative expenses                                       | (226 871)                                     | (62 896)                           | (289 767)                     |
| Other operating expenses                                      | (3 352)                                       |                                    | (3 352)                       |
| Other income                                                  | 7 759                                         |                                    | 7 759                         |
| <b>Operating profit</b>                                       | <b>464 503</b>                                | <b>(62 896)</b>                    | <b>401 607</b>                |
| Finance cost                                                  | (1 752)                                       |                                    | (1 752)                       |
| Finance income                                                | 39 676                                        | (3 994)                            | 35 682                        |
| <b>Profit before income tax</b>                               | <b>502 427</b>                                | <b>(66 890)</b>                    | <b>435 537</b>                |
| Income tax expense                                            | (139 048)                                     | 1 118                              | (137 930)                     |
| <b>Profit for the year</b>                                    | <b>363 379</b>                                | <b>(65 772)</b>                    | <b>297 607</b>                |
| <b>Attributable to:</b>                                       |                                               |                                    |                               |
| Owners of the Company                                         | 358 916                                       | (65 772)                           | 293 144                       |
| Non-controlling interests                                     | 4 463                                         |                                    | 4 463                         |
|                                                               | 363 379                                       | (65 772)                           | 297 607                       |
| <b>Headline earnings:</b>                                     |                                               |                                    |                               |
| Net profit attributable to the owners of the Company          | 358 916                                       | (65 772)                           | 293 144                       |
| Profit on the sale of assets after taxation                   | (6 585)                                       |                                    | (6 585)                       |
| <b>Headline earnings</b>                                      | <b>352 331</b>                                | <b>(65 772)</b>                    | <b>286 559</b>                |
| <b>Earnings per share (cents)</b>                             | <b>1 557</b>                                  |                                    | <b>1 272</b>                  |
| <b>Headline earnings per share (cents)</b>                    | <b>1 528</b>                                  |                                    | <b>1 243</b>                  |
| <b>Weighted average number of shares ('000)<sup>(3)</sup></b> | <b>23 055</b>                                 |                                    | <b>23 055</b>                 |

### Notes

1. Extracted from the published audited annual financial results of Cashbuild for the financial year ended 30 June 2015.
2. The Specific Repurchase has been accounted for in terms of IFRS2: Share Based Payment as a cash-settled share-based payment. Adjustments for the Specific Repurchase reflect the following:
  - i. the Specific Repurchase of R61.89 million, including dividend withholding tax, is expensed as an employee cost, which is one-off in nature;
  - ii. estimated transaction costs of R1.0 million, which are one-off in nature; and
  - iii. interest foregone on the Specific Repurchase and the transaction costs at an average rate of 6.35% pa before tax, which is recurring in nature.
3. The Specific Repurchase has no impact on weighted average number of shares in issue due to the Cashbuild Empowerment Trust being consolidated and shares held by the Cashbuild Empowerment Trust are eliminated.



## Annexure 4

### Independent reporting accountant's assurance report on the compilation of *pro forma* financial information of Cashbuild Limited

15 October 2015

The Directors  
Cashbuild Limited  
101 Northern Parkway  
Crownwood Road  
Ormonde  
2091

### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION OF CASHBUILD LIMITED ("CASHBUILD" OR "THE COMPANY")

#### Introduction

Cashbuild is issuing a Notice of Annual General Meeting to its shareholders ("the Notice") regarding the repurchase of Cashbuild shares from Cashbuild Empowerment Trust ("the Specific Repurchase").

At your request and for the purposes of the Notice to be dated on or about 2 November 2015, we present our assurance report on the compilation of the *pro forma* financial information of Cashbuild by the directors. The *pro forma* financial information, presented in paragraph 5 and Annexure 3 to the Notice, consists of the *pro forma* statement of financial position as at 30 June 2015, the *pro forma* income statement for the year ended 30 June 2015 and the *pro forma* financial effects ("the *Pro forma* Financial Information"). The *Pro forma* Financial Information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The *Pro forma* Financial Information has been compiled by the directors to illustrate the impact of the Specific Repurchase on the Company's reported financial position as at 30 June 2015 and the Company's financial performance for the period then ended, as if the Specific Repurchase had taken place at 30 June 2015 and 1 July 2014, respectively. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's financial statements for the year ended 30 June 2015, on which an audit report has been published.

#### Directors' responsibility

The directors of Cashbuild are responsible for the compilation, contents and presentation of the *Pro forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 5 and Annexure 3. The directors of Cashbuild are also responsible for the financial information from which it has been prepared.

#### Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the *Pro forma* Financial Information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro forma* Financial Information Included in a Prospectus. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *Pro forma* Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *Pro forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro forma* Financial Information.

As the purpose of *Pro forma* Financial Information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *Pro forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *Pro forma* Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *Pro forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *Pro forma* Financial Information has been compiled, and other relevant engagement circumstances.



Our engagement also involves evaluating the overall presentation of the *Pro forma* Financial Information.

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

**Opinion**

In our opinion, the *Pro forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in paragraph 5 and Annexure 3 of the Notice.

**PricewaterhouseCoopers Inc.**

Director: I Buys

Registered Auditor

Sunninghill



# FORM OF PROXY

## CASHBUILD LIMITED

(Incorporated in the Republic of South Africa)

REG NO. 1986/001503/06 ISIN: ZAE000028320 JSE code: CSB

("Cashbuild" or "the Company")

For the use of members who hold certificated shares and members who have dematerialised their shares in "own name" registrations.

### FOR THE ANNUAL GENERAL MEETING TO BE HELD ON MONDAY, 30 NOVEMBER 2015 AT 10:00

I/We

of

being a member/members of Cashbuild and entitled to votes do hereby appoint or failing him/her,

or failing him/her, the Chairman of the meeting as my/our proxy to act for me/us at the Annual General Meeting of the Company to be held on Monday, 30 November 2015 at 10:00 and at any adjournment thereof, in the Cashbuild boardroom, cnr Northern Parkway and Crownwood Roads, Ormonde, Johannesburg, and to vote for me/us in respect of the undermentioned resolutions in accordance with the following instructions

|                                                                                                                                                    | Number of votes<br>(one vote per share) |         |         |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|---------|---------|
|                                                                                                                                                    | For                                     | Against | Abstain |
| 1. Ordinary Resolution number one: Auditor's Report                                                                                                |                                         |         |         |
| 2. Ordinary Resolution number two: Adoption of Annual Financial Statements                                                                         |                                         |         |         |
| 3. Ordinary Resolution number three: Re-election of director: MR D MASSON                                                                          |                                         |         |         |
| 4. Ordinary Resolution number four: Re-election of director: MS NV SIMAMANE                                                                        |                                         |         |         |
| 5. Ordinary Resolution number five: Re-appointment of auditor                                                                                      |                                         |         |         |
| 6. Ordinary Resolutions numbers six, seven and eight.<br>By separate resolutions, to appoint the following members to the Audit and Risk Committee |                                         |         |         |
| 6.1. Ordinary Resolution number six<br>MS N V Simamane                                                                                             |                                         |         |         |
| 6.2. Ordinary Resolution number seven<br>DR D S S Lushaba                                                                                          |                                         |         |         |
| 6.3. Ordinary Resolution number eight<br>MS H H Hickey                                                                                             |                                         |         |         |
| 7. Ordinary Resolution number nine: Non-binding advisory vote on the Company's remuneration policy                                                 |                                         |         |         |
| 8. Special Resolution number one: Approval of the Cashbuild Limited Forfeitable Share Plan 2015                                                    |                                         |         |         |
| 9. Special Resolution number two: Authority to implement FSP 2015.                                                                                 |                                         |         |         |
| 10. Special Resolution number three: Specific repurchase from the Cashbuild Empowerment Trust.                                                     |                                         |         |         |
| 11. Special Resolution number four: Remuneration of non-executive directors.                                                                       |                                         |         |         |
| 12. Special Resolution number five: Financial assistance in terms of section 45 of the Companies Act.                                              |                                         |         |         |
| 13. Ordinary Resolution number ten: Section 75 of the Companies Act.                                                                               |                                         |         |         |

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2015

Signature \_\_\_\_\_ Assisted by me \_\_\_\_\_ (where applicable – see note 7)

A member qualified to attend and vote at the meeting is entitled to appoint a person to attend, speak and vote in his/her stead. A proxy holder need not be a member of the Company.

## NOTES TO FORM OF PROXY

Members holding certificated shares or dematerialised shares registered in their own-name.

1. Only members who hold certificated shares and members who have dematerialised their shares in "own-name" registrations may make use of this form of proxy.
2. Each such ordinary member is entitled to appoint one or more proxyholders (none of whom needs to be a member of the company) to attend, speak and, on a poll, vote in place of that member at the Annual General Meeting, by inserting the name of a proxy or the names of two alternate proxies of the ordinary member's choice in the space provided, with or without deleting "the chairman of the meeting". The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A member's instructions to the proxyholder must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box/es provided. Failure to comply with the above will be deemed to authorise the chairman of the meeting, if he is the authorised proxyholder, to vote in favour of the resolutions, or any other proxy to vote or to abstain from voting at the Annual General Meeting, as he deems fit, in respect of all the member's votes.
4. A member or his or her proxy is not obliged to vote in respect of all the shares held or represented, but the total number of votes for or against the resolutions in respect of which any abstention is recorded may not exceed the total number of votes to which the ordinary member or his proxy is entitled.
5. Any power of attorney and any instrument appointing a proxy or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney shall be deposited at the office of the transfer secretaries not less than 48 (forty eight) hours before the time appointed for holding the Annual General Meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxyholder appointed.
7. Where there are joint holders of ordinary shares any one holder may sign the form of proxy. The vote of only one holder in order of seniority (determined by sequence of names on the Company register) will be accepted, whether in person or by proxy, to the exclusion of the vote(s) of other joint holders.
8. Members should lodge or post their completed forms of proxy to:

### **HAND DELIVERIES:**

Computershare Investor Services Proprietary Limited  
Ground Floor, 70 Marshall Street, Johannesburg, 2000  
OR postal deliveries:  
PO Box 61051  
Marshalltown, 2107  
OR facsimile:  
011 688-5238  
OR email: proxy@computershare.co.za

by no later than 48 hours before the Annual General Meeting. Proxies not deposited timeously shall be treated as invalid.

### *Members holding dematerialised shares*

9. Members who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker (except those members who have elected to dematerialise their shares in "own-name" registrations) and all beneficial members holding their shares (dematerialised or certificated) through a nominee should provide such CSDP, broker or nominee with their voting instructions in sufficient time to allow them to advise the transfer secretaries of the Company of their voting instructions before the closing time set out in 8 above.
10. All such members wishing to attend the Annual General Meeting in person may do so only by requesting their CSDP, broker or nominee to issue the member with a letter of representation in terms of the custody agreement. Such letter of representation must also be lodged with the transfer secretaries before the closing time set out in 8 above.



# ABBREVIATIONS AND DEFINITIONS

The abbreviations and definitions listed below have been used throughout this Integrated Report.

|                            |                                                                                                                                                      |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| "Basic EPS"                | Earnings for the year attributable to equity holders of Cashbuild divided by the weighted average number of ordinary shares in issue during the year |
| "B-BBEE"                   | Broad-Based Black Economic Empowerment                                                                                                               |
| "BEE"                      | Black Economic Empowerment                                                                                                                           |
| "CAGR"                     | Compounded Annual Growth Rate                                                                                                                        |
| "Cashbuild" or "the Group" | Cashbuild Limited and its subsidiaries                                                                                                               |
| "CB"                       | Cashbuild                                                                                                                                            |
| "CIPC"                     | Companies and Intellectual Property Commission                                                                                                       |
| "CPI"                      | Consumer Price Index                                                                                                                                 |
| "Closing PE ratio"         | Market value per share at 30 June divided by HEPS                                                                                                    |
| "Companies Act"            | Companies Act No 71 of 2008                                                                                                                          |
| "CSDP"                     | Central Securities Depository Participants                                                                                                           |
| "CSI"                      | Corporate Social Investment                                                                                                                          |
| "DEA"                      | Department of Environmental Affairs                                                                                                                  |
| "Dividend cover"           | EPS divided by dividend per share                                                                                                                    |
| "DWT"                      | Dividend withholding tax                                                                                                                             |
| "Earnings yield"           | HEPS as a percentage of market value per share                                                                                                       |
| "EBIT"                     | Earnings before interest and taxation                                                                                                                |
| "ED"                       | Enterprise Development                                                                                                                               |
| "EDRA"                     | European DIY Retail Association                                                                                                                      |
| "EE"                       | Employment Equity                                                                                                                                    |
| "EPS"                      | Earnings per share                                                                                                                                   |
| "FSP"                      | Forfeitable Share Plan                                                                                                                               |
| "GDP"                      | Gross Domestic Product                                                                                                                               |
| "GRI"                      | Global Reporting Initiative                                                                                                                          |
| "HEPS"                     | Headline earnings divided by the weighted average number of ordinary shares in issue during the year                                                 |
| "HR"                       | Human Resources                                                                                                                                      |
| "IFRS"                     | International Financial Reporting Standards                                                                                                          |
| "ILO"                      | International Labour Organisation                                                                                                                    |
| "IT"                       | Information Technology                                                                                                                               |
| "JSE"                      | JSE Limited                                                                                                                                          |
| "King III"                 | King Report on Corporate Governance for South Africa 2009                                                                                            |
| "Listings Requirements"    | Listings Requirements of the JSE                                                                                                                     |
| "LTI"                      | Long Term Incentive                                                                                                                                  |
| "MOI"                      | Memorandum of Incorporation                                                                                                                          |
| "NAV"                      | Net asset value                                                                                                                                      |
| "NAV per share"            | The net asset value of the Company divided by the number of shares in issue at the end of the year                                                   |
| "NQF"                      | National Qualifications Framework                                                                                                                    |
| "OHSAS"                    | Occupational Health and Safety Advisory Service                                                                                                      |
| "Operating profit margin"  | Operating profit as a percentage of revenue                                                                                                          |
| "PE"                       | Price earnings, market value per share divided by HEPS                                                                                               |
| "PPP"                      | Profit, People, Planet                                                                                                                               |

# ABBREVIATIONS AND DEFINITIONS (CONTINUED)

|                     |                                                 |
|---------------------|-------------------------------------------------|
| "PwC"               | PricewaterhouseCoopers Inc.                     |
| "ROCE"              | Return on Capital Employed                      |
| "SABS"              | South African Bureau of Standards               |
| "SARS"              | South African Revenue Services                  |
| "SECOM"             | Social and Ethics Committee                     |
| "SENS"              | Stock Exchange News Service                     |
| "SETA"              | Sector Education and Training Authority         |
| "SHE"               | Safety, Health and Environment                  |
| "SKU"               | Stock Keeping Unit                              |
| "SRI"               | Socially Responsible Investment                 |
| "STI"               | Short Term Incentive                            |
| "the Board"         | The Board of directors of Cashbuild             |
| "the Company"       | Cashbuild Limited                               |
| "the current year"  | The financial year ended 30 June 2015           |
| "the next year"     | The financial year ending 30 June 2016          |
| "the previous year" | The financial year ended 30 June 2014           |
| "TSR"               | Total Shareholder Return                        |
| "UN"                | United Nations                                  |
| "WACC"              | Weighted-Average Cost of Capital of the Company |





[www.cashbuild.co.za](http://www.cashbuild.co.za)

