Cashbuild

INTEGRATED REPORT

2016

Our vision is to be:

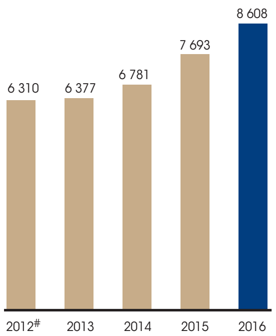
The first-choice retailer and supplier of building materials and associated products and services in every region of southern Africa and selected regions in African countries; and to make a positive contribution in every community in which we trade.

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.

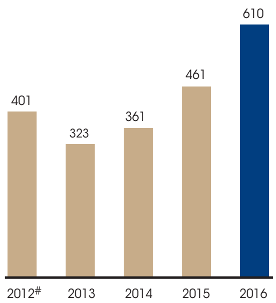
CONTENTS

FINANCIAL HIGHLIGHTS

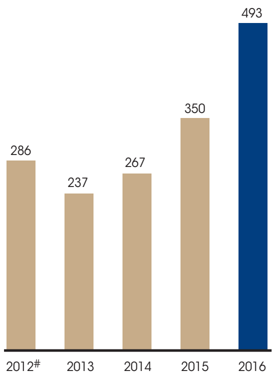
REVENUE (Rm)



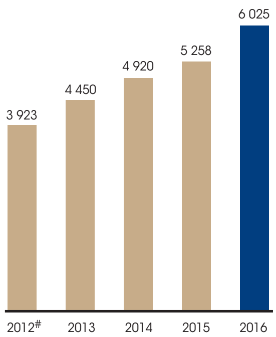
OPERATING PROFIT (Rm)



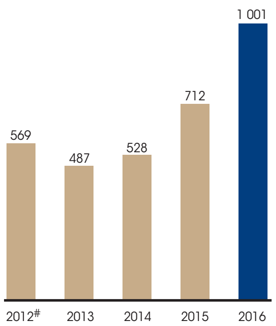
HEADLINE EARNINGS (Rm)



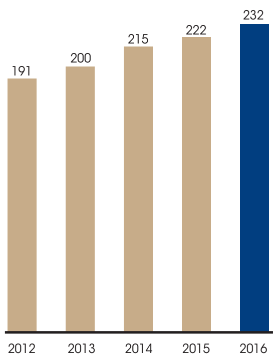
NAV PER SHARE (CENTS)°



DIVIDEND PER SHARE (CENTS)



SPACE GROWTH (STORES)*



Includes 53rd week
* Excludes 10 (2015: 11) Cashbuild DIY
° Based on ordinary number of shares in issue

2016 above excludes the BEE transaction and P&L Hardware results for one month

HOW TO READ THIS REPORT

Documents available on the Group's website www.cashbuild.co.za

GRI Index – "In accordance" – Comprehensive

Chapter 2 Principles in terms of paragraph 8.63(a) of the JSE Listings Requirements

Stakeholder engagement and materiality issues identified by stakeholders

Gender Equality Policy

Abbreviations and definitions

The abbreviations and definitions used throughout this Integrated Report are detailed on page 139 of this report.

PG

Read more

For related information, refer to page references throughout this report.

ABOUT THE INTEGRATED REPORT

This Integrated Report provides an overview of our activities as Cashbuild for the financial year ended 30 June 2016.

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 Framework by the International Integrated Reporting Council and strives to provide information on all aspects of Cashbuild's activities in an integrated manner.

Scope and boundary

This Integrated Report aims to provide a balanced, understandable and comprehensive review of the business by reporting on the financial and non-financial performance of the Group. It deals with the material issues, risks and opportunities faced by the Group in the 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 report compared to the 2015 Integrated Report. Cashbuild has now enhanced the report and has followed the guidelines provided by the International Integrated Reporting Framework in terms of reporting according to the Six Capitals. This reflects on the Group's current and anticipated financial performance in line with its strategic objectives. The G4-Guidelines for the GRI Content Index for an "In accordance – Comprehensive" level have been followed and the GRI Index for 2016 can be found on the Group's website. The Group 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 Group's website.

Disclaimer

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

It is the Board's responsibility to ensure the integrity of this 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 Group's website.

The Board, specifically the Audit and Risk Committee and the Social and Ethics Committee, play a central role in the determination of Cashbuild's material risks as well as opportunities that may arise. Further detail pertaining to these risks and opportunities can be found on pages 23 to 27 of this report.

Assurance

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.

The Group 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 74 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.

An independent accredited empowerment rating agency has provided assurance on the B-BBEE scorecard for the current financial year. Please refer to page 41 for more detail on our current B-BBEE rating.

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

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Group Financial Manager
Cashbuild
Email: brabe@cashbuild.co.za
Tel: +27 11 248 1500

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

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

GROUP HIGHLIGHTS

Cashbuild delivered the following highlights for the year ended 30 June 2016 following its strategic sustainability approach and aligning them with the Six Capitals as set out in the International Integrated Reporting Framework:

Financial Capital	Units	% change	Audited 30 June 2016[1]	Restated[4] 30 June 2015
Revenue	R'000	11.9 ▲	**8 608 175**	7 692 646
Operating profit	R'000	32.2 ▲	**609 974**	461 453
Profit before taxation	R'000	36.3 ▲	**680 500**	499 377
Attributable earnings	R'000	40.3 ▲	**499 603**	356 703
Headline earnings	R'000	40.8 ▲	**493 037**	350 118
HEPS	Cents	42.5 ▲	**2 164**	1 519
Dividend per share	Cents	40.6 ▲	**1 001**	712
NAV per share[2]	Cents	14.6 ▲	**6 025**	5 258
Cash and cash equivalents	R'000	20.2 ▲	**1 128 140**	938 917
Manufactured Capital				
Number of Cashbuild stores[3]		4.5 ▲	**232**	222
Number of trading weeks			**52**	52
Average basket size	Rands	5.9 ▲	**519**	490
Total wealth distributed and reinvested	Rands	22.0 ▲	**1 521 608**	1 247 520
Rental prepayments on store developer contracts	R'000	(67.5) ▼	**11 171**	34 370
Number of store developer contracts			**8**	8
Human Capital				
Number of Cashbuild employees		3.9 ▲	**5 147**	4 953
Revenue per employee	R'000	7.6 ▲	**1 672**	1 553
B-BBEE Contributor Level			**Non-compliant**	5
New employees		12.5 ▲	**1 137**	1 011
Intellectual Capital				
Learnerships granted		(23.0) ▼	**50**	65
Social Capital				
Number of schools contributed to		(24.0) ▼	**240**	316
Value of school contributions	R'000	(13.2) ▼	**3 600**	4 149
Payments for delivery driver employment	R'000	6.9 ▲	**137 756**	128 893
Total CSI spend	R'000	6.2 ▲	**141 356**	133 042
Natural Capital				
Total number of stores converted through energy conservation projects to date		47.1 ▲	**75**	51

1 Excludes the BEE transaction and the results of P&L Hardware for one month
2 Based on ordinary number of shares in issue
3 Excludes 10 (2015: 11) Cashbuild DIY stores
4 Restated due to change in accounting policy

NEW acquisition

P&L Hardware results for one month	Units	30 June 2016
Revenue	R'000	**61 458**
Operating profit	R'000	**1 602**
Profit before taxation	R'000	**1 239**
Attributable earnings	R'000	**891**
Cash and cash equivalents	R'000	**(12)**
Number of P&L Hardware stores		**42**
Number of P&L Hardware employees		**882**

CASHBUILD AT A GLANCE

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

Our footprint encompasses 242 stores (2015: 233 stores) (including 10 (2015: 11) Cashbuild DIY stores) spread across six countries throughout southern Africa. We employ 5 147 (2015: 4 953) committed employees and contracted 307 (2015: 318) equally committed contractors and service providers as at 30 June 2016. We are proud of our achievements in store growth and broadening our footprint as well as 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.

Effective 1 June 2016 Cashbuild acquired P&L Hardware comprising of subsidiaries Rio Ridge 1027 (Pty) Ltd, P&L Hardware (Pty) Ltd and P&L Boerebenodighede Investments (Pty) Ltd. The group is a building materials retailer with outlets in rural Limpopo, Mpumalanga and Gauteng. P&L Hardware was founded in 1982 and is a complementary fit to Cashbuild. As at 30 June 2016, P&L Hardware owned 42 stores and had 882 employees.

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 South 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 CORE VALUES

OUR PRINCIPLES

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

Our core values are:

- we follow through to be successful
- we strive to do it right first time, every time
- we take responsibility for contributing to the Group'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 Group and ourselves
- we contribute to the communities in which we trade
- we treat people fairly and equitably
- we manage our business the Cashbuild Way

THE "CASHBUILD WAY"

HOW WE DO THINGS

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

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

We buy quality building materials and associated products, supporting local suppliers as far as possible. We aim to support local growth and development, positively influence the upstream value chain and build mutually beneficial long-term relationships. Ethical sourcing is an imperative, quality is our priority but keeping costs low is our strategy.

We then sell quality building materials and associated products on to our customers at the lowest prices. We aim to ensure a pleasant shopping experience for all our customers in each of our 232 stores (excl DIY) located throughout southern Africa with conveniently located stores, quality products, reputable brands and value-added services. Our customers are provided with in-store expertise, advice and assistance as well as various loyalty programmes, credit services, online shopping and a free delivery service.

The Cashbuild Way aims to benefit each and every one of our stakeholders so that our customers as well as our employees, shareholders, suppliers and communities gain value from our operations. Our business model on pages 10 and 11 illustrates how.

THE CASHBUILD CAPITALS

WHAT WE NEED

FINANCIAL CAPITAL

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

HUMAN CAPITAL

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

SOCIAL CAPITAL

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

INTELLECTUAL CAPITAL

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

MANUFACTURED CAPITAL

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

NATURAL CAPITAL

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

OUR BUSINESS MODEL

INPUTS

FINANCIAL CAPITAL
- Risk management
- New opportunities
- Strategy planning
- Strong financial position
- Analyst meetings and presentations

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

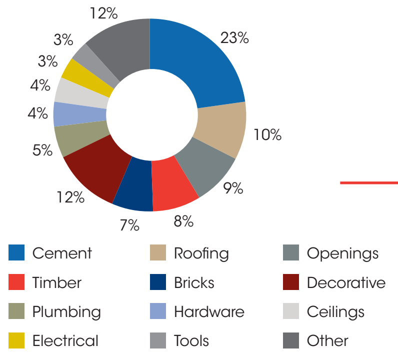
SOCIAL CAPITAL
- New store openings
- Free local customer delivery
- Delivery driver programme
- Local brick and block maker
- Glass cutters

OPERATIONS

CENTRALISED SUPPORT OFFICE

SUPPLIERS

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



PRODUCTS

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

OUTPUTS

- Revenue growth
- Cost saving
- New, refurbished and relocated stores
- Informed shareholders

- Skilled workforce
- Low staff turnover
- Healthy staff morale
- Decreased injuries

- Create local employment opportunities
- Art-at-Heart (School contributions)
- Support entrepreneurs
- Loyal customers

OUTCOMES

- Profitability
- Market share growth
- Shareholder return
- Industry leader

- Employer of choice
- Attract and retain best people
- Staff continuity
- Profit sharing

- Community upliftment
- Entrepreneurship
- Brand loyalty
- Good corporate citizen

OUR DIFFERENTIATORS

WHAT MAKES US UNIQUE

WE FOCUS ON OUR CUSTOMERS, ENSURING THAT OUR STORES:
- are always in stock and ready for business;
- carry quality branded products at lowest prices;
- provide free local customer delivery services;
- are ready to go the extra mile; and
- are situated in good locations and accessible within communities.

WE FOCUS ON OUR COMMUNITIES, ENSURING THAT:
- we approach each new region with cultural sensitivity and awareness;
- we develop and empower the community sustainably; and
- we create direct and indirect employment opportunities.

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

MANUFACTURED CAPITAL
- Procurement and supply chain
- Product responsibility
- Customer service
- Security and crime prevention

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

STORES

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

CUSTOMERS

Our customers are contractors, builders, home improvers, farmers and traders.

SERVICES

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

- Proven management team
- Succession plan
- Best practice policies and procedures

- Good quality products at lowest prices
- No "grey" goods
- "Every day lowest prices" – marketing
- Loyal customers

- Energy efficient
- Low carbon footprint
- Saving water consumption
- Ensure a clean environment

- Robust policies and procedures
- Proven management team
- Employer of choice

- Expanded customer base
- Suppliers with same ethical values
- Continued safe environment
- Sustainable profits

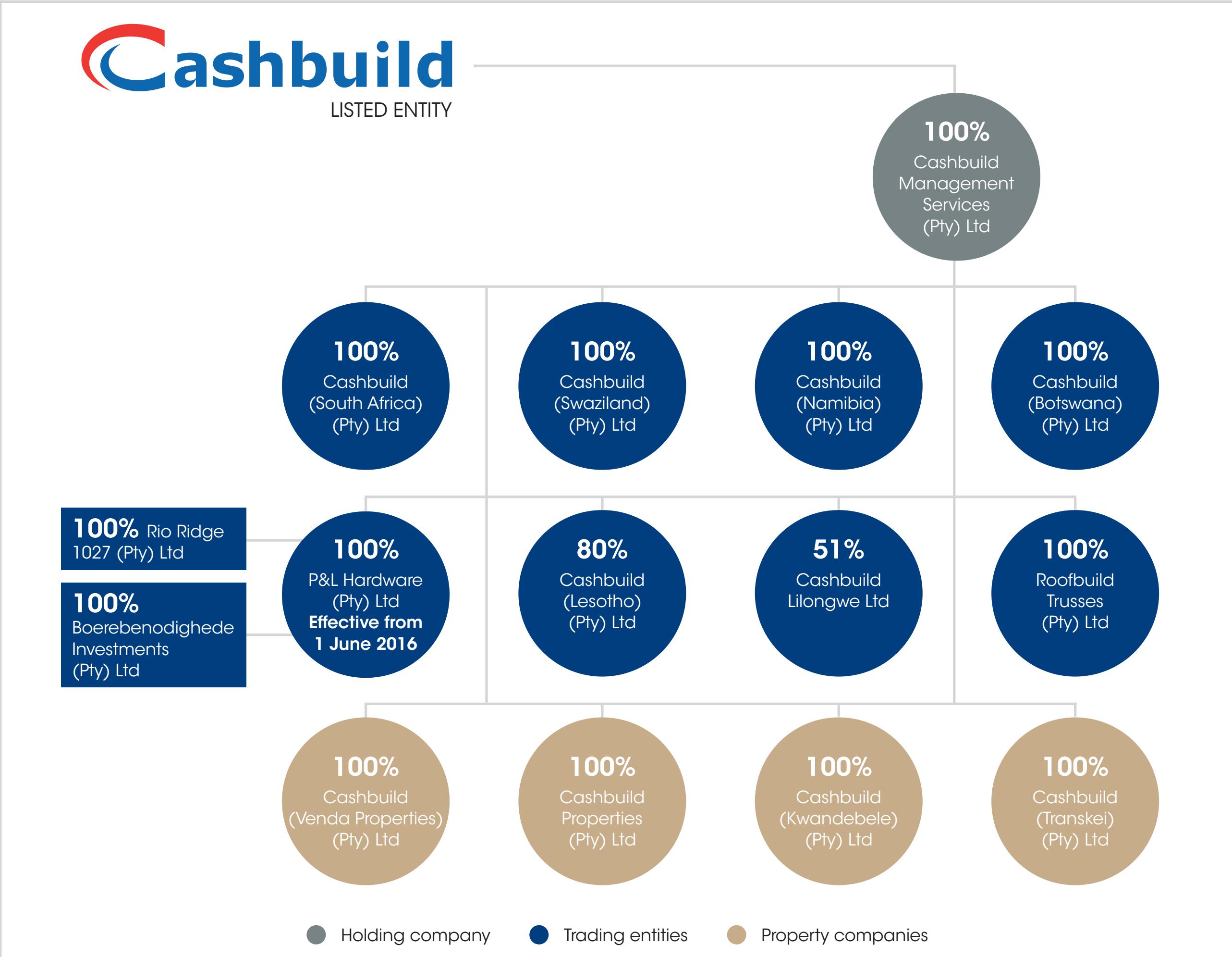
- Sustainable business practices

WE FOCUS ON OUR PEOPLE, ENSURING THAT:
- our management approach is consistent;
- internal growth and development opportunities are supported by best in class
- strong HR systems, policies and processes;
- our Store Managers feel empowered and supported; and
- we take pride in the Cashbuild brand and act according to our core values.

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

WE FOCUS ON SOUND GOVERNANCE AND COMPLIANCE, ENSURING THAT:
- the Cashbuild Way is aligned to ISO 9001;
- we apply the principles of King III; and
- we live by our core values.

OUR ORGANISATIONAL STRUCTURE



Our operational structure

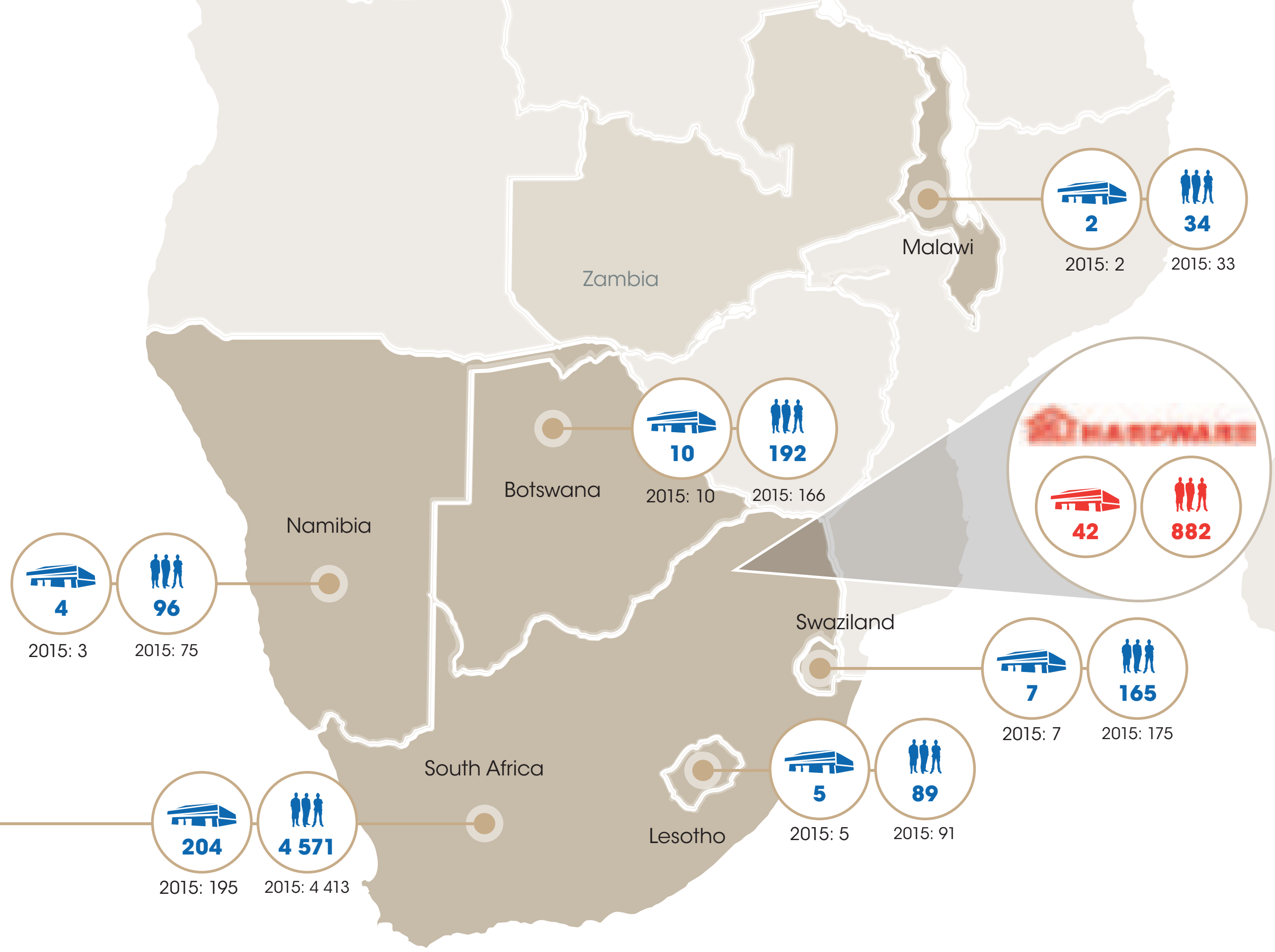
	Division	Divisional Manager
OPS 1	Mpumalanga – South	Fanie Craggs°
Anton Hattingh	Mpumalanga – North	Millen Mathebula
	Mpumalanga – East	André van der Walt
	Limpopo – Central	Flippie du Plessis°
	Limpopo – North	Renier Smith
	Limpopo – East	Simon Mafologela°
	Limpopo – South	Stephan Fourie°
OPS 2	KwaZulu-Natal – North Coast	Wayne Graven
Shane Thoresson	KwaZulu-Natal	Tommy Naidoo
	KwaZulu-Natal – North	Nomonde Menizwa°
	Western Cape/ Cape Town	Brian Mcpherson°
	Eastern Cape*	Mark Scholes
	Eastern Capeø	Jacques van Rooyen
	Western Cape	Coenraad Venter°
OPS 3	Gauteng North West	Eddie Prollius
Willie Dreyer	Gauteng East†	André Phillips
	Gauteng North	Musa Mkhwebane
	Gauteng North	Christo Basson
	Swaziland	Zamani Tsabedze

	Division	Divisional Manager
OPS 4	North West – North	Hennie Roos
Ian McKay	Free State – North	Kobus Venter
	Free State – Central/ Northern Cape	Adriaan van der Berg
	Northern Cape	Johan van der Walt°
	Free State – East	Sam Pejane°
	North West – South	JP Smith°
OPS 5	Botswana	Alec Mandevu
Linda Sithole	Malawi	Joseph Malili°
	Namibia	Anthony Prins°
	Lesotho	Norbert Mokobori
OPS 6	Soweto	David Makhuvele°
Tyron Myburgh	Gauteng – East^	Attie Nel
	Gauteng – West	Ryno van Staden
	Vaal	Andries Mahalaba°
P&L Hardware	Limpopo – South	Tinus van Rensburg
André Prinsloo	Limpopo – Central	Martin van Schalkwyk
	Mpumalanga – North East	Rudi Thiart
	Limpopo – Central	Louw Haupt
	Limpopo – North	Luis Fourie
	Limpopo – North	Albertus Pieterse
	Limpopo – North East	Fritz Cronje

° *Trainee*
* *Covers Bizana, Lusikisiki, Matatiele, Mount Frere, Mqanduli, Mthatha and Mthatha East areas*
\# *Covers Amalinda, Butterworth, East London, Grahamstown, Idutywa and Mdantsane areas*
ø *Covers Alice, Cofimvaba, Engcobo, Fort Beaufort, King Williams Town, Lady Frere and Queenstown areas*
† *Covers Benoni, Cavendish Glen, Daveyton, Alexandra, Edenvale, Greenstone and Springs areas*
^ *Covers Chris Hani, Dawn Park, Katlehong, Kwa Thema, Tsakane and Voloorus 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.



LOCATION OF STORES*

RURAL

54 (2015: 51)

TOWNSHIP

59 (2015: 54)

METRO

32 (2015: 33)

TOWN

87 (2015: 84)

TOTAL NUMBER OF STORES*

232 (2015: 222)

TOTAL NUMBER OF EMPLOYEES*

5 147 (2015: 4 953)

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, through feasibility studies and extensive stakeholder engagement.

* Excludes P&L Hardware stores and DIY pilot stores

OUR STAKEHOLDERS

ENGAGING WITH OUR STAKEHOLDERS

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

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

Customers and communities

FORMS OF INTERACTION

- Direct engagement at store openings
- Marketing surveys
- In-store kiosks, customer care and feedback mechanisms

JSE and other local and international regulatory/listings bodies

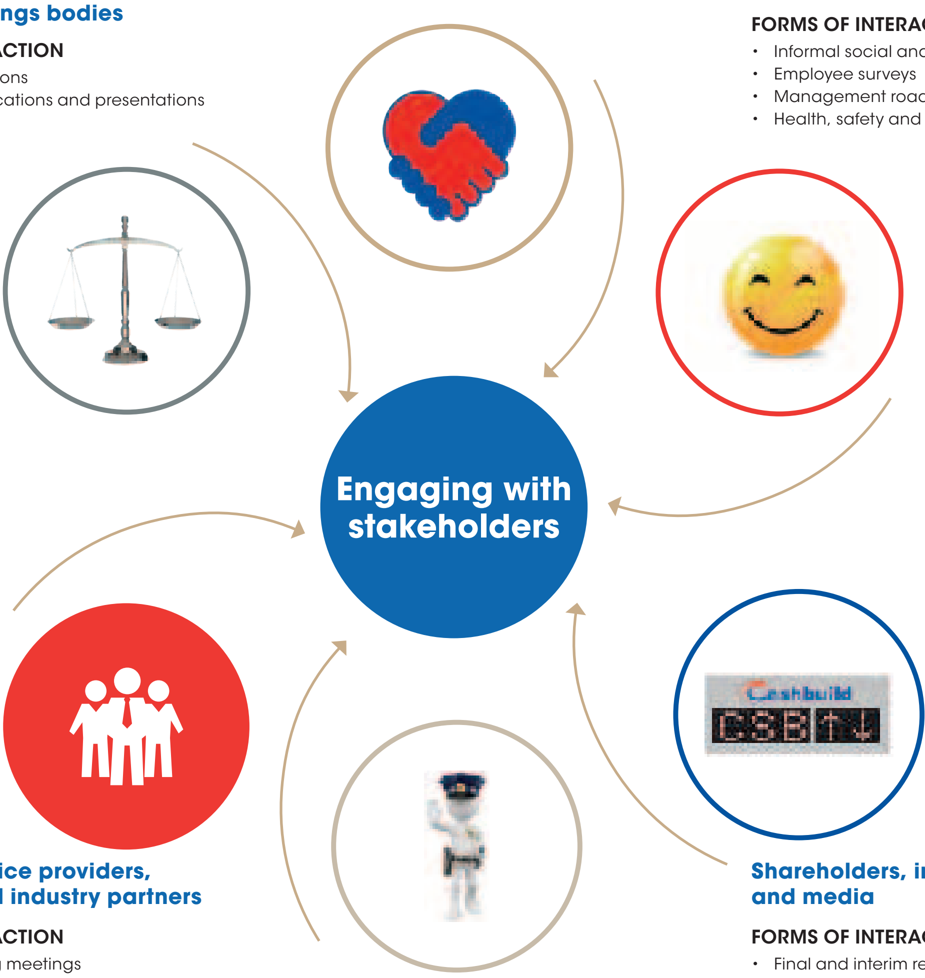
FORMS OF INTERACTION

- Business associations
- Written communications and presentations

Employees, learners, contractors and sub-contractors

FORMS OF INTERACTION

- Informal social and employee forums
- Employee surveys
- Management roadshows
- Health, safety and wellness forums



Suppliers, service providers, specialists and industry partners

FORMS OF INTERACTION

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

Shareholders, investors, analysts and media

FORMS OF INTERACTION

- Final and interim results presentations
- One-on-one meetings with large shareholders
- Media interviews
- Annual General Meeting
- Investor Relations consultant

Local and provincial governments and regulatory bodies (Labour, Health, SARS, etc.)

FORMS OF INTERACTION

- National builders forums
- Audit and related meetings

General forms of interaction

- Internet
- SENS announcements
- Newspaper articles
- Advertisements
- Community participation
- Integrated Report

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

VALUE-ADDED STATEMENT

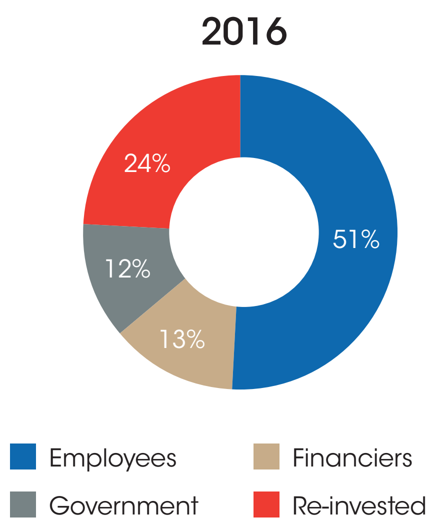
A measure of the wealth created by Cashbuild, for various stakeholders, is the amount spent on the cost of goods and services provided, the remuneration paid to its employees, money paid to providers of equity and debt, taxes paid to Government and capital reinvested in the Group.

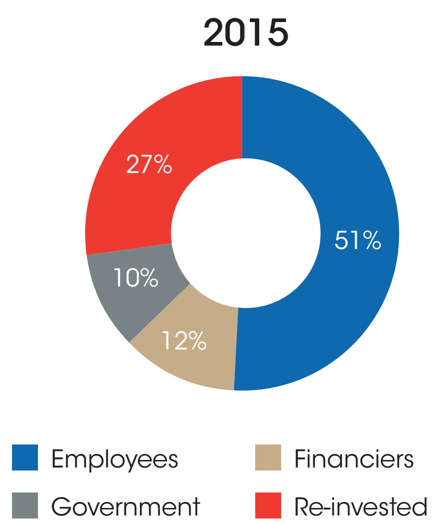
R'000	30 June 2016[1]	%	30 June 2015[2]	%
Revenue	8 608 175		7 692 646	
Less: Cost of merchandise and expenses	(7 145 871)		(6 484 802)	
Value-added from trading operations	1 462 304		1 207 844	
Interest received from investments	59 304		39 676	
Total wealth created	1 521 608	100.0	1 247 520	100.0
Allocated as follows:				
To employees – salaries and benefits	772 281	50.8	631 017	50.6
To Government – Group taxation	180 180	11.8	130 841	10.5
To providers of capital:	197 700	13.0	149 855	12.0
Dividend to shareholders	192 519	12.7	143 630	11.5
Interest on borrowings	621	0.0	1 753	0.1
Minorities' interest	4 560	0.3	4 472	0.4
Wealth distributed	1 150 161	75.6	911 713	73.1
To retain for re-investment in the Group	371 447	24.4	335 807	26.9
Depreciation, amortisation and impairment of property	128 474	8.4	120 521	9.7
Income retained in the business	242 973	16.0	215 286	17.2
Total wealth created	1 521 608	100.0	1 247 520	100.0

Statistics	June 2016	June 2015	% change
Number of employees	5 147	4 953	4.0
Wealth created per employee	296	252	17.5
Wealth distributed per employee	223	184	21.2
Revenue per employee	1 672	1 553	7.7

[1] *Includes the impact of the BEE transaction but excludes the contribution from P&L Hardware*
[2] *Restated due to change in accounting policy*

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



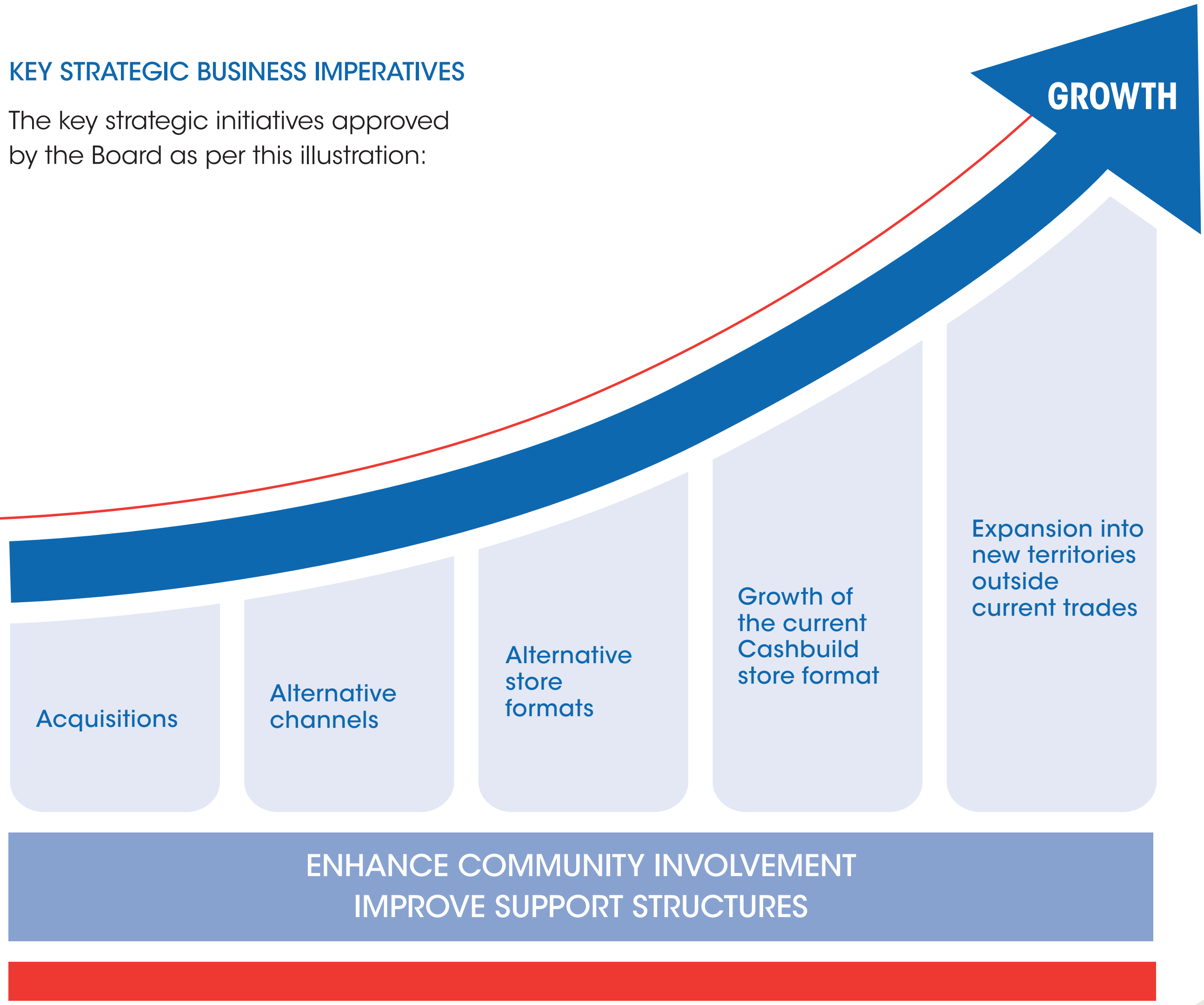


OUR STRATEGY

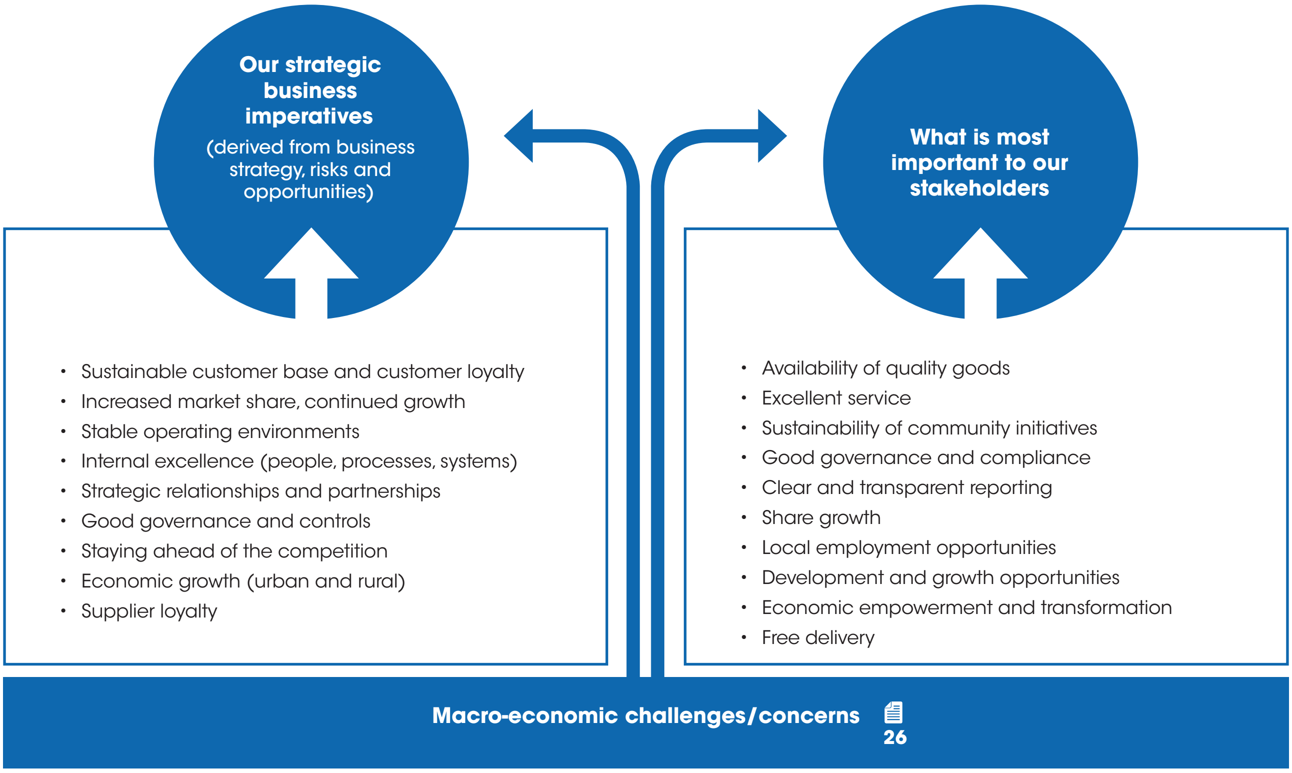
Cashbuild has identified a number of strategic business imperatives based on identified risks and opportunities, aimed at maximising the profitability and sustainability of the Group in the medium-to-long-term.

KEY STRATEGIC BUSINESS IMPERATIVES

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



Our strategic business imperatives based on what is most important to our stakeholders:



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

CASHBUILD'S STRATEGY FOR CORPORATE SUSTAINABILITY

In the broadest possible sense, sustainability is defined by Cashbuild as "maximising the Group'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 being detrimental to future generations. For Cashbuild, the concept of sustainability is not limited to the Group's impact on investors, society and the environment, but also includes the impact of social and environmental considerations on the Group's ability to continue sustaining itself and supporting those individuals and organisations that depend on its success.

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

The broader external environment in which 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 Group'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 or strategies aimed at creating value for stakeholders, the Board and Executive Management are required to adopt a precautionary approach, in order to ensure that neither Cashbuild nor any of its key stakeholder groups are in any way disadvantaged by the decisions taken or strategies implemented by the organisation.

CHAIRMAN'S REPORT

17%

MARKET CAPITALISATION INCREASED TO **R8,9 BILLION**

19%

EXCEPTIONAL FIVE-YEAR CAGR IN HEPS

I am pleased to report that in 2016 Cashbuild has delivered a record set of results. These results are commendable given the current economic environment and highly competitive conditions. The Group's strategies together with the Cashbuild Way model have achieved the results presented in this Integrated Report.

Cashbuild's strategy remains growing market share through increasing our store numbers, exploring alternative business models, generating additional sales channels, expansion into additional African countries and though acquisitions. We aim to open approximately 10 new stores per annum, taking into account the prevailing market conditions. In addition to the 11 new stores opened during the year, we acquired P&L Hardware, effective 1 June 2016, adding 42 stores to our footprint in rural Limpopo, Mpumalanga and Gauteng.

Cashbuild embraces 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. We have also enhanced our Integrated Report by reporting in terms of the Six Capitals (previously in terms of Profit, People and Planet). Cashbuild is furthermore committed to complying with all legislation, regulations and best practices in every country and jurisdiction where it conducts business. Our Corporate Governance Report, on page 48, sets out our principles and policies in more detail.

During 2016, Cashbuild participated in a survey conducted by the Ethics Institute of South Africa and was ranked first overall amongst all participating companies in South Africa. This survey measures the way companies demonstrate honest and responsible conduct through the Group's culture, its risks and ability to deal with such risks through its ethics management structures and processes.

The key risks associated with operating in the building retail sector have been addressed in this Integrated Report together with potential opportunities to mitigate these risks. Cashbuild maintains internal controls and systems designed to provide reasonable assurance of the achievement of operational business objectives and 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 66 and 67. Although indications are that market conditions will remain challenging, the Group will continue to follow its stated strategy to ensure sustainable stakeholder value.

With the new BEE Scorecard, the Group's B-BBEE rating moved from Level 5 previously to non-compliant during the October 2015 assessment. We continue to strive to improve our rating, especially given the new B-BBEE Charter for the retail sector. We have received indicative feedback that we may be able to achieve a Level 8 B-BBEE Contributor status, but this will only be confirmed in October 2016.

Cashbuild continues to invest in the communities in which it operates by supporting sustainable initiatives. During the financial year, we contributed R141 million compared to the R133 million spent in the previous financial year, an increase of 6%. The details of these CSI initiatives are set out in detail on pages 42 and 43 of this report.

Our sincere condolences go to the family of Donald Masson, my predecessor, on his passing this year. His positive spirit, contribution, guidance and insight will be missed.

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

Stefan Fourie
Chairman

29 August 2016

"Cashbuild's performance over the past five years has been reflective of the steadfast strategy followed by the Group in a challenging and competitive environment. Cashbuild's market capitalisation increased by 17.0% for the year ended 30 June 2016, outperforming its sector."

30 YEARS

LISTED ON THE JSE

CHIEF EXECUTIVE'S REPORT

41%
HEADLINE EARNINGS INCREASED TO **R494 MILLION**

42
P&L HARDWARE STORES ADDED

THE YEAR AT A GLANCE

The year ended 30 June 2016 was not without its challenges and market conditions remained exceptionally competitive. Given the tough environment, it gives me pleasure to present this commendable set of results. We managed to achieve R500 million for attributable earnings (excluding the BEE transaction), a new milestone for the business.

As Executive Management, we continued to focus on our stated strategy as well as applying fundamental principles, which resulted in the Group (including P&L Hardware):

- achieving revenue growth of 13% to R8,7 billion;
- achieving gross profit (rands banked) growth of 15% to R2,3 billion;
- increasing operating expenses, in existing stores, by only 5%;
- achieving an operating profit margin of 7.1%;
- increasing our bottom line by 41% to R494 million headline earnings;
- launching our own cement brand, Champion;
- concluding a second specific share repurchase to the value of R63 million from The Cashbuild Empowerment Trust; and
- acquiring P&L Hardware.

For the year ended 30 June 2016, we opened 11 new Cashbuild stores, refurbished 23 stores, relocated one store and closed one store. With the acquisition of P&L Hardware, we added 42 stores and are subsequently represented in 284 locations across southern Africa.

Early in December 2015 we introduced our cement brand, Champion, into our Cashbuild stores. The sales performance of this brand, given the highly competitive cement industry, has exceeded our expectations.

We implemented a "Mystery Shopping" initiative during the reporting period to assess and improve our customers' experience as well as to identify areas within our Cashbuild stores where either our product or service offering could be enhanced. To date we have visited nearly 200 of our stores and have found this initiative to be beneficial for our customers and management.

Effective 1 June 2016, P&L Hardware was acquired for a total consideration of R350 million and a further R80 million payable if certain profit targets are met over a three-year period. Its results for only one month are included in

> "Cashbuild reported a record set of results achieving attributable earnings of R500 million. P&L Hardware was acquired effective 1 June 2016, growing Cashbuild's geographical presence in rural Limpopo, Mpumalanga and Gauteng."

the current year's statutory results. The rationale for this acquisition is in line with Cashbuild's strategy to grow the business, expand its geographical footprint and market share as well as to acquire businesses where synergies can be achieved. P&L Hardware will remain and grow as a separate brand to Cashbuild.

In 2005, the Group implemented a BEE transaction whereby The Cashbuild Empowerment Trust subscribed for approximately 2,5 million shares representing 10% of the ordinary share capital in Cashbuild at the time. The majority of the beneficiaries of this Trust were PDIs. With the strong performance of the Cashbuild share price, Cashbuild initially repurchased R50 million worth of shares in 2010. Given the continued positive performance of the share price, we entered into a second specific share repurchase agreement on 14 October 2015 whereby the Group repurchased 200 000 Trust shares for a value of nearly R62 million. The objective of the Cashbuild Empowerment Trust was to ensure that our PDI employees participate in the growth of the Group and I am pleased to state that this objective has been met. On 30 November 2015 our shareholders approved the specific share buy-back and distribution of the Trust shares with each beneficiary of the Trust receiving between R2 500 and R17 500. The once-off cost associated with the specific share repurchase, including transaction costs, was R63 million. The value created by this transaction in 2005 continues to grow, with employees having shared in R209 million since inception and the investment value stands at R627 million from the initial investment of R75 million. The effect of the recent BEE transaction on the results was as follows:

Earnings per share (cents)	**June 2016**	June 2015	% change
With once-off BEE buy-back	**1 920**	1 547	24
Normal trading	**2 197**	1 547	42

FINANCIAL REVIEW

For my reporting purposes, I have excluded the BEE transaction and included the one-month results of P&L Hardware.

Group revenue for the year increased by a pleasing 13% from R7,7 billion (June 2015) to R8,7 billion. These results are attributable to our existing 213 stores, prior to 1 July 2014, increasing their revenue by 9%, the 20 new stores contributing 3% and P&L Hardware contributing 1% to revenue growth. Market conditions remained challenging and we saw an average selling price inflation of 3%.

One of our key focus areas is cost control and we managed to limit our increases in our operating expenses to 9% from R1 384 million (June 2015) to R1 591 million. Operational expenses for the year remained well controlled with existing stores accounting for 5% of the increase and new stores 4%. The main contributor to the increase in existing stores is the people cost component in order to maintain and improve customer service standards. This resulted in operating profit being up by 33% to R612 million from R461 million in the prior year, with an operating profit margin of 7.1%, compared to the 6.0% achieved last year.

Basic EPS increased by 42% from 1 547 cents (June 2015) to 2 197 cents and HEPS increased by 43% from 1 519 cents (June 2015) to 2 168 cents.

Our financial position remains strong and we achieved an increase in NAV per share of 14% from 5 258 cents (June 2015) to 5 981 cents. We maintained our net cash position, being R776 million at year end, despite having acquired P&L Hardware and the BEE transaction.

DIVIDENDS

The Board declared a total dividend for the year ended 30 June 2016 of 1 001 cents (excluding the effect of the BEE transaction), an increase of 41% on the total dividend for 2015 of 712 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 pages 16 and 17 of this Integrated Report. We subscribe to the highest ethical standards of business practice. This has been affirmed by being ranked Number One in the 2016 survey conducted by the Ethics Institute of South Africa. We have a well-defined and entrenched business philosophy which is built around our customers, our team, our business partners, our systems and our finances. Our business philosophy is underpinned by our vision, mission and values.

Our expansion plan into Zambia is well on track with the first store scheduled to open in Lusaka in August 2017. Currently four sites are in progress in Zambia with an additional three sites planned.

CHIEF EXECUTIVE'S REPORT CONTINUED

LOOKING AHEAD

The macro-economic conditions and competitive environment are not expected to improve over the short-to-medium-term. However, we continue to see robust home improvement statistics despite consumer spend being under severe pressure.

We remain confident that our business model and strategy positions the Group to continue to grow its local market share, expand its geographical footprint, increase profitability and unlock stakeholder value. We are cognisant of the risks associated with our industry, which are monitored and evaluated on a daily basis, as well as the potential opportunities. The success of the Group is very much a team effort and we have competent Executive Management who understand the challenges being faced.

Our Social Capital commitment, through various CSI initiatives, is important as we continue to invest in the communities we operate through our support of local schools, and development of local opportunities. In order to enhance our Intellectual Capital, we initiated a new Bursary Programme. The importance of caring for the environment and the impact Cashbuild, although not material, could potentially have on the environment is set out in the Sustainability Report under Natural Capital.

ACKNOWLEDGEMENT

We value our strong stakeholder relationships which continue to contribute to the success of the Group and I would like to extend a big thank you to the Cashbuild family for your hard work and dedication to the Group. Our results are testimony to your combined efforts and team work.

Thank you to our industry partners, suppliers, contractors, formal and informal partners for the excellent service you rendered to Cashbuild during the year by enhancing our product and service offering.

To our customers and shareholders, we appreciate your continued loyalty and confidence in us as a Group. We continue to unlock stakeholder value by doing it the Cashbuild Way.

A heartfelt thank you to Executive Management for their continued guidance, support and friendship, especially in the challenging market conditions being faced by the Group on a daily basis. Also to the Board members, my appreciation for your valued contribution and guidance during the year.

It was with great sadness that we had to bid Donald Masson farewell. I have known Donald since 1993. He was a visionary and a great mentor to me. As such, he contributed much to the development of Cashbuild and he generously gave us his knowledge, his expertise and his skills. Donald, you will be missed.

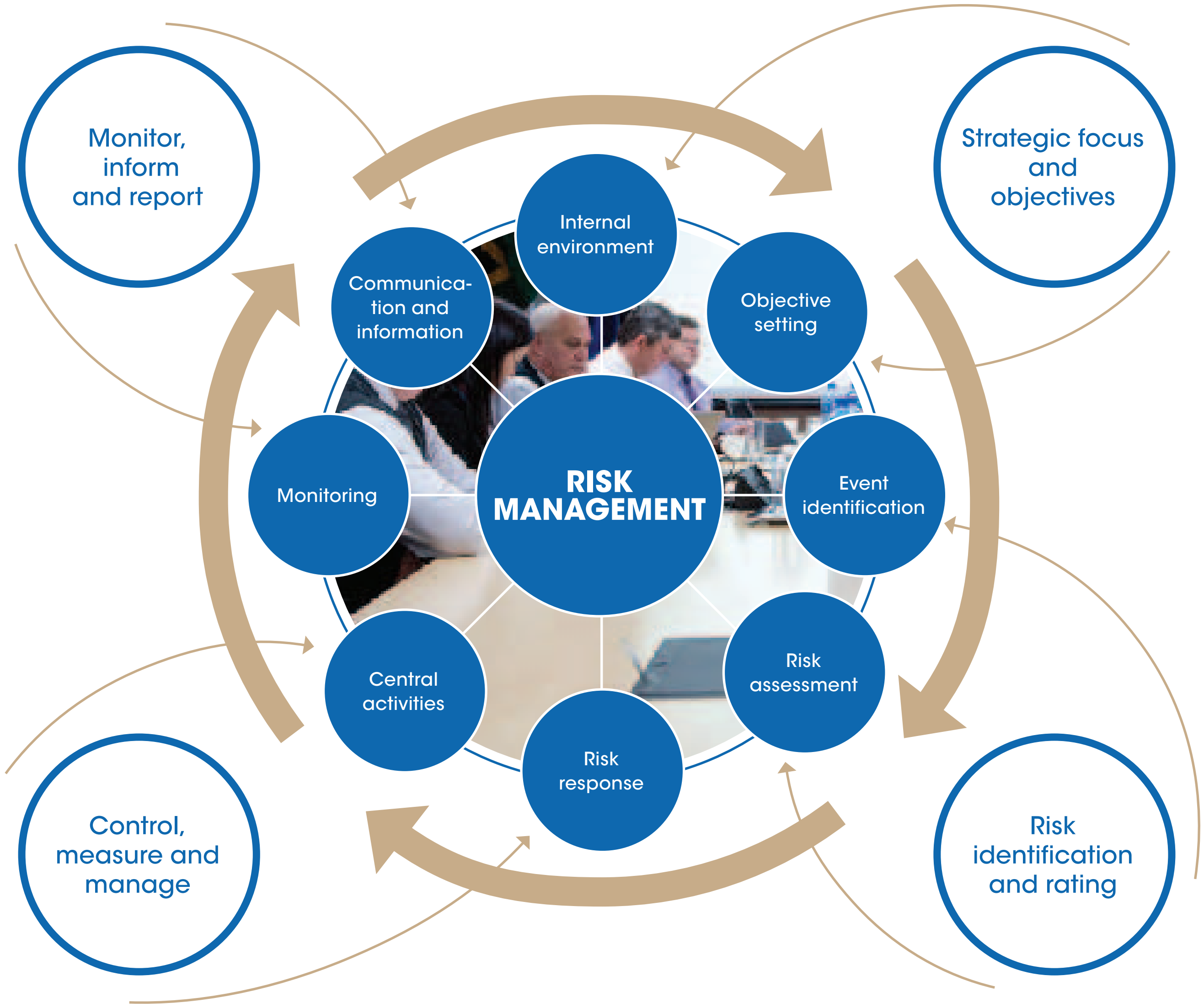
Werner de Jager
Chief Executive

29 August 2016

OUR MATERIAL RISKS

RISK MANAGEMENT

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



Each risk identified and recorded on the Group's risk register is assigned a risk owner, 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 and to the Board via quarterly Audit and Risk Committee meetings.

67 The responsibility for risk management is discussed in the Audit and Risk Committee Report.

OUR MATERIAL RISKS CONTINUED

MATERIAL PRINCIPAL RISKS RELEVANT TO CASHBUILD

The material risks identified are correlated with the Group's materiality determination and stakeholder engagement processes. The material principal risks and opportunities identified and attended to by Cashbuild are set out in the table below where the Group's top 10 business risks as at 30 June 2016 are ranked in order of risk level.

Risk rating 2016	Risk rating 2015	Level	Risk description	Mitigation plan
1	N/A new in 2016		Sales growth in a number of Cashbuild stores below expectation.	• Increased monitoring of stores not reporting the required growth vs the previous year. • Detailed action plans are put in place to address sales in these stores.
2	N/A new in 2016		High reliance on existing Executive Management.	• The existing backup plan (not succession plan) for Executive Management, particularly those in support functions, is being addressed as a mitigation step. • Newly recruited (2) and promoted (2) Operations Executives are receiving appropriate induction, coaching and training with the intention of reducing the potential impact of this risk.
3	N/A new in 2016		Discontinued technical support for the Cashbuild E-Learning solution has direct negative impact on the E-Learning functionality in the Group.	• Alternative solutions and/or suppliers being sought to support the E-Learning solution.
4	N/A new in 2016		Integration of the P&L acquisition into the Group exposes Cashbuild to a different business model and business culture.	• Action plan to be formulated upon completion of the transaction. Action plan to consider: – Business risk assessment involving P&L Hardware management team. – Action steps designed to mitigate prioritised risks.
5	N/A new in 2016		Target stock levels rolled out to stores are not being met.	• Stores not achieving target stock levels are identified, prioritised and process improvement plans put in place to address the risk. • Continued monitoring of the status of prioritised stores taking place at executive level with required action taken where identified to do so. • Target stock levels being revisited and adjusted where considered necessary.
6	N/A new in 2016		Impact of Cashbuild B-BBEE rating moving from Level 5 to a "non-compliant" rating level during the October 2015 assessment.	• Focus areas being attended to are: – Supplier and Enterprise Development strategy to be put in place. – Roll out of a three-year skills development plan to increase number of learnerships and accredited training. – Roll out of targeted recruitment at management level.
7	N/A new in 2016		Instances of increased community unrest and resultant lost trading days.	• Cashbuild's security policy is being maintained with particular attention given to safety of customers and staff in areas where community unrest is experienced. • Awareness and caution is maintained by Cashbuild's Executive Management with regards to the monitoring and tracking of this risk.

Risk rating 2016	Risk rating 2015	Level	Risk description	Mitigation plan
8	N/A new in 2016		Inadequate assurance provided to Executive Management on efficiency and effectiveness of Cashbuild's IT solution.	• KPA's of IT service providers are defined in their contract and being monitored at IT service meetings. • First draft of IT Strategy Framework drafted by Chairman of IT Governance Committee handed to IT Executive for finalisation (subject to approval by the Board).
9	N/A new in 2016		Impact of weak exchange rate on pricing of Cashbuild products.	• Status is being monitored with due consideration given to: – Continued monitoring and corrective action on changes in customer transactions. – Monitor and highlight suppliers fighting increases with lower quality product.
10	12		Inadequate attention given to identifying and fast tracking internal BEE candidates into senior management positions.	• Transformation is managed by focusing on: – Talent identification and management. – Attraction and retention.

high medium low

To be noted is that only one of the risks on Cashbuild's Business Risk Register has been awarded a high level risk rating indicating the level of assurance and comfort allocated by Executive Management to the level of risks facing the Group. Progress was made with the top 10 business risks contained in Cashbuild's 2015 Integrated Report and the following Risks, Numbers 2, 5, 8 and 9, have been adequately addressed and closed during 2016. None of the 2015 top 10 risks remained in the top 10 in 2016 with the previous number 1 risk moving to 20th position in 2016. The fact that a large number of new risks has been identified during 2016 and a large number of 2015 risks either being closed or moved into a much lower position on the Business Risk Register clearly indicates the care taken with mitigating previously identified risks awarded a high priority as well as the diligence of identifying new risks prompted by the changing nature of the southern African economic and business environment currently being experienced. This indicates that the Cashbuild culture of prioritised mitigation of identified risks is important and effective.

We are pleased that the following top 10 risk items from the 2015 Business Risk Register no longer appear on the register:

- Risk of power outages on supply of product to Cashbuild and secondly Cashbuild's own operational performance – ranked 2nd in 2015. Risk to Cashbuild's operational performance has been mitigated with deployment of sufficient UPS capacity and generator back up functionality enabling normal function during standard power outage situations. Suppliers have also implemented appropriate back-up mechanisms and procedures resulting in supply of product no longer being affected by power outages.
- Dependency on key suppliers caused by single country wide suppliers contracted for specific products and instances of limited suppliers available for key product lines – ranked 5th in 2015. Pro-active identification of back-up suppliers to identified key suppliers with improved business relationships and appropriate agreements entered into with these back-up service providers where considered necessary, mitigates this risk.
- Planograms not suitable for all stores resulting in a limited ("single") range of stock in some stores not meeting customer requirements – ranked 8th in 2015. Extensive testing of alternative planogram options and roll out of successful test results has led to the conclusion that this risk has been addressed and considered to be at an acceptable level.
- Effectiveness of the Cashbuild Employee Forum – ranked 9th in 2015. Improvement of the Cashbuild Employee Forum structure together with enhanced communication with related stakeholders on the purpose of the Forum and approach followed by the Forum, coupled with positive feedback obtained from Forum and staff members on the successful functioning of the Forum has led to the decision to mark this risk as appropriately addressed and therefore closed.

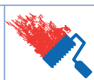
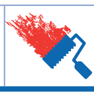
OUR MATERIAL RISKS CONTINUED

Progress on the remaining top 10 risks from the 2015 Business Risk Register can be summarised as follows:

- Integration and information flow of the IT solution as implemented not meeting business expectations documented and agreed upon during scoping phase of project – now ranked 20th (ranked 1st in 2015). Result of the action steps put in place to improve integration and information flow of the IT solution led to this risk being ranked as having a reduced impact on business and reduced likelihood of occurring. Results of action plans however still required monitoring prior final closure of the risk.
- Administration and roll-out of Cashbuild's budgeting process – now ranked 25th (ranked 3rd in 2015). Improvement to Cashbuild's budgeting process is subject to testing during the 2017 budgeting cycle prior to this risk being considered for closure. Progress made with the process towards the end of 2016 however provided sufficient assurance to reduce both impact and likelihood rating of this identified risk.
- Inability of IT Outsource Service Provider to take appropriate and speedy action on required deliverables – now ranked 17th (ranked 4th in 2015). Monitoring of the turn-around time of action by IT Outsource Service Provider has shown considerable improvement resulting in the reduction of the ranking of this risk. Continuous risk management monitoring is however still required prior to this risk being considered duly addressed.
- Inadequate VIC/Loyalty programme and application thereof – now ranked 13th (ranked 6th in 2015). An investigation into a solution by a group of Cashbuild management and staff members, not finalised as yet, has led to a reduction in the priority assigned to this risk as it increased management assurance that the risk is receiving required attention.
- 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 – now ranked 23rd (ranked 7th in 2015). The status of turn-around of loss making stores has improved to such an extent that the impact rating associated to this risk has dropped considerably. This risk is however still being monitored with specific attention given to stores with a history of being in loss making status and not showing an acceptable level of improvement.
- 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 19th (ranked 10th in 2015). Pro-active action taken by management during negotiation of rental renewal contracts has had successful results, so much so that the impact of this risk has reduced substantially.

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	175 new jobs created, 962 existing jobs filled and 50 learnerships awarded
Rising fuel costs, potential fuel shortages			Improved route planning and scheduling	Reduction in delivery expenses from 1.3% to 1.2% of sales and associated emissions

 high  medium  low

OUR OPPORTUNITIES

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

STORE EXPANSION, RELOCATION AND REFURBISHMENT

A critical element in the achievement of 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 Group 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 Group 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 six-year basis. During the 2016 financial year, 23 stores were refurbished and one 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 Group prioritises and actively supports the work of local councils and other local government bodies to build schools, clinics and housing in every community in which it trades. As a result, Cashbuild has become the first choice retailer of quality branded building materials within these communities.

As part of maintaining this position, the Group has developed proven methods of communicating with customers in the most effective manner possible, taking into account geographical, socio-economic and other factors. These models are continually being refined, 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.

A "Mystery Shopping" initiative has been introduced to improve the customer's experience in a Cashbuild store, thereby increasing customer growth through positive "word-of-mouth" advertising. This initiative further enables the Group to identify areas within a store or the Group where improvements can be made or the service or product offering can be expanded.

AFRICAN EXPANSION

As part of Cashbuild's strategy, the Group 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 in the medium term and at this stage, the Group is looking to open stores in these countries. Further store openings have been approved in Namibia, Botswana, Lesotho and Zambia for the next financial year. The expansion plan into Zambia is well on track with the first store opening planned for August 2017 in Lusaka with an additional six stores to follow.

OUR DIRECTORATE

BOARD

Executive directors

WF de Jager 45
Chief Executive
QUALIFICATION
CA(SA)
APPOINTED
1 December 2004

Werner obtained his CA(SA) qualification in 1994 and completed his articles with PwC. He joined Cashbuild on 1 December 2004 as Finance Director. Prior to joining Cashbuild, he worked in the retail industry where he gained 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 52
Financial Director
QUALIFICATION
CA(SA)
APPOINTED
1 March 2011

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

Independent non-executive directors

IS Fourie 69
Chairman
QUALIFICATION
CA(SA)
APPOINTED
1 July 2012

Stefan is a former Chief Operating Officer of PwC Southern Africa and a former member of PwC Global Board. He was appointed Chairman of the Board effective 1 December 2015.

HH Hickey 62
QUALIFICATION
CA(SA)
APPOINTED
1 July 2012

Hester serves on various Boards including Omnia Limited, Pan African Resources Plc, Northam Platinum Limited, and African Dawn Capital Limited. She serves as Audit and Risk Committee Chairperson in a number of companies. She is a Trustee of Sentinel Pension Fund and performs board evaluations and directors training for the Institute of Directors of Southern Africa. She was appointed Chairperson of the Audit and Risk Committee effective 1 December 2015.

Board committees and attendance

- C Chairman of Board/Committee
- M Member of the Committee
- I Attendance by invitation
- * Apologies were submitted and noted
- † Passed away 20 March 2016
- ø Number of meetings attended since appointment to Committee
- # Number of meetings attended since appointment as Board Chairman

Board

Non-executive		
IS Fourie	5/5	C
HH Hickey	4/5*	M
AGW Knock	5/5	M
DSS Lushaba	4/5*	M
NV Simamane	5/5	M
D Masson	3/5*†	M
Executive		
WF de Jager	5/5	M
AE Prowse	5/5	M
SA Thoresson	5/5	M
A van Onselen	5/5	M

Audit and Risk Committee

Non-executive		
HH Hickey	4/4	C
DSS Lushaba	4/4	M
NV Simamane	4/4	M
IS Fourie	4/4	I
AGW Knock	4/4	I
D Masson	2/4*†	I
Executive		
WF de Jager	4/4	I
AE Prowse	4/4	I
SA Thoresson	4/4	I
A van Onselen	4/4	I

Remuneration Committee

Non-executive		
AGW Knock	4/4	C
IS Fourie	3/4*	M
D Masson	3/4†	M
Executive		
WF de Jager	4/4	I
AE Prowse	4/4	I

BOARD COMPOSITION

SA Thoresson 53
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 54
Operations Director

QUALIFICATION
Dip MDP Unisa Business School

APPOINTED
20 September 2004

André 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. He has recently taken the lead with implementation of strategic projects within the Group.

EXECUTIVE	44%
NON-EXECUTIVE	56%
BLACK NON-EXECUTIVE	40%
WHITE NON-EXECUTIVE	60%
FEMALE NON-EXECUTIVE	40%
MALE NON-EXECUTIVE	60%

AGW Knock 65

QUALIFICATION
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 50

QUALIFICATION
BSc (Hons) (Zululand), MBA (Wales), DBA (UKZN), CD(SA)

APPOINTED
1 July 2011

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 and Member of Council – University of Johannesburg. Chairman of the Board at SA Post Office.

NV Simamane 57

QUALIFICATION
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 Hollard Insurance Company Ltd. She was named Top Businesswoman of the Year at the 2009 National Business Awards at the BBQ Awards.

Nomination Committee

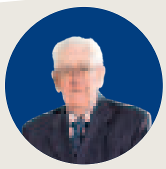
Non-executive		
IS Fourie	1/2∅	C
D Masson	1/2†	M
AGW Knock	2/2	M
Executive		
WF de Jager	2/2	I
AE Prowse	1/2*	I

Social and Ethics Committee

Non-executive		
NV Simamane	4/4	C
HH Hickey	4/4	M
IS Fourie	1/1#	I
Executive		
WF de Jager	4/4	M
AE Prowse	4/4	M

IT Governance Committee

Non-executive		
AGW Knock	4/4	C
IS Fourie	2/4∅	M
D Masson	3/4†	M
Executive		
WF de Jager	4/4	M
AE Prowse	4/4	M
SA Thoresson	3/4*	M
A van Onselen	3/4*	M



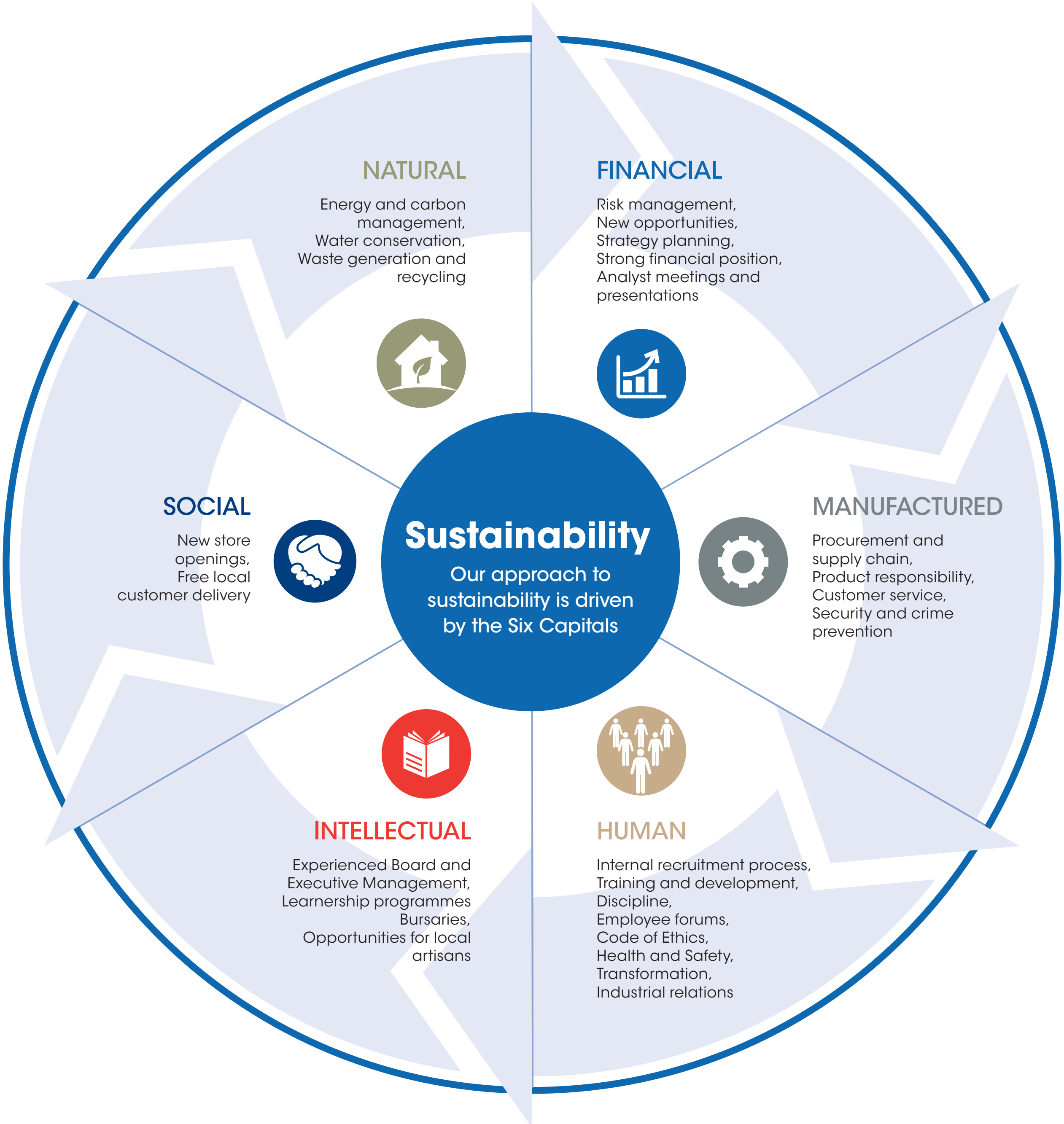
D Masson†
(Chairman until November 2015)

SUSTAINABILITY REPORT

CASHBUILD'S APPROACH TO SUSTAINABILITY

Cashbuild's approach to corporate sustainability has been enhanced from previously looking at the 'Profit, People, Planet' model to reporting in terms of the Six Capitals as set out in the International Integrated Reporting Framework.

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



In the complex southern African environment in which Cashbuild operates, many valuable lessons have been learned over the Group'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 sustainability policies and practices adopted and implemented by the Group, of which our local managers who have the greatest understanding of the nuances of the communities in which their stores operate, have proven to be one of the Group's greatest advantages, and have significantly assisted in risk mitigation during the establishment of Cashbuild operations in new and often challenging environments.

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

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

Assurances obtained

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

Compliance category	External assurance provider
Finance	PricewaterhouseCoopers Inc. – Independent Auditor's Report (page 74 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 performed by internal audit on identified and prioritised Acts.
IT compliance	IT Internal Audit is outsourced to Deloitte. Assurance is provided by Deloitte on risk-based key focus areas included in three-year rolling Internal Audit Plan. UCS Solutions provide IT support services.
SANS 4001-BT1	SABS.
Health and safety	Health and safety is a key focus area on which assurance is provided by Cashbuild Internal Audit. Additional, albeit limited, assurance together with advisory services is provided by SHE Consultants (Scott Safe).
B-BBEE Scorecard	Empowerdex (Accredited by SANAS)
Environmental	GCX Africa

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

FINANCIAL CAPITAL

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

FIVE-YEAR PERFORMANCE REVIEW

		2016#	2015°	2014°	2013°	2012°
30 JUNE		52 weeks	52 weeks	52 weeks	52 weeks	53 weeks
Group income statement						
Revenue	R'm	**8 608**	7 693	6 781	6 377	6 310
Profit before tax	R'm	**681**	499	384	343	434
Earnings attributable to owners of the Group	R'm	**500**	357	268	239	287
Group statement of financial position						
Total assets	R'm	**3 365**	3 051	2 601	2 051	1 914
Total equity	R'm	**1 528**	1 345	1 224	1 099	976
Total liabilities	R'm	**1 838**	1 706	1 377	953	938
Group cash flow						
Net cash from/(used in) operations	R'm	**677**	593	876	53	(6)
Working capital movements	R'm	**113**	168	489	(230)	(312)
Capital investment	R'm	**(190)**	(169)	(269)	(198)	(111)
Key performance statistics						
Returns and profitability						
Revenue per employee	R'000	**1 672**	1 553	1 447	1 401	1 417
Operating profit margin	%	**7.1**	6.0	5.3	4.9	6.3
Profit before tax on revenue	%	**7.9**	6.5	5.7	5.4	6.9
Profit before tax per employee	R'000	**132**	101	82	75	97
Basic EPS	cents	**2 193**	1 547	1 157	1 036	1 262
Basic HEPS	cents	**2 164**	1 519	1 154	1 001	1 257
Total dividend per share	cents	**1 001**	712	528	487	569
NAV per share^	cents	**6 025**	5 258	4 920	4 450	3 923
Return on shareholders' funds	%	**34.8**	27.8	23.1	23.1	31.6
Return on average capital employed	%	**35.3**	28.2	23.4	23.4	32.8
Total asset turn	times	**2.6**	2.5	2.6	3.1	3.3
Total assets per employee	R'000	**654**	616	555	451	430
Solvency and liquidity						
Dividend cover	times	**2.0**	2.0	2.0	2.0	2.0
Current ratio	times	**1.4**	1.3	1.3	1.6	1.6
Total liabilities to total shareholders' funds	times	**1.2**	1.3	1.1	0.9	1.0
Interest-free liabilities to total assets	times	**0.5**	0.6	0.5	0.5	0.5
Share performance:						
Market value per share						
– At year end	cents	**35 500**	30 100	12 500	13 300	13 700
– Highest (year to 30 June)	cents	**36 900**	31 479	16 216	16 800	13 800
– Lowest (year to 30 June)	cents	**25 528**	12 162	11 854	11 491	8 980
PE ratio at year end	times	**17.8**	21.3	11.7	14.0	12.0
Market capitalisation – at year end	R'm	**8 871**	7 582	3 149	3 350	3 451
Volume traded (year to 30 June)	'000	**9 688**	12 286	11 183	17 140	7 651
Weighted number of shares	'000	**22 779**	23 055	23 171	23 091	22 742
Issued shares at 30 June	'000	**24 990**	25 190	25 190	25 190	25 190
Other statistics						
Number of employees		**5 147**	4 953	4 687	4 552	4 453
Number of stores*		**232**	222	215	200	191

° Restated with change in accounting policy

Results exclude the effect of the BEE transaction and P&L Hardware results for one month

^ Based on ordinary number of shares in issue

* Excludes 10 (2015:11) Cashbuild DIY stores

12%
REVENUE INCREASED TO **R8 608 MILLION**

40%
HEADLINE EARNINGS INCREASED TO **R493 MILLION**

42%
GROWTH IN HEPS TO **2 164 CENTS**

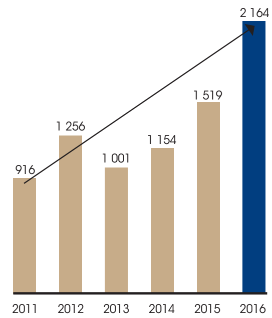
5%
SPACE GROWTH: **232 STORES**

15%
NAV PER SHARE UP TO **6 025 CENTS**

41%
TOTAL DIVIDEND PER SHARE INCREASED TO **1 001 CENTS**

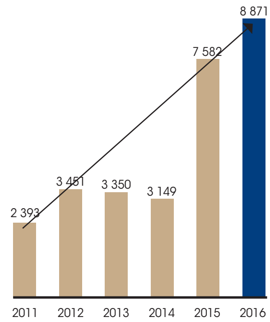
HEPS (CENTS)

Five-year CAGR = 18.8%



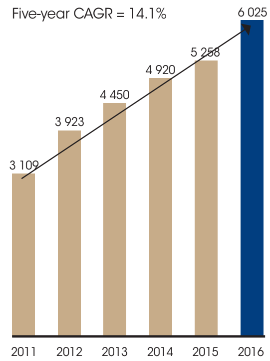
MARKET CAPITALISATION (R'M)

Five-year CAGR = 30.0%



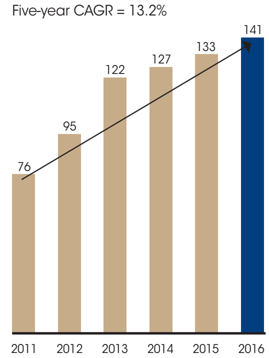
NAV PER SHARE (CENTS)

Five-year CAGR = 14.1%



CSI SPEND (R'M)

Five-year CAGR = 13.2%



WHY INVEST IN CASHBUILD

The Cashbuild Way business outlook together with Cashbuild's strategy and its corporate sustainability approach focused on the Six Capitals for the year ended 30 June 2016

- Cashbuild's market capitalisation increased by 17.0% to R8,9 billion (2015: R7,6 billion) over the reporting period.
- 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 Executive Management.
- 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 two times cover.

* Results exclude the effect of the BEE transaction and P&L Hardware results for one month

HUMAN CAPITAL

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

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

Through investment in our Human Capital, we ultimately will enhance our Intellectual Capital where we support PDIs through a Bursary Programme, train local artisans, as well as a variety of other initiatives.

OUR EMPLOYEES

Cashbuild aspires to be a preferred employer in the retail building supply industry. Our success has been acknowledged by our achievements in various employee preference surveys, including recognition as a 'best employer to work for', for four consecutive years.

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

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

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

Cashbuild's HR policies can be summarised as follows:

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

As at 30 June 2016, Cashbuild employed, on a permanent basis, 5 147 (2015: 4 953) individuals, across our Support Office, 232 stores (2015: 222 stores) and 10 Cashbuild DIY outlets (2015: 11) over six (2015: six) African countries. These individuals have clearly demonstrated, by constantly striving to understand and meet their customers' needs, that they are the right people for Cashbuild. Effective 1 June 2016 Cashbuild acquired P&L Hardware, who owns 42 stores and employs 882 staff members as at 30 June 2016.

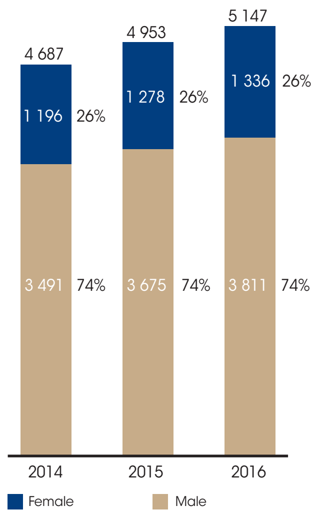
The Group's Employee Steering Committee continues to facilitate harmonious working relationships within the Group by providing a formal communication structure between management and employees.

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

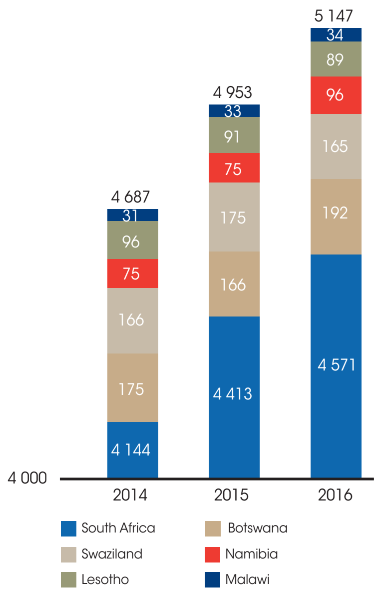
The ongoing promotion of continued adherence to the Cashbuild Way, as well as various incentive and reward schemes based on revenue and profit growth, have all resulted in improved productivity.

EMPLOYMENT STATISTICS

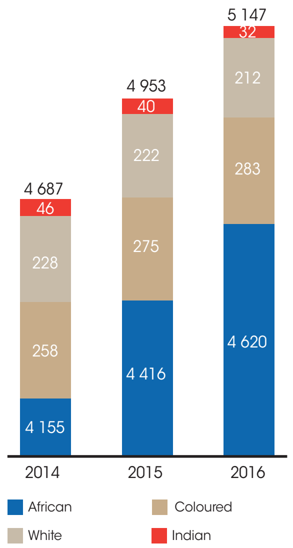
EMPLOYEES PER GENDER



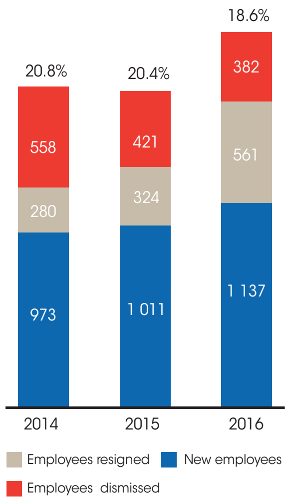
EMPLOYEES PER GEOGRAPHY



EMPLOYEES PER ETHNIC GROUP



EMPLOYEE MOVEMENT



HUMAN CAPITAL CHALLENGES

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

Cashbuild's policy of promotion from within, aimed at creating and maintaining an organisational culture based on employee loyalty and growth, has to some degree inhibited the Group's ability to transform the structures of the Cashbuild Support Office. To address this issue, the Group'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; to address this, the Group will in future prioritise the implementation of measures such as preferential pricing for suppliers exhibiting significant progress in this area.

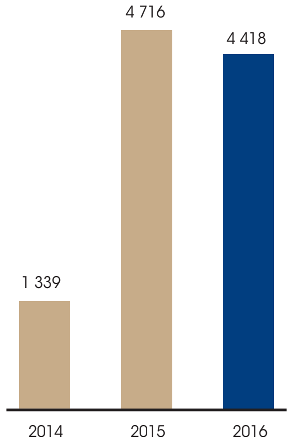
In contrast to the ongoing challenges in the area of internal transformation, from an external perspective, the Group continues to see significant progress in the emergence of small-scale female entrepreneurs in the construction sector. Cashbuild is committed to support the initiatives implemented by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

EMPLOYEE TRAINING AND DEVELOPMENT

Cashbuild staff members undergo training courses in areas such as customer service, management, role-specific functional training and product knowledge enhancement. This training was for the most part internal and non-accredited e-Learning. A total of 4 418 (2015: 4 716) staff members underwent this training during the year, at a cost of R5,3 million (2015: R6,8 million).

Cashbuild is currently in progress of registering as an accreditation provider with the Wholesale and Retail Seta which is expected to be finalised in the next financial year.

STAFF AND MANAGEMENT TRAINING



OCCUPATIONAL HEALTH AND SAFETY

Cashbuild considers occupational health and safety to be a direct responsibility of all management representatives within the Group, including the office of the Chief Executive. The Group's policies and practices in this area are 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.

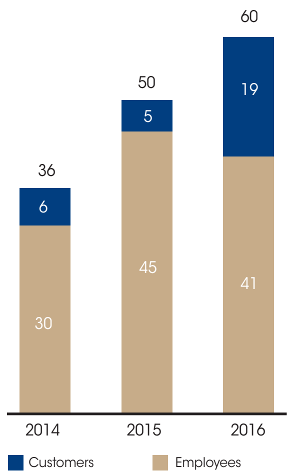
A health and safety representative is appointed for each store and Support Office department, along with at least one appropriately trained and qualified first aid provider. The Group also strictly adheres to appropriate regulatory requirements and OHASA guidelines regarding the availability of medical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

The external service provider undertakes independent audits of Group practice in this area, and provides guidance and advice regarding areas where Cashbuild can not only meet, but exceed its legislated responsibilities.

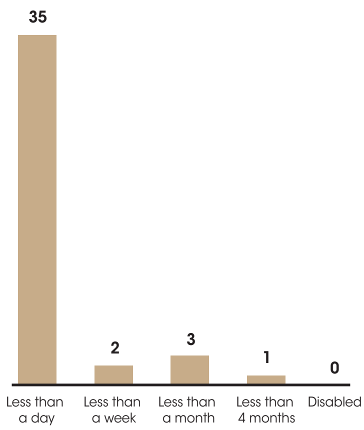
The injuries pertaining to Cashbuild's workforce have decreased, however, injuries pertaining to Cashbuild's customers have shown an increase. This is due to more awareness being made therefore more incidents have been reported. No incidents were identified in which the Group deviated from its legal or regulatory responsibilities. The injuries did not result in any disruption or any significant downtime to our operations. Furthermore, there were no fatalities as a result of these reported injuries.

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

REPORTED INJURIES



The seriousness of the employee incidents, measured in terms of recovery period, are summarised as follows:



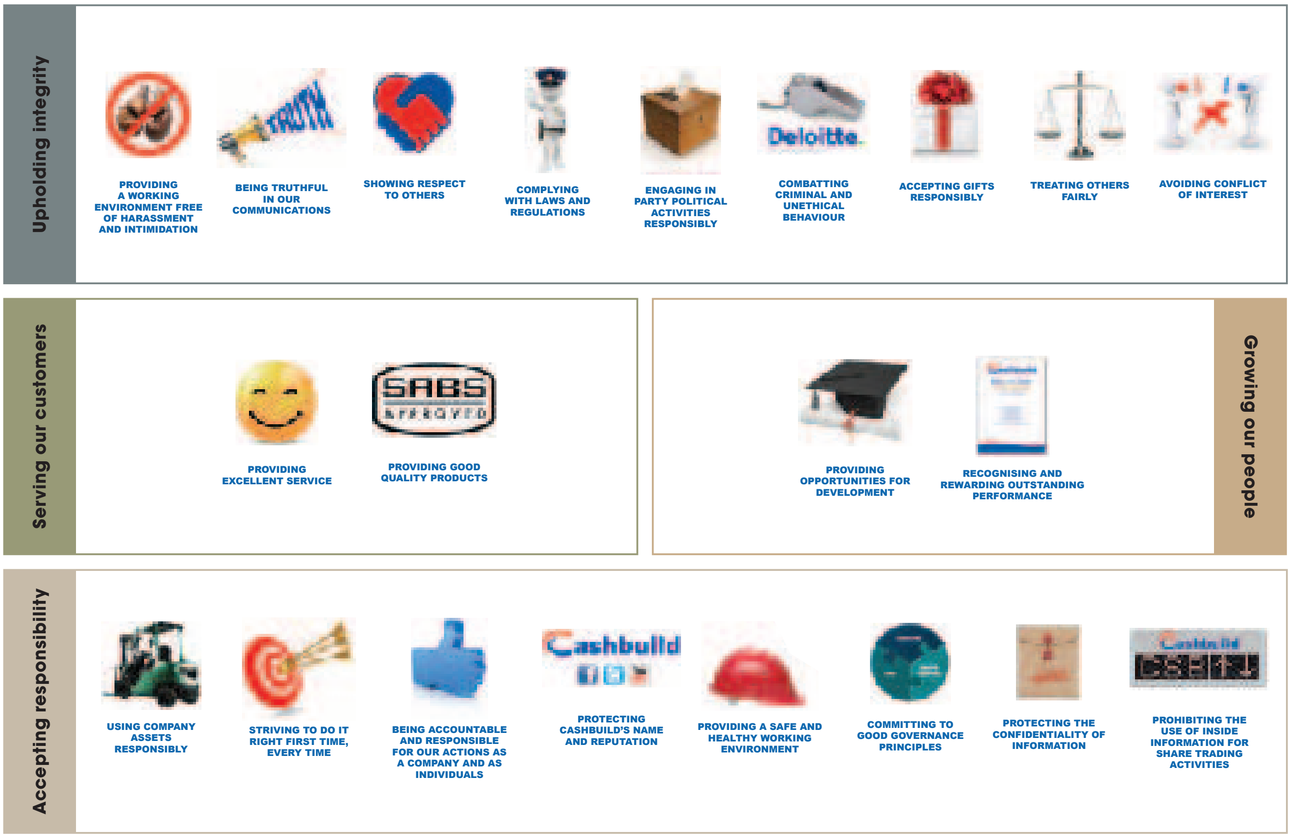
ETHICS

Our culture of ethics and integrity defines who we are as a Group, and how we as colleagues treat each other, our customers and our suppliers. Our business success rests on a foundation of values – upholding integrity, serving our customers, growing our people and accepting responsibility – 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 established as well as a diversity management training programme to increase support and enhance the ethics within Cashbuild.

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.

Cashbuild participated in the 2016 survey conducted by the Ethics Institute of South Africa and was ranked first overall amongst all participating companies in South Africa with more than 5 000 employees (77 from Cashbuild) taking part. The purpose of this survey is to measure the way companies "walk-the-talk" in respect of honest and responsible conduct and looks at the Group's culture, its ethics risks and its ability to deal with such risks through ethics management structures and processes.



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 Group.

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

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

TRANSFORMATION AND B-BBEE

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

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

As at 30 June 2016, Cashbuild had 449 PDIs in management level positions, which equates to 8% of the South African employees and 76% of management level employees.

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 Group also continues to develop and implement the HR strategies necessary to drive internal cultural change, transformation and wealth creation amongst employees.

Cashbuild's B-BBEE rating was negatively impacted by the amendments to the onerous BEE scorecard and scoring system. The B-BBEE rating moved from Level 5 previously to non-compliant during the October 2015 assessment. We have implemented key measures that provide indicative feedback that the Group may be able to achieve a Level 8 B-BBEE Contributor status but this will only be confirmed at the end of October 2016. The Group has put a supplier and enterprise development strategy in place and is rolling out a three-year skills development plan to increase learnerships as well as a BEE-targeted recruitment plan at management level. Cashbuild remains committed to economic empowerment, and plans to significantly increase its transformation efforts in upcoming financial years.

INDUSTRIAL RELATIONS

The level of union membership within the Group is less than 10% and collective bargaining regarding remuneration, working conditions and other relevant issues takes place primarily through the Group's Employee Forum. For more information regarding the role, function and composition of this Forum, refer to page 53 under the Corporate Governance section of this report.

Cashbuild outsources much of its industrial relations support requirements to specialist third party organisations with the mandate to keep Cashbuild abreast of any changes to labour legislation that may impact the Group and advise on required changes which may require implementation.

Cashbuild follows the principles of the ILO protocol on decent work and working conditions. 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.

Cashbuild subscribes to the UN Global Compact Principles and is a member of EDRA, an international organisation representing home improvement retailers across the globe.

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 Group.

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 Group supports.

GENDER EQUALITY

Cashbuild's policy and goal towards achieving gender equality are guided by a vision of fairness and acknowledges the principle that gender plays no part in merit and will actively manage its human resource development to ensure women and men have equal opportunity to participate in management at all levels. Neither women or men can be considered as a homogeneous group and that individual capabilities will drive advancement. Women and men have different skill sets whereby either or both can be developed for the advancement of the Group. However, our policy acknowledges that the means of developing different gender skills may require different emphasis and practices. Cashbuild rejects any form of unfair discrimination based on gender in the Group. Refer to the Group's website for the detailed policy.

SOCIAL CAPITAL

Cashbuild is committed to a number of CSI, enterprise development and entrepreneur support initiatives. It is mainly focused on the communities in which the Group's stores operate to create tangible mutual benefits. The growth in our Financial Capital allows us to invest more in our Social Capital. Indirectly our Human Capital is also affected by these CSI initiatives as it enhances the communities in which our employees live and where their kids go to school. By investing in our driver employment initiative, Intellectual Capital is created.

CSI

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

STORE DEVELOPMENT

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

- new staff employed (175 people were employed in our 11 new stores during this financial year);
- local delivery drivers being employed by Cashbuild, either formally or are provided with support in the development of their own enterprises; and
- local artisans (glass cutters, brick makers etc.) are trained and supported in the establishment of their own enterprises, either on the Cashbuild premises, or in close proximity to the store.

For every new, relocated and refurbished store opened Cashbuild:

- donates R120 000 worth of building materials to schools, orphanages and day care centres in the community. Since the inception of the programme Cashbuild has donated building materials worth over R29,9 million to 2 524 institutions;
- award, through the Group's Art-at-Heart programme, prizes to local scholars and their artwork is displayed in the store for a period of five years; as well as
- actively engage, by the store management team, the local community leaders 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 307 (2015: 318) delivery drivers are contracted across the Group's stores for this service. Cashbuild spent R137,8 million (2015: R128,9 million), an increase of 6.8%.

INDIGENOUS RIGHTS

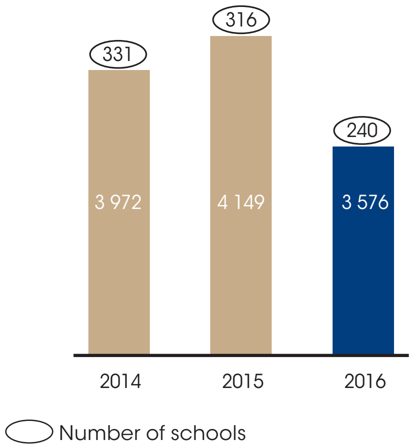
The Group is committed to community engagement and makes every effort to respect and collaborate with local leadership structures, both traditional and elected (where relevant).

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.

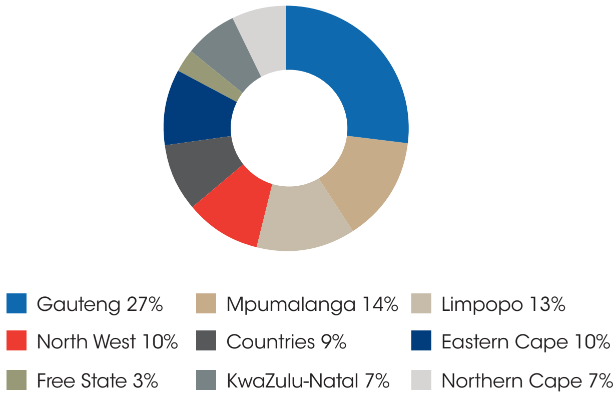
SCHOOL CONTRIBUTIONS

Over the past 18 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 re-opening takes place. In each such case, building materials with a total value of 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. Refer to the Group's website for the detailed list of schools at each store opening and/or re-opening.

SCHOOL CONTRIBUTIONS (R'm)



DONATIONS BY PROVINCE AND COUNTRIES



Store	Opening date	Province	Amount donated
Cavendish Glen (refurbishment)	28 Aug 2015	Gauteng	R120 000
Steilloop (refurbishment)	10 Sep 2015	Limpopo	R120 000
Acornhoek (refurbishment)	23 Sep 2015	Mpumalanga	R120 000
Silvertondale (refurbishment)	23 Sep 2015	Gauteng	R120 000
Swakopmund (new store)	25 Sep 2015	Namibia	R120 000
Matatiele (refurbishment)	22 Oct 2015	Eastern Cape	R120 000
Malamulele (new store)	29 Oct 2015	Limpopo	R120 000
Potchefstroom (new store)	30 Oct 2015	North West	R120 000
Pongola (relocation)	5 Nov 2015	KwaZulu-Natal	R120 000
Upington (new store)	5 Nov 2015	Northern Cape	R120 000
Manzini (refurbishment)	6 Nov 2015	Swaziland	R120 000
Grahamstown (new store)	19 Nov 2015	Eastern Cape	R120 000
Mahalapye (refurbishment)	26 Nov 2015	Botswana	R120 000
Carletonville (new store)	28 Jan 2016	Gauteng	R120 000
Tshepiso (new store)	1 Mar 2016	Gauteng	R120 000
Piet Retief (refurbishment)	9 Mar 2016	Mpumalanga	R120 000
Standerton (refurbishment)	1 Mar 2016	Mpumalanga	R120 000
Inanda (new store)	14 Apr 2016	KwaZulu-Natal	R120 000
Mmabatho (refurbishment)	21 Apr 2016	North West	R120 000
Fort Beaufort (refurbishment)	28 Apr 2016	Eastern Cape	R120 000
Tembisa Plaza (refurbishment)	28 Apr 2016	Gauteng	R120 000
De Aar (new store)	5 May 2016	Northern Cape	R120 000
Boitumelo Junction (new store)	12 May 2016	Free State	R120 000
Middelburg (refurbishment)	29 May 2016	Mpumalanga	R120 000
Klerksdorp (refurbishment)	26 May 2016	North West	R120 000
Greenstone Hill (refurbishment)	26 May 2016	Gauteng	R120 000
Jubilee Mall (refurbishment)	3 Jun 2016	Gauteng	R120 000
Sebokeng (refurbishment)	10 Jun 2016	Gauteng	R120 000
Louis Trichardt (refurbishment)	23 Jun 2016	Limpopo	R120 000
Mokopane (refurbishment)	24 Jun 2016	Limpopo	R120 000
Total contributions for 2016 (240 schools x R15 000)			R3 600 000
Total contributions to date			R29 937 300

INTELLECTUAL CAPITAL

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

LEARNERSHIP PROGRAMME

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

To date, in excess of 322 learnerships have been successfully completed by previously unemployed persons. As at the end of the 2016 financial year, close to 200 of these learners have accepted employment at Cashbuild. During the year, 50 (2015: 44) NQF Level 2 learnerships were granted.

BURSARIES

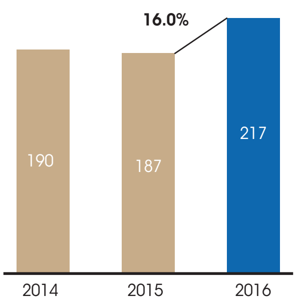
During the 2014 financial year, Cashbuild established a Bursary Programme extended to the children of PDIs. The bursary includes all tuition, book and accommodation fees, if required, as well as a monthly allowance. In addition, Cashbuild guarantees employment to its bursary students on completion of his or her studies. Cashbuild will spend approximately R1 million per annum and the aim is to increase the number of students enrolled in the Bursary Programme to between 12 and 13. We currently have seven bursary students.

Degree	Year	Number of bursary students
BCom	3rd Year Student	1
BTech Retail	2nd Year Student	3
BTech Retail	1st Year Student	3
Total bursary students		**7**

OPPORTUNITIES FOR LOCAL ARTISANS

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

NUMBER OF GLASS CUTTERS



MANUFACTURED CAPITAL

As Cashbuild does not manufacture any products, its Manufactured Capital focuses on the Group's procurement policies to ensure the quality of the products sold in its stores are good and manufactured in line with its own values. Cashbuild strives to do business with companies that conduct their activities in a responsible and ethical manner. This imperative is increasingly driven by the possibility of negative impacts or 'risk by association' arising from doing business with companies that do act unethically or irresponsibly.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

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

PRODUCT RESPONSIBILITY

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

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

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

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

CUSTOMER SATISFACTION AND COMPLAINTS

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

	2016	2015
Total customer complaints	**539**	595
Complaints as a percentage of total sales transactions (%)	**0.003**	0.004

SECURITY, CRIME PREVENTION AND COUNSELLING

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

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

Cashbuild remains committed to offer the victims of such crimes appropriate counseling on both an individual and a group basis, through an external service provider. The majority of crimes committed at Cashbuild stores during the 2016 financial year included 89 burglary cases and 22 robbery cases, of which 16 cases were armed robberies.

Cashbuild subscribes to an anonymous tip-off service line where employees can report incidents of theft, fraud, mismanagement or unauthorised expenditure. All tip-offs are investigated to identify their root causes and address the issues. The status of tip-offs logged is administered by Cashbuild's Group Risk Management department with regular updates provided to Executive Management and quarterly reporting made to the Audit and Risk Committee.

During the past financial year, 64 (2015: 66) such incidents were reported, with each of these being directly addressed by the Group 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 382 (2015: 421) employees were dismissed across Cashbuild's operations, with the majority of these dismissals related to incidents of theft or corruption.

Cashbuild outsources security personnel where needed. With regard to the behaviour of security staff, the Group is not aware of any human rights violations committed by security personnel in the execution of their responsibilities.

During the 2016 financial year, Cashbuild had 96 (2015: 55) incidents of community unrest which resulted in our stores being closed for 90.75 trading days. Trading was affected for 204.5 (2015: 171.5) days resulting in estimated lost sales and damages of R15,5 million (2015: R8,4 million).

NATURAL CAPITAL

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 Group 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.

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

ENERGY AND CARBON MANAGEMENT

In all its operations, Cashbuild is primarily dependent on electricity supplied by national or municipal electricity generation utilities. As a result, the Group has historically found itself constantly at the mercy of supply interruptions and price increases. 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 Group.

ELECTRICITY USAGE

Cashbuild implemented a pilot project during 2014 to reduce electricity consumption and lower the energy costs incurred by our stores and Support Office.

The aim of the project was 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 target set by the Group in 2014.

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. Stores that had high electricity consumption received priority attention and as stores were refurbished, the energy efficient lighting retrofits were completed. Since the roll-out began, we have converted 75 stores with an estimated reduction of 1 989 240 KWh. The remaining sites will be converted as the stores are refurbished or relocated within the next three years.

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. 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 Group's management as we believe it is Cashbuild's responsibility in assessing and reducing the effect on the environment. This would also equip the Group to comply with the Carbon Tax legislation scheduled to be implemented in South Africa during the Group's upcoming financial year.

TRANSPORTATION

The distribution of products to the network of Cashbuild stores is the responsibility of the Group'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 Group. 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 Group'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

Cashbuild does not consider water usage in its stores and Support Office operations to be a material issue or risk.

Cashbuild has embarked on the following initiatives for cost saving and water conservation:

- Support Office is currently installing a borehole to replace reliance on municipal water at significant savings;
- stores that regularly experience water outages, consideration is given to water storage tanks to provide water to stores in periods of outages; and
- new stroes to include water harvesting from gutters to provide water for ablution purposes.

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

WASTE GENERATION AND RECYCLING

Cashbuild has in the past not measured the volume of waste generated in its operations. As a matter of policy, however, the Group contracts with responsible waste collection agencies (whether public or private) to remove, recycle and dispose of waste, mostly bulk packaging materials that is generated, particularly at store level.

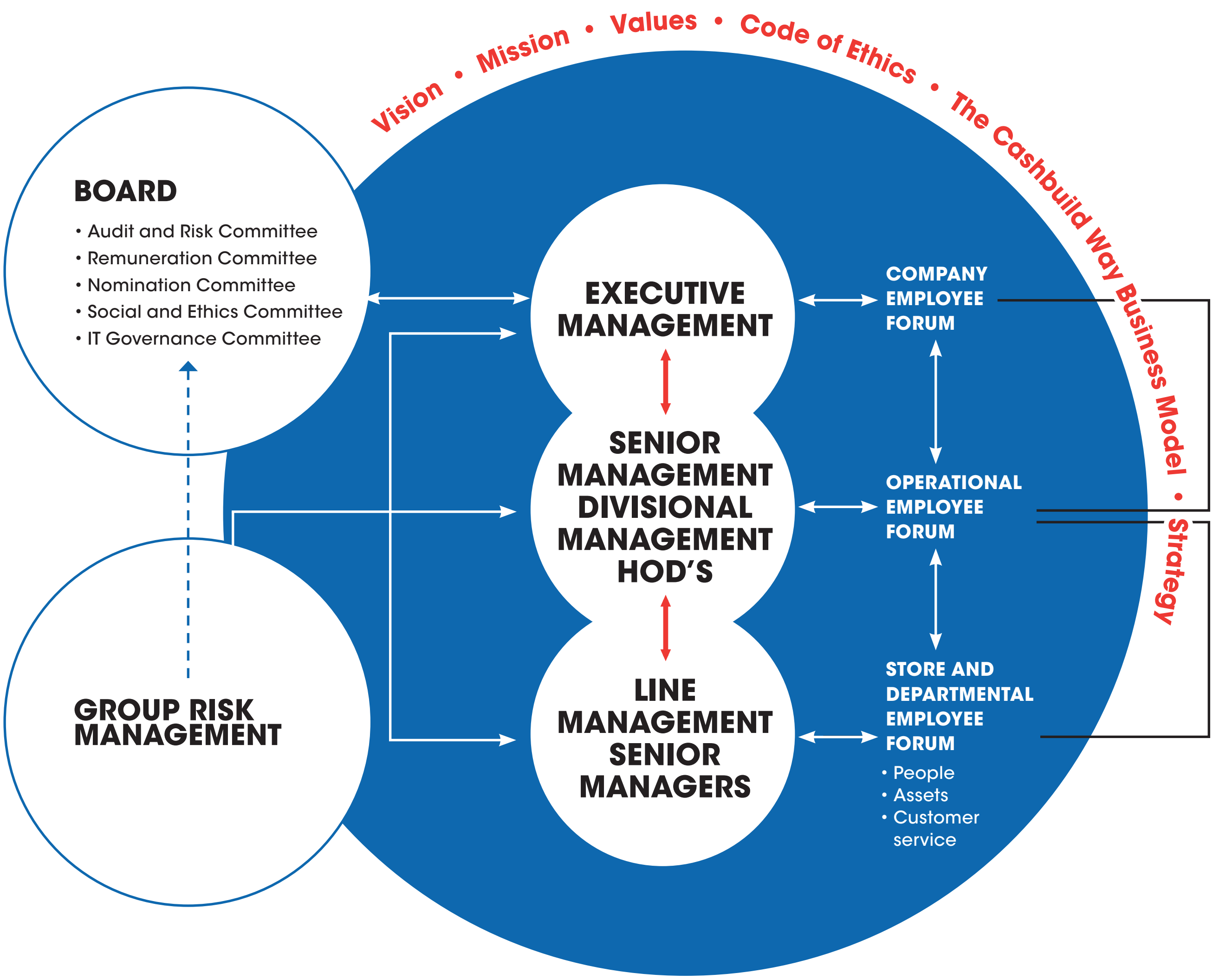
As a retail operation Cashbuild's opportunities to meaningfully influence the environmental impacts arising from either the manufacture or application of its products are limited. However, Cashbuild remains committed to making full use of those opportunities that do present themselves to affect positive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

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

As part of Cashbuild's own sustainability journey, the Group will in upcoming financial years investigate the feasibility of various initiatives to influence the disposal or recycling of the products sold in its stores.

CORPORATE GOVERNANCE REPORT

GOVERNANCE FRAMEWORK AND STRUCTURE AT A GLANCE

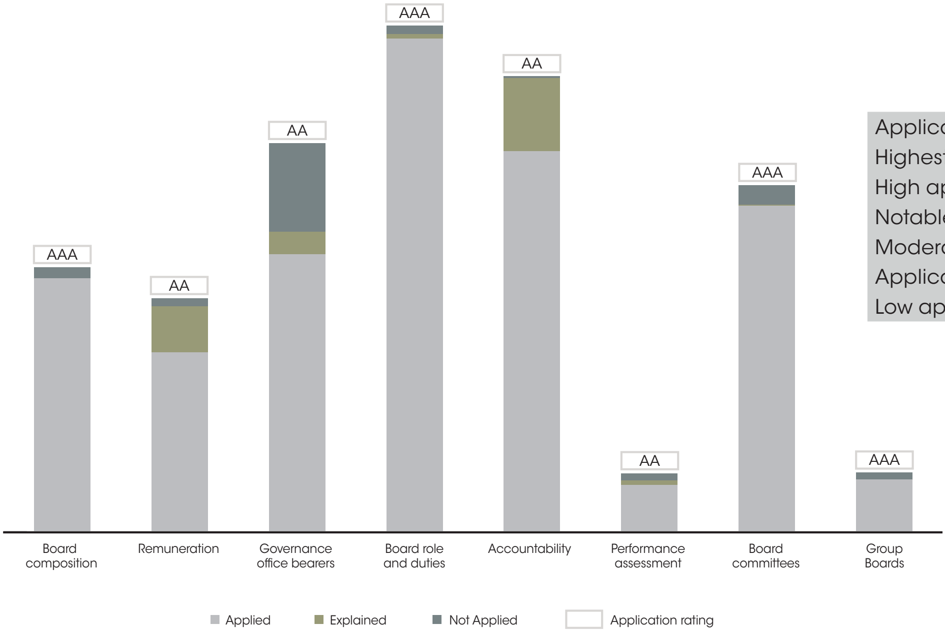


KING III AND JSE LISTINGS REQUIREMENTS

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 2015 Integrated Report, other than a greater emphasis on providing additional supplementary information on the Group's strategic direction, risk and sustainability initiatives. Cashbuild has also enhanced the report by following the guidelines provided by the International Integrated Reporting Framework in terms of reporting according to the Six Capitals. Cashbuild's Board acknowledges that where it considers it to be in the best interest of the Group, 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.

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 Group 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. 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	AAA
High application	AA
Notable application	BB
Moderate application	B
Application to be improved	C
Low application	L

BOARD

Responsibilities

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

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.

The only change to the Board during the course of the financial year was the passing away of our previous Chairman, Donald Masson, on 20 March 2016. Refer to pages 28 and 29 for our Board composition at year-end.

Board appointments

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

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

Board meetings

The Board met five times during the year of which one was a Special Board meeting to consider the investment in Zambia. 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.

The Board meeting attendance is noted on pages 28 and 29 of this Integrated Report.

Independence of directors

King III requires the Board to review the independence of long-serving non-executive directors. This applies to Ms NV Simamane who has served as a director for 12 years. The Board had assessed the length of service of this director and concluded that it has not impaired her independence, character or judgement.

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 2016 financial year.

Board and Committee performance evaluation

Cashbuild undertakes an annual Board self-evaluation, as recommended by King III. During the year under review, the internal evaluation process was performed by the Chairman and facilitated by the Company Secretary.

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 and they wish so, 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 pages 28 and 29 of this report.

Share dealings

The Group has adopted a share dealing policy requiring all directors, management and the Company Secretary to obtain prior written clearance from the Chairman to deal in the Group's shares. Should the Chairman wish to deal in Cashbuild shares, he will in turn require prior written clearance from the Chairman of the Audit and Risk Committee. Closed periods (as defined in the JSE Listings Requirements) are observed as required. During these periods, the directors, management and employees are not permitted to deal in the Group'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 Group. Monitoring thereof is facilitated by Cashbuild's legal outsource partners Webber Wentzel and Van der Vyver. There were no cases of material legislative or regulatory non-compliance during the year and no penalty sanctions were imposed on the Group or any of its directors or officers during the year. A detailed regulatory compliance risk assessment involving Cashbuild Executive and Senior Management was completed during 2014/15 and will be repeated during 2016/17. 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 Group information. Non-executive directors enjoy unrestricted access to Executive Management and frequently meet with Executive Management to discuss Group affairs. All directors have unrestricted access to independent professional advice at the Group'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. Each committee is evaluated annually by its Chairman and reports to the Board on the outcome.

Audit and Risk Committee

Members: Ms HH Hickey (Chairman); Dr DSS Lushaba and Ms NV Simamane

In terms of the Companies Act, the members of the Audit and Risk Committee were directly elected at the Annual General Meeting on 30 November 2015 by the shareholders. All members of the Committee are standing for re-election at the Annual General Meeting to be held on 5 December 2016.

The Audit and Risk Committee performs its statutory duties in accordance with section 4(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 65 to 67 of this Integrated Report.

Remuneration Committee

Members: Mr AGW Knock (Chairman), Mr IS Fourie and Dr DSS Lushaba (effective 1 July 2016)

The details pertaining to the responsibilities and functions of the Remuneration Committee are set out in the Remuneration Report on page 54 of this Integrated Report.

Nomination Committee

Members: Mr IS Fourie (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.

Two meetings of this Committee took place during the 2016 financial year.

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 Report on pages 60 and 61 of this Integrated Report.

IT Governance Committee

Members: Mr AGW Knock (Chairman); Mr IS Fourie; 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 Report on page 59.

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 Cashbuild Executive Management, Messrs Crous de Beer, Willie Dreyer and Anton Hattingh (Operations Executives), were classified as Prescribed Officers. They formally acknowledged and accepted all responsibilities and obligations associated with this designation. Mr Crous de Beer formally retired effective 30 June 2016 and Mr Ian McKay was appointed effective 1 July 2016.

EXECUTIVE MANAGEMENT

Responsibility

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

- Mr PA Champion (Human Resource Executive)
- Mr IAC de Beer (Operations Executive – Retired 30 June 2016)
- Mr WF de Jager (Chief Executive)
- Mr W Dreyer (Operations Executive)
- Mr A Hattingh (Operations Executive)
- Mr AHS Havenga (Risk and Audit Executive)
- Ms M Masala (Operations Executive)
- Mr I McKay (Operations 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 Aswegan (Procurement Executive)
- Mr A van Onselen (Operations Director)

From left to right: Mimi Masala, Wimpie van Aswegen, Gillian Mead, Peter Champion, Anton Hattingh, Ian McKay, Willie Dreyer, Tyron Myburgh, André Havenga and Linda Sithole

Formal Executive Management meetings chaired by the Chief Executive are held once a week (every Monday) with members of the Executive Management 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 re-evaluating that, in the event of any executive and senior management transition, plans are in place to ensure smooth transition. None of the Executive Management made any intentions known during the financial year to resign or retire with the exception of Mr Crous de Beer who retired effective 30 June 2016.

EMPLOYEE FORUM

Employee Forum structure

Effective August 2015 Cashbuild's Employee Forum structure has been changed to allow Store Representatives more direct access to the Senior and Executive Management.

GROUP STEERCOM

Members include:
- All Divisional Representatives
- Financial Director
- Ops Director
- HR Executive
- *Meets twice a year*

DIVISIONAL EMPLOYEE FORUM (ONE PER DIVISION)

Members include:
- Divisional Manager
- HR Manager
- Employee-elected representative per store
- *Meets quarterly*

SUPPORT OFFICE FORUM

Members include:
- One Representative per department
- Financial Director
- HR Manager
- *Meets quarterly*

STORE FORUM

Members include:
- Store Manager
- Store Employees
- *Discuss: Assets, People and Customer Service*
- *Meets monthly*

Role of the Employee Forum

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

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 Group in a specific geographical area.

The role of the Group Steering Committee is to ensure Store and Divisional Forums are functioning effectively and discusses Group specific issues. The Group 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 Group area to identify consolidated training needs for the Group along with strategies to address training needs. The forum monitors implementation and achievement of agreed strategies, and forms the Group Employment Equity Committee to be consulted with by the Group as required by the Employment Equity Act.

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

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

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 Group's Annual General Meeting. In extraordinary circumstances however, the possibility exists for stakeholders to engage directly with non-executive directors.

GOING CONCERN

The Board is satisfied that the Group 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 satisfied of the Group's going concern status at the Board meetings coinciding with the interim and final results.

REMUNERATION REPORT

INTRODUCTION

The Remuneration Committee is responsible to the Board for ensuring that the remuneration policy is kept current, remuneration packages are in line with industry norm, criteria for performance measurement and remuneration packages for Cashbuild's Executive Management 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 28. Biographical details of the Committee members are provided on pages 28 and 29.

COMMITTEE MEETINGS

The Committee held four meetings during the year under review. Attendance has been set out on page 28 of this 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 most recent survey was completed in 2016. 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 Group strategy and maintain the high performance expected of individuals within Cashbuild, the attraction, motivation and retention of staff at all levels are critical. Reward and recognition play an important role in the achievement of these objectives. All permanent employees qualify for a salary increase in July each year, aligned to the financial year, where an annual cost of living increase is given to all staff, irrespective of individual performance.

The average CPI percentage over the preceding 12 months plus an agreed factor is used as the basis for the calculation of the annual cost of living increase. This formula and final percentage cost of living increase is discussed with and agreed to by the Group Employee Forum. This year a 7% cost of living increase was agreed to for all staff including Senior and Executive Management.

Over and above the annual cost of living increase, as agreed to with the Group Employee Forum, exceptional performance by individuals will be rewarded by means of a secondary salary increase in October based on agreed performance parameters. Such increases vary between 1% and 5% for those qualifying.

In addition there are monthly and quarterly bonuses that 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 Group'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 BEE trust, Operations Management Member Trust and the recently approved Forfeitable Share Plan (FSP).

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. A survey was conducted in 2016.

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 Group's executive directors and senior management. The potential loss of key senior personnel was previously identified by Cashbuild's risk management system as a significant risk faced by the Group. This measure is one of those identified 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 58 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 Group policies, the Group's Remuneration Committee 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 to South African employees are Discovery and Momentum. Approximately 4% of South African employees have elected to join these medical schemes.

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

Non-guaranteed pay

Short-Term Incentive Scheme (STI)

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

STI awards (excluding personal objectives) for executive and Support Office staff only take place on condition that the Group'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.

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

Criteria	**Weighting of STI**	**Achievement of 2016 STI awards**
Financial		
Revenue >R8,5 billion Gross margin of >R1,6 billion Profit before tax >R552 million	**40%**	Yes Yes Yes
Non-financial		
Project-based achievements predetermined for each individual during the year	**40%**	Depending on individual's performance
Personal objectives		
Personal objectives set for the individual to achieve	**20%**	This component is payable on achievement of agreed objectives irrespective of the Group's performance
Total	**100%**	

Cashbuild Empowerment Trust

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

On 14 October 2015 the Group entered into a second specific share repurchase agreement whereby it repurchased 200 000 Trust shares for a value of nearly R62 million. On 30 November 2015 the shareholders approved the specific share buy-back and distribution of the Trust shares with each beneficiary of the Trust receiving between R2 500 and R17 500. This Trust owns 7.8% of the issued share capital at 30 June 2016. Dividends are paid twice per year to all members of the Trust on an equal basis. In the last financial year, a total of R77,5 million (2015: R12,4 million) was paid to all staff members. This includes the BEE buyback distribution of R62 million. Since inception of this Trust in 2005, a total of R209 million has been distributed to staff in the employ of Cashbuild at dividend declaration date.

Operations Management Member Trust

In 2011 the 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;
- foster 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 financial year in which these were earned, on condition that the employee 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 R20,7 million (2015: R11,2 million) (R10,4 million in cash and R10,4 million in shares after qualification of the vesting period) is to be paid, comprising 117 (2015: 63) Store Managers and four Divisional Managers.

Scheme	Number of shares	Share and cash value	Employees qualified
2016	13 296	R9,5 million	56
2015	9 685	R5,8 million	35
2014	3 524	R1,2 million	8
2013	2 980	R0,2 million	3
2012	16 760	R4,0 million	19
Total	46 245	R20,7 million	121

REMUNERATION

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

R'000	Year	Basic salary	Bonus[1]	Expenses and travel allowance	Other material benefits[2]	Pension scheme	Share options exercised	Total
Executive directors								
WF de Jager	**2016**	**2 916**	**2 787**	**139**	**65**	**273**	**20 839**	**27 019**
	2015	2 735	2 355	113	60	256	18 048	23 567
AE Prowse	**2016**	**1 976**	**1 538**	**154**	**–**	**155**	**15 798**	**19 621**
	2015	1 848	1 268	142	–	146	13 410	16 814
SA Thoresson	**2016**	**1 779**	**1 409**	**253**	**–**	**162**	**16 228**	**19 831**
	2015	1 664	1 162	275	–	152	13 401	16 654
A van Onselen	**2016**	**2 239**	**1 760**	**136**	**63**	**197**	**16 228**	**20 623**
	2015	2 073	1 451	150	83	185	13 401	17 343
Total	**2016**	**8 910**	**7 494**	**682**	**128**	**787**	**69 093**	**87 094**
	2015	8 320	6 236	680	143	739	58 260	74 378
Prescribed Officers								
IAC de Beer	**2016**	**1 350**	**1 048**	**356**	**89**	**121**	**10 525**	**13 489**
	2015	1 257	855	349	47	113	–	2 621
W Dreyer	**2016**	**1 290**	**941**	**114**	**67**	**129**	**7 894**	**10 435**
	2015	1 218	768	105	57	121	–	2 269
A Hattingh	**2016**	**1 392**	**1 012**	**194**	**–**	**134**	**1 052**	**3 784**
	2015	1 020	825	204	–	97	–	2 146
Total	**2016**	**4 032**	**3 001**	**664**	**156**	**384**	**19 471**	**27 708**
	2015	3 495	2 448	658	104	331	–	7 036

1. Bonuses differ to the Notes to the Annual Financial Statements on pages 124 and 126 as these values have subsequently been approved for payment by the Remuneration Committee
2. Other material benefits include contributions to medical aid
3. IAC de Beer retired from the Group at the end of the financial year

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	2016 R'000	2015* R'000
D Masson[1]	**348**	495
IS Fourie[2]	**531**	327
HH Hickey	**365**	324
AGW Knock	**428**	328
Dr DSS Lushaba	**326**	313
NV Simamane	**436**	352
Total	**2 434**	2 139

1 Mr D Masson passed away on 20 March 2016

2 Increase in fees was attributable to IS Fourie appointed as Board Chairman

* Updated to reflect the final approved and paid remuneration values

Long-Term Incentive Scheme (LTI)

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

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.

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

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

	Weighting	Threshold (30% vesting)	Target (100% vesting)
EPS	50%	CPI + 2% p.a. (i.e. 2% real growth p.a.)	CPI + 10% p.a. (i.e. 10% real growth p.a.)
Relative TSR	30%	Median of peers*	Upper quartile of peers*
ROCE	20%	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 provided threshold has been achieved. The Remuneration Committee will set appropriate performance conditions, performance periods, employment conditions and employment periods, as relevant, for each award, taking into account the business environment at the time of making the awards. These will be conveyed to the participant in the award letter.

The rules of the FSP are flexible in order to allow for settlement in any of the following manners:

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

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

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

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

With the first award expected in September, no limits will be exceeded. Even though the limits apply to shares allocated in total over multiple award years, it is still not envisaged that any limits will be exceeded or hit in the foreseeable future, specifically based on the high share price of CSB shares.

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 Group;
- the adjustment of awards in the event of a variation of capital of the Group or a change of control of the Group; and
- the procedure to be adopted in respect of the vesting of awards in the event of termination of employment.

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 exercise during year	Options outstanding at end of year
Executive directors					
WF de Jager	**2016**	**100 000**	**–**	**(100 000)**	**–**
	2015	250 000	–	(150 000)	100 000
AE Prowse	**2016**	**75 000**	**–**	**(75 000)**	**–**
	2015	175 000	–	(100 000)	75 000
SA Thoresson	**2016**	**75 000**	**–**	**(75 000)**	**–**
	2015	175 000	–	(100 000)	75 000
A van Onselen	**2016**	**75 000**	**–**	**(75 000)**	**–**
	2015	175 000	–	(100 000)	75 000
Prescribed Officers					
IAC de Beer	**2016**	**50 000**	**–**	**(50 000)**	**–**
	2015	50 000	–	–	50 000
W Dreyer	**2016**	**37 500**	**–**	**(37 500)**	**–**
	2015	37 500	–	–	37 500
A Hattingh	**2016**	**5 000**	**–**	**(5 000)**	**–**
	2015	5 000	–	–	5 000

INTERESTS OF DIRECTORS IN THE SHARE CAPITAL OF CASHBUILD

The aggregate beneficial holdings of the directors of the Group and their immediate families in the issued ordinary shares of the Group 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 2016		30 June 2015	
	Direct	**Indirect**	Direct	Indirect
Beneficial				
WF de Jager	**1 000**	**–**	–	–
AE Prowse	**27 500**	**27 000**	27 500	–
NV Simamane	**1 200**	**–**	1 200	–
Total	**29 700**	**27 000**	28 700	–

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

Alistair Knock
Remuneration Committee Chairman

29 August 2016

IT GOVERNANCE 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 2016.

MEMBERS

The composition of the ITGov is set out on page 29. Biographical details of the Committee members are provided on pages 28 and 29.

COMMITTEE MEETINGS

The Committee held four meetings during the year under review. Attendance has been set out on page 29 of the report.

FUNCTIONS OF THE COMMITTEE

The ITGov 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 Group-wide IT risks;
- IT resource management which includes optimising IT knowledge and infrastructure; and
- Business continuity management (BCM) plans formulated and validated through testing.

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. Cashbuild has outsourced the IT audit function and is assisted by Deloitte and PwC in this regard. 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.

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 AR and the "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 AR and SAP.

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. Previous initiatives to simplify the existing budgeting process have been successful and an alternative solution is now being sought to automate the revised process followed during this year's budgeting process. The existing rebate system was enhanced and integrates with SAP while providing the necessary controls over billing accuracy and collection management. This new integrated solution went live at the end of June 2016.

In support of a new Cashbuild store model (Cashbuild DIY), Cashbuild contracted an alternate IT service provider who developed and successfully implemented an in-store point of sale application which integrates retail store data generated within the DIY stores with SAP. This system is stable and remains the system of choice for this venture.

ASSESSMENT

The ITGov 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.

Alistair Knock
IT Governance Committee Chairman

29 August 2016

SOCIAL AND ETHICS REPORT

INTRODUCTION

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

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

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 2016.

The Sustainability Report is set out on pages 32 to 47 of this Integrated Report.

MEMBERS

The composition of the Social and Ethics Committee is set out on page 29. Biographical details of the Committee members are provided on pages 28 and 29.

COMMITTEE MEETINGS

The Committee held four meetings during the year under review. Attendance has been set out on page 29 of the 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 Group's performance as a good and responsible corporate citizen, thereby helping the Board to achieve one of its important values, namely doing business ethically. To do this, SECOM monitors the sustainable development practices of the Group. It also monitors relevant legislation, legal requirements and prevailing codes of best practice relating to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, and labour and employment.

Responsibilities and duties

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

- the Group'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 Group'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 Group'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 Group'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 Group's:
    - promotion of equality, prevention of unfair discrimination and reduction of corruption;
    - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed;
    - legislative compliance; and
    - record of sponsorships, donations and charitable giving.
  - The environment, health and public safety, including the impact of the Group's activities and of its products or services.
  - Stakeholder engagement and consumer relationships, including the Group's advertising, public relations, investor relations and compliance with consumer protection laws.
  - Labour and employment, including:
    - the Group's standing in terms of the International Labour Organisation protocol on decent work and working conditions; and
    - the Group's employment relationships, and its contribution towards the educational development of its employees.
  - Takes responsibility for the Integrated reporting relative to the Environmental and Social elements of Cashbuild.
  - 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.

Nomahlubi Simamane
Social and Ethics Committee Chairperson

29 August 2016

ANNUAL FINANCIAL STATEMENTS

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 auditor is responsible to report on the fair presentation of the financial statements. The annual financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa 2008 as amended.

The Directors are also responsible for the Group'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 Group has adequate resources in place to continue in operation for the foreseeable future.

The external auditors are 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 auditors. The audit report of PricewaterhouseCoopers Inc is presented on page 74.

The annual financial statements set out on pages 75 to 128, which have been prepared on the going-concern basis under the supervision of the Finance Director, Mr A E Prowse CA(SA), were approved by the board of directors on 29 August 2016 in Johannesburg and were signed on its behalf by:

Stefan Fourie

Werner de Jager

29 August 2016

AUDIT AND RISK COMMITTEE REPORT

1. INTRODUCTION

The Audit and Risk Committee has pleasure in submitting this report, as required by section 94 of the Companies Act of South Africa, as amended and the JSE Listings Requirements. The Audit and Risk Committee acts for the Group 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 three independent non-executive directors:

HH Hickey (Chairman)

Dr DSS Lushaba

NV Simamane

2. MEETINGS HELD BY THE AUDIT COMMITTEE

The committee held four meetings during the year under review. Attendance has been set out on pages 28 and 29.

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

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

3. FUNCTIONS OF THE COMMITTEE

Responsibilities and duties

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

The functions of the Audit and Risk Committee include:

- 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.
- 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 Group.

External audit fees

The Committee:

- Approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2016 financial year;
- Reviewed and approved the non-audit service 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 2016 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 the Financial Director

As required by JSE Listings Requirement 3.84(h), the Audit and Risk Committee has satisfied itself that the Finance Director, Mr A E 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 organisation-wide standard regarding the defining, implementation and maintenance of policies, procedures and templates within all Cashbuild support and operational areas. Internal controls as contained in The Cashbuild Way are communicated throughout the Group and form the baseline of training provided to staff members.

Internal audit team

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 Management Issues (e.g. tip-offs, 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 Group'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.
- 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 Group's system of internal control and risk management. In order to do this, the content of each quarterly Audit and Risk Committee pack is aimed at providing the reader sufficient information on the following topics:

- The scope of internal auditing activities, which includes the appropriate level and quality of work based on the Group's risks.
- The cycle on which audit plans are based.
- Consideration of the control components and limitations of control.
- The status of follow-up activities.
- 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 takes place on a quarterly basis during scheduled Group 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; and
- The committee has recommended the Integrated Report for approval by the Board.

4. COMBINED ASSURANCE

The creation of a Combined Assurance Framework as recommended by 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 2016 financial year.

Financial statements

The Directors' report is set out in pages 68 to 72.

External audit

The Independent Auditor's Report is set out on page 74.

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 2015 to June 2016) supports the assertion that Cashbuild's system of internal controls and risk management is effective, and that any serious problem and/or concern identified by the Group Risk Management Department during performance of its risk management issues, management and internal audit duties are reported on in quarterly Audit and Risk Committee reports".

On behalf of the Audit Committee,

Hester Hickey
Audit and Risk Committee Chairperson

29 August 2016

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 2016.

1. NATURE OF THE BUSINESS

Cashbuild is southern Africa's largest retailer of quality building materials and associated products, selling direct to a cash-paying customer base through our constantly expanding chain of stores (284 at the end of this financial year, which includes the 10 DIY stores and 42 P&L Hardware stores). Cashbuild carries an in-depth quality product range tailored to the specific needs of the communities we serve. Our customers are typically home builders and improvers, contractors, farmers, traders, as well as all other customers requiring quality building materials at lowest prices.

GROUP RESULTS SUMMARY **Statement of financial performance**	**Year ended June 2016 R'000**	Year ended June 2015 (Restated) R'000	% change
Revenue	**8 669 643**	7 692 464	12,7
Operating profit before finance cost and income	**548 524**	461 453	18,9
Finance cost	**(921)**	(1 752)	(47,4)
Finance income	**71 084**	39 676	79,2
Attributable earnings	**437 442**	356 703	22,6
Profit on sale of assets after taxation	**6 566**	6 585	–
Headline earnings	**430 876**	352 331	22,3
Earnings per share (cents)	**1 920,4**	1 547,2	24,1
Headline earnings per share (cents)	**1 891,5**	1 518,6	24,6
Fully-diluted basic earnings per share (cents)	**1 919,5**	1 524,7	25,9
Statement of financial position			
Total assets (excluding cash and deposits)	**2 762 992**	2 111 797	30,8
Cash and deposits	**775 954**	938 917	(17,4)
Total liabilities	**2 073 521**	1 705 680	21,6
Total liabilities to shareholders' funds	**1,44**	1,27	13,4
Net asset value per share (cents)*	**5 776**	5 258	9,9
Net asset value per share, excluding treasury shares (cents)	**6 337**	5 745	10,3

* Based on ordinary number of shares in issue.

The group results split by geographical segment are presented in note 39 of the financial statements.

The financial statements on pages 75 to 128 sets out the financial position, results of operations and cash flows of the group for the period ended 30 June 2016 in more detail.

2. TRADING WEEKS

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

3. FINANCIAL HIGHLIGHTS

Revenue for the period increased by 13% whilst gross profit increased by 15%. Revenue for stores in existence prior to July 2014 (pre-existing stores – 213 stores) increased by 9% while our 20 new stores contributed 3% and P&L Hardware contributed 1% to revenue growth. This increase for the period has been achieved in tough trading conditions with selling price inflation of 3%. Gross profit percentage has increased to 26.1% from the 25.7% of the prior year.

Operating expenses increased by 14% (mainly as a result of our BEE transaction) which resulted in an operating profit increase of 19%. Basic earnings per share increased by 24% and headline earnings per share increased by 25%.

Operational expenses for the period remained well-controlled, with existing stores accounting for 5% of the increase and new stores 4%. The BEE transaction is responsible for the remaining operating expense increase of 5%.

The effective tax rate for the period of 29% is 1% higher than that of the previous year, mainly due to an increase in non-deductible expenditure of the BEE transaction.

Cash and cash equivalents decreased by 20% to R749 million due to the acquisition of P&L Hardware from own resources. Stock levels have increased by 17% in line with increased sales, with Cashbuild stockholding at 76 days

(June 2015: 78 days) at the end of the year. Trade receivables remain well under control. Net asset value per share has shown a 10% increase, from 5 258 cents (June 2015) to 5 776 cents.

During the financial year, Cashbuild opened 11 new stores, 23 stores were refurbished and one store relocated. The DIY pilot continues with 10 Cashbuild DIY pilot stores. Cashbuild will continue its store expansion, relocation and refurbishment strategy in a controlled manner, applying the same rigorous process as in the past.

4. ACQUISITION OF BUSINESS

On 1 June 2016 the group acquired 100% of the business of P&L Hardware for a consideration of R350 million and a further R80 million (fair value: R33 million) payable if certain profit targets are met over a three-year period. In line with Cashbuild's strategy for growing market share, the rationale for the acquisition is to expand Cashbuild's geographical footprint and market share. It is intended for P&L Hardware to remain and grow as a separate brand to Cashbuild.

Property, plant and equipment of R38 million, trademarks of R96 million, inventories of R169 million, trade and other receivables of R12 million, net bank overdraft of R29 million, trade and other payables of R138 million, taxation of R33 million and goodwill of R267 million has been recognised at date of acquisition. These values approximate the fair values as provisionally determined under IFRS 3.

The acquired business of P&L Hardware contributed revenue of R62 million and net profit of R0.9 million to the group for the year. Had a full 12-month result from 1 July 2015 to 30 June 2016 been included in these group annual financial statements, the total revenue and net contribution would have been R894 million and R35 million respectively.

5. BEE TRANSACTION

A special resolution in terms of a specific repurchase was adopted by shareholders on 30 November 2015, whereby 200 000 shares would be repurchased by the Group from the Cashbuild Empowerment Trust ("the Trust"). The related cost has been classified as a personnel expense in the group's results. The specific repurchase of shares was effected on 29 January 2016 and the value created in the Cashbuild Empowerment Trust as a result of this specific repurchase has been distributed to the beneficiaries of the Trust.

The financial impact at year-end can be summarised as follows:

	Before BEE	% increase on 2015	After BEE	% increase on 2015
Operating profit	611 576	33	548 524	19
Attributable earnings	500 494	40	437 442	23
Net asset value per share (cents)	6 029	15	5 776	10
Headline earnings	493 928	41	430 876	23
Headline earnings per share (cents)	2 168,3	43	1 891,5	26

6. RESTATEMENT OF COMPARATIVE FIGURES AND ADDITIONAL DISCLOSURES

During the year, the group changed its accounting policy with respect to the treatment of advertising rebates in line with the guidance provided by the newly issued IFRS 15. The change in policy allows for symmetry in the accounting treatment of rebates by suppliers and customers, i.e. if the supplier is treating the rebate as a reduction of revenue, Cashbuild, as the customer, should account for rebates as a reduction in the purchase price of inventory, which will result in a reduction of cost of sales when inventory is sold. Cashbuild previously classified these rebates with its selling and marketing expenses. Further, in accordance with IAS 8, this results in information that is more relevant to the financial position and performance. The change in accounting policy is effective for the year ending June 2016 and is applied retrospectively. For details as to the impact of this change refer to note 34.

7. DIVIDENDS PAID

Relevant dates for the declaration are as follows: Date dividend declared: Monday, 29 August 2016; Last day to trade "CUM" the dividend: Tuesday, 20 September 2016; Date to commence trading "EX" the dividend: Wednesday, 21 September 2016; Record date: Friday, 23 September 2016; Date of payment: Monday, 26 September 2016. Share certificates may not be dematerialised or rematerialised between Wednesday, 21 September 2016 and Friday, 23 September 2016, both dates inclusive.

8. EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any matter or circumstance arising since the end of the year that has a material impact on the annual financial statements.

DIRECTORS' REPORT CONTINUED

9. GOING CONCERN

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

10. SUBSIDIARY COMPANIES

Name of subsidiary		Issued capital	**Effective holding June 2016 %**	Effective holding June 2015 %	Nature
DIRECTLY HELD					
Cashbuild (Management Services) Proprietary Ltd		R1	**100**	100	1
INDIRECTLY HELD					
Cashbuild (Botswana) Proprietary Ltd	A	P1 500 000	**100**	100	2
Cashbuild Kanye Proprietary Ltd	A	P2	**100**	100	3
Cashbuild (Lesotho) Proprietary Ltd	B	M100 000	**80**	80	2
Cashbuild (Namibia) Proprietary Ltd	C	N$1	**100**	100	2
Cashbuild (South Africa) Proprietary Ltd		R54 000	**100**	100	2
Cashbuild (Swaziland) Proprietary Ltd	D	E500	**100**	100	2
Cashbuild Lilongwe Ltd	E	MWK100 000	**51**	51	2
Roofbuild Trusses Proprietary Ltd		R100	**100**	100	2
Cashbuild Zambia Ltd	F	ZMK2	**100**	50	3
P&L Hardware Proprietary Ltd		R100	**100**	–	2
P&L Boerebenodighede Investments Proprietary Ltd		R1 000	**100**	–	2
Rio Ridge 1027 Proprietary Ltd		R100	**100**	–	2
Tradebuild Proprietary Ltd		R4	**100**	100	3
Cashbuild (KwaNdebele) Proprietary Ltd		R200 000	**100**	100	4
Cashbuild (Transkei) Proprietary Ltd		R250 000	**100**	100	4
Cashbuild (Properties) Proprietary Ltd		R1	**100**	100	4
Cashbuild (Venda Properties) Proprietary Ltd		R1	**100**	100	4

Nature

1. Investment and management company
2. Trading company
3. Dormant
4. Property holding company

Domicile

South African, unless otherwise stated:

A. Botswana
B. Lesotho
C. Namibia
D. Swaziland
E. Malawi
F. Zambia

Details of the Group's investment in subsidiaries are set out in note 8.

11. DIRECTORS

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

Executive Directors

WF de Jager (45)	Chief Executive, CA(SA)	Appointed 1 December 2004
AE Prowse (52)	Finance Director, CA(SA)	Appointed 1 March 2011
SA Thoresson (53)	Operations Director	Appointed 27 March 2007
A van Onselen (54)	Operations Director	Appointed 20 September 2004

Non-Executive Directors

D Masson (passed away March 2016)	ACIS	Appointed 22 June 1988
IS Fourie (69)	Chairman, CA(SA)	Appointed 1 July 2012
HH Hickey (62)	CA(SA)	Appointed 1 July 2012
AGW Knock (65)	Pr Eng, BSc (Eng) (Wits); MSc (Eng) (Wits); MDP (Cape Town)	Appointed 1 July 2011
Dr DSS Lushaba (50)	BSc (Hons) (Zululand), MBA (Wales), DBA (UKZN)	Appointed 1 July 2011
NV Simamane (57)	BSc Chemistry and Biology (Hons)	Appointed 1 September 2004

12. DIRECTORS' SHAREHOLDING

The directors held in aggregate, direct and indirect beneficial interests, and non-beneficial interests of 0.23% (June 2015: 0.11%) in the issued share capital of the Group at the statement of financial position date. The Group has not been notified of any material change in these interests from the end of the financial year ended 30 June 2016 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 42.

13. 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.

The 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. Refer to note 15 for details of the shares allocated to this incentive scheme.

14. DIRECTORS' ATTENDANCE OF MEETINGS

Refer to pages 28 and 29 of this Integrated Report.

15. DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 41 to the financial statements.

16. 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 2016	June 2015
Shares subject to the scheme at the beginning of the year	**548 712**	408 500
Share options exercised	**(752 500)**	(558 500)
Shares purchased during the year	**228 788**	698 712
Shares subject to the scheme at the end of the year	**25 000**	548 712
Shares held in trust for existing option holders	**25 000**	548 712

Details of The Cashbuild Share Incentive Trust are set out in note 15 of these annual financial statements.

17. OTHER SPECIAL RESOLUTIONS

On 30 November 2015 a number of special resolutions were approved, summarised as follows:

Resolving that, in accordance with section 45 of the Companies Act of South Africa, 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 of South Africa) 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 of South Africa, on such terms and conditions as the board may determine.

Approval of the remuneration of the non-executive directors, with effect from 1 July 2015 to 30 June 2016.

Approval of the execution of the repurchase of shares agreement between the Group and the Cashbuild Empowerment Trust for 200 000 ordinary shares, in accordance with the provisions of section 48 of the Companies Act of South Africa.

Approval of the Cashbuild Limited Forfeitable Share Plan 2015 (FSP) as well as the authority to implement the share plan.

18. SECRETARY

Corporate Governance Leaders CC

19. REGISTERED OFFICE

101 Northern Parkway Drive, Ormonde, Johannesburg, 2091

20. POSTAL ADDRESS

PO Box 90115, Bertsham, 2013

21. WEBSITE

www.cashbuild.co.za

22. AUDITOR

PricewaterhouseCoopers Inc

23. COUNTRY OF INCORPORATION

Republic of South Africa

COMPANY SECRETARY'S CERTIFICATION

DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF SECTION 88(2)(e) OF THE COMPANIES ACT OF SOUTH AFRICA

We declare that, in respect of the year ended 30 June 2016, to the best of our knowledge, the Company has filed all such returns and notices as required by the Companies Act of South Africa, as amended, and that all such returns and notices appear to be true, correct and up-to-date.

Corporate Governance Leaders CC
Chartered Secretaries

29 August 2016

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated and separate financial statements of Cashbuild Limited set out on pages 75 to 128, which comprise the statements of financial position as at 30 June 2016, and the income statements, statements of comprehensive income, statements of changes in equity and statements 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 and financial position of Cashbuild Limited as at 30 June 2016, 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 financial statements for the year ended 30 June 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate and 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 and financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Cashbuild Limited for 18 years.

PricewaterhouseCoopers Inc.
Director: I Buys
Registered Auditor
Sunninghill

29 August 2016

INCOME STATEMENT

for the year ended 30 June 2016

Figures in Rand thousand	Note(s)	GROUP 2016	GROUP Restated* 2015	COMPANY 2016	COMPANY 2015
Revenue	22	**8 669 643**	7 692 646	**–**	–
Cost of sales	23	**(6 404 966)**	(5 719 379)	**–**	–
Gross profit		**2 264 677**	1 973 267	**–**	–
BEE transaction expense	40	**(63 052)**	–	**–**	–
Selling and marketing expenses	23	**(1 418 609)**	(1 289 350)	**–**	–
Administrative expenses	23	**(241 142)**	(226 871)	**(6 056)**	(2)
Other operating expenses	23	**(3 123)**	(3 352)	**–**	–
Other income	25	**9 773**	7 759	**212 835**	158 444
Operating profit		**548 524**	461 453	**206 779**	158 442
Finance costs	26	**(921)**	(1 752)	**–**	–
Finance income	27	**71 084**	39 676	**–**	–
Profit before income tax		**618 687**	499 377	**206 779**	158 442
Income tax expense	28	**(176 685)**	(138 202)	**(137)**	–
Profit for the year		**442 002**	361 175	**206 642**	158 442
Profit attributable to:					
– Owners of the company		**437 442**	356 703	**206 642**	158 442
– Non-controlling interests		**4 560**	4 472	**–**	–
		442 002	361 175	**206 642**	158 442
Earnings per share for profit attributable to the owners of the company during the period:					
Basic earnings per share (cents)	37	**1 920,4**	1 547,2	**826,9**	629,0
Diluted earnings per share (cents)	37	**1 919,5**	1 527,2	**826,6**	621,5

* Refer to note 34 for details regarding the restatement as a result of a change in accounting policy

The notes on pages 91 to 128 are an integral part of these consolidated financial statements

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2016

	GROUP		COMPANY	
Figures in Rand thousand	**2016**	Restated* 2015	**2016**	2015
Profit for the year	**442 002**	361 175	**206 642**	158 442
Other comprehensive income reclassifiable to profit or loss:				
Total movement in foreign currency translation reserve (FCTR)	**12 898**	2 272	**–**	–
Attributable to:				
– Owners of the company	**14 934**	1 794	**–**	–
– Non-controlling interests	**(2 036)**	478	**–**	–
Total comprehensive income	**454 900**	363 447	**206 642**	158 442
Total comprehensive income attributable to:				
– Owners of the company	**452 376**	358 497	**206 642**	158 442
– Non-controlling interests	**2 524**	4 950	**–**	–
	454 900	363 447	**206 642**	158 442

* Refer to note 34 for details regarding the restatement as a result of a change in accounting policy

The notes on pages 91 to 128 are an integral part of these consolidated financial statements

STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2016

		GROUP			COMPANY		
Figures in Rand thousand	Note(s)	2016	Restated* 2015	Restated* 2014	2016	2015	2014
ASSETS							
Non-current assets							
Investment property	5	**1 900**	–	–	**–**	–	–
Property, plant and equipment	6	**929 163**	836 252	794 174	**–**	–	–
Intangible assets	7	**399 689**	39 048	42 019	**–**	–	–
Investments in subsidiaries	8	**–**	–	–	**60 451**	113 254	104 277
Deferred tax	9	**18 788**	13 579	6 366	**–**	–	–
Rent prepayments	12	**81 339**	68 807	36 530	**–**	–	–
		1 430 879	957 686	879 089	**60 451**	113 254	104 277
Current assets							
Assets held for sale	10	**4 510**	9 548	12 393	**–**	–	–
Inventories	11	**1 225 580**	1 048 624	911 582	**–**	–	–
Trade and other receivables	12	**90 994**	86 030	84 486	**–**	6 936	6 638
Prepayments		**11 029**	9 909	8 775	**–**	–	–
Cash and deposits	13	**775 954**	938 917	704 322	**6 135**	4 289	3 582
		2 108 067	2 093 028	1 721 558	**6 135**	11 225	10 220
Total assets		**3 538 946**	3 050 714	2 600 647	**66 586**	124 479	114 497
EQUITY AND LIABILITIES							
Equity							
Capital and reserves attributable to owners of the company							
Share capital	14	**227**	227	229	**250**	252	252
Share premium		**(275 384)**	(126 559)	(19 871)	**1 024**	62 912	62 912
Share-based payment reserve	15	**52 985**	45 091	35 815	**52 985**	45 091	35 815
Foreign currency translation reserve	16	**10 645**	(4 289)	(6 083)	**–**	–	–
Retained income		**1 655 004**	1 410 081	1 198 071	**6 282**	12 475	12 477
		1 443 477	1 324 551	1 208 161	**60 541**	120 730	111 456
Non-controlling interest		**21 948**	20 483	15 450	**–**	–	–
		1 465 425	1 345 034	1 223 611	**60 541**	120 730	111 456
LIABILITIES							
Non-current liabilities							
Finance lease obligation	19	**2 243**	–	–	**–**	–	–
Deferred operating lease liability	17	**118 475**	105 979	100 217	**–**	–	–
Contingent consideration	20	**33 008**	–	–	**–**	–	–
Deferred tax	9	**30 706**	–	–	**–**	–	–
		184 432	105 979	100 217	**–**	–	–
Current liabilities							
Current tax payable		**71 858**	43 387	28 813	**–**	–	–
Finance lease obligation	19	**1 110**	–	–	**–**	–	–
Trade and other payables	18	**1 784 043**	1 551 430	1 243 405	**6 045**	3 749	3 041
Employee benefits	21	**5 363**	4 884	4 601	**–**	–	–
Bank overdraft	13	**26 715**	–	–	**–**	–	–
		1 889 089	1 599 701	1 276 819	**6 045**	3 749	3 041
Total liabilities		**2 073 521**	1 705 680	1 377 036	**6 045**	3 749	3 041
Total equity and liabilities		**3 538 946**	3 050 714	2 600 647	**66 586**	124 479	114 497

* Refer to note 34 for details regarding the restatement as a result of a change in accounting policy

The notes on pages 91 to 128 are an integral part of these consolidated financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

Figures in Rand thousand	Share capital	Treasury share capital	Share premium
GROUP			
Opening balance (Restated*)	252	(20)	65 823
Total comprehensive income for the year (Restated*)	–	–	–
Shares purchased by The Cashbuild Share Incentive Trust	–	(6)	–
Shares sold by The Cashbuild Share Incentive Trust	–	3	–
Share-based payments	–	–	–
Dividends paid	–	–	–
Balance at 30 June 2014	252	(23)	65 823
Total comprehensive income for the year (Restated*)	–	–	–
Shares purchased by The Cashbuild Share Incentive Trust and The Cashbuild Operations Management Member Trust	–	(8)	–
Shares sold by The Cashbuild Share Incentive Trust	–	6	–
Share-based payments	–	–	–
Increase in shareholding of subsidiary	–	–	–
Dividends paid	–	–	–
Balance at 30 June 2015	252	(25)	65 823
Total comprehensive income for the year	**-**	**-**	**-**
Share-based payments reserve	**-**	**-**	**-**
Buy-back of shares for empowerment transaction	**(2)**	**2**	**(61 888)**
Shares purchased by The Cashbuild Share Incentive Trust	**-**	**(7)**	**-**
Shares sold by The Cashbuild Share Incentive Trust	**-**	**7**	**-**
Dividends paid	**-**	**-**	**-**
Balance at 30 June 2016	**250**	**(23)**	**3 935**
COMPANY			
Opening balance	252	–	62 912
Total comprehensive income for the year	–	–	–
Dividends paid	–	–	–
Share-based payments	–	–	–
Balance at 30 June 2014	252	–	62 912
Total comprehensive income for the year	–	–	–
Dividends paid	–	–	–
Share-based payments	–	–	–
Balance at 30 June 2015	252	–	62 912
Total comprehensive income for the period	**-**	**-**	**-**
Share-based payments reserve	**-**	**-**	**-**
Dividends paid	**-**	**-**	**-**
Buy-back of shares for empowerment transaction	**(2)**	**-**	**(61 888)**
Balance at 30 June 2016	**250**	**-**	**1 024**
Note(s)	14		14

* Refer to note 34 for details regarding the restatement as a result of a change in accounting policy

The notes on pages 91 to 128 are an integral part of these consolidated financial statements

Treasury share premium	FCTR	Share-based payments reserve	Retained income	Non-controlling interest	Total equity
(30 111)	(10 336)	21 887	1 037 669	13 506	1 098 670
–	4 253	–	268 165	3 005	275 423
(77 343)	–	–	–	–	(77 349)
21 760	–	–	–	–	21 763
–	–	13 928	–	–	13 928
–	–	–	(107 763)	(1 061)	(108 824)
(85 694)	(6 083)	35 815	1 198 071	15 450	1 223 611
–	1 794	–	356 703	4 950	363 447
(161 229)	–	–	–	–	(161 237)
54 541	–	–	–	–	54 547
–	–	9 276	–	–	9 276
–	–	–	(1 063)	1 063	–
–	–	–	(143 630)	(980)	(144 610)
(192 382)	(4 289)	45 091	1 410 081	20 483	1 345 034
–	**14 934**	**–**	**437 442**	**2 524**	**454 900**
–	**–**	**7 894**	**–**	**–**	**7 894**
61 888	**–**	**–**	**–**	**–**	**–**
(244 534)	**–**	**–**	**–**	**–**	**(244 541)**
95 709	**–**	**–**	**–**	**–**	**95 716**
–	**–**	**–**	**(192 519)**	**(1 059)**	**(193 578)**
(279 319)	**10 645**	**52 985**	**1 655 004**	**21 948**	**1 465 425**
–	–	21 887	12 156	–	97 207
–	–	–	117 705	–	–
–	–	–	(117 384)	–	–
–	–	13 928	–	–	–
–	–	35 815	12 477	–	111 456
–	–	–	158 442	–	117 705
–	–	–	(158 444)	–	(117 384)
–	–	9 276	–	–	13 928
–	–	45 091	12 475	–	120 730
–	**–**	**–**	**206 642**	**–**	**206 642**
–	**–**	**7 894**	**–**	**–**	**7 894**
–	**–**	**–**	**(212 835)**	**–**	**(212 835)**
–	**–**	**–**	**–**	**–**	**(61 890)**
–	**–**	**52 985**	**6 282**	**–**	**60 541**
16	15				

STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

Figures in Rand thousand	Note(s)	GROUP 2016	GROUP Restated* 2015	COMPANY 2016	COMPANY 2015
Cash flows from operating activities					
Cash generated from operations	29	**761 718**	725 567	**216 969**	168 128
Interest paid	26	**(921)**	(1 752)	**–**	–
Tax paid	30	**(150 157)**	(130 841)	**(137)**	–
Interest received – non-investing	27	**11 781**	–	**–**	–
Net cash generated from operating activities		**622 421**	592 974	**216 832**	168 128
Cash flows from investing activities					
Purchase of property, plant and equipment	6	**(178 180)**	(156 879)	**–**	–
Proceeds on disposal of non-current assets	32	**4 478**	3 871	**–**	–
Proceeds on disposal of assets held for sale	33	**22 242**	15 816	**–**	–
Purchase of intangibles	7	**(11 974)**	(11 723)	**–**	–
Business combinations	20	**(378 901)**	–	**–**	–
Decrease/(increase) in subsidiary loan account	8	**–**	–	**59 739**	(8 977)
Interest received	27	**59 303**	39 676	**–**	–
Net cash (used in)/generated from investing activities		**(483 032)**	(109 239)	**59 739**	(8 977)
Cash flows from financing activities					
Shares purchased by The Cashbuild Share Incentive Trust and The Cashbuild Operations Management Member Trust	14	**(244 541)**	(161 237)	**–**	–
Shares sold by The Cashbuild Share Incentive Trust		**95 716**	54 547	**–**	–
Dividends paid	31	**(192 519)**	(143 630)	**(212 835)**	(158 444)
Dividends paid to non-controlling interests		**(1 059)**	(980)	**–**	–
Share buy-back for empowerment transaction		**–**	–	**(61 890)**	–
Net cash used in financing activities		**(342 403)**	(251 300)	**(274 725)**	(158 444)
Net increase in cash and cash equivalents		**(203 014)**	232 435	**1 846**	707
Cash at the beginning of the year		**938 917**	704 322	**4 289**	3 582
Effect of exchange rate movements on cash balances		**13 336**	2 160	**–**	–
Total cash at end of the year	13	**749 239**	938 917	**6 135**	4 289

* Refer to note 34 for details regarding the restatement as a result of a change in accounting policy

The notes on pages 91 to 128 are an integral part of these consolidated 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 of South Africa. The consolidated annual financial statements have been prepared on the historical cost basis, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3. 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 acquiree, either at fair value, or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39, either in profit or loss, or as a change to other comprehensive income.

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.

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

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.

ACCOUNTING POLICIES CONTINUED

1. PREPARATION AND BASIS OF CONSOLIDATION (continued)

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.

1.1 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 39.

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 hyper-inflation 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 (with the exception of land) is 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

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.

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

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

1. PREPARATION AND BASIS OF CONSOLIDATION (continued)

1.5 Intangible assets (continued)

Trademarks and licenses

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences which have a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 10 years. Where trademarks have an indefinite useful life, those trademarks are assessed annually for impairment or more frequently if indicators of impairment exist.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

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

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

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

Other development expenditures that do not meet these criteria are recognised as an expense incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

1.6 Financial assets

Classification

Loans and receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the financial position date. These are classified as non-current assets. Receivables are classified as "trade and other receivables" in the statement of financial position.

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 (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

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 re-organisation, 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.

1.7 Developer advances

These constitute prepayments made to acquire leasehold premises, measured at cost and amortised over the life of the lease.

1. PREPARATION AND BASIS OF CONSOLIDATION (continued)

1.8 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

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

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.

Tax expenses

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

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.

1.11 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 of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventory cost is determined after deducting rebates and discounts applicable to purchase.

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.

1. PREPARATION AND BASIS OF CONSOLIDATION (continued)

1.12 Impairment of non-financial assets (continued)

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.

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.

Long service award 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 costs incurred by the trust.

Operations Management Member Trust

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.

1.15 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 38.

1. PREPARATION AND BASIS OF CONSOLIDATION (continued)

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.

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 (26 June 2016 – 52 weeks; 28 June 2015 – 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 the company's shareholders.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

Amendment to IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations: Annual Improvements project (issued but not effective)

The amendment clarifies that non-current assets held for distribution to owners should be treated consistently with non-current assets held for sale. It further specifies that, if a non-current asset held for sale is reclassified as a non-current asset held for distribution to owners, or visa versa, that the change is considered a continuation of the original plan of disposal.

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

Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements Project (issued but not effective)

The amendment provides additional guidance regarding transfers with continuing involvement. Specifically, it provides that cash flows excludes cash collected, which must be remitted to a transferee. It also provides that, when an entity transfers a financial asset but retains the right to service the asset for a fee, that the entity should apply the existing guidance to consider whether it has continuing involvement in the asset.

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

Amendment to IAS 19: Employee Benefits: Annual Improvements Project (issued but not effective)

The amendment clarifies that when a discount rate is determined for currencies where there is no deep market in high-quality corporate bonds, then market yields on government bonds in that currency should be used.

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

Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements (issued but not effective)

The amendment provides new requirements when an entity presents subtotals in addition to those required by IAS 1 in its annual financial statements. It also provides amended guidance concerning the order of presentation of the notes in the annual financial statements, as well as guidance for identifying which accounting policies should be included. It further clarifies that an entity's share of comprehensive income of an associate or joint venture under the equity method shall be presented separately into its share of items that: a) will not be reclassified subsequently to profit or loss and b) that will be reclassified subsequently to profit or loss.

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

Amendment to IAS 34: Interim Financial Reporting: Annual Improvements Project (issued but not effective)

The amendment allows an entity to present disclosures required by paragraph 16A, either in the interim annual financial statements, or by cross reference to another report, for example, a risk report, provided that other report is available to users of the annual financial statements on the same terms as the interim annual financial statements and at the same time.

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

2. NEW STANDARDS AND INTERPRETATIONS (continued)

IFRS 9: Financial Instruments (issued but not effective)

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include: a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal, are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset, give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 1 July 2018.

The group expects to adopt the standard for the first time in the 2019 annual financial statements. The impact of this standard is currently being assessed.

IFRS 15: Revenue from Contracts with Customers (issued but not effective)

The FASB and IASB issued their long-awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of a good or service transfers to a customer.

The effective date of the standard is for years beginning on or after 1 July 2018.

The group expects to adopt the standard for the first time in the 2019 annual financial statements. The impact of this standard is currently being assessed.

Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued but not effective)

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 July 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 (issued but not effective)

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 July 2016.

The group expects to adopt the amendment for the first time in the 2017 annual financial statements. The impact of this amendment is currently being assessed.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued but not effective)

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parent's profit or loss only to the extent of the unrelated investors interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parent's profit or loss.

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

Amendment to IAS 27: Equity Method in Separate Financial Statements (issued but not effective)

The amendment adds the equity method to the methods of accounting for investments in subsidiaries, associates and joint ventures in the separate annual financial statements of an entity.

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

Amendment to IAS 7: Cash Flow Statements (issued but not effective)

In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

2. NEW STANDARDS AND INTERPRETATIONS (continued)

The effective date of the amendment is for years beginning on or after 1 July 2017.

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 company's annual financial statements.

IFRS 16: Leases (issued but not effective)

After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

IFRS 16 supersedes IAS 17: "Leases", IFRIC 4: "Determining whether an Arrangement contains a Lease", SIC 15: "Operating Leases – Incentives" and SIC 27: "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

The effective date of the standard is for years beginning on or after 1 July 2019.

The group expects to adopt the standard for the first time in the 2020 annual financial statements.

The impact of this standard is currently being assessed.

IFRS 14: Regulatory Deferral Accounts (issued but not effective)

The IASB has issued IFRS 14: "Regulatory deferral accounts" specific to first time adopters ("IFRS 14"), an interim standard on the accounting for certain balances that arise from rate-regulated activities ("regulatory deferral accounts"). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.

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 company's annual financial statements.

Amendment to IAS 12: Income Taxes (issued but not effective)

The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.

The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.

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

The group expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

3. FINANCIAL RISK MANAGEMENT

	GROUP		COMPANY	
Figures in Rand thousand	**2016**	2015	**2016**	2015
Financial instruments by category				
Loans and receivables	**960 547**	1 024 947	**6 135**	79 388
Financial liabilities carried at amortised cost	**1 706 161**	1 482 980	**6 045**	3 749
Loans and receivables				
Trade and other receivables (excluding prepayments)	**90 994**	86 030	**–**	–
Cash	**775 954**	938 917	**6 135**	4 289
	960 547	1 024 947	**6 135**	4 289
Financial liabilities carried at amortised cost				
Trade liabilities and accruals*	**1 702 808**	1 482 980	**6 045**	3 749
Finance lease liabilities	**3 353**	–	**–**	–
	1 706 161	1 482 980	**6 045**	3 749

* Included in trade liabilities and accruals (note 18) are items to the value of (Group) R82 million; (Company) Rnil (June 2015: (Group): R68 million; (Company): Rnil) 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:

- Credit risk
- Liquidity risk
- Market 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 F3. 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 widespread client base and the group has policies in place to ensure that all sales of goods and services on credit are made to customers with an appropriate credit history. These policies include reviewing the group's own credit history with the customer, verifying the credit history with an external credit bureau, as well as a formalised application process where the creditworthiness of the customer is assessed.

With the exception of special orders where an upfront deposit is held, no collateral is held for other customers.

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

	GROUP		COMPANY	
Figures in Rand thousand	**2016**	2015	**2016**	2015
Rating				
Cash held at financial institutions (rating F3)	**750 283**	937 605	**6 135**	4 289
Cash-on-hand and in transit	**25 671**	1 312	**–**	–
	775 954	938 917	**6 135**	4 289

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 2015: 3%) of our trade debtors over 90 days were not covered by credit insurance. Therefore, from a credit risk perspective, trade debtors are considered an insignificant portion of the business. Accordingly the group has no significant concentrations of credit risk.

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

For smaller customers, surety from directors is required.

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:

	GROUP		COMPANY	
Figures in Rand thousand	**2016**	2015	**2016**	2015
Loans and receivables	**960 547**	1 024 947	**6 135**	79 388
Bank-held guarantees (refer to note 38)	**13 102**	2 216	**–**	–
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:				
– South Africa	**77 403**	69 357	**–**	–
– Other members of common monetary area	**11 625**	9 476	**–**	–
– Botswana and Malawi	**4 571**	7 218	**–**	–

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

	Gross June 2016	Impairment June 2016	Gross June 2015	Impairment June 2015
Not past-due	**66 233**	**–**	65 147	–
Past-due 1 – 30 days	**9 819**	**–**	13 316	–
Past-due 31 – 60 days	**1 106**	**–**	1 700	–
Past-due 61 – 90 days	**3 133**	**(3 133)**	1 217	(1 217)
Past-due 91 – 120 days	**1 065**	**(1 065)**	363	(363)
More than 120 days	**12 243**	**(12 243)**	17 021	(17 021)
Total	**93 599**	**(16 441)**	98 764	(18 601)

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 thousand	**2016**	2015	**2016**	2015
Balance at beginning of year	**18 601**	18 464	**–**	–
(Reversal)/creation of provision	**(2 132)**	2 860	**–**	–
Utilisation of provision	**(28)**	(2 723)	**–**	–
Balance at end of year	**16 441**	18 601	**–**	–

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 35.

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 to 5 years	More than 5 years
At 30 June 2016						
Non-derivative financial liabilities						
Finance lease liabilities	**(3 353)**	**(3 353)**	**–**	**(1 110)**	**(2 243)**	**–**
Trade liabilities and accruals	**(1 702 808)**	**(1 702 808)**	**(639 395)**	**(1 063 413)**	**–**	**–**
Contingencies	**(41 727)**	**(41 727)**	**–**	**–**	**(41 727)**	**–**
Bank overdraft	**(26 715)**	**(26 715)**	**–**	**(26 715)**	**–**	**–**
Deferred operating lease liability	**(118 475)**	**(1 602 672)**	**–**	**(333 237)**	**(689 574)**	**(579 861)**
At 30 June 2015						
Non-derivative financial liabilities						
Trade liabilities and accruals	(1 482 980)	(1 482 980)	(517 138)	(965 832)	–	–
Contingencies	(2 216)	(2 216)	–	–	(2 216)	–
Deferred operating lease liability	(105 979)	(1 322 913)	–	(298 222)	(590 639)	(424 052)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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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 to 5 years	More than 5 years
At 30 June 2016						
Non-derivative financial liabilities						
Trade liabilities and accruals	**(6 045)**	**(6 045)**	**–**	**–**	**–**	**–**
At 30 June 2015						
Non-derivative financial liabilities						
Trade liabilities and accruals	(3 749)	(3 749)	–	–	–	–

Trade liabilities and accruals we expected to be settled by cash resources and changes in working capital. At reporting date, the group held cash and other liquid assets of R749 million and R1 332 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.

	GROUP		COMPANY	
Figures in Rand thousand	**2016**	2015	**2016**	2015
Exposure to currency risk				
The group's exposure to foreign currency risk was as follows, based on notional amounts:				
Pula exposed to Rand				
– Trade receivables	**6 406**	7 502	**–**	–
– Cash and cash equivalents	**106 141**	78 691	**–**	–
– Trade payables	**(66 723)**	(66 317)	**–**	–
Kwacha exposed to Rand				
– Trade receivables	**1 634**	264	**–**	–
– Cash and cash equivalents	**13 459**	12 641	**–**	–
– Trade payables	**(14 771)**	(7 944)	**–**	–
The following significant exchange rates applied during the year:				
Pula				
– Average rate	**1.37**	1.22	**–**	–
– Reporting date rate	**1.41**	1.24	**–**	–
Kwacha				
– Average rate	**44.31**	40.69	**–**	–
– Reporting date rate	**47.69**	37.81	**–**	–

Sensitivity analysis

A 10% 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 2015.

A 10% 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.

	GROUP		COMPANY	
Figures in Rand thousand	**2016**	2015	**2016**	2015
Profit and (loss)				
– Pula	**(4 166)**	(1 807)	**–**	–
– Kwacha	**(29)**	(451)	**–**	–
	(4 195)	(2 258)	**–**	–

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:

Variable rate instruments				
Financial assets (bank account balances) – carrying amount	**775 954**	938 917	**6 135**	4 289

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:

Effect on variable rate instruments	**7 760**	9 389	**61**	43

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. Long service awards and contingent consideration are valued using subjective judgements. A reasonable movement in valuation inputs would not result in a significant change in the fair value of these liabilities.

Price risk

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 group's 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 the 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 Group'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 bi-nominal, 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 judgment in estimating the useful lives and residual values of these different asset classes.

(e) Fair value determination in business combinations

- IFRS 3 – Business Combinations requires all assets, liabilities and contingent liabilities to be measured at fair value when accounting for business combinations. Cashbuild makes use of various valuation methodologies in determining these fair values, including the use of reputable independent valuers. Valuations are inherently subjective, and require the use of judgement. Judgement is applied in determining the allocation of goodwill to different cash-generating units. The allocation is done based on the expected benefit arising from synergies due to the business combinations.

5. INVESTMENT PROPERTY

	2016			2015		
Group	**Valuation**	**Accumulated depreciation**	**Carrying value**	Valuation	Accumulated depreciation	Carrying value
Land and buildings	**1 900**	**–**	**1 900**	–	–	–

Reconciliation of investment property: Group – 2016

	Opening balance	Additions through business combinations	Classified as held for sale	Total
Land and buildings	**–**	**4 150**	**(2 250)**	**1 900**

Details of properties as follows:

	Acquired value
SS Kranskop, Scheme 150, Unit 4	950
SS Kranskop, Scheme 150, Unit 8	950
Subtotal	**1 900**

SS Katherine Quay, Farm 373, Unit 402 is currently pending sale, therefore this has been classified as held for sale at end of June 2016.

Future rental payments

Rental contracts resulting from these investment properties are renewed annually, expected rental income for the next 12 months is R0.2 million.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Group.

6. PROPERTY, PLANT AND EQUIPMENT

Group	**2016**			2015		
	Cost	**Accumulated depreciation**	**Carrying value**	Cost	Accumulated depreciation	Carrying value
Land and buildings	**452 879**	**(39 439)**	**413 440**	386 173	(33 120)	353 053
Improvements to leasehold premises	**119 266**	**(52 231)**	**67 035**	109 721	(42 714)	67 007
Furniture and equipment	**922 895**	**(496 379)**	**426 516**	832 002	(416 259)	415 743
Vehicles	**17 123**	**(153)**	**16 970**	519	(70)	449
Aircraft	**5 202**	**–**	**5 202**	–	–	–
Total	**1 517 365**	**(588 202)**	**929 163**	1 328 415	(492 163)	836 252

Reconciliation of property, plant and equipment: Group – 2016

	Opening balance	Additions	Additions through business combinations	Disposals	Classified as held-for-sale	Transfers	Foreign exchange move-ments	Depreciation	Total
Land and buildings	**353 053**	**–**	**291**	**(895)**	**(1 333)**	**65 560**	**3 129**	**(6 365)**	**413 440**
Improve-ments to leasehold premises	**67 007**	**–**	**–**	**(7)**	**–**	**10 138**	**30**	**(10 133)**	**67 035**
Furniture and equipment	**415 743**	**968**	**11 619**	**(4 344)**	**–**	**101 514**	**1 576**	**(100 560)**	**426 516**
Vehicles	**449**	**–**	**16 734**	**–**	**–**	**–**	**(89)**	**(124)**	**16 970**
Aircraft	**–**	**–**	**5 202**	**–**	**–**	**–**	**–**	**–**	**5 202**
Capital work in progress	**–**	**177 212**	**–**	**–**	**–**	**(177 212)**	**–**	**–**	**–**
	836 252	**178 180**	**33 846**	**(5 246)**	**(1 333)**	**–**	**4 646**	**(117 182)**	**929 163**

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6. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment: Group – 2015

	Opening balance	Additions	Additions through business combinations	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)	–	–	–
	794 174	156 879	–	(5 934)	(3 468)	–	422	(105 821)	836 252

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 Group. 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:

	GROUP		COMPANY	
Figures in Rand thousand	**2016**	2015	**2016**	2015
Profit on disposal of property, plant and equipment and assets held for sale	**(9 290)**	(7 435)	**–**	–
Repairs and maintenance expenditure	**22 323**	20 171	**–**	–

7. INTANGIBLE ASSETS

Group	**2016**			2015		
Figures in Rand thousand	**Cost**	**Accumulated depreciation**	**Carrying value**	Cost	Accumulated depreciation	Carrying value
Trademarks	**97 184**	**(684)**	**96 500**	783	(680)	103
Computer software	**90 759**	**(56 024)**	**34 735**	82 239	(44 446)	37 793
Goodwill	**268 454**	**–**	**268 454**	1 152	–	1 152
Total	**456 397**	**(56 708)**	**399 689**	84 174	(45 126)	39 048

Reconciliation of intangible assets: Group – 2016

	Opening balance	Additions	Additions through business combinations	Disposals	Foreign exchange movements	Amortisation	Total
Trademarks	**103**	**–**	**96 409**	**–**	**–**	**(12)**	**96 500**
Computer software	**37 793**	**11 974**	**–**	**(3 454)**	**–**	**(11 578)**	**34 735**
Goodwill	**1 152**	**–**	**267 332**	**–**	**(30)**	**–**	**268 454**
	39 048	**11 974**	**363 741**	**(3 454)**	**(30)**	**(11 590)**	**399 689**

Reconciliation of intangible assets: Group – 2015

	Opening balance	Additions	Additions through business combinations	Disposals	Foreign exchange 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

Impairment test for goodwill

The trademarks and goodwill acquired as a result of the business combination were recognised on 1 June 2016 when the acquisition took place. Given that only one month has elapsed from acquisition date to reporting date, there are no indicators suggesting that these intangibles are impaired at 30 June 2016.

The remaining goodwill of R1.1 million is allocated to specific Cashbuild cash-generating units (CGUs) being the Malawi stores and South African Kabokweni stores.

The recoverable amount of these CGUs 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 and Malawian 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.

The assumptions are summarised as follows:

	June 2016 South Africa	June 2016 Malawi
Gross margin (refer to note 1 above)	**25%**	**22%**
Growth rate (refer to note 2 above)	**6%**	**23%**
Discount rate (refer to note 3 above)	**8%**	**11%**

For additional details regarding the values of trademarks and goodwill recognised as a result of the acquisition of P&L Hardware, refer to note 20.

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8. INVESTMENTS IN SUBSIDIARIES

Interests in subsidiaries	% Holding by Group 2016	% Holding by Group 2015	% Holding by *NCI 2016	% Holding by *NCI 2015
Cashbuild Management Services Proprietary Ltd	**100**	100	**–**	–
Cashbuild (Botswana) Proprietary Ltd	**100**	100	**–**	–
Cashbuild Kanye Proprietary Ltd	**100**	100	**–**	–
Cashbuild (Lesotho) Proprietary Ltd	**80**	80	**20**	20
Cashbuild Lilongwe Ltd	**51**	51	**49**	49
Cashbuild (Namibia) Proprietary Ltd	**100**	100	**–**	–
Cashbuild (South Africa) Proprietary Ltd	**100**	100	**–**	–
Cashbuild (Swaziland) Proprietary Ltd	**100**	100	**–**	–
Roofbuild Trusses Proprietary Ltd	**100**	100	**–**	–
Cashbuild Properties Proprietary Ltd	**100**	100	**–**	–
Cashbuild (Venda Properties) Proprietary Ltd	**100**	100	**–**	–
Tradebuild Proprietary Ltd	**100**	100	**–**	–
Cashbuild (KwaNdebele) Proprietary Ltd	**100**	100	**–**	–
Cashbuild (Transkei) Proprietary Ltd	**100**	100	**–**	–
Cashbuild Zambia Ltd	**100**	50	**–**	50
P&L Hardware Proprietary Ltd	**100**	–	**–**	–
P&L Boerebenodighede Investments Proprietary Ltd	**100**	–	**–**	–
Rio Ridge 1027 Proprietary Ltd	**100**	–	**–**	–

* Non-controlling interests (NCI)

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	
	2016	2015
Share-based payment capital contribution	**52 985**	45 091
Loan account	**7 466**	68 163
Investment in subsidiaries	**60 451**	113 254

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.

9. 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:

	GROUP			COMPANY		
Figures in Rand thousand	**2016**	2015	2014	**2016**	2015	2014
Deferred income tax liabilities to be recovered after more than 12 months	**(37 924)**	(16 765)	(13 795)	**–**	–	–
Deferred income tax assets to be recovered within 12 months	**26 006**	30 344	20 161	**–**	–	–
Total net deferred income tax (liability)/asset	**(11 918)**	13 579	6 366	**–**	–	–

Significant deferred tax assets and liabilities are split as follows:

	GROUP			COMPANY		
	2016	2015	2014	**2016**	2015	2014
Deferred tax balances acquired from business combinations	**(30 706)**	–	–	**–**	–	–
Total deferred income tax liability	**(30 706)**	–	–	**–**	–	–
Property, plant and equipment	**(40 446)**	(46 366)	(41 163)	**–**	–	–
Prepayments	**(1 934)**	(1 360)	(943)	**–**	–	–
Provisions and accruals	**27 837**	23 614	14 074	**–**	–	–
Straight-lining of leases	**32 919**	29 601	27 368	**–**	–	–
Assessed losses	**77**	1 347	1 166	**–**	–	–
Unrealised foreign exchange differences on inter-group loans	**335**	(62)	(96)	**–**	–	–
Income received in advance	**–**	14	15	**–**	–	–
Deferred tax balances acquired from business combinations	**–**	–	–	**–**	–	–
Impact of change in accounting policy	**–**	6 791	5 945	**–**	–	–
Total net deferred income tax asset	**18 788**	13 579	6 366	**–**	–	–
Total net deferred income tax (liability)/asset	**(11 918)**	13 579	6 366	**–**	–	–
The net movement in the deferred income tax account is as follows:						
At beginning of the year	**6 788**	421	3 238	**–**	–	–
Arising from business combination	**(30 706)**	–	–	**–**	–	–
Exchange differences	**(109)**	35	606	**–**	–	–
Income statement charge	**12 109**	6 332	(3 423)	**–**	–	–
Impact of change in accounting policy	**–**	6 791	5 945	**–**	–	–
Total net deferred income tax (liability)/asset	**(11 918)**	13 579	6 366	**–**	–	–

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 2015: 15%).

Potential dividend tax on retained earnings	**248 251**	214 178	182 045	**–**	–	–

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10. 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.

	GROUP			COMPANY		
Figures in Rand thousand	**2016**	2015	2014	**2016**	2015	2014
Assets classified as held for sale (at historical carrying amount)	**4 510**	9 548	12 393	**–**	–	–
Land and buildings held for sale						
– Plot 2461 Serowe, Botswana	**927**	819	811	**–**	–	–
– Portion 934 of Farm No 2, Mbabane, Swaziland	**–**	–	5 903	**–**	–	–
– Erf 29 Powerville	**–**	–	380	**–**	–	–
– Worcester Erf 21280, South Africa	**–**	5 261	5 261	**–**	–	–
– Erf 1343A and B, Oshakati, Namibia	**–**	–	38	**–**	–	–
– Erf 148097 Cape Town, Philippi, South Africa	**–**	1 968	–	**–**	–	–
– Erf 21521 Francistown, Botswana	**–**	1 500	–	**–**	–	–
– Erf 1864 Alice, Eastern Cape, South Africa	**933**	–	–	**–**	–	–
– Erf 31 Pongola KwaZulu-Natal, South Africa	**400**	–	–	**–**	–	–
– SS Katherine Quay, Farm 373, Unit 402	**2 250**	–	–	**–**	–	–
	4 510	9 548	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 Worcester, Phillipi and Francistown 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 property was classified as held for sale in the previous financial year, however, based on the current progress the sale of this property 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.

11. INVENTORIES

Merchandise	**1 225 580**	1 048 624	911 582	**–**	–	–

Cost of inventories recognised as an expense and included in cost of sales amounted to R7 009 million (June 2015: R6 243 million). The provision for obsolete, slow moving and free stock at the end of the year is R116 million (June 2015: R87 million).

12. TRADE AND OTHER RECEIVABLES

	GROUP			COMPANY		
Figures in Rand thousand	**2016**	2015	2014	**2016**	2015	2014
Trade accounts receivable	**93 599**	98 764	94 339	**–**	–	–
Less: Provision for impairment of trade accounts receivable	**(16 441)**	(18 601)	(18 463)	**–**	–	–
VAT receivables	**4 560**	2 022	3 344	**–**	–	–
Other accounts receivable	**9 276**	3 845	5 266	**–**	4	4
Amounts receivable from group companies	**–**	–	–	**–**	6 932	6 634
	90 994	86 030	84 486	**–**	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 40 where related party receivables have been disclosed.

The group holds a provision of R16.4 million (June 2015: R18.6 million) for the impairment of its trade receivables at the year ended 30 June 2016. 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 R84.2 million (June 2015: R73 million), 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	**2 868**	4 229	2 136	**–**	–	–
Non-current portion: Rental prepayment	**81 339**	68 807	36 530	**–**	–	–
	84 207	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. The current portion is disclosed under the prepayments section on the statement of financial position.

13. CASH AND DEPOSITS

Cash at banks and on hand	**775 954**	938 917	704 322	**6 135**	4 289	3 582
Bank overdraft	**(26 715)**	–	–	**–**	–	–
	749 239	938 917	704 322	**6 135**	4 289	3 582

Rate of interest earned on cash in bank varies between 1% and 8%.

14. SHARE CAPITAL

Authorised						
35 000 000 ordinary shares of one cent each	**350**	350	350	**350**	350	350

14. SHARE CAPITAL (continued)

Describe any changes in authorised share capital, e.g. conversion to net present value shares.

	GROUP			COMPANY		
	2016	2015	2014	**2016**	2015	2014
Reconciliation of number of shares issued:						
Opening balance: 25 189 811	**252**	252	252	**252**	252	252
(2015: 25 189 811 ordinary shares of one cent each						
Share buy-back for empowerment deal	**(2)**	–	–	**–**	–	–
Treasury shares held:	**(23)**	(25)	(23)	**–**	–	–
Opening balance: 2 534 230 shares	**(25)**	(23)	(20)	**–**	–	–
Shares disposed by The Cashbuild share Incentive Trust: 767 236	**7**	6	3	**–**	–	–
Share buy-back for empowerment deal	**2**	–	–	**–**	–	–
Shares purchased by The Cashbuild share Incentive Trust and The Cashbuild Operations Management Member Trust	**(2)**	(8)	(6)	**–**	–	–
Shares purchased by Cashbuild (South Africa) Proprietary Ltd	**(5)**	–	–	**–**	–	–
Issued	**227**	227	229	**252**	252	252

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	**772 500**	1 336 000	1 627 500	**772 500**	1 336 000	1 627 500
Options exercised	**(747 500)**	(558 500)	(266 500)	**(747 500)**	(558 500)	(266 500)
Options forfeited	**–**	(5 000)	(25 000)	**–**	(5 000)	(25 000)
Closing balance of outstanding options	**25 000**	772 500	1 336 000	**25 000**	772 500	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	**25 000**	548 712	408 500	**–**	–	–

Outstanding options	**5th Scheme**
Grant date	18 Apr 2013
Vesting date	18 Apr 2016
Exercise price	126,35
Expected option lifetime	4 years
Rolling volatility	24%
Dividend yield	3,2%
Risk-free rate	5,5%
Options remaining at 30 June 2016	25 000

During the year the fifth scheme vested, no options expired during the year.

	GROUP		COMPANY	
Share-based payment expense:	**June 2016**	June 2015	**June 2016**	June 2015
Opening balance	**45 091**	35 815	**35 815**	21 887
Share options expensed for the year:				
– Share Incentive Trust schemes	**–**	–	**–**	–
– second scheme	**–**	–	**–**	4 699
– third scheme	**–**	219	**219**	483
– fourth scheme	**–**	803	**803**	1 107
– fifth scheme	**5 483**	6 933	**6 933**	7 127
– Operational managers scheme*	**2 411**	1 321	**1 321**	512
Total vested	**52 985**	45 091	**45 091**	35 815

* 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 and the fourth year 2015 scheme has qualified for 9 685 shares. The fifth 2016 scheme has provisionally qualified for 13 296 shares at the end of June 2016.

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 Thoresson	A van Onselen	Total
1st Scheme – Fully vested pre-2014					
2nd Scheme					
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	50 000	100 000	100 000	100 000	350 000
Options granted	**–**	**–**	**–**	**–**	**–**
Exercised	**–**	**–**	**–**	**–**	**–**
30 June 2016	**–**	**–**	**–**	**–**	**–**
3rd Scheme					
No options granted to Directors	–	–	–	–	–
4th Scheme					
30 June 2014	100 000	–	–	–	100 000
Options granted	–	–	–	–	–
Exercised	(100 000)	–	–	–	(100 000)
30 June 2015	–	–	–	–	–
Options granted	**–**	**–**	**–**	**–**	**–**
Exercised	**–**	**–**	**–**	**–**	**–**
30 June 2016	**–**	**–**	**–**	**–**	**–**
5th Scheme					
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
Options granted	**–**	**–**	**–**	**–**	**–**
Exercised	**(100 000)**	**(75 000)**	**(75 000)**	**(75 000)**	**(325 000)**
30 June 2016	**–**	**–**	**–**	**–**	**–**
NET SHARE OPTIONS – 30 JUNE 2016	**–**	**–**	**–**	**–**	**–**

16. FOREIGN CURRENCY TRANSLATION RESERVE (FCTR)

	GROUP			COMPANY		
	2016	2015	2014	**2016**	2015	2014
Opening balance	**(4 289)**	(6 083)	(10 336)	**–**	–	–
Currency translation differences	**14 934**	1 794	4 253	**–**	–	–
Closing balance	**10 645**	(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 significant increased strength of the Pula and Kwacha against the Rand during the year compared to prior periods when this was more stable.

17. DEFERRED OPERATING LEASE LIABILITY

	GROUP			COMPANY		
	2016	2015	2014	**2016**	2015	2014
Deferred operating lease liability	**117 163**	104 453	98 620	**–**	–	–
Deferred lease incentives received	**1 700**	1 700	1 700	**–**	–	–
Realised lease incentives portion in profit and loss	**(388)**	(174)	(103)	**–**	–	–
	118 475	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:

	GROUP 2016	2015	2014	COMPANY 2016	2015	2014
Current portion	**11 450**	4 777	3 187	**–**	–	–
Non-current portion	**(129 925)**	(110 756)	(103 404)	**–**	–	–
	(118 475)	(105 979)	(100 217)	**–**	**–**	**–**

18. TRADE AND OTHER PAYABLES

	GROUP 2016	2015	2014	COMPANY 2016	2015	2014
Trade payables	**1 289 199**	1 140 951	911 829	**–**	–	–
VAT	**21 332**	13 971	22 087	**–**	–	–
Accruals	**112 550**	95 501	309 489	**6 045**	3 749	3 041
Refundable deposits held	**249 031**	209 701	–	**–**	–	–
Employee-related accruals	**111 931**	91 306	–	**–**	–	–
	1 784 043	1 551 430	1 243 405	**6 045**	3 749	3 041

Trade and other liabilities are unsecured and are payable within a period of 12 months.

19. FINANCE LEASE OBLIGATION

	GROUP 2016	2015	2014	COMPANY 2016	2015	2014
Non-current liabilities	**2 243**	–	–	**–**	–	–
Current liabilities	**1 110**	–	–	**–**	–	–
	3 353	–	–	**–**	–	–

Finance leases refer to those held by Rio Ridge 1027 Proprietary Ltd, whereby company policy is to lease certain motor vehicles and equipment under finance lease agreements.

The average lease term was five years and the average effective borrowing rate was 9.5% (2015: 8%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements for contingent rentals have been entered into.

Minimum lease payments due:

	GROUP 2016	2015	2014	COMPANY 2016	2015	2014
– within one year	**1 110**	–	–	**–**	–	–
– second to fifth year	**2 243**	–	–	**–**	–	–
	3 353	–	–	**–**	–	–
Less: Future finance charges	**(423)**	–	–	**–**	–	–
Present value of minimum lease payments	**2 930**	–	–	**–**	–	–

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20. BUSINESS COMBINATIONS: P&L HARDWARE

Effective 1 June 2016 the group acquired 100% of the voting equity interest of P&L Hardware, which resulted in the group obtaining control over P&L Hardware, which is principally involved in the retail of building materials in the rural Limpopo, Mpumalanga and Gauteng regions, and operating through 42 stores as at 30 June 2016. P&L Hardware consists of three companies being P&L Hardware Proprietary Ltd, P&L Boerebenodighede Investments Proprietary Ltd, and Rio Ridge 1027 Proprietary Ltd.

In line with Cashbuild's strategy for growing the business, the rationale for the acquisition is to expand Cashbuild's footprint and market share. Through the acquisition Cashbuild will enhance its position in the market as well as aspiring to bring quality building materials at the lowest prices to the communities in which it trades.

Goodwill of R267.3 million arising from the acquisition is attributable to the workforce and future profitability of the acquired business. Goodwill is not deductible for income tax purposes.

The assets and liabilities recognised as a result of the acquisition are as follows:

	R'000
Investment property	4 150
Property, plant and equipment	33 846
Related party loans receivable	3 653
Inventories	168 738
Trade and other receivables	8 100
Cash and deposits	7 939
Finance lease obligation	(3 440)
Deferred tax	(30 706)
Related party payables	(3 291)
Current tax payable	(1 986)
Trade and other payables	(130 035)
Bank overdraft	(36 840)
Contingent liability (see additional detail below)	(228)
VAT payable	(633)
Total identifiable net assets	19 267
Trademark acquired	96 409
Goodwill	267 332
	383 008
Purchase consideration	
Cash	(350 000)
Contingent consideration at fair value	(33 008)
	(383 008)

Valuation of assets and liabilities acquired

Financial instruments were valued at amortised cost using the effective interest rate method, this method being applicable to prepayments, related party payables and receivables, trade receivables, trade and other payables.

Investment property, vehicles and aircraft are fair valued with reference to market-based valuations. Other items of property, plant and equipment and inventories were valued at replacement cost.

Finance lease obligations are valued at the present value of the minimum lease payments, discounted at the interest rate applicable.

Contingent consideration arrangements

In the event that P&L Hardware achieves certain pre-determined profit-before-tax targets for the periods ending June 2017, June 2018 and June 2019, an additional maximum consideration of R80 million may be payable to the previous owners of P&L Hardware. The targets for these periods are stepped targets with a proportional additional consideration payable if profit before tax exceeds the stepped targets agreed for each period. Targets can also be achieved cumulatively over the three-year period ending June 2019.

The fair value of the contingent consideration of R33 million was determined by calculating the present value of future expected cash flows using a discount rate of 16.6%. The cash flows are based on probability adjusted estimates of future profit before tax of P&L Hardware for the periods June 2017, June 2018 and June 2019. In determining the estimated probability adjusted profit before tax values, management considered predicted future profit before tax, taking into account strategic expansions and management interventions given the historic performance of P&L Hardware.

Receivables acquired

Included in the value of trade and other receivables above, the fair value of acquired trade receivables is R1.8 million, after taking into account any provision for doubtfully collectable amounts of R0.9 million.

Contingent liabilities

There is pending litigation against P&L Hardware relating to a dispute with a supplier, whereby damages are being sought to the value of R0.2 million by the plaintiff. The Group's management and legal counsel consider the likelihood of the action succeeding as remote and the case should be concluded within the next two years.

Acquisition-related costs

The acquisition-related costs amounted to R3.4 million. These costs have been expensed in the year of acquisition and are included in administrative expenses in the income statement.

Outflow of cash to acquire subsidiary, net of cash acquired

Cash consideration	(350 000)
Less balances acquired:	(350 000)
– Cash	7 939
– Bank overdraft	(36 840)
Net cash outflow	**(378 901)**

Revenue and profit or loss of P&L Hardware

The acquired business of P&L Hardware contributed revenue of R61.5 million and net profit of R0.9 million to the group for the period from 1 June to 30 June 2016. Had a full 12-month results from 1 July 2015 to 30 June 2016 been included in these group financial statements, the total revenue and net profit contribution would have been R894 million and R35 million respectively.

21. EMPLOYEE BENEFITS

Cashbuild recognises a provision for its long service awards and retirement gift liabilities. The method used to value the liabilities is the Projected Unit Method prescribed by IAS 19. The liabilities have been calculated using the below assumptions;

Reconciliation of employee benefits

	Opening balance	Charge to income statement	Total
Long service awards	**4 884**	**479**	**5 363**

The principal assumptions used are as follows:

	June 2016	June 2015
Long service awards		
– Discount rate	**9.3% p.a**	12% p.a
– Salary inflation	**7.1% p.a**	6% p.a
– Benefit increase rate	**1.4% p.a**	1.2% p.a
Retirement gifts		
– Discount rate	**9.5% p.a**	12% p.a
– Salary inflation	**7.2% p.a**	6% p.a
– Benefit increase rate	**1.4% p.a**	1.2% p.a
Average retirement age		
– Males	**63**	63
– Females	**63**	63

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21. EMPLOYEE BENEFITS (continued)

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 2016, there were 4 991 (June 2015: 4 837) members, equal to 97% (June 2015: 98%) of staff, who were members of the retirement fund.

Post-employment medical aid benefit

The group has no post-employment medical aid liability.

22. REVENUE

	GROUP		COMPANY	
Figures in Rand thousand	**June 2016**	June 2015	**June 2016**	June 2015
Revenue comprises the sale of merchandise	**8 669 643**	7 692 646	**–**	–

23. EXPENSES BY NATURE

	GROUP		COMPANY	
Figures in Rand thousand	**June 2016**	June 2015	**June 2016**	June 2015
Depreciation and amortisation	**128 772**	120 521	**–**	–
Employee benefit expense (note 24)	**778 083**	631 223	**–**	–
Cost of goods sold	**6 404 966**	5 719 379	**–**	–
Net creation/(reversal) of provision for impaired receivables	**(2 160)**	137	**–**	–
Consumables	**1 746**	2 195	**–**	–
Delivery charges	**109 802**	106 224	**–**	–
Costs relating to business combination	**3 391**	–	**–**	–
Advertising expenses	**135 889**	126 672	**–**	–
Operating lease charges – premises	**226 560**	198 115	**–**	–
Bank and speedpoint charges	**60 548**	58 880	**–**	–
Auditor remuneration:				
Audit services	**8 783**	8 286	**–**	–
Taxation services	**1 323**	901	**–**	–
Outsourced services:				
Administrative	**7 957**	16 304	**–**	–
Technical	**6 077**	4 457	**–**	–
Secretarial	**871**	506	**–**	–
Other income (note 25)	**(9 773)**	(7 759)	**(212 835)**	(158 444)
Other expenses	**258 284**	117 281	**6 056**	2
	8 121 119	7 103 322	**(206 779)**	(158 442)
Classified as:				
Cost of sales	**6 404 966**	5 719 379	**–**	–
Selling and marketing expenses	**1 418 609**	1 161 479	**–**	–
Costs relating to BEE transaction	**63 052**	–	**–**	–
Administrative expenses	**241 142**	226 871	**6 056**	2
Operating expenses	**3 123**	3 352	**–**	–
Other income	**(9 773)**	(7 759)	**(212 835)**	(158 444)
	8 121 119	7 103 322	**(206 779)**	(158 442)

Figures in Rand thousand	GROUP June 2016	GROUP June 2015	COMPANY June 2016	COMPANY June 2015
24. EMPLOYEE BENEFIT EXPENSES				
Salary cost	**608 997**	534 293	**–**	–
Pension fund contributions – defined contribution fund	**83 167**	75 011	**–**	–
Distribution related to BEE transaction	**61 890**	–	**–**	–
Employee benefits – long service awards	**479**	283	**–**	–
Share-based payments	**7 894**	9 276	**–**	–
Dividends paid to participants of The Cashbuild Empowerment Trust	**15 656**	12 360	**–**	–
	778 083	631 223	**–**	–

The number of persons employed by the Group at 30 June 2016 was 5 147 (June 2015: 4 953). For details of The Cashbuild Empowerment Trust, refer to related parties note 40. The dividends arising from the shares held in this Trust are distributed to employees of the Group and therefore disclosed as an employee expense.

On 6 December 2010, a resolution was passed to repurchase 615 536 ordinary shares from the Cashbuild Empowerment Trust for a total consideration of R50 million. The proceeds on the share repurchase were distributed as a dividend to beneficiaries of the Trust, equal to R20 million. In the 2016 financial year, a resolution was passed to repurchase a further 200 000 shares from the Trust, which resulted in a distribution to the beneficiaries of the Trust of R62 million. As at 30 June 2016, The Cashbuild Empowerment Trust held 1 764 999 (June 2015: 1 964 999) shares in Cashbuild Limited.

Figures in Rand thousand	GROUP June 2016	GROUP June 2015	COMPANY June 2016	COMPANY June 2015
25. OTHER INCOME				
Rental-related income	**(15)**	(39)	**–**	–
Sundry income	**(468)**	–	**–**	–
Profit on sale of non-current assets and sundry income	**(9 290)**	(7 720)	**–**	–
Dividend income	**–**	–	**(212 835)**	(158 444)
	(9 773)	(7 759)	**(212 835)**	(158 444)
26. INTEREST PAID				
Finance lease and loan interest	**508**	424	**–**	–
Bank borrowings	**521**	8	**–**	–
Revenue authorities	**(51)**	759	**–**	–
Other	**(57)**	561	**–**	–
	921	1 752	**–**	–
27. INTEREST INCOME				
Bank balances	**(59 304)**	(39 676)	**–**	–
Revenue authorities	**(11 780)**	–	**–**	–
	(71 084)	(39 676)	**–**	–

	GROUP		COMPANY	
Figures in Rand thousand	**June 2016**	June 2015	**June 2016**	June 2015
28. TAXATION				
Major components of the tax expense				
Current				
Income tax – current period	**154 846**	126 998	**–**	–
Under/(over) provision in prior years	**2 573**	(3 119)	**–**	–
Securities transfer tax	**137**	–	**137**	–
CGT	**227**	–	**–**	–
Withholding tax	**2 444**	814	**–**	–
Foreign income tax – current period	**27 696**	20 777	**–**	–
Foreign income tax – under/(over) provision in prior periods	**802**	(56)	**–**	–
	188 725	145 414	**137**	–
Deferred				
Current year temporary differences	**(12 509)**	(7 246)	**–**	–
Prior year adjustments	**(1 072)**	194	**–**	–
Foreign – Current year temporary differences	**1 691**	307	**–**	–
Foreign – Prior year adjustments	**(104)**	379	**–**	–
Tax rate change	**(46)**	–	**–**	–
	(12 040)	(6 366)	**–**	–
Total tax expense for the period	**176 685**	139 048	**137**	–
	%	%	**%**	%
Reconciliation of the tax rate				
South African normal rate	**28.0**	28.0	**28.0**	28.0
Exempt income	**(2.5)**	(2.7)	**(28.0)**	(28.0)
Foreign tax at different rates	**(0.1)**	(0.2)	**–**	–
Under/over provision in prior years	**0.4**	(0.5)	**–**	–
Non-resident shareholders tax	**0.7**	1.3	**–**	–
Capital gains tax	**0.1**	–	**–**	–
Disallowed expenditure	**1.9**	1.8	**–**	–
Securities transfer tax	**0.1**	–	**0.1**	–
Effective tax rate	**28.6**	27.7	**0.1**	–

Exempt income relates to the sale of shares to fund the BEE transaction during the period, disallowed expenditure is due to capital expenditure incurred during the year which is non-deductible for tax purposes.

Figures in Rand thousand	GROUP June 2016	GROUP June 2015	COMPANY June 2016	COMPANY June 2015
29. CASH GENERATED FROM OPERATIONS				
Profit before taxation	**618 687**	499 377	**206 779**	158 442
Adjusted for:				
Depreciation of property, plant and equipment	**117 182**	105 821	**–**	–
Amortisation of intangible assets	**11 590**	14 700	**–**	–
Profit on disposal of assets held for sale	**(12 153)**	(9 496)	**–**	–
Loss on sale of other non-current assets	**2 864**	2 061	**–**	–
Interest received	**(71 084)**	(39 676)	**–**	–
Interest paid	**921**	1 752	**–**	–
Increase in deferred operating lease liability	**12 496**	5 762	**–**	–
Movement in employee benefits	**479**	283	**–**	–
Exchange differences on monetary assets	**(4 721)**	(436)	**–**	–
Share-based payments	**7 894**	9 276	**7 894**	9 276
Changes in working capital:				
Increase in inventories	**(170 360)**	(136 986)	**–**	–
Increase in trade and other receivables	**(6 100)**	(2 673)	**–**	(298)
Prepayments	**(12 532)**	(32 277)	**–**	–
Increase in trade and other payables	**266 555**	308 079	**2 296**	708
	761 718	725 567	**216 969**	168 128
30. TAX PAID				
Taxation owing at beginning of the year	**(43 387)**	(28 813)	**–**	–
Amount charged to income statement	**(176 685)**	(138 202)	**(137)**	–
Movement in deferred taxation	**(1 943)**	(7 213)	**–**	–
Amount owing at end of the year	**71 858**	43 387	**–**	–
Cash amounts paid	**(150 157)**	(130 841)	**(137)**	–
31. DIVIDENDS PAID				
Final dividend – prior year	**(76 192)**	(57 725)	**(84 638)**	(63 730)
Interim dividend – current year	**(116 327)**	(85 905)	**(128 197)**	(94 714)
Amounts paid to non-controlling shareholders	**(1 059)**	(980)	**–**	–
	(193 578)	(144 610)	**(212 835)**	(158 444)

Dividends paid are from capital profits.

	GROUP June 2016	GROUP June 2015	COMPANY June 2016	COMPANY June 2015
32. PROCEEDS ON DISPOSAL OF NON-CURRENT ASSETS				
Net book value	**7 342**	5 932	**–**	–
Loss on sale of assets	**(2 864)**	(2 061)	**–**	–
	4 478	3 871	**–**	–
33. PROCEEDS ON DISPOSAL OF ASSETS HELD FOR SALE				
Net book value	**10 089**	6 320	**–**	–
Profit on sale of assets	**12 153**	9 496	**–**	–
	22 242	15 816	**–**	–

For detail of assets held for sale and disposed during the year refer to note 10.

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34. CHANGE IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year, except for the change in accounting policy for advertising rebates.

During the year, the group changed its accounting policy with respect to the treatment of advertising rebates. "IFRS 15: Revenue from contracts with customers" provides more clarity on how the supplier should treat the payment of rebates to its customers: "An entity shall account for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service (as described in paragraphs 26 to 30) that the customer transfers to the entity." (IFRS 15 par 70).

Our advertising rebates result from the process of negotiating the best product price with the supplier and therefore Cashbuild does not provide distinct goods or services to its suppliers in exchange for the rebates. It is our view that the rebates paid by our suppliers would therefore be treated as a reduction of the suppliers' revenue in terms of IFRS 15. We believe that there should be symmetry in the accounting treatment of rebates by suppliers and customers. Therefore if the supplier is treating the rebate as a reduction of revenue, Cashbuild, as the customer, should account for rebates as a reduction in the purchase price of inventory, which will result in a reduction of cost of sales when inventory is sold.

Cashbuild previously classified these rebates with its selling and marketing expenses. It was concluded that the group's inventory accounting policy should be changed as a result of the additional guidance provided by IFRS 15 with regards to the accounting treatment of our rebates. Further, in accordance with "IAS 8: Accounting policies, changes in accounting estimates and errors", which results in information that is more relevant to the financial position and performance.

The change in accounting policy will be effective for the year ending June 2016 and will be applied retrospectively. This has therefore resulted in a restatement of the comparative 2015 and 2014 figures on the balance sheet. The aggregate effect of the changes in accounting policy on the annual financial statements for these periods as follows:

	Restated 2015	Impact of change	2015	Restated 2014	Impact of change	2014
Inventory	1 048 624	(24 505)	1 073 129	911 582	(21 453)	933 035
Current tax payable	(36 595)	6 792	(43 387)	(22 868)	5 945	(28 813)
Retained earnings	(1 410 081)	17 775	(1 427 856)	(1 198 071)	15 562	(1 213 633)
Non-controlling interest	(20 483)	(64)	(20 419)	(15 450)	(55)	(15 395)
Cost of sales	5 719 379	(124 821)	5 844 200	5 061 672	(114 234)	5 175 906
Gross profit	(1 973 267)	(124 821)	(1 848 446)	(1 719 602)	(114 234)	(1 605 368)
Selling and marketing expenses	1 289 350	127 871	1 161 479	1 162 536	110 986	1 051 550
Operating income	(461 453)	3 050	(464 503)	(360 815)	(3 249)	(357 566)
Tax expense	138 202	(846)	139 048	111 980	944	111 036
Non-controlling interest share of profit	4 472	9	4 463	3 593	55	3 538
Attributable earnings	(356 703)	2 213	(358 916)	(268 165)	(2 250)	(265 915)
Impact on earnings per share	1 547,2	(9,6)	1 556,8	1 157,3	9,7	1 147,6
Impact on headline earnings per share	1 518,6	(9,6)	1 528,2	1 154,3	9,7	1 144,6
Impact on net asset value per share	5 258	(71)	5 329	4 920	62	4 858
Impact on gross profit percentage	25.7%	1.7%	24.0%	25.4%	1.7%	23.7%

	GROUP		COMPANY	
Figures in Rand thousand	**June 2016**	June 2015	**June 2016**	June 2015
35. BORROWING POWERS				
Banking facilities				
Flexible term general banking facilities	**62 660**	62 660	**–**	–
Unutilised banking facilities	**62 660**	62 660	**–**	–

In terms of the Articles of Association of the Group, the borrowing powers of Cashbuild Limited are unrestricted. Refer to note 19 for details of these borrowings.

Figures in Rand thousand	GROUP June 2016	GROUP June 2015	COMPANY June 2016	COMPANY June 2015

36. COMMITMENTS

Capital commitments				
Capital expenditure to be funded from internal resources as approved by the Directors:				
Authorised and contracted for	**15 821**	26 194	**–**	–
Authorised by Directors, but not contracted for	**83 697**	105 134	**–**	–
Total commitments	**99 518**	131 328	**–**	–
Capital commitments for the 12 months after accounting date	**83 697**	105 134	**–**	–

Nedbank Limited has issued guarantees of R11.7 million (June 2015: R0.8 million) on behalf of the group for contracts entered into by the group. The group has other bond guarantees of R1.2 million (June 2015: R1.4 million).

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 2015: 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	**333 237**	298 222	**–**	–
– Later than one year – not later than five years	**689 574**	590 639	**–**	–
– Later than five years	**579 861**	434 052	**–**	–
Total future cash flows	**1 602 672**	1 322 913	**–**	–
Straight-lining of leases already accrued in statement of financial position	**(118 475)**	(105 979)	**–**	–
Future expenses	**1 484 197**	1 216 934	**–**	–

37. 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 has 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	**437 442**	356 703	**206 642**	158 442
Weighted number of ordinary shares in issue	**22 779**	23 055	**24 990**	25 190
Basic earnings per share (cents)	**1 920,4**	1 547,2	**826,9**	629,0
Weighted number of ordinary shares in issue				
Ordinary shares in issue at beginning of the year	**25 190**	25 190	**24 990**	25 190
Less: Weighted average number of treasury shares:				
– The Cashbuild Share Incentive Trust	**(445)**	(151)	**–**	–
– The Cashbuild Empowerment Trust	**(1 853)**	(1 965)	**–**	–
– The Cashbuild Operations Management Member Trust	**(15)**	(19)	**–**	–
– Cashbuild South Africa Proprietary Ltd	**(98)**	–	**–**	–
	22 779	23 055	**24 990**	25 190

37. 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 thousand	**June 2016**	June 2015	**June 2016**	June 2015
Attributable earnings	**437 442**	356 703	**206 642**	158 442
Fully diluted weighted average number of ordinary shares in issue ('000)	**22 789**	23 357	**25 000**	25 492
Fully diluted basic earnings per share (cents)	**1 919,5**	1 527,2	**826,6**	621,5
Fully diluted weighted average number of ordinary shares in issue:				
Weighted number of ordinary shares in issue	**22 779**	23 055	**24 990**	25 190
Share options	**10**	302	**10**	302
	22 789	23 357	**25 000**	25 492

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.

	GROUP June 2016	GROUP June 2015	COMPANY June 2016	COMPANY June 2015
Reconciliation between attributable earnings and headline earnings:				
Attributable earnings	**437 442**	356 703	**206 642**	158 442
Adjusted for:				
Net gains on disposal of property, plant and equipment	**(6 566)**	(6 585)	**–**	–
Gross gains on disposal of property, plant and equipment	**(9 586)**	(7 435)	**–**	–
Tax effect	**3 020**	850	**–**	–
Headline earnings	**430 876**	350 118	**206 642**	158 442
Headline earnings	**430 876**	350 118	**206 642**	158 442
Weighted average number of ordinary shares in issue ('000)	**22 779**	23 055	**24 990**	25 190
Headline earnings per share (cents)	**1 891,5**	1 518,6	**826,9**	629,0
Headline earnings	**430 876**	350 118	**206 642**	158 442
Fully diluted weighted average number of ordinary shares in issue ('000)	**22 789**	23 357	**25 000**	25 414
Fully diluted headline earnings per share (cents)	**1 890,7**	1 499,0	**826,6**	623,4
Dividends per share (cents)				
Interim: No 46 paid on 29 March 2016 (2015: No 44 paid on 30 March 2015)	**513,00**	376,00	**513,00**	376,00
Final: No 47 payable on 30 September 2016 (2015: No 45 paid on 28 September 2015)	**488,00**	336,00	**375,00**	336,00

For details of dividends declared after reporting date refer to the directors' report.

38. CONTINGENCIES

The group has contingent liabilities in respect of bank and other guarantees in the ordinary course of business from which it is anticipated that no material liabilities will arise. These guarantees consist of amounts held in the interests of suppliers, landlords and revenue authorities.

A fair value contingent consideration of R33 million has been recognised as a result of the P&L Hardware business combination (refer to note 20). The total contingent consideration payable is R80 million. The residual undiscounted portion of this contingent consideration has been included below:

	GROUP		COMPANY	
Figures in Rand thousand	**June 2016**	June 2015	**June 2016**	June 2015
Bank guarantees	**13 102**	2 216	**–**	–
Contingent consideration	**28 625**	–	**–**	–
	41 727	2 216	**–**	–

39. 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 five 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. P&L Hardware has been aggregated in the South African segment.

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 2016:

	South Africa	*Other members of common monetary area	Botswana and Malawi	Group
Income statement				
– External	**7 649 200**	**601 403**	**419 040**	**8 669 643**
– Internal	**88**	**–**	**–**	**88**
Operating profit	**454 893**	**51 995**	**41 636**	**548 524**
Finance cost	**(767)**	**(39)**	**(115)**	**(921)**
Finance income	**51 937**	**16 554**	**2 593**	**71 084**
Profit before tax	**506 062**	**68 510**	**44 115**	**618 687**
Income tax expense				**(176 685)**
Profit for the year				**442 002**
Statement of financial position				
Segment assets	**2 813 493**	**434 769**	**271 896**	**3 520 158**
Segment liabilities	**1 815 133**	**148 937**	**90 663**	**2 054 733**
Depreciation	**105 268**	**5 600**	**6 313**	**117 181**
Amortisation	**11 389**	**68**	**133**	**11 590**
Capital investment	**565 120**	**15 442**	**11 593**	**592 155**

39. SEGMENTAL INFORMATION (continued)

Segmental information for the year ended 30 June 2015 (Restated):

Figures in Rand thousand	South Africa	*Other members of common monetary area	Botswana and Malawi	Group
Income statement				
– External	6 732 667	599 648	360 331	7 692 646
– Internal	99	–	–	99
Operating profit	391 396	48 117	21 940	461 453
Finance cost	(1 120)	(462)	(170)	(1 752)
Finance income	25 732	13 005	939	39 676
Profit before tax	416 008	60 660	22 709	499 377
Income tax expense				(138 202)
Profit for the year				361 175
Statement of financial position				
Segment assets	2 436 090	391 485	216 348	3 043 923
Segment liabilities	1 471 326	148 566	78 997	1 698 889
Depreciation	95 394	5 400	5 027	105 821
Amortisation	14 700	–	–	14 700
Capital investment	148 522	8 731	11 349	168 602

* Includes Namibia, Swaziland and Lesotho

40. RELATED PARTIES

Cashbuild Limited is the ultimate holding company, holding 100% directly in Cashbuild (Management Services) Proprietary Ltd. Cashbuild (Management Services) Proprietary Ltd holds shares in several other companies, shareholding varies between 50% to 100%. All the companies are subsidiaries of Cashbuild (Management Services) Proprietary Ltd and sub-subsidiaries of Cashbuild Limited.

Subsidiaries

Name of company	Domicile	Issued share capital	June 2016	June 2015	Nature
DIRECTLY HELD					
Cashbuild (Management Services) Proprietary Ltd		**R1**	**100%**	100%	**1**
INDIRECTLY HELD					
Cashbuild (Botswana) Proprietary Ltd	**A**	**P1 500 000**	**100%**	100%	**2**
Cashbuild (Lesotho) Proprietary Ltd	**B**	**M100 000**	**80%**	80%	**2**
Cashbuild Lilongwe Ltd	**C**	**MWK100 000**	**51%**	51%	**2**
Cashbuild (Namibia) Proprietary Ltd	**D**	**N$1**	**100%**	100%	**2**
Cashbuild (South Africa) Proprietary Ltd		**R54 000**	**100%**	100%	**2**
Cashbuild (Swaziland) Proprietary Ltd	**E**	**E500**	**100%**	100%	**2**
Roofbuild Trusses Proprietary Ltd		**R100**	**100%**	100%	**2**
Cashbuild Zambia Ltd	**F**	**ZMK2**	**100%**	50%	**3**
P&L Hardware Proprietary Ltd		**R100**	**100%**	–	**2**
P&L Boerebenodighede Investments Proprietary Ltd		**R1 000**	**100%**	–	**2**
Rio Ridge 1027 Proprietary Ltd		**R100**	**100%**	–	**2**
Cashbuild Kanye Proprietary Ltd	**A**	**P2**	**100%**	100%	**3**
Tradebuild Proprietary Ltd		**R4**	**100%**	100%	**3**
Cashbuild (KwaNdebele) Proprietary Ltd		**R200 000**	**100%**	100%	**4**
Cashbuild (Transkei) Proprietary Ltd		**R250 000**	**100%**	100%	**4**
Cashbuild (Venda Properties) Proprietary Ltd		**–**	**100%**	100%	**4**
Cashbuild Properties Proprietary Ltd		**R1**	**100%**	100%	**4**

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	
F. Zambia	

Transactions and balances which exist on individual company levels within the group are appropriately eliminated on consolidation. Inter-company loans are unsecured and bear no interest. External related party balances and transactions for the Cashbuild group are disclosed below:

June 2016 (R'000)	Receivables balance	Payables balance	Sales	Purchases	Contingent receivable	Contingent liability
– André Prinsloo: CEO of P&L Hardware	–	–	–	–	–	33 008
– Kier & Cawder Proprietary Ltd: Minority shareholders of Cashbuild Lilongwe	–	1 960	–	–	–	–
– Vanda Products Proprietary Ltd: Related party of P&L Hardware Proprietary Ltd	102	–	–	–	–	–
– Changing Tides 31 Proprietary Ltd: Related party of P&L Hardware Proprietary Ltd	4	–	–	–	–	–
– Exploit Tools Proprietary Ltd: Related party of P&L Hardware Proprietary Ltd	–	–	–	157	–	–
– André Prinsloo Trust	1	–	–	–	–	–
– Optimprops 90 Proprietary Ltd: Related party of P&L Hardware Proprietary Ltd	47	–	–	1 465	–	–
– UBM P and L (Pvt) Ltd: Related party of P&L Hardware Proprietary Ltd	1 023	–	428	–	–	–
	1 177	1 960	428	1 622	–	33 008

June 2015 (R'000)	Receivables balance	Payables balance	Sales	Purchases	Contingent receivable	Contingent liability
– Kier & Cawder Proprietary Ltd: Minority shareholders of Cashbuild Lilongwe	–	1 960	–	–	–	–
	–	1 960	–	–	–	–

Directors' remuneration

Non-executive	Executive
D Masson (passed away March 2016)	WF de Jager
IS Fourie	AE Prowse
HH Hickey	SA Thoresson
AGW Knock	A van Onselen
Dr DSS Lushaba	
NV Simamane	

Directors' information is fully disclosed in note 41. There are no loans held between directors and any of the companies in the group.

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40. RELATED PARTIES (continued)

Key management compensation

Figures in Rand thousand	June 2016	June 2015
Short-term employee benefits*	**64 748**	9 714
Bonus/bonus accruals	**8 375**	5 780
Pension fund contributions	**1 078**	817
	74 201	16 311

*This includes amounts paid for exercised share options totalling R52.1 million.

Key management are members of management who are non-directors, however, are graded as executive management. Prescribed Officers, paid by the subsidiary company Cashbuild (South Africa) Proprietary Ltd, for the year ended 30 June 2016:

	Basic salary	Bonus*	Expenses and travelling allowances	Other material benefits**	Pension scheme contributions	Share options exercised	Total
A Hattingh	**1 392**	**1 012**	**194**	**-**	**134**	**1 052**	**3 784**
W Dreyer	**1 290**	**941**	**114**	**67**	**129**	**7 894**	**10 435**
IAC de Beer	**1 350**	**1 048**	**356**	**89**	**121**	**10 525**	**13 489**
	4 032	**3 001**	**664**	**156**	**384**	**11 577**	**27 708**

There are no loans held between key management and any of the companies in the group. I A C de Beer retired from the Group at the end of the financial year.

Top three earners other than Directors and Prescribed Officers for the year ended 30 June 2016:

	Basic salary	Bonus*	Expenses and travelling allowances	Other material benefits**	Pension scheme contributions	Share options exercised	Total
PA Champion	**1 107**	**867**	**152**	**121**	**113**	**7 894**	**10 254**
AHS Havenga	**1 310**	**865**	**66**	**-**	**125**	**7 894**	**10 260**
WP van Aswegen	**1 432**	**986**	**151**	**-**	**139**	**7 894**	**10 602**
	3 849	**2 718**	**369**	**121**	**377**	**23 682**	**31 116**

The following share options have been granted, but not yet vested, to the following key managers for the year ended 30 June 2016:

	Movement for the year	Balance at 30 June 2016	Movement for the year	Balance at 30 June 2015	Balance at 30 June 2014
PA Champion	**(37 500)**	**-**	–	37 500	37 500
IAC de Beer	**(50 000)**	**-**	–	50 000	50 000
W Dreyer	**(37 500)**	**-**	–	37 500	37 500
A Hattingh	**(5 000)**	**-**	–	5 000	5 000
AHS Havenga	**(37 500)**	**-**	(50 000)	37 500	87 500
G Mead	**(37 500)**	**-**	(8 500)	37 500	46 000
WP van Aswegen	**(37 500)**	**-**	–	37 500	37 500
	(242 500)	**-**	(58 500)	242 500	301 000

* 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.

The Cashbuild Share Incentive Trust

Cashbuild (South Africa) Proprietary Limited, a wholly-owned subsidiary within the group, purchased shares in Cashbuild Limited 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 2016	June 2015
Shares subject to the scheme at beginning of period	**548 712**	408 500
Share purchased by the Trust	**228 788**	698 712
Share options exercised	**(752 500)**	(558 500)
Shares held in the Trust for future allocations	**25 000**	548 712

The Cashbuild Empowerment Trust

In terms of the broad-based BEE transaction approved by the shareholders on 7 February 2005, 2 580 535 shares were issued to the Cashbuild Empowerment Trust. The shares were issued for a total consideration of R75.1 million (R29.09 per share). The trust was funded by way of an interest-free loan from Cashbuild (Management Services) Proprietary Ltd. As at 30 June 2016, Cashbuild Limited had 24 989 811 (June 2015: 25 189 811) shares in issue.

On 6 December 2010 a resolution was passed to repurchase 615 536 ordinary shares, at R81.23 per share, from the Cashbuild Empowerment Trust for a total consideration of R50 million. The proceeds on the share repurchase were distributed as a dividend to beneficiaries of the Trust, equal to R20 million. In the 2016 financial year a resolution was passed to repurchase a further 200 000 shares, at R309.45 per share, from the Trust, which resulted in a distribution to the beneficiaries of the Trust of R61.89 million, which excludes transaction costs associated with the transaction of R1.62 million. As at 30 June 2016, The Cashbuild Empowerment Trust held 1 764 999 (June 2015: 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 2016	June 2015
– Final 2015 (2014)	**6 602**	4 971
– Interim 2016 (2015)	**9 054**	7 389
– Share buy-back	**61 890**	–
	77 546	12 360

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.

41. DIRECTORS' INFORMATION

Executive Directors

Directors' emoluments for the year ended 30 June 2016:

Figures in Rand thousand	Basic salary	Bonus*	Expenses and travelling allowances	Other material benefits**	Company's pension scheme contributions	Share options exercised	Total
WF de Jager	**2 916**	**2 787**	**139**	**65**	**273**	**20 839**	**27 019**
A van Onselen	**2 239**	**1 760**	**136**	**63**	**197**	**16 228**	**20 623**
AE Prowse	**1 976**	**1 538**	**154**	**–**	**155**	**15 798**	**19 621**
SA Thoresson	**1 779**	**1 409**	**253**	**–**	**162**	**16 228**	**19 831**
	8 910	**7 494**	**682**	**128**	**787**	**69 093**	**87 094**

Directors' emoluments for the year ended 30 June 2015:

	Basic salary	Bonus*	Expenses and travelling allowances	Other material benefits**	Company's pension scheme contributions	Share options exercised	Total
WF 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
AE Prowse	1 848	1 268	142	–	146	13 410	16 814
SA Thoresson	1 664	1 162	275	–	152	13 401	16 654
	8 320	6 236	680	143	739	58 260	74 378

* Bonuses refer to bonuses paid and accrued for and are authorised by the Remuneration Committee.
** "Other material benefits" include contributions to medical aid.

Securities issued

The following share options have been granted and vested to the following directors for the year ended 30 June 2016 (refer to note 15 for details of the share options schemes):

	Movement for the period	Balance at 30 June 2016	Movement for the period	Balance at 30 June 2015	Balance at 30 June 2014
WF de Jager	**(100 000)**	**-**	(150 000)	100 000	250 000
A van Onselen	**(75 000)**	**-**	(100 000)	75 000	175 000
AE Prowse	**(75 000)**	**-**	(100 000)	75 000	175 000
SA Thoresson	**(75 000)**	**-**	(100 000)	75 000	175 000
	(325 000)	**-**	(450 000)	325 000	775 000

41. DIRECTORS' INFORMATION (continued)

Non-Executive Directors

Directors' emoluments for the year ended 30 June 2016:

Figures in Rand thousand	Directors' fees	Expenses and travelling allowances	Total
IS Fourie	**531**	**–**	**531**
HH Hickey	**365**	**–**	**365**
AGW Knock	**428**	**–**	**428**
Dr DSS Lushaba	**326**	**–**	**326**
D Masson	**348**	**–**	**348**
NV Simamane	**436**	**–**	**436**
	2 434	**–**	**2 434**

Directors' emoluments for the year ended 30 June 2015:

	Directors' fees	Expenses and travelling allowances	Total*
IS Fourie	327	–	327
HH Hickey	324	–	324
AGW Knock	328	–	328
Dr DSS Lushaba	313	–	313
D Masson	495	–	495
NV Simamane	352	–	352
	2 139	–	2 139

* Updated to reflect the final approved and paid remuneration values

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42. SHAREHOLDERS' ANALYSIS (UNAUDITED)

Listed below is an analysis of holdings extracted from the register of ordinary holders at 30 June 2016:

	% Holding	No. of shares
Directors	0.23	56 700
The Cashbuild Share Incentive Trust	0.10	25 000
The Cashbuild Empowerment Trust	7.06	1 764 999
The Cashbuild Operations Management Member Trust	0.04	9 083
Banks	21.59	5 395 178
Cashbuild (South Africa) Proprietary Ltd	1.97	492 662
Brokers	0.56	140 675
Close Corporations	6.16	1 538 955
Endowment Funds	0.02	6 000
Individuals	6.86	1 713 180
Hedge Funds	0.73	182 959
Insurance Companies	3.14	785 160
Investment Companies	0.01	3 677
Medical Aid Schemes	0.21	51 444
Mutual Funds	11.41	2 852 490
Nominees and Trusts	20.48	5 118 810
Other Corporations	0.39	97 496
Pension Funds	16.59	4 145 020
Private Companies	1.22	305 345
Public Companies	1.01	252 978
Sovereign Wealth Fund	0.22	52 000
	100.00	24 989 811
Portfolio size		
1 – 1 000	21.38	5 341 732
1 001 – 5 000	2.28	569 768
5 001 – 100 000	12.21	3 050 498
100 001 – 1 000 000	26.78	6 693 299
1 000 001 – over	37.35	9 334 514
	100.00	24 989 811

The following shareholders held in excess of 5% of the shares of the Group at 30 June 2016:

	% Holding	No. of shares
Public Investment Corporation Limited	11.87	2 967 054
Goldrick, PK	9.75	2 436 673
The Cashbuild Empowerment Trust	7.06	1 764 999
SRA Investments CC	6.00	1 500 000

Directors' shareholding in main register 30 June 2016:

	Holders	No. of shares
AE Prowse	2	54 500
NV Simamane	1	1 200
WF de Jager	1	1 000
	4	56 700

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	14.40	3 879 647
Private companies	2.28	573 598
Public companies	0.94	236 588
	100.00	25 189 811
Portfolio size		
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
1 000 001 – over	42.00	10 578 696
	100.00	25 189 811

The following shareholders held in excess of 5% of the shares of the Group at 30 June 2015:

	% Holding	No. of shares
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

Directors' shareholding in main register 30 June 2015:

	Holders	No. of shares
AE Prowse	1	27 500
NV Simamane	1	1 200
	2	28 700

SHAREHOLDERS' ANALYSIS

Public/Non-public shareholders	Number of shareholders	%	Number of shares	%
Non-public shareholders	8	0.36	2 348 444	9.40
– Directors' holdings	4	0.18	56 700	0.23
– Empowerment	1	0.05	1 764 999	7.06
– Share Trusts	1	0.04	25 000	0.10
– Ops Trusts	1	0.04	9 083	0.04
– Company-related	1	0.05	492 662	1.97
Public shareholders	2 188	99.64	22 641 367	90.60
Total	**2 196**	**100.00**	**24 989 811**	**100.00**

For more information on the shareholders' analysis refer to note 42 of the Annual Financial Statements.

SHAREHOLDERS' DIARY

Final results published	30 August 2016
Final dividend paid	26 September 2016
2016 Integrated Report posted to shareholders	October 2016
Annual General Meeting	5 December 2016
Interim results for the six months ending 31 December 2016	March 2017
Annual results for the year ending 30 June 2017	September 2017

NOTICE OF ANNUAL GENERAL MEETING

CASHBUILD LIMITED
(Incorporated in the Republic of South Africa)
Registration number 1986/001503/06
ISIN: ZAE000028320
JSE code: CSB
("Cashbuild" or "the Company" or "the Group")

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, 5 December 2016 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 (Independent Auditor's Report)

TO RESOLVE that the Independent Auditor's Report be taken as read.

2. Ordinary Resolution number two (Adoption of Annual Financial Statements)

TO RESOLVE to adopt the Annual Financial Statements of the Company and the Group for the financial year ended 30 June 2016, together with the reports of the Directors and Auditor.

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 the Annual General Meeting.

3. Ordinary Resolution number three (Re-election of Director: Ms HH Hickey)

TO RESOLVE to re-elect Ms HH Hickey (Independent Non-Executive Director), who became a Director on 1 July 2012, and who retires by rotation but, being eligible, offers herself for re-election.

Qualifications:	BCompt (Hons) (University of South Africa), CA(SA)
Directorships:	As below:
	Omnia Limited
	African Dawn Capital
	Pan African Resources
	Northam Platinum Limited
Trustee:	Sentinel Retirement Fund

Member of the Cashbuild Social and Ethics Committee and Chairperson of the Audit and Risk Committee

4. Ordinary Resolution number four (Re-election of Director: Dr DSS Lushaba)

TO RESOLVE to re-elect Dr DSS Lushaba (Independent Non-Executive Director), who became a Director on 1 July 2011, and who retires by rotation but, being eligible, offers himself for re-election.

Qualifications:	BSc (Hons) (Zululand) MBA (Wales), DBA (UKZN), CD(SA)
Work Experience:	Dr Lushaba's work experience includes:
	General Manager Operations (Spoornet)
	Chief Executive (Rand Water)
	Vice-President (Lonmin Platinum)
	Current facilitator of corporate governance programmes of the Institute of Directors Southern Africa
Directorships:	As below:
	South African Post Office (Chairman)
	Harmony Gold Ltd
	GVSC (Pty) Ltd
	Member of Council – University of Johannesburg

Member of the Cashbuild Audit and Risk Committee and a member of the Remuneration Committee.

5. Ordinary Resolution number five (Re-appointment of Auditor)

TO RESOLVE, subject to the Audit and Risk Committee being satisfied as to the Auditor's independence, to re-appoint PricewaterhouseCoopers Inc. as the Auditor for the current financial year ending 30 June 2017. 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 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 Committee members)

TO RESOLVE, as provided in section 94 of the Companies Act, which requires each Annual General Meeting of a public company to elect an Audit Committee comprising at least three members, to elect the following Directors to serve as members of the Audit and Risk Committee, by separate resolutions:

6.1 Ordinary Resolution number six

Ms NV Simamane

6.2 Ordinary Resolution number seven

Dr SS Lushaba (Subject to the passing of Ordinary Resolution number four)

6.3 Ordinary Resolution number eight

Ms HH Hickey (Subject to the passing of Ordinary Resolution number three)

7. Ordinary Resolution number nine (Non-binding advisory vote on the Company's remuneration policy)

TO RESOLVE, by a non-binding advisory vote, that the Company's remuneration policy as set out on page 54 of the Integrated Report is endorsed.

8. Special Resolution number one (Remuneration of Non-Executive Directors)

TO RESOLVE that the remuneration for the Non-Executive Directors, for the period 1 July 2016 to 30 June 2017, as set out below is approved.

			Payable
Annual retainer	Chairman	250 000	Annually
	Director	157 000	Annually
Board and strategy meetings	Chairman	43 000	Each meeting
	Director	22 500	Each meeting
Audit and Risk Committee meetings	Chairman	17 000	Each meeting
	Director	13 500	Each meeting
All other meetings	Chairman	15 000	Each meeting
	Director	12 000	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.

9. Special Resolution number two (Financial assistance in terms of section 45 of the Companies Act to associated or Group companies)

TO RESOLVE 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 two

Special Resolution number two is required in order to authorise financial assistance by the Company to other associated or Group companies.

In terms of section 45 of the 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. directly or indirectly, its subsidiaries, unless such financial assistance is pursuant to a Special Resolution of shareholders. This Special Resolution does not authorise the provision of financial assistance to a Director or Prescribed Officer of the Company.

In terms of the treasury management function and policies of the Group, Cashbuild is required, from time to time, to provide financial assistance to other entities within the Group to ensure that these entities maintain appropriate liquidity levels.

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 two 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.

10. Special Resolution number three (Amendment of clause 14 of the Memorandum of Incorporation to provide for the treatment of fractions and for all distributions to shareholders to be made by Electronic Fund Transfer)

TO RESOLVE to amend article 14 of the Company's Memorandum of Incorporation, to provide for the treatment of fractions and for all distributions to shareholders to be made by Electronic Fund Transfer.

The amendment of Article 14 of the Memorandum of Incorporation is proposed due to a change in the JSE Listings Requirements and to provide for payments to shareholders by Electronic Fund Transfer. The changes have been approved by the JSE.

The Memorandum of Incorporation will be available for inspection at the registered office of Cashbuild from the date of this Notice of Annual General Meeting up to and including the date of the Annual General 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.

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, 25 November 2016.

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

29 August 2016

FORM OF PROXY

CASHBUILD LIMITED

(Incorporated in the Republic of South Africa)
Registration number 1986/001503/06
ISIN: ZAE000028320
JSE code: CSB
("Cashbuild" or "the Company" or "the Group")

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, 5 December 2016 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, 5 December 2016 at 10:00 and at any adjournment thereof, in the Cashbuild boardroom, corner 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 (one vote per share)		
		For	Against	Abstain
1.	Ordinary Resolution number one: Independent Auditor's Report			
2.	Ordinary Resolution number two: Adoption of Annual Financial Statements			
3.	Ordinary Resolution number three: Re-election of Director: Ms HH Hickey			
4.	Ordinary Resolution number four: Re-election of Director: Dr DSS Lushaba			
5.	Ordinary Resolution number five: Re-appointment of Auditor			
6.	Ordinary resolutions numbers six, seven, and eight. By separate resolutions, to appoint the following members to the Audit and Risk Committee			
	6.1 Ordinary Resolution number six: Ms NV Simamane			
	6.2 Ordinary Resolution number seven: Dr DSS Lushaba			
	6.3 Ordinary Resolution number eight: Ms HH Hickey			
7.	Ordinary Resolution number nine: Non-binding advisory vote on the Company's remuneration policy			
8.	Special Resolution number one: Remuneration of Non-Executive Directors			
9.	Special Resolution number two: Financial assistance in terms of section 45 of the Companies Act to associated or Group companies			
10.	Special Resolution number three: Amendment of clause 14 of the Memorandum of Incorporation to provide for the treatment of fractions and for all distributions to shareholders to be made by Electronic Fund Transfer.			

Signed at on 2016

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 proxy form.

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 Form of Proxy to:

   Computershare Investor Services Proprietary Limited

   Hand deliveries

   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 not 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.

"AGM" Annual General Meeting

"Basic EPS" Earnings for the year attributable to equity holders of Cashbuild divided by the weighted average number of ordinary shares in issue during the year

"B-BBEE" Broad-Based Black Economic Empowerment

"BEE" Black Economic Empowerment

"CAGR" Compounded Annual Growth Rate

"Cashbuild" or **"the Group"** Cashbuild Limited and its subsidiaries

"CB" Cashbuild

"CGR" Corporate Governance Report contained within the Integrated Report

"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 Depositary Participants

"CSI" Corporate Social Investment

"DEA" Department of Environmental Affairs

"Dividend cover" EPS divided by dividend per share

"DWT" Dividend Withholding Tax

"Earnings yield" HEPS as a percentage of market value per share

"EBIT" Earnings before interest and taxation

"ED" Enterprise Development

"EDRA" European DIY Retail Association

"EE" Employment Equity

"EPS" Earnings per share

"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

"IR" Integrated Report 2016

"IFRS" International Financial Reporting Standards

"ILO" International Labour Organisation

"IRAS" Integrated Reporting and Assurance Services

"IT" Information Technology

"JSE" JSE Limited

"King III" King Report on Corporate Governance for South Africa 2009

"Listings Requirements" Listings Requirements of the JSE

"Ltd" Limited

"LTI" Long-Term Incentive

"MOI" Memorandum of Incorporation

"N/A" Not applicable

"NAV" Net asset value

"NAV per share" The net asset value of the Company divided by the number of shares in issue, after deducting treasury shares, at the end of the year

"NQF" National Qualifications Framework

"OHSAS" Occupational Health and Safety Advisory Service

"Operating profit margin" Operating profit as a percentage of revenue

"OR" Ordinary Resolution

"PDI" Previously Disadvantaged Individual

"PE" Price earnings, market value per share divided by HEPS

"Pty" Proprietary

"PwC" PricewaterhouseCoopers Inc.

"RMR" Risk Management Review

"ROCE" Return on Capital Employed

"SABS" South African Bureau of Standards

"SARS" South African Revenue Services

"SECOM" Social and Ethics Committee

"SENS" Stock Exchange News Service

"SETA" Sector Education and Training Authority

"SHE" Safety, Health and Environment

"SKU" Stock Keeping Unit

"SPR" Special Resolution

"SR" Sustainability Report contained within the Integrated Report

"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 2016

"the next year" The financial year ending 30 June 2017

"the previous year" The financial year ended 30 June 2015

"TSR" Total Shareholder Return

"UN" United Nations

"WACC" Weighted-Average Cost of Capital

CORPORATE INFORMATION

Registration number	1986/001503/06
Share code	CSB
ISIN	ZAE000028320
Registered office	101 Northern Parkway, Ormonde, Johannesburg, 2001
Postal address	PO Box 90115, Bertsham, 2013
Telephone number	+27 (0) 11 248 1500
Facsimile	+27 (0) 86 666 3291
Website	www.cashbuild.co.za
Company Secretary	Corporate Governance Leaders CC
Sponsor	Nedbank CIB, a division of Nedbank Group Limited (Registration number 1966/010630/06) 135 Rivonia Road, Sandown, 2196 (PO Box 1144, Johannesburg, 2000)
Auditor	PricewaterhouseCoopers Inc 2 Eglin Road, Sunninghill, Johannesburg, 2157 (Private Bag X36, Sunninghill, 2157)
Transfer Secretaries	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07) Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107)
Investor Relations	Keyter Rech Investor Solutions CC (Registration number 2008/156985/23) Fountain Grove, 5 – 2nd Street, Hyde Park, 2195 (PO Box 653078, Benmore, 2010)
Transactional Bankers	Nedcor Bank, a division of Nedbank Group Limited The Standard Bank of South Africa Limited First National Bank, a division of FirstRand Limited