



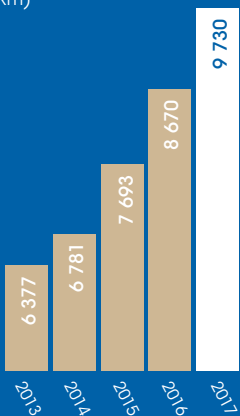
Cashbuild

INTEGRATED REPORT

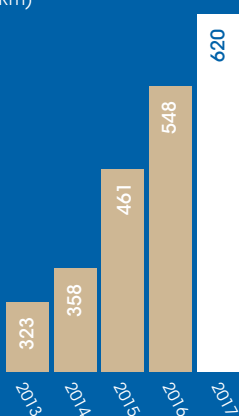
2017

Financial highlights

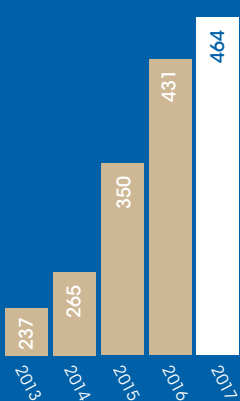
Revenue ▲ 12%
(Rm)



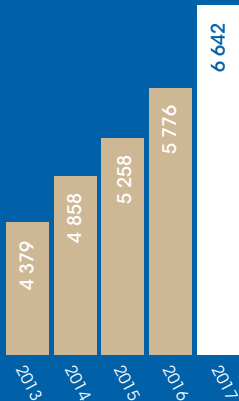
Operating profit ▲ 13%
(Rm)



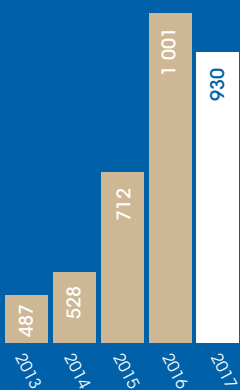
Headline earnings ▲ 8%
(Rm)



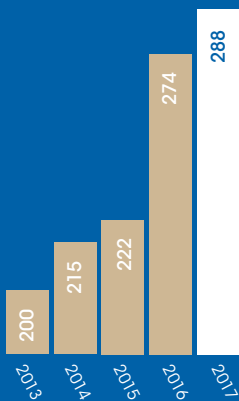
NAV per share ▲ 15%
(cents)



Total dividend ▼ 7%
(cents)



Space growth* ▲ 5%
(stores)



*Excludes DIY stores

Contents

About the report	Inside front cover
About Cashbuild	2
Group highlights	4
Cashbuild at a glance	5
Vision, mission and core values	6
The “Cashbuild Way”	8
The Cashbuild Capitals	9
Our business model	10
Our organisational structure	12
Our geographical footprint	13
Our stakeholders	14
<i>Value-added Statement</i>	15
Our strategy	16
Chairman’s Report	18
Chief Executive’s Report	20
Our material risks	23
Our opportunities	27
Our directorate	28
 Sustainability and Corporate Governance	 30
Sustainability report	32
<i>Financial Capital</i>	34
<i>Human Capital</i>	36
<i>Social Capital</i>	42
<i>Intellectual Capital</i>	44
<i>Manufactured Capital</i>	45
<i>Natural Capital</i>	46
Corporate Governance Report	48
Remuneration Report	54
IT Governance Report	60
Social and Ethics Report	61
 Annual Financial Statements	 64
Directors’ responsibilities and approval	66
Audit and Risk Committee Report	67
Directors’ Report	71
Company Secretary’s Certification	74
Independent Auditor’s Report	75
Income Statement	83
Statement of Comprehensive Income	84
Statement of Financial Position	85
Statement of Changes in Equity	86
Statement of Cash Flows	88
Accounting Policies	89
Notes to the Annual Financial Statements	99
 General Information	 136
Shareholders’ analysis	138
Shareholders’ diary	138
Notice of Annual General Meeting	139
Form of Proxy	143
Abbreviations and definitions	145
Corporate information	146



About the report

This Integrated Report provides an overview of our activities as Cashbuild for the financial year ended 30 June 2017.

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. Cashbuild has started incorporating certain principles of King IV with full adoption by year ending 30 June 2018.

How to read this report



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

- *Principles in terms 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 145 of this report.



Read more

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

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

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

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

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

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 2016 Integrated Report. Cashbuild continues to enhance the report and follows the guidelines provided by the International Integrated Reporting Framework in terms of reporting according to the Six Capitals. This reflects on the Group's current and anticipated financial performance in line with its strategic objectives. The Company has also published its application of the Principles, in terms of the JSE Listings Requirements, on its website.

The Board has considered the volume and complexity of the information in 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 and further detail pertaining to these risks and opportunities is specified 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 independent 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 commences on page 75 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 BEE scorecard for the current financial year. Please refer to page 40 for more detail on our scorecard and current BEE rating. In accordance with paragraph 16.20(g) and Appendix 1 to Section 11 of the JSE Listings Requirements, notice is hereby given that the Company's annual compliance report in terms of section 13G(2) of the Broad-Based Black Economic Empowerment Act has been published on the Group's website.

About Cashbuild

Group highlights	4
Cashbuild at a glance	5
Vision, mission and core values	6
The "Cashbuild Way"	8
The Cashbuild Capitals	9
Our business model	10
Our organisational structure	12
Our geographical footprint	13
Our stakeholders	14
Our strategy	16
Chairman's Report	18
Chief Executive's Report	20
Our material risks	23
Our opportunities	27
Our directorate	28











16 new stores
opened during
2017

Group highlights

Cashbuild delivered the following highlights for the year ended 30 June 2017 following its strategic sustainability approach and aligning them with the Six Capitals as set out in the International Integrated Reporting Framework:

				30 June 2017	30 June 2016
	Financial Capital				
	Revenue	R'000	12.2	9 729 640	8 669 643
	Operating profit	R'000	13.0	619 997	548 524
	Profit before taxation	R'000	6.2	657 026	618 687
	Attributable earnings	R'000	6.3	464 991	437 442
	Headline earnings	R'000	7.8	464 433	430 876
	HEPS	Cents	8.1	2 045	1 892
	Dividend per share	Cents	(7.1)	930	1 001
	NAV per share ¹	Cents	15.0	6 642	5 776
	Cash and cash equivalents	R'000	7.0	801 420	749 239
	Manufactured Capital				
	Number of stores ²		4.6	297	284
	Number of trading weeks		-	52	52
	Average basket size	Rands	3.8	549	529
	Total wealth created / distributed and reinvested	Rands	4.6	1 598 954	1 529 007
	Rental prepayments on store developer contracts	R'000	(75.1)	2 786	11 171
	Human Capital				
	Number of employees		5.6	6 365	6 029
	Revenue per employee ³	R'000	(1.4)	1 529	1 550
	BEE Contributor Level			8	Non-compliant
	New employees		42.0	1 658	1 168
	Intellectual Capital				
	Learnerships granted		>100	217	50
	Bursary students		42.9	10	7
	Social Capital				
	Number of schools contributed to		2.9	247	240
	Value of school contributions	R'000	3.8	3 738	3 600
	Payments for delivery driver employment	R'000	4.1	143 424	137 756
	Total CSI spend	R'000	4.1	147 162	141 356
	Natural Capital				
	Total number of stores converted through energy conservation projects to date		12.0	131	117

¹ Based on ordinary number of shares in issue.

² Includes 46 (2016: 42) P&L Hardware stores and 9 (2016: 10) Cashbuild DIY stores.

³ P&L Hardware's one month trading in 2016 has been annualised for calculation.

Cashbuild at a glance

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

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

P&L Hardware, acquired on 1 June 2016, was founded in 1982 and is a complementary fit with Cashbuild with a business model well suited for Cashbuild's expansion strategy.



Our footprint encompasses 297 stores (2016: 284 stores) including 46 (2016: 42) P&L Hardware stores and nine (2016: 10) Cashbuild DIY pilot stores spread across six countries throughout Southern Africa.

We employ 6 365 committed employees (2016: 6 029) and contracted 317 (2016: 307) equally committed delivery contractors and service providers as at 30 June 2017.



Our achievements in store growth and broadening our footprint, as well as our relationships we have built in the past have stood us in good stead given the current economic climate across Southern Africa. We continue to build our relationships through our commitment to mutual growth and our sound strategies for sustainability.

Vision, mission and core values

OUR VISION

- what we strive for

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



OUR MISSION

- our undertaking

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

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

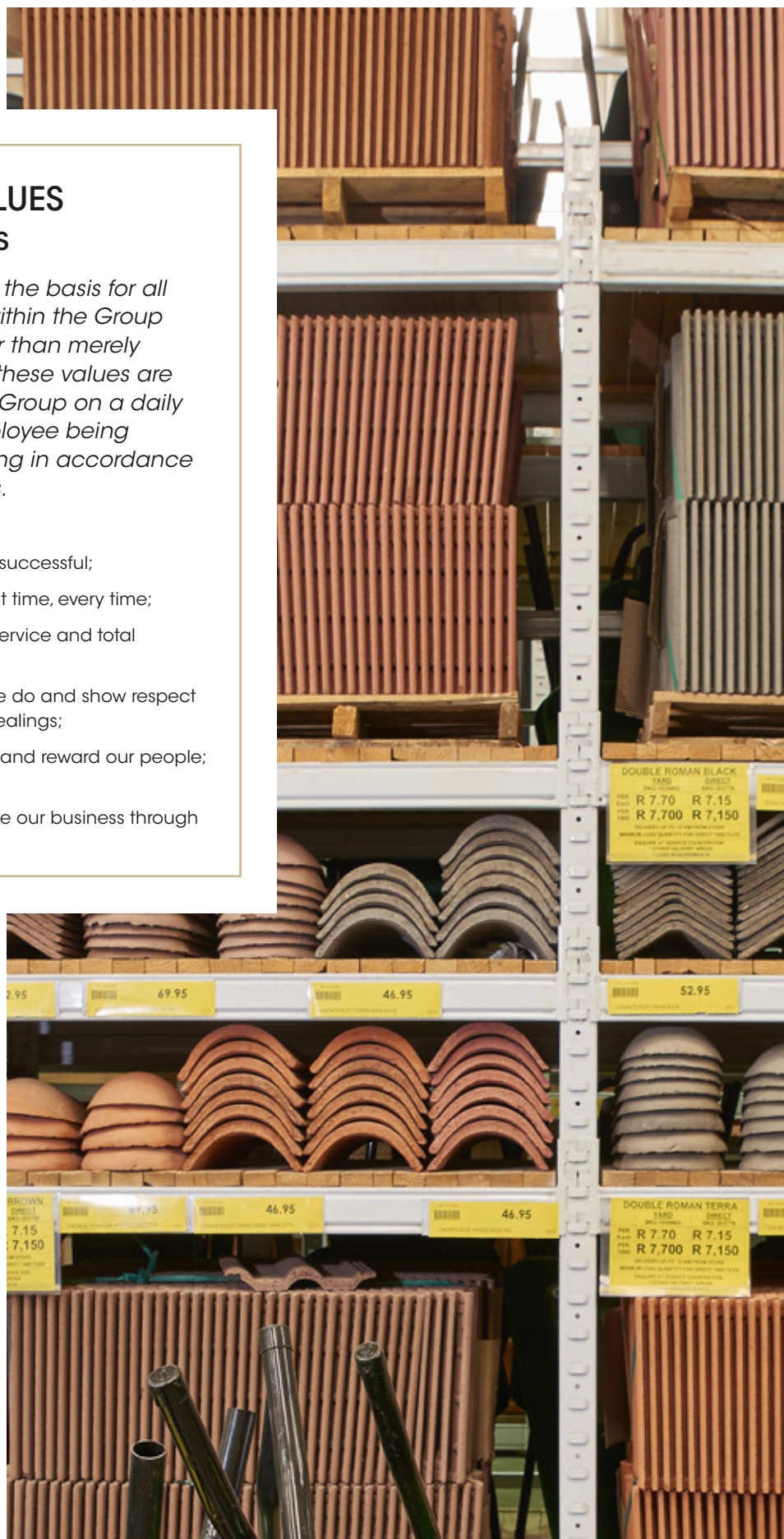
- Our ability to understand our customers and markets, which enables us to offer a focused range of products and services suited to the specific needs of each of these markets;
- Our mutually beneficial relationships with our suppliers, substantial buying power and ability to control costs, which enables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

OUR CORE VALUES - our principles

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 deliver exceptional service and total customer satisfaction;
- We take pride in what we do and show respect and honesty in all our dealings;
- We empower, recognise and reward our people; and
- We manage and improve our business through the Cashbuild Way.



The “Cashbuild Way”

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 best value. We aim to ensure a pleasant shopping experience for all our customers in each of our 297 stores located throughout Southern Africa with conveniently located stores, quality products, reputable brands and value-added services. Our customers are provided with in-store expertise, advice and assistance as well as various loyalty programmes, credit services, online shopping and a free local delivery service.

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

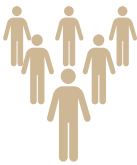
The Cashbuild Capitals

What we strive for



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 our 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 encourage 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

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



SOCIAL CAPITAL

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



INTELLECTUAL CAPITAL

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



MANUFACTURED CAPITAL

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



NATURAL CAPITAL

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

Operations



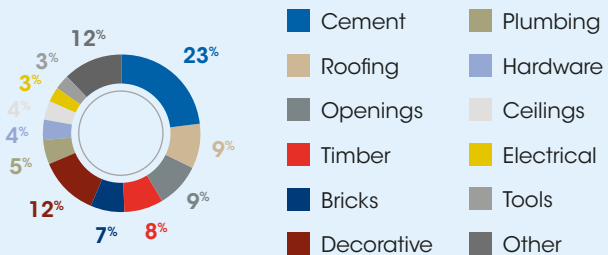
SUPPLIERS

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



PRODUCTS

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



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

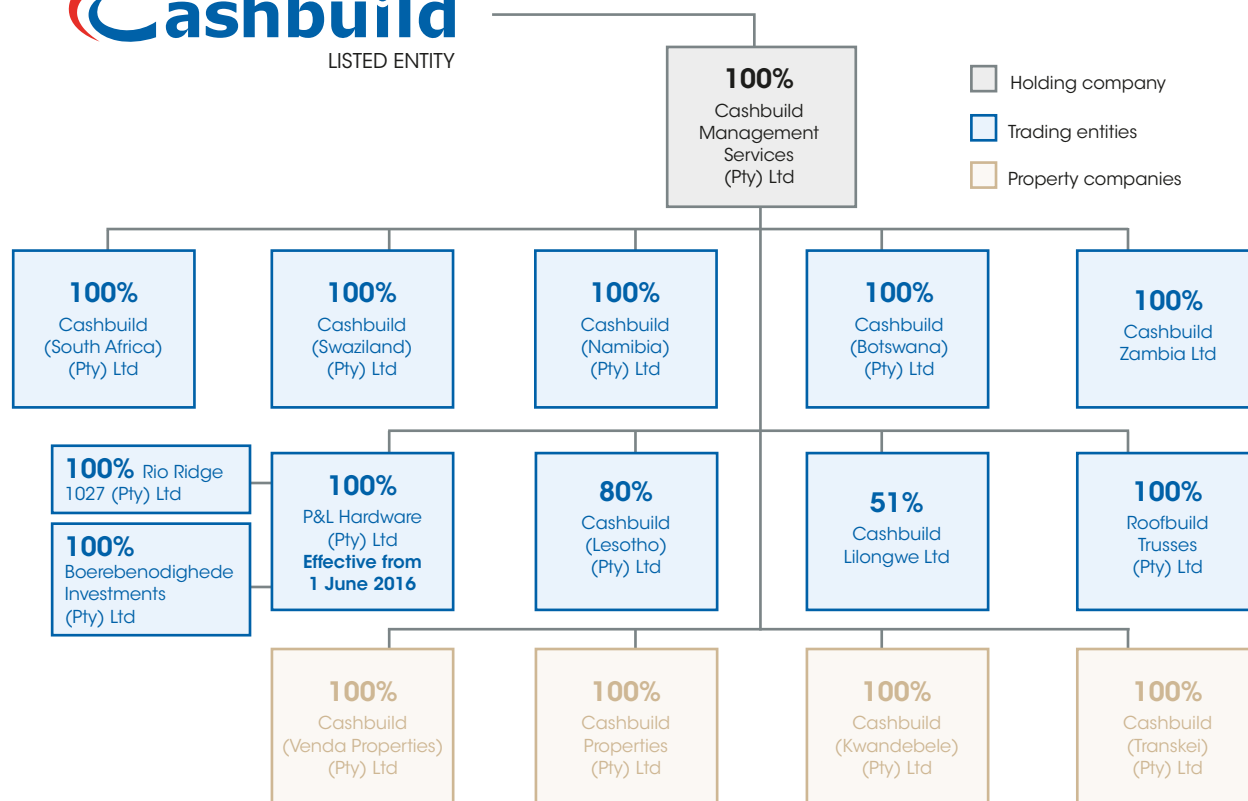
In addition to our in-store expertise, advice and assistance we provide clients with a free local delivery service, an online store, credit services and various loyalty programmes.

Outputs		Outcomes	
	FINANCIAL CAPITAL <ul style="list-style-type: none"> • Revenue growth • Cost saving • New, refurbished and relocated stores • Informed shareholders 	FINANCIAL CAPITAL  34	<ul style="list-style-type: none"> • Increased profitability • Improved market share growth • Improved shareholder return • Remain industry leader
	 HUMAN CAPITAL <ul style="list-style-type: none"> • Increased PDI employment • Skilled workforce • Low staff turnover • Healthy staff morale • Decreased injuries 	HUMAN CAPITAL  36	<ul style="list-style-type: none"> • Improved PDI management representation • Considered employer of choice • Attract and retain best people • Staff continuity • Continued profit sharing
	 SOCIAL CAPITAL <ul style="list-style-type: none"> • Create local employment opportunities • Art-at-Heart (School contributions) • Support entrepreneurs • Loyal customers 	SOCIAL CAPITAL  42	<ul style="list-style-type: none"> • Community upliftment • Encourage entrepreneurship • Improved brand loyalty • Good corporate citizen
	 INTELLECTUAL CAPITAL <ul style="list-style-type: none"> • Proven management team • Succession plan • Best practice policies and procedures 	INTELLECTUAL CAPITAL  44	<ul style="list-style-type: none"> • Maintain robust policies and procedures • Proven management team • Considered employer of choice
	 MANUFACTURED CAPITAL <ul style="list-style-type: none"> • Good quality products at best value • No "grey" goods • "Every day best value" – marketing • Loyal customers 	MANUFACTURED CAPITAL  45	<ul style="list-style-type: none"> • Expanded customer base • Suppliers with same ethical values • Continued safe environment • Sustainable profits
	 NATURAL CAPITAL <ul style="list-style-type: none"> • Energy efficient • Low carbon footprint • Reduced water consumption • Clean environment 	NATURAL CAPITAL  46	<ul style="list-style-type: none"> • Sustainable business practices

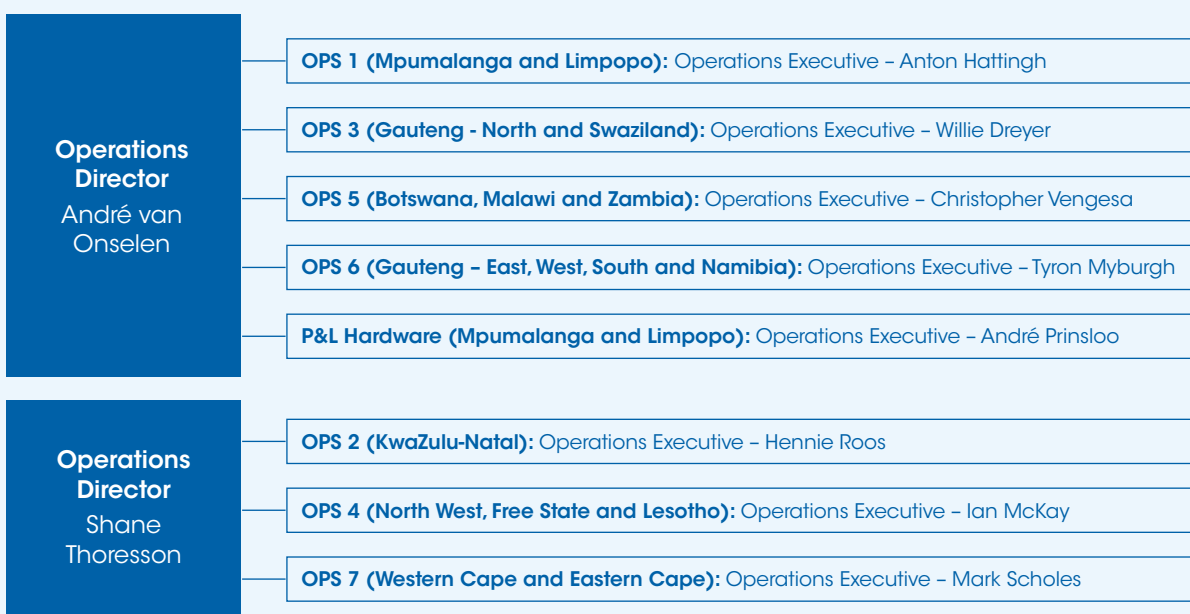
Our organisational structure



LISTED ENTITY



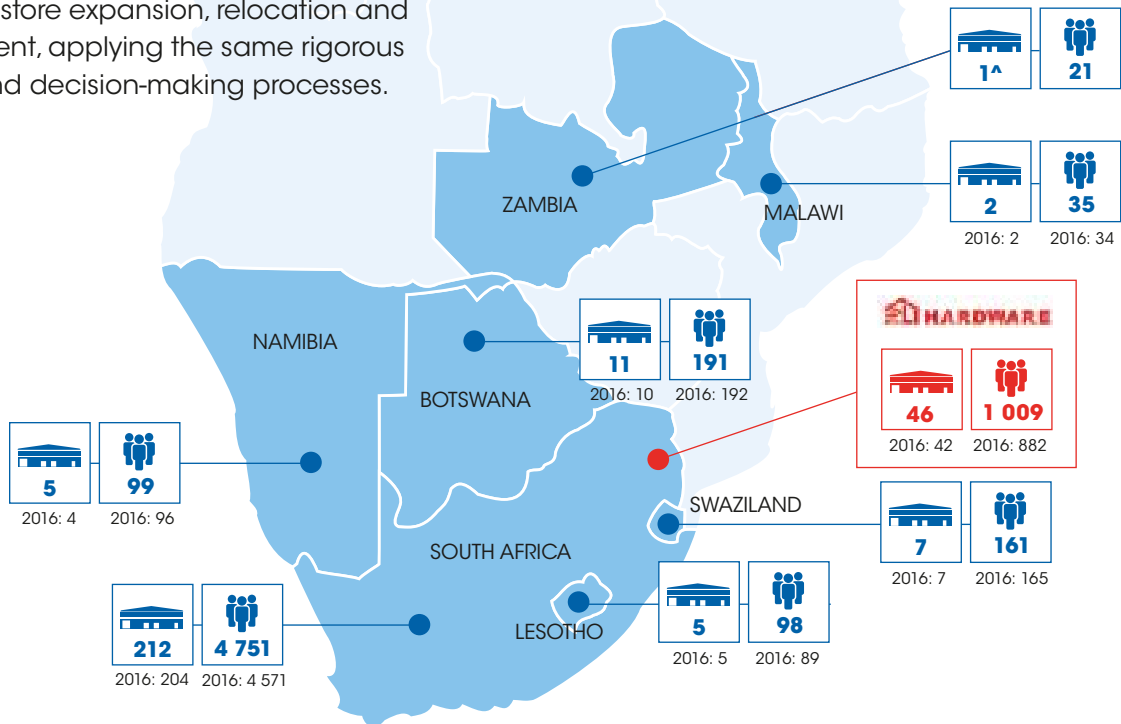
The Group's reporting structure differs from its organisational structure. The Group is organised into different operational areas, headed by an Operations Executive, who in turn reports to one of the Operations Directors. The Operations Executives, together with the Operations Directors, are members of Exco.



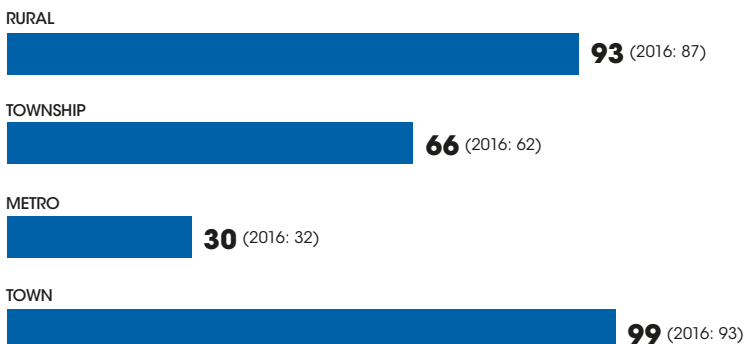
Our geographical footprint

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

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



Location of stores*



Total number of stores*



Total number of employees



* Excludes 9 (2016: 10) DIY pilot stores.

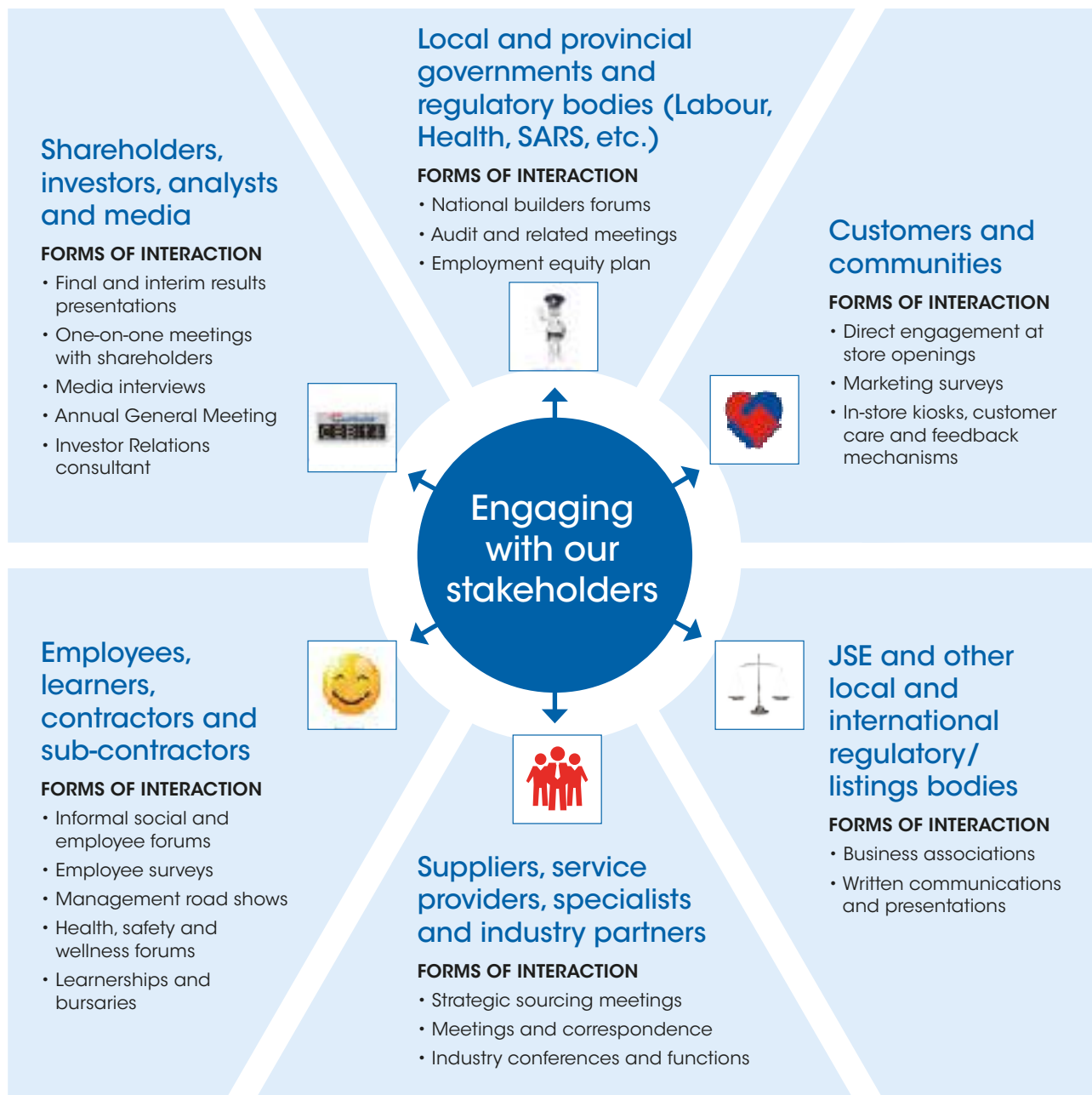
[^] Store opened in Kabwe, Zambia on 24 August 2017.

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 from 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.



General forms of interaction

- Website and social media
- 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 2017	%	30 June 2016	% change
Revenue	9 729 640		8 669 643	
Less: Cost of merchandise and expenses	(8 171 501)		(7 255 105)	
Value-added from trading operations	1 558 139		1 414 538	
Interest received from investments	40 814		59 303	
Total wealth created	1 598 953	100.0	1 473 841	100.0
Allocated as follows:				
To employees – salaries and benefits	793 005	49.7	778 083	52.8
To Government – Group taxation	197 336	12.3	150 157	10.2
To providers of capital:	241 822	15.1	198 108	13.4
Dividends to shareholders	234 023	14.6	192 519	13.0
Interest on borrowings	3 304	0.2	1 029	0.1
Minorities' interest	4 495	0.3	4 560	0.3
Wealth distributed	1 232 163	77.1	1 126 348	76.4
To retain for re-investment in the Group	366 790	22.9	347 493	23.6
Depreciation and amortisation	134 294	8.4	128 772	8.8
Income retained in the business	232 496	14.5	218 721	14.8
Total wealth distributed and reinvested	1 598 953	100.0	1 473 841	100.0

Statistics	30 June 2017	30 June 2016	% change
Number of employees	6 365	6 029	5.6
Wealth created per employee ¹	251	257	(2.3)
Wealth distributed per employee ¹	194	197	(1.5)
Revenue per employee ¹	1 529	1 550	(1.4)

¹ P&L Hardware's one month trading in 2016 has been annualised for calculation.

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



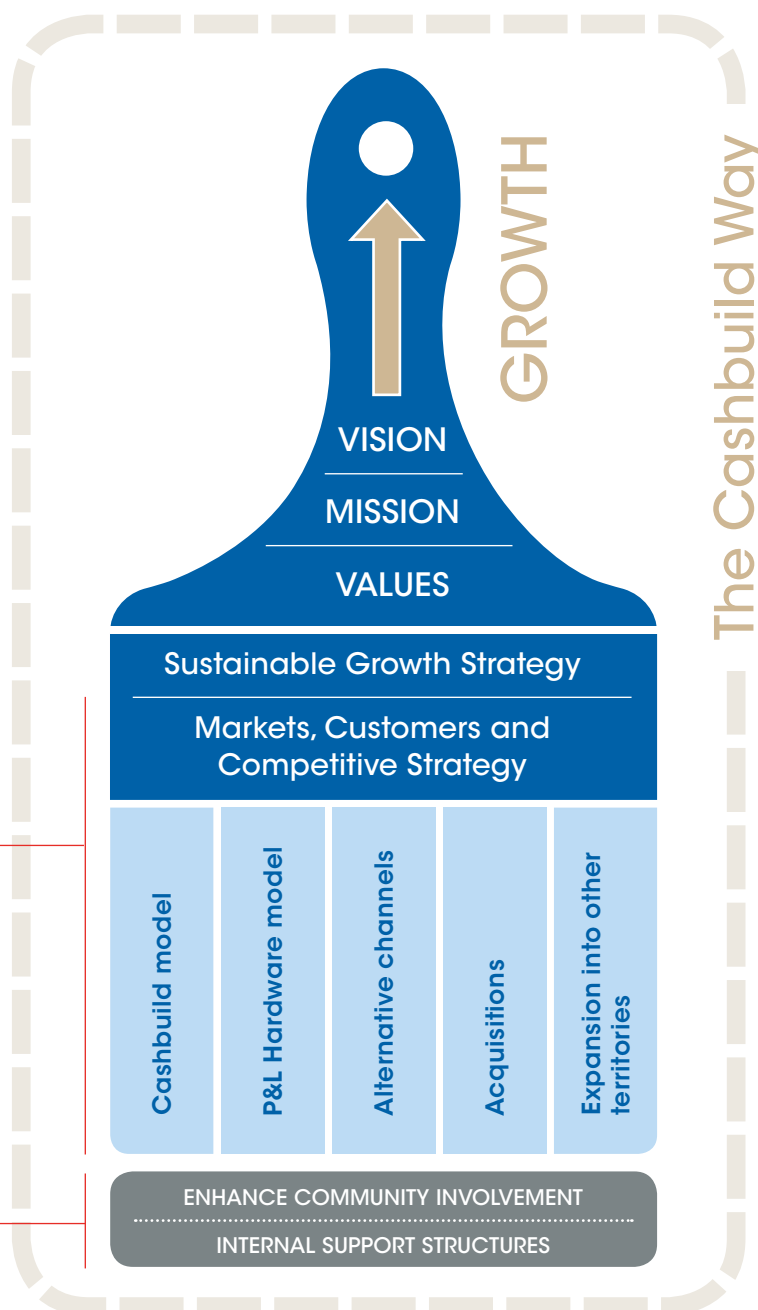
Our strategy

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.

Our strategy of growth is achieved through

various channels

supported by



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.

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



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

"Cashbuild's results for the 2017 financial year are reflective of the challenges faced by the Group. We believe that the Group is well positioned for any recovery in the economy and that its strategy is robust."



The results for the year ended 30 June 2017 are reflective of the highly competitive environment as well as the challenging macro-economic conditions faced by the Group. The P&L Hardware addition to our existing Cashbuild business has been beneficial and positively contributed to the Group's performance.

The Board revisited the Group's vision, mission, core values and strategy this year to ensure that they are still relevant and reflect what we strive for, our undertakings and our principles. The Cashbuild Way model together with the robust strategy of the Group have culminated in the results presented in this Integrated Report.

We continue to grow our market share through increasing our store numbers, exploring alternative business models, generating additional sales channels, expansion into additional African countries, like Zambia, and through acquisitions, like P&L Hardware.

Our aim is to open at least 10 new Cashbuild stores per annum, taking into consideration the prevailing market conditions.

Despite the tough market conditions during the 2017 financial year, we managed to open 16 new stores, 12 Cashbuild-branded stores and four P&L Hardware-branded stores.

The Group subscribes to good corporate governance practices and the philosophy of the Code of Corporate Practices and Conduct as set out in the King III Report, related JSE Listings Requirements and the International Integrated Reporting Framework by the International Integrated Reporting Council. Our Integrated Report covers the Group's results, achievements and practices in terms of the Six Capitals as set out in the International Integrated Reporting Framework. Cashbuild remains committed to complying with all legislation, regulations and best practices in every country and jurisdiction where it conducts business. Our Corporate Governance Report, commencing on page 48, sets out our principles and policies in more detail.

We assess the key risks associated with operating in the construction and building retail sector each year. Our material principal risks relevant to Cashbuild, our mitigation plan on how we address and manage each of the identified risks are set out in this Integrated Report. 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. Cashbuild's internal controls are contained in the Audit and Risk Committee Report on pages 67 to 70. We not only identify risks, but also opportunities to ensure that stakeholder value is continuously created and unlocked.

Cashbuild's BEE rating moved from non-compliant to Level 8 during the October 2016 assessment. We continuously strive to improve our empowerment rating.

Despite the tough trading conditions, Cashbuild invested R147 million (2016: R141 million), equating to a 4.1% increase, in the communities in which it operates by supporting viable initiatives. The details of these CSI initiatives are set out in detail on pages 42 and 43 of this report.

The performance of Cashbuild is inextricably linked to the dedication and commitment of the management team and staff. On behalf of the Board, my thanks go to Werner de Jager and his team for their exceptional work during the year. To my fellow Board members, once again, your support has been very valuable, and I thank you too for your insight and time devoted to Cashbuild.

Stefan Fourie
Chairman

28 August 2017

CSI SPEND
↑ 4%
to R147 m



BEE STATUS
↑ Level 8
(2016: Non-compliant)



ADOPTING
King IV
FOR 2018



Chief Executive's Report

"Cashbuild successfully bedded down the P&L Hardware acquisition effective June 2016. We believe that the fundamentals and business model are solid and in place for future growth."



The year at a glance

We experienced one of our more challenging financial years, mainly due to the consumer being under severe pressure, a more competitive landscape as well as our other African operations delivering disappointing numbers as a result of negative economic influences.

Our stated strategy together with our fundamental principles resulted in the Group reporting:

- Revenue growth of 12% to R9.7 billion;
- Gross profit (rands banked) growth of 10% to R2.5 billion;
- Operating expenses, excluding 2016's BEE cost, remained at similar levels in existing stores;
- An operating profit margin of 6.4%; and
- Headline earnings of R464 million.

We opened in total 16 new stores, consisting of 12 new Cashbuild stores and four P&L Hardware stores, refurbished 12 stores, relocated two stores and closed two stores for the year ended 30 June 2017.

We have concluded the acquisition of the Buffalo Timber business operations, post year-end and we are awaiting Competition Commission approval. Buffalo Timber owns seven stores situated in the Eastern Cape. We will be converting and re-branding these stores to P&L Hardware stores.

We have also taken a decision to discontinue the Cashbuild DIY store concept but continue with the P&L Hardware business model. The nine existing Cashbuild DIY stores will, once their lease expires, either be converted to P&L Hardware stores or Cashbuild stores, depending on the store location, or closed if necessary.

The "Mystery Shopping" initiative implemented last year has been concluded and a "Be Great" customer service programme will be rolled out in September 2017 to ensure that we continuously improve the service experience for our valued customers.

There were some significant changes in the DIY retailer and home improvement market during the year with the entry of Leroy Merlin, a French company within the ADEO Group. ADEO is the third largest DIY retail company in the world with a strong track record. Although not a direct competitor to Cashbuild, we are definitely expecting them to increase competitive pressure in the home improvement market in the higher LSM consumer market.

In addition, the proposed merger between PPC and Afrisam has also created uncertainty in the cement market. Our own cement brand, Champion, has done exceptionally well with cement remaining our top product offering in our stores.

Our Bursary Programme continues to grow and this year we had 10 students, eight studying B Tech Retail Management and two studying B Com Finance.

Cashbuild's sustainability initiatives and governance related matters are set out in detail in the Sustainability and Corporate Governance section of this Integrated Report commencing on pages 32 and 48, respectively.

Financial review

Group revenue for the year increased by 12% from R8.7 billion (June 2016) to R9.7 billion. The increase is primarily attributable to the P&L Hardware acquisition, accounting for 10% of the growth. Revenue for our existing 228 stores, opened prior to 1 July 2015, decreased by 2% while our new stores contributed 4% to revenue growth. Selling price inflation of only 2% was achieved in this adverse environment. Gross profit percentage decreased to 25.5% from 26.1% in the prior year.

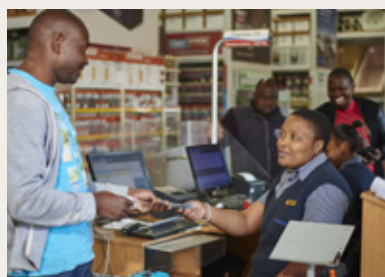
Operating expenses remained well controlled with our existing businesses decreasing by 3% to R1 614 million (June 2016: R1 669 million). Including new and acquired stores, operating expenses increased by 8% to R1 861 million (June 2016: R1 716 million). Operating profit increased by 13% to R620 million from R549 million in the prior year. The Group reported an operating profit margin of 6.4% compared to the 6.3% achieved in 2016.

Headline earnings per share increased by 8% from 1 892 cents (June 2016) to 2 045 cents.

Our financial position remains strong and we achieved an increase in NAV per share of 15% from 5 776 cents (June 2016) to 6 642 cents. Our net cash position increased by 7% from R749 million (June 2016) to R801 million.

EMPLOYEES

↑ **6%**
to **6 365**
(2016: 6 029)



P&L HARDWARE MODEL FUTURE EXPANSION STRATEGY



GENDER EQUALITY POLICY

Females
30%
(2016: 26%)



Chief Executive's Report continued

Dividends

The Board declared a total dividend for the year ended 30 June 2017 of 930 cents, a decrease of 7.0% on the total dividend for 2016 of 1 001 cents per share given the performance of the Group. The 2016 dividend was determined excluding the R63 million cost of the BEE transaction, thereby increasing the dividend beyond the two times cover. The dividend policy of two times cover has been consistently applied as the Board recognises the importance of rewarding its shareholders.

Strategic overview

Our strategic initiatives have been reviewed and our fundamentals remain in place and are set out on pages 16 and 17 of this Integrated Report. We continue to subscribe to the highest ethical standards of business practice. 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, which were also reviewed and updated.

We are pleased to announce that our first store was opened in Kabwe, Zambia, on 24 August 2017. Our expansion plan into Zambia remains on track with an additional four sites planned before 2018 end.

Looking ahead

Despite the challenging economic and trading environment, we are optimistic that Cashbuild is well positioned for any recovery in the retail market. The political climate in South Africa is also creating instability across all sectors and we believe that this will continue until the election in 2019.

The trading environment remains highly competitive with new entrants as well as potential corporate activity exacerbating the difficult conditions faced by the DIY building and home improvement retail market.

The size of the South African informal retail market is sizeable and estimated at R120 billion according to Statistics South Africa. The consumer category, called Survivors, where an individual in a household earns less than R6 000 per month, is estimated to consist of 34 million South Africans and 10 million households, making up

around 70% of the South African population as stated by the UCT Unilever Institute. We therefore 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 over the long term.

The risks associated with our industry, are identified, monitored and evaluated on a daily basis, to ensure that proactive measures are taken to mitigate any key principal risks. We believe that the success of the Group is very much a team effort and we have a competent Executive Management team who understands the challenges being faced by the Group and who has the ability to identify opportunities for the Group.

Acknowledgement

On 31 May 2017, we announced that André van Onselen resigned from his position as executive director on the Board effective 31 December 2017 after serving as a director for 13 years and being with the Group for 20 years. I would like to express personally and on behalf of the Board, our appreciation for André's significant contribution to Cashbuild and we wish him well in his future endeavours.

As previously mentioned, this year has not been without its challenges and I would like to sincerely thank my Executive Management team and Cashbuild family for their hard work and commitment to the Group.

To the Board members, my appreciation for your contribution and guidance during the year, your constructive input is valued.

I would like to extend my appreciation 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.

Last but not the least, thank you to our customers and shareholders for your continued loyalty and confidence in us as a Group. We continue to build and enhance stakeholder value by doing it the Cashbuild Way.

Werner de Jager
Chief Executive

28 August 2017

Our material risks

Risk Management

Enterprise Risk Management and Compliance is a formal response to address corporate risk that may hamper the achievement of Cashbuild's strategic objectives. It is a structured systematic process integrated into existing management responsibilities. This is a continuous process that responds to all types of risks in all parts of the Group

and is an inherent part of the management philosophy of Cashbuild. Cashbuild has adopted a conservative approach to risk management and has a low tolerance for risk. Calculated risk taking is however acknowledged as an inherent part of business decision-making.



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

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

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



Our material risks continued

Material principal risks relevant to Cashbuild

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



Risk rating 2017	Risk rating 2016	Level	Risk description	Mitigation plan
1	1		Sales growth of a number of Cashbuild stores below expectation.	<ul style="list-style-type: none"> Increased monitoring of stores not reporting the required growth vs the previous year; Detailed store specific action plans put in place to address sales trends in these identified stores.
2	N/A New in 2017		Increased attention required with regards to compliance to Occupational Health and Safety Act.	<p>Improvement in the status of compliance to Occupational Health and Safety policy is prioritised as a key performance indicator for all staff members with attention given to:</p> <ul style="list-style-type: none"> Pledge to be signed off by management and staff confirming commitment to comply with Health and Safety regulations as contained in the Cashbuild Way; Creation and roll out of Health and Safety e-learning module.
3	N/A New in 2017		Increased trend of prices negotiated with suppliers being beaten by competitive procurement practices of competitors.	<ul style="list-style-type: none"> Increased integration and interaction between procurement and operations to optimise pricing/ margins; Create independent pricing survey support service; Increase identification and sourcing from a greater number and variety of small and regional suppliers; Revisit Cashbuild's pricing policy.
4	16		Competitors' strategy to target traditional Cashbuild markets.	<ul style="list-style-type: none"> Increased awareness of competitor strategies and create required counter actions to address such strategies.
5	23		Management actions to address loss making stores not having the desired impact.	<ul style="list-style-type: none"> Regular review of implemented action plans at executive level; Recurring loss making trends will lead to a decision relating to store management changes or possible store closure.
6	N/A New in 2017		Integration of P&L Hardware business into Cashbuild business while retaining their respective qualities.	<p>Specific key areas are addressed at board level covering the:</p> <ul style="list-style-type: none"> Executive management succession for Chief Executive and Finance Director; Conversion of IT system to Cashbuild systems; Management of the transition for suppliers to adopt Cashbuild contracts and terms.

Risk rating 2017	Risk rating 2016	Level	Risk description	Mitigation plan
7	6		Low Cashbuild BBBEE rating potential impact on sales and customer trends.	Focus areas being attended to include: <ul style="list-style-type: none"> • Supplier and Enterprise Development strategy to be put in place; • Continue with the skills development plan to increase number of learnerships and accredited training; • Targeted recruitment at management level.
8	10		Slow progress in identifying and fast tracking internal BEE candidates into senior management positions.	Transformation is managed by focusing on: <ul style="list-style-type: none"> • Talent identification and management; • Attraction and retention.
9	5		Excessive stock levels at some stores are not being reduced as expected.	<ul style="list-style-type: none"> • 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
10	27		Compliance to PCI (Payment Card Industry) standard not being achieved in line with project plans	Project with appropriate resources assigned and target date for completion initiated to ensure compliance risk being adequately addressed. Progress of tasks against project plan is being monitored at executive level.

None of the risks on Cashbuild's business risk register have been awarded a high residual risk rating indicating the level of assurance and comfort experience by the Executive Team with the level of risks facing the Company.

Progress was made with the top 10 risks contained in Cashbuild's 2016 Integrated Report. Four of these risks (numbers 3, 4, 8, and 9) have been closed, and an additional two (numbers 2 and 7) have been mitigated to such an extent that they no longer appear on the list of top 10 risks.

Mitigation of prior year top 10 risks being closed can be summarised as follows:

- "Discontinued technical support for the Cashbuild e-learning solution has direct negative impact on the e-learning functionality in the Group" – ranked third in 2016 has been mitigated by implementation of a solution sourced from an alternative service provider.
- "Integration of the P&L Hardware acquisition into the Group exposes Cashbuild to a different business model and business culture" – ranked fourth in 2016

has been mitigated through pro-active consultation and information sharing between Cashbuild and P&L Hardware management involving amongst others risk identification and assessment, and increased interaction between operational, financial and human resource functional teams of the two legal entities.









- "Inadequate assurance provided to Executive Management on efficiency and effectiveness of Cashbuild's IT solution" – ranked eighth in 2016 has been mitigated by appointment of full time in-house IT Executive, preparation of first draft of IT Governance Framework, and concerted monitoring of KPA's of IT service providers as defined in their contract at IT service meetings.
- "Impact of weak exchange rate on pricing of Cashbuild products" – ranked ninth in 2016 has been mitigated through concerted consideration given to monitoring and corrective action taken on identified changes in customer transactions, and addressing issue of suppliers fighting exchange rate increases with lower quality products.

Our material risks continued

Macro-economic challenges and concerns

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

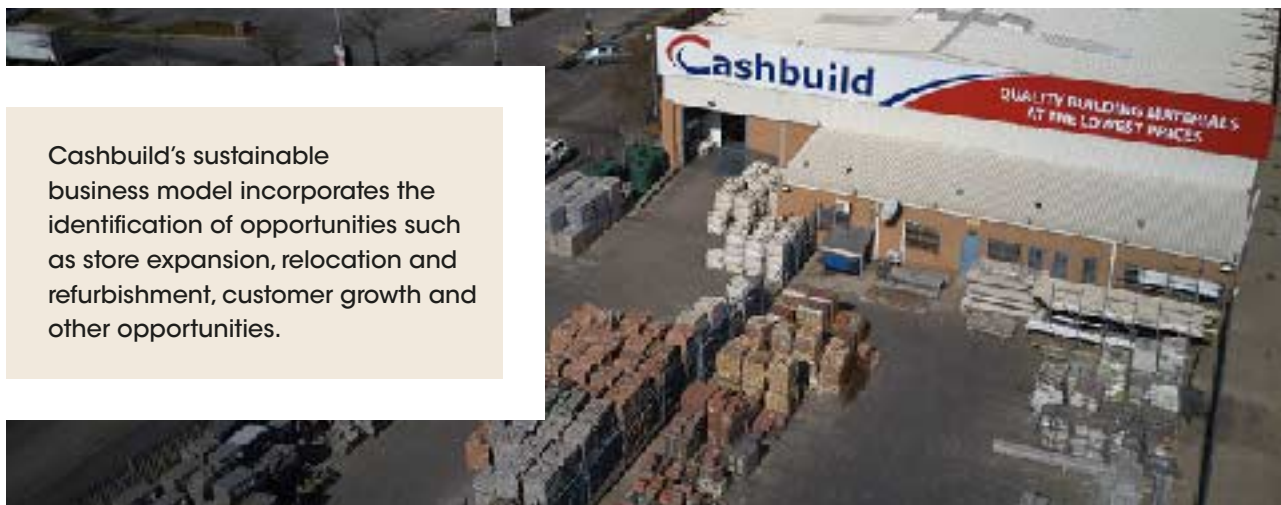
		
High	Medium	Low

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 1%
Energy crisis in Southern Africa, electricity supply shortages, exorbitant electricity cost increases			Installing Induction Highbay Luminaires in new and renovated stores	As at 30 June 2017 131 (June 2016: 117) stores have been retrofitted to date
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	260 new jobs created, 1 398 existing jobs filled, and 217 learnerships awarded
Rising fuel costs			Improved route planning and scheduling	Delivery expenses at 1.2% of sales



Our opportunities

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



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

Store expansion, relocation and refurbishment

A critical element in the achievement of 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. 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 2017 financial year, 12 stores were refurbished and two relocated. As in the case of new store openings, store relocations are approved on the basis of strict operational and financial criteria.

A decision was taken to discontinue the Cashbuild DIY store project and to rather continue with the P&L Hardware store format. During the 2018 financial year, the focus will be on rebranding said stores or where not viable, close the store.

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.

The "Mystery Shopping" initiative introduced last year to improve the customer's experience in a Cashbuild store has been concluded and the "Be Great" customer service programme is being introduced during the 2018 financial year in order to increase customer growth through positive "word-of-mouth" advertising. This "Be Great" programme will enable the Group to improve its service throughout its stores.

African expansion

Although Cashbuild has an African expansion strategy, the process of opening a store cross border is onerous and time-consuming. The Group opened its first store in Zambia on 24 August 2017 and another three stores are planned. As and when the opportunity to expand into Africa is presented, it will be carefully considered and the viability assessed.

Our directorate

Executive directors



Werner de Jager (46)

Chief Executive
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.



Etienne Prowse (53)

Finance Director
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 Limited since 1 March 2011.



Shane Thoresson (54)

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.



André van Onselen (55)

Operations Director

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 tendered his resignation on 31 May 2017 and is effective 31 December 2017.

Board committees and attendance

NAME	BOARD	AUDIT AND RISK COMMITTEE	REMUNERATION COMMITTEE	SOCIAL AND ETHICS COMMITTEE	IT GOVERNANCE COMMITTEE	INVESTMENT COMMITTEE
Non-executive						
IS Fourie	C - 4/4	I - 4/4	M - 4/4	I - 4/4	M - 4/4	C - 2/2
HH Hickey	M - 3/4*	C - 3/4*		M - 4/4		M - 2/2
AGW Knock	M - 4/4	I - 4/4	C - 4/4		C - 3/4*	
DSS Lushaba	M - 4/4	M - 4/4	M - 1/1^			
NV Simamane	M - 4/4	M - 4/4		C - 4/4		
Executive						
WF de Jager	M - 4/4	I - 4/4	I - 4/4	M - 4/4	M - 4/4	M - 2/2
AE Prowse	M - 4/4	I - 4/4	I - 4/4	M - 4/4	M - 4/4	M - 2/2
SA Thoresson	M - 4/4	I - 4/4			I - 4/4	I - 1/2
A van Onselen	M - 4/4	I - 4/4			I - 4/4	I - 1/2

Legend

C Chairperson of the Board/Committee
* Apologies were submitted and noted

M Member of the Committee
I Attendance by invitation
^ Number of meetings attended since appointment to the Committee

Independent non-executive directors

Stefan Fourie (70)

*Chairman of the Board,
Nominations and
Investment Committee*
CA(SA)

Appointed: 1 July 2012



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

Hester Hickey (63)

*Chairperson of the Audit
and Risk Committee*
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 for 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.

Alistair Knock (66)

*Chairperson of the
Remuneration &
IT Governance Committee*
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 and the Minerals and Mining Standards Generating Body as well as Council Member of the Association of Mine Managers.

Dr Simo Lushaba (51)

BSc (Hons) (Zululand),
MBA (Wales), DBA (UKZN)
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 Limited, GVSC (Pty) Limited and Member of Council – University of Johannesburg.
He is Chairman of the SA Post Office Board.

Nomahlubi Simamane (58)

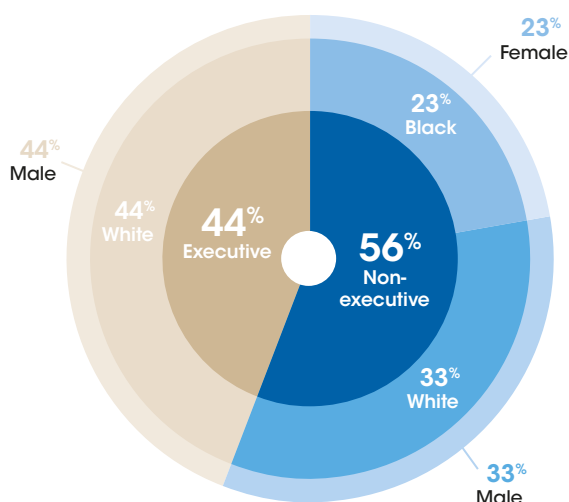
*Chairperson of the Social and
Ethics Committee*
BSc (Hons) Chemistry and
Biology

Appointed: 1 September 2004

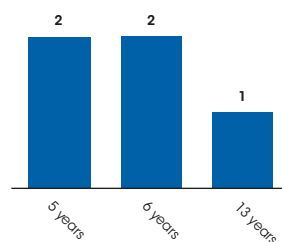


Nomahlubi is the CEO of Zanusi Brand Solutions and Non-executive Director of The Foschini Group Limited, Oceana Group Limited, Etana (Pty) Limited and Hollard Insurance Company Limited. She was named Top Businesswoman of the Year at the 2009 National Business Awards at the BBQ Awards.

Board composition



Length of non-executive directors' tenure



Sustainability and Corporate Governance

Sustainability Report	32	Intellectual Capital	44
Financial Capital	34	Learnership programme	44
Five-year performance review	34	Bursaries	44
Why invest in Cashbuild	35	Opportunities for local artisans	44
Human Capital	36	Manufactured Capital	45
Our employees	36	Procurement and supply chain management	45
Employment statistics	37	Product responsibility	45
Human Capital challenges	38	Customer satisfaction and complaints	45
Employee training and development	38	Security, crime prevention and counselling	46
Occupational health and safety	38	Natural Capital	46
Ethics	39	Energy and carbon management	46
Transformation and BEE	40	Electricity usage	46
Industrial relations	41	Carbon footprint	47
Child labour, forced and compulsory labour	41	Transportation	47
Gender equality	41	Water conservation	47
Social Capital	42	Waste generation and recycling	47
CSI	42	Corporate Governance Report	48
Indigenous rights	42	Remuneration Report	54
		IT Governance Report	60
		Social and Ethics Report	61





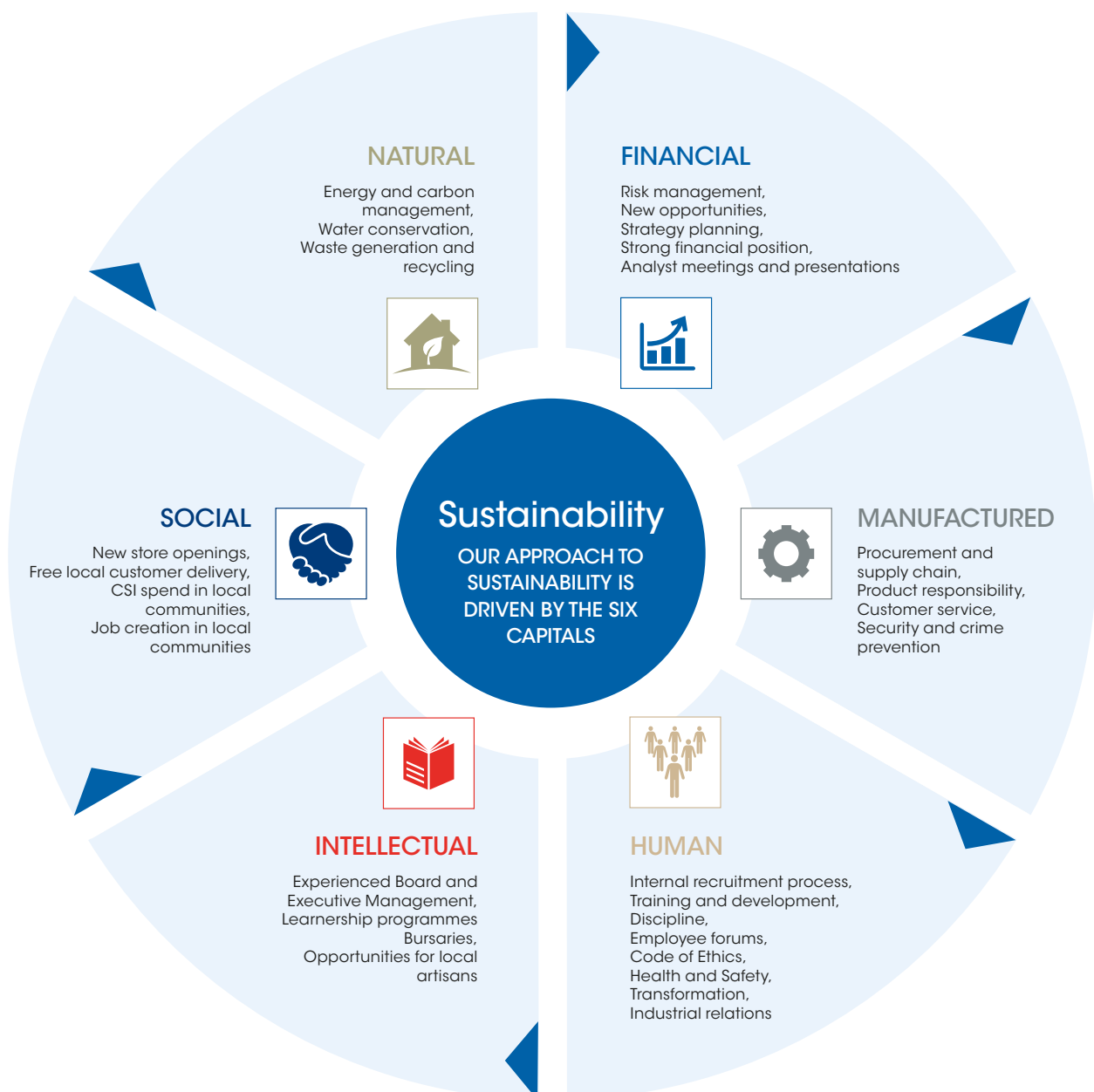
1 658
new employees
for 2017

Sustainability Report

Cashbuild's approach to sustainability

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

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



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

Assurances obtained

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

Compliance category	External assurance provider
Finance	PricewaterhouseCoopers Inc. – Independent Auditor's Report (page 75 of this report), provides auditing, tax and advisory services.
Legal compliance	Webber Wentzel and Van der Vyver provide legal services for contractual agreements and Exclaim Innovations & Solutions provides 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 a three-year rolling Internal Audit Plan. BCX Solutions provides 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).
BEE 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

30 June		2017	2016	2015	2014	2013
Group Income Statement		52 weeks	52 weeks	52 weeks	52 weeks	52 weeks
Revenue	R'm	9 730	8 670	7 693	6 781	6 377
Profit before tax	R'm	657	619	499	384	343
Earnings attributable to owners of the Company	R'm	465	437	357	268	239
Group Statement of Financial Position						
Total assets	R'm	3 713	3 539	3 051	2 601	2 051
Total equity	R'm	1 683	1 465	1 345	1 224	1 099
Total liabilities	R'm	2 030	2 074	1 706	1 377	953
Group Cash Flow						
Net cash from operations	R'm	451	622	593	876	53
Working capital movements	R'm	(118)	761	168	489	(230)
Capital investment	R'm	(193)	(592)	(169)	(269)	(198)
Key performance statistics						
Returns and profitability						
Revenue per employee ¹	R'000	1 529	1 550	1 553	1 447	1 401
Operating profit margin	%	6.4	6.3	6.0	5.3	4.9
Profit before tax on revenue	%	6.8	7.1	6.5	5.7	5.4
Profit before tax per employee ¹	R'000	103	105	101	82	75
Basic EPS	Cents	2 048	1 920	1 547	1 157	1 036
Basic HEPS	Cents	2 045	1 892	1 519	1 154	1 001
Total dividend per share	Cents	930	1 001	712	528	487
NAV per share ²	Cents	6 642	5 776	5 258	4 920	4 450
Return on shareholders' funds ¹	%	29.5	31.0	27.8	23.1	23.1
Return on average capital employed ¹	%	29.9	32.2	28.2	23.4	23.4
Total asset turn ¹	Times	2.6	2.6	2.5	2.6	3.1
Total assets per employee ¹	R'000	583	587	616	555	451
Solvency and liquidity						
Dividend cover	Times	2.0	2.0	2.0	2.0	2.0
Current ratio ¹	Times	1.2	1.1	1.3	1.3	1.6
Total liabilities to total shareholders' funds ¹	Times	1.2	1.4	1.3	1.1	0.9
Interest-free liabilities to total assets	Times	0.5	0.6	0.6	0.5	0.5
Share performance						
Market value per share						
– At year end	Cents	35 900	35 500	30 100	12 500	13 300
– Highest (year to 30 June)	Cents	44 295	36 900	31 479	16 216	16 800
– Lowest (year to 30 June)	Cents	32 100	25 528	12 162	11 854	11 491
PE ratio at year end	Times	19.3	17.7	21.3	11.7	14.0
Market capitalisation – at year end	R'm	8 971	8 871	7 582	3 149	3 350
Volume traded (year to 30 June)	'000	6 785	9 688	12 286	11 183	17 140
Weighted number of shares	'000	22 708	22 779	23 055	23 171	23 091
Issued shares at 30 June	'000	24 990	24 990	25 190	25 190	25 190
Other statistics						
Profit after tax – South Africa	R'm	416	361	301	230	207
Profit after tax – South Africa % contribution to Group	%	88.7	81.7	83.4	85.5	83.1
Number of employees		6 365	6 029	4 953	4 687	4 552
Number of stores		297	284	233	215	200

¹ P&L Hardware's one month trading in 2016 has been annualised for calculation.

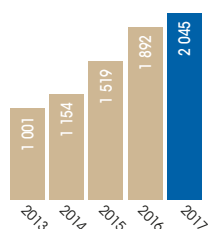
² Based on ordinary number of shares in issue.

Why invest in Cashbuild

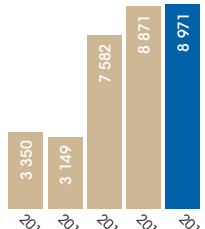
The Cashbuild Way business outlook together with Cashbuild's strategy and its corporate sustainability approach focused on the Six Capitals for the year ended 30 June 2017

- **Cashbuild's market capitalisation increased to R9.0 billion** (2016: R8.9 billion) over the reporting period in a tough trading environment where most securities showed a decline.
- We are the **largest retailer of quality building materials and associated products in Southern Africa.**
- Our financial track record of **profitable growth** over the past five years 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.

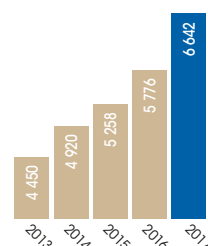
HEPS
5-year CAGR: **10.2%**
(cents)



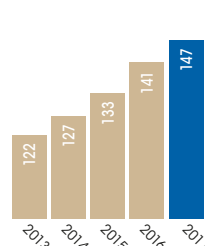
Market capitalisation
5-year CAGR: **21.1%**
(Rm)



NAV per share
5-year CAGR: **11.1%**
(cents)



CSI spend
5-year CAGR: **9.1%**
(Rm)



Our differentiators WHAT MAKES US UNIQUE

We focus on our **people**, ensuring that:

- our management approach is consistent;
- internal growth and development opportunities are supported by best in class
- HR systems, policies, 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 **customers**, ensuring that our stores:

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

We focus on our **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 our **communities**, ensuring that:

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

We focus on sound **governance** and **compliance**, ensuring that:

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



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 PDI's 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, Operations Management Member Trust and the Forfeitable Share Plan 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 aligned to the Group's transformation objectives and short- to medium-term growth strategies. This ensures the necessary human capital to successfully execute its ongoing programme of store expansion and 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, bursary and learnership programmes, with the firm intention that once qualified, learners will be absorbed into the Group as permanent employees.

As at 30 June 2017, Cashbuild employed, on a permanent basis, 6 365 (2016: 6 029) individuals, across our Support Office, 242 (2016: 232) Cashbuild stores, 46 (2016: 42) P&L Hardware stores and nine (2016: 10) Cashbuild DIY outlets in over six (2016: six) Southern 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.

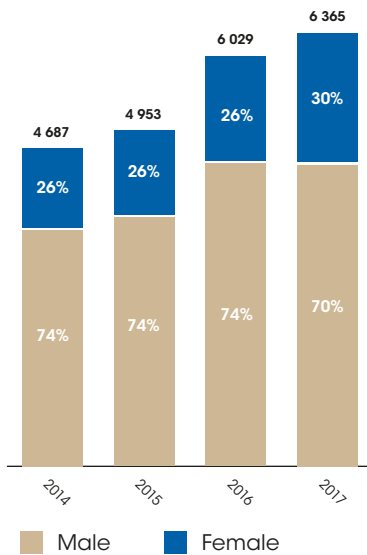
The Group's Employee Steering Committee continues to facilitate harmonious working relationships within the Group by providing a formal communication structure between management and employees.

Cashbuild retains four full-time 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.

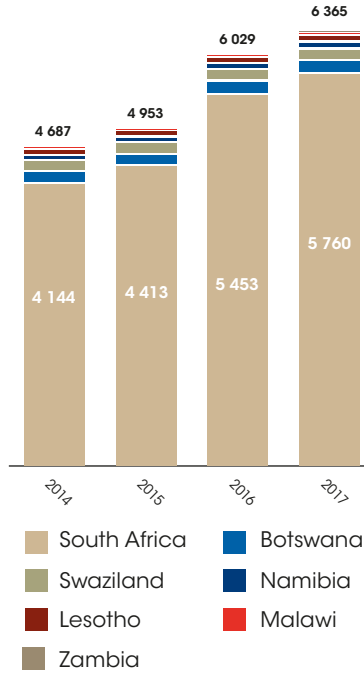
The ongoing promotion of continued adherence to the Cashbuild Way, as well as various incentive and reward schemes based on revenue and profit growth, have all resulted in improved productivity.

Employment statistics

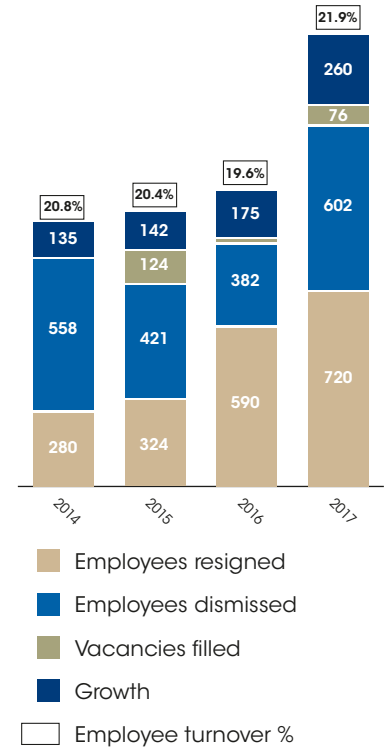
Employees by gender



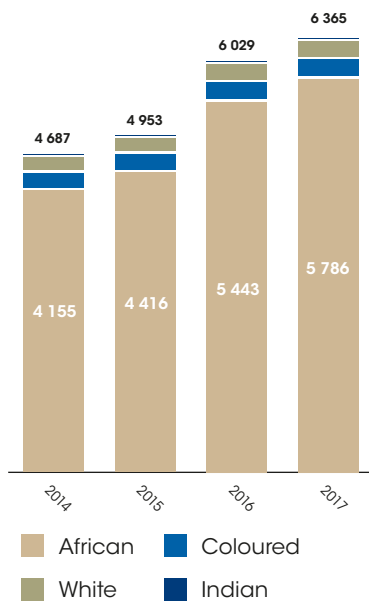
Employees per geography



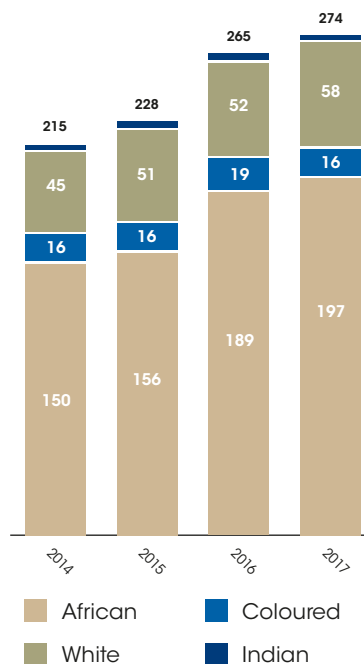
Employee movement



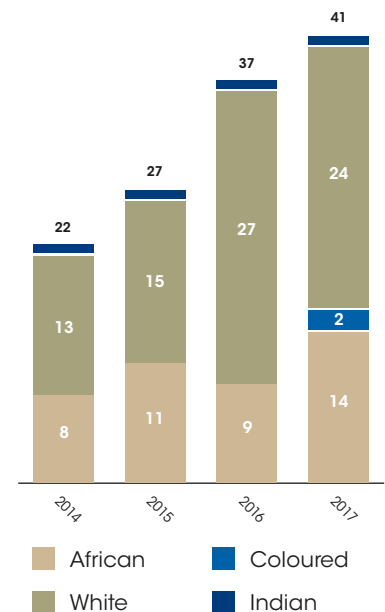
Employees per ethnic group

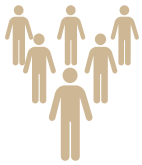


Store management by ethnic group



Divisional management by ethnic group





Human Capital continued

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.

Our efforts in transformation are noticeable at a junior to middle management level. However due to the flat management structure and low staff turnover, there is limited opportunity for progression at a senior and executive level.

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.

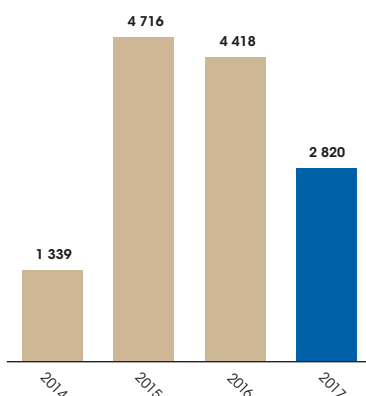
In contrast to the ongoing challenges in the area of internal transformation, from an external perspective, the Group continues to see significant progress in the emergence of small-scale female entrepreneurs in the construction sector. Cashbuild is committed to support the initiatives implemented by 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 2 820 (2016: 4 418) staff members underwent this training during the year, at a cost of R9.2 million (2016: R5.3 million). Of all staff trained during the year 79% were South African and 92% of total training spend was for South African employees.

Cashbuild was registered as an accredited provider with the Wholesale and Retail SETA this year. Of all staff trained during the year 79% were South African and 92% of total training spend was for South African employees.

Staff trained



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.

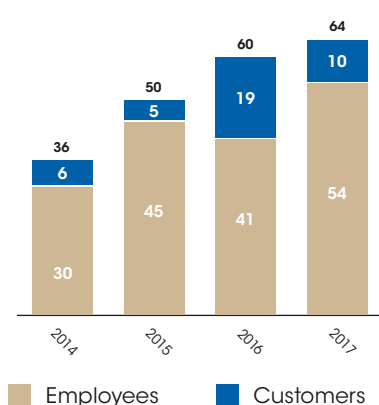
The external service provider undertakes independent audits of Group practice in this area, and provides guidance and advice regarding areas where Cashbuild can not only meet, but exceed its legislated responsibilities.

Staff member injuries that occurred are mainly as a direct result of non-compliance to Cashbuild's OHASA policy and disciplinary action was taken against these staff members. No incidents were identified in which the Group deviated from its legal or regulatory responsibilities. The injuries did not result in any disruption or any significant downtime to our operations. Furthermore, there were no fatalities as a result of these reported injuries.

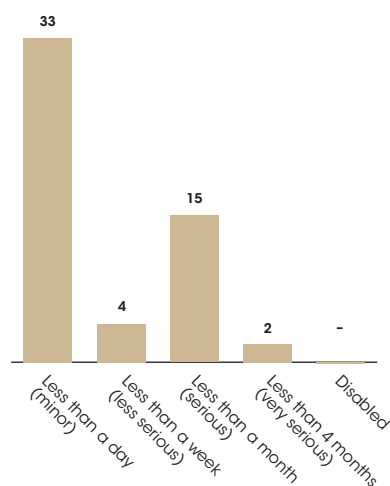
Cashbuild is committed to continued improvement in this area, and to maintaining a safe working environment for its employees and customers.



Reported injuries



Seriousness of employee incidents, measured in terms of recovery period



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 last year 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.



Human Capital continued

Ethical principles



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

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 2017, Cashbuild had 484 (2016: 449) PDI's in management level positions, which equates to 8% (2016: 8%) of total employees and 72% (2016: 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 BEE 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 BEE rating was negatively impacted in 2016 by the amendments to the onerous BEE scorecard and scoring system. The BEE rating moved from non-compliant to Level 8 during the October 2016 assessment. The Group has put a supplier and enterprise development strategy in place and contains increased 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 overall level of union membership within the Group is less than 10% (South Africa 4%; Namibia 33%) 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. Cashbuild increased its female:male ratio from 26%:74% in 2016 to 30%:70% in 2017. Neither women nor men can be considered as a homogenous group and individual capabilities will drive advancement. Women and men have different skill sets whereby either or both can be developed for the advancement of the Group. However, our policy acknowledges that the means of developing various gender skills may require different emphasis and practises. 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 stores, 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 openings and relocations

In the year under review 16 (2016: 11) stores were opened, creating between 14 and 20 new local employment opportunities per store opening in the form of:

Store development

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

- new staff employed (260 people were employed in our 16 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 in the community. Since the inception of the programme Cashbuild has donated building materials worth R33.7 million to 2 771 institutions;
- award, through the Company's Art-at-Heart programme, prizes to local scholars and their artwork is displayed in the store for a period of five years; and
- actively engage, by the store management team, the local community leaders prior to and following the store opening.

Delivery driver employment

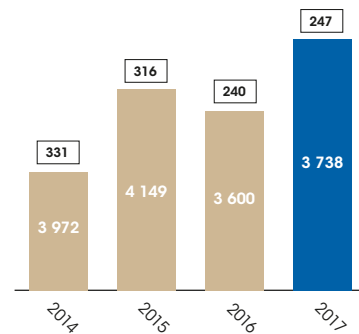
Cashbuild's policy of free local customer delivery provides a value-added service to customers and directly supports local entrepreneurship and employment creation. As at the end of the financial year, over 317 (2016: 307) delivery drivers were contracted across the Company's stores, for this service Cashbuild spent R143.4 million (2016: R137.8 million), an increase of 4.1%.

School contributions

Over the past 19 years Cashbuild has, in conjunction with store openings and/or re-openings, conducted a programme of donations of building materials to schools in each community in which such an opening or reopening 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'000)



□ Number of schools contributed to

Indigenous rights

The Company 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.

Store	Opening Date	Region	Amount donated
Bergville	10 Nov 2016	KwaZulu-Natal	R120 000
Bochum	08 Jun 2017	Limpopo	R120 000
Botshabelo	17 Nov 2016	Free State	R120 000
Chris Hani	24 Nov 2016	Gauteng	R120 000
Cloverdene	20 Apr 2017	Gauteng	R120 000
Gabarone West	21 Jun 2017	Botswana	R121 018
Hazyview	22 Sep 2016	Mpumalanga	R120 000
Idutywa	28 Jul 2016	Eastern Cape	R120 000
Jane Furse	15 Jun 2017	Limpopo	R120 000
Kanana (Orkney)	01 Dec 2016	North West	R120 000
Kroonstad	23 Jun 2017	Free State	R120 000
Mabopane	21 Apr 2017	Gauteng	R120 000
Manguzi	29 Sep 2016	KwaZulu-Natal	R120 000
Mosselbay	08 Jun 2017	Eastern Cape	R120 000
Moutsiya	25 Aug 2016	Limpopo	R120 000
Mqanduli	21 Jun 2017	Eastern Cape	R120 000
Mthatha Vulindlela	08 Sep 2016	Eastern Cape	R120 000
Oshakati	13 Jul 2016	Namibia	R120 000
Outapi	30 Nov 2016	Namibia	R120 000
Phutaditjaba	26 Apr 2017	Free State	R120 000
Piggs Peak	30 Jun 2016	Swaziland	R120 000
Pilane Mall	22 Sep 2016	Botswana	R151 272
Polokwane	18 May 2017	Limpopo	R120 000
Qwa Qwa Setsing	11 Aug 2016	Free State	R120 000
Selebi Phikwe	23 Mar 2017	Botswana	R121 018
Taung	03 Nov 2016	North West	R120 000
Tembisa West	18 Aug 2016	Gauteng	R120 000
Tzaneen Pusela	23 Jun 2017	Limpopo	R120 000
Umlazi	15 Jun 2017	KwaZulu-Natal	R120 000
White River	04 Aug 2016	Mpumalanga	R120 000
Windhoek South	16 Feb 2017	Namibia	R120 000
Total contributions for 2017 (247 schools)			R3 738 308
Total contributions to date			R33 675 608

School contributions by region and country





Intellectual Capital

Investment in the Company'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, 680 learnerships have been successfully completed by previously unemployed persons. As at the end of the 2017 financial year, 219 of these learners are still employed by Cashbuild. The below table illustrates the learnerships granted:

NQF	2017	2016
Level 2	113	50
Level 3	52	-
Level 4	20	-
Level 5	32	-
Total	217	50

Bursaries

During the 2014 financial year, Cashbuild established a Bursary Programme extended to the children of PDI's. The bursary includes all tuition, textbooks and accommodation fees, if required, as well as a monthly allowance. In addition, Cashbuild guarantees employment to its bursary students on completion of their 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 or 13.

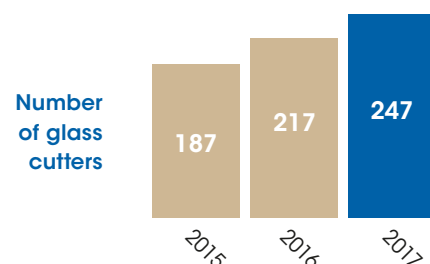
We currently have 10 bursary students:

Degree	Year	Number of bursary students
BCom	Honours	1
BCom	1st Year	1
BTech Retail	3rd Year	2
BTech Retail	2nd Year	4
BTech Retail	1st Year	2
Total bursary students		10



Opportunities for local artisans

The Company 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.





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 collaborates on an ongoing basis with suppliers to ensure compliance in this regard.

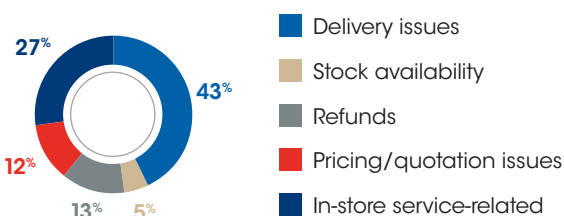
In certain instances, particularly with regard to products with finite lifespans, such as paint or cement, Cashbuild constantly updates its procurement and inventory management practices to eliminate wastage arising from the disposal of expired products that can no longer be sold.

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

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.

	2017	2016	2015
Total customer complaints	401	539	595
Complaints as a percentage of total sales transactions	0.002%	0.003%	0.004%





Manufactured Capital

continued

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 counselling on both an individual and a group basis, through an external service provider. The majority of crimes committed at Cashbuild stores during the 2017 financial year included 58 (2016: 89) burglary cases and 26 (2016: 22) robbery cases, of which six (2016: 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 done to the Audit and Risk Committee. During the past financial year, 64 (2016: 64) 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 602 (2016: 382) 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 2017 financial year, Cashbuild had 80 (2016: 96) incidents of community unrest which resulted in our stores being closed for 68.75 (2016: 90.75) trading days. Trading affected were 144.75 (2016: 204.5) days resulting in an estimated loss in sales and damages of R11.4 million (2016: R15.5 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 Cashbuild store 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

As part of Cashbuild's Energy Saving and Utility Cost Control initiative, energy saving Induction Highbay Luminaires are installed in new stores and are being retrofitted in existing stores. The Induction Highbay Luminaires use 50% less electricity than the existing Highbay Luminaires used in stores. As at 30 June 2017 131 stores (June 2016: 117 stores) had been retrofitted with energy saving Highbay Luminaires.

The focus on store cost efficiency also encompasses an ongoing investigation of stores' utility billing and meter readings. The benefits is that:

- Baseline consumption patterns have been calculated
- Stores with high cost patterns have been identified and investigated

The analysis includes electricity, rates, sewerage and water consumption. Savings have been achieved in all these areas.

Of the 210 stores analysed, Cashbuild has received financial credits for 29 stores amounting to R1 757 625. These are for errors in billing and consumption reporting.

Cashbuild has reduced monthly billing in 32 stores resulting in a monthly saving of R127 396 per month.

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 has installed 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 store design 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.

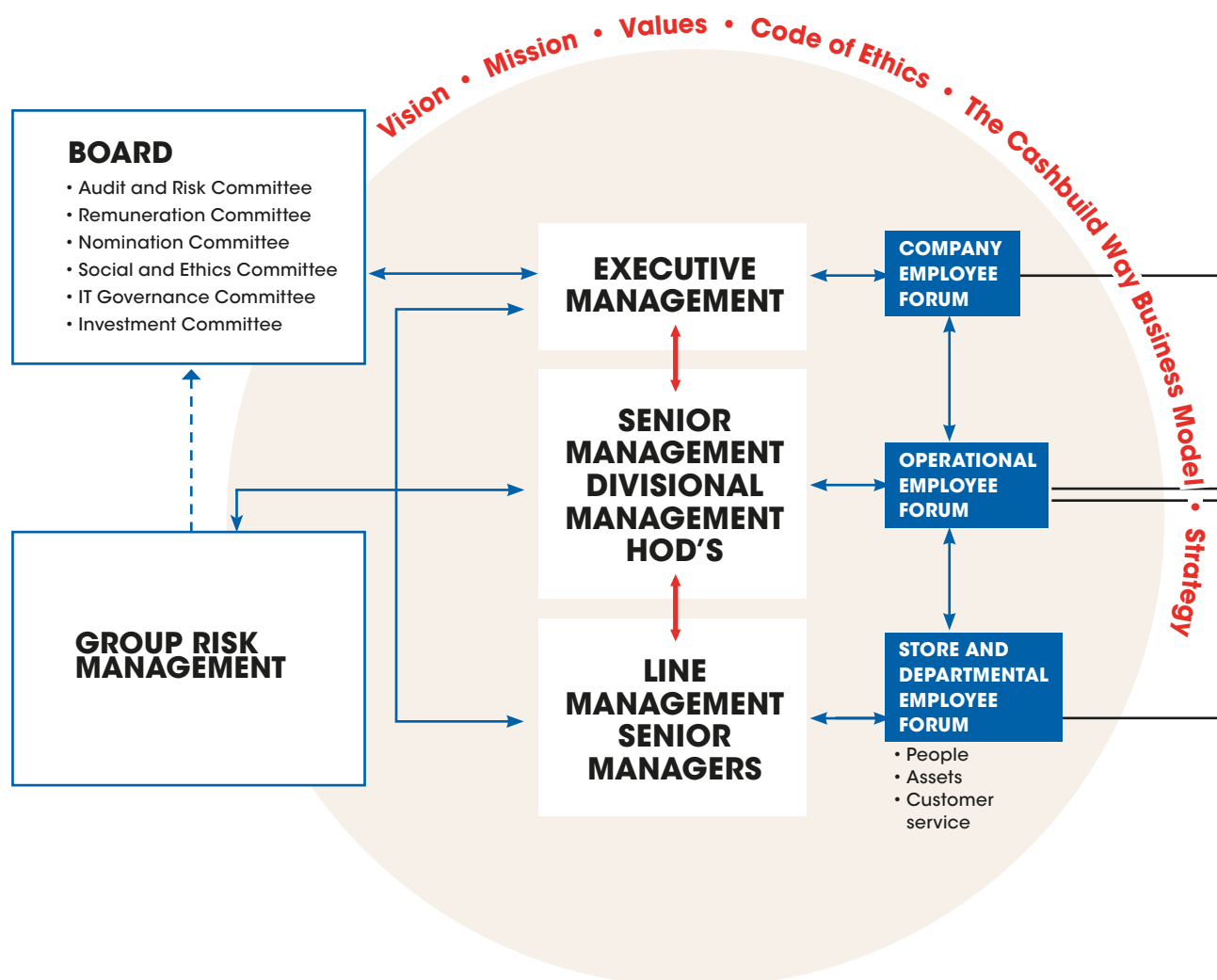
As a retail operation Cashbuild's opportunities to meaningfully influence the environmental impacts arising from either the manufacture or application of its products are limited. However, Cashbuild remains committed to making full use of those opportunities that do present themselves to effect positive 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 the JSE Listings Requirements, the Company has published its application of King III on its website. There are no material changes to the content of this report compared to the 2016 Integrated Report, other than a greater emphasis on providing additional supplementary information on the Group's strategic direction, risk and sustainability initiatives. Cashbuild also follows 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 Company, it can adopt a practice different from that recommended in King III, but must explain its decisions. King IV, published in November 2016, has 17 principles with 208 associated principles as opposed to King III's 75 principles. Cashbuild will comply with King IV for the year ending 30 June 2018. Cashbuild endorses and continuously assesses the principles of the

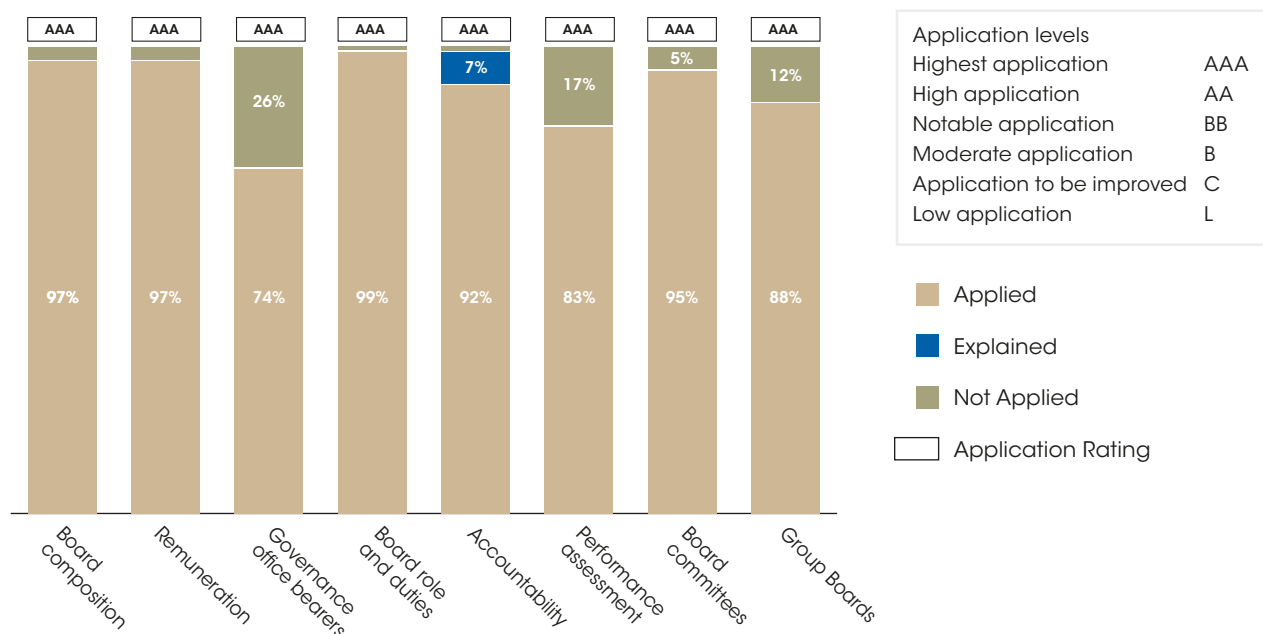
Code and, where necessary, tailors these as appropriate to the organisation.

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 is repeated annually with action steps stemming therefrom.

Completion of the Corporate Governance Assessment as at May 2017 provided an overall assessment score of AAA

(being highest application of King III Principles), and consistent with the rating obtained in June 2016. A breakdown of assessment results for each of the eight focus areas attended to as at 30 June 2017 is as follows:

Governance assessment results



Board

Responsibilities

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

Board composition

The Board operates a unitary board. It commenced the year with four executive and five independent non-executive directors. The Board Chairman is an independent non-executive director and the role of Chairman and Chief Executive is separated. The Board did not replace Donald Masson after his death in 2016 and following André van Onselen's resignation effective 31 December 2017, the Board has reconsidered its composition and will report on new appointments once it has been finalised. The Nomination Committee is satisfied with the composition of the Board and its Committees. The

non-executive directors, who are trained and experienced, bring insight and expertise to Board deliberations. There is a policy in place which ensures a clear balance of power and authority at board level and that no one director has unfettered powers of decision-making.

The Board acknowledges its responsibility towards gender diversity at Board level. No changes to the Board occurred therefore gender representation remained unchanged during the financial year. Refer to page 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 with 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.

Corporate Governance Report

continued

Board meetings

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

The Board meeting attendance is noted on page 28 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 13 years. The Board has assessed the length of service of this director and concludes 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 2017 financial year.

Board and Committee performance evaluation

Cashbuild undertakes an annual Board evaluation, as recommended by King III. During the year under review, the internal evaluation process was conducted 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 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 non-executive directors are provided on page 29 of this report.

Share dealings

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

Legal compliance

The Board does not deem it necessary to appoint a Chief Compliance Officer. The Board takes full responsibility for legislative and regulatory compliance in the Company. Monitoring thereof is facilitated by 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. The JSE undertook a proactive monitoring review of the 2016 Annual Financial Statements which involved a referral to the Financial Reporting Investigation Panel. Refer to the Directors' Report on page 71 for more detail. A detailed three year regulatory compliance risk assessment involving the Cashbuild Executive Management and Senior Management was completed during 2014/15 and will be repeated during 2017/18. 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. Acts identified as core to the Cashbuild business during the 2017/18 legal compliance risk assessment will result in prioritisation of risks and a three-year action plan being drawn up that will be due for revision at commencement of the 2020/21 financial year.

Access to information

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

Company Secretary

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

Board Committees

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

The Board has six Board committees, namely the:

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

All of these committees are chaired by an independent non-executive director and operate in accordance with the respective committees' terms of reference which are approved by the Board. The committees operate independently and report to the 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 (Chairperson); 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 5 December 2016 by the shareholders. All members of the Committee, are standing for re-election at the Annual General Meeting to be held on 27 November 2017.

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

Remuneration Committee

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

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

Social and Ethics Committee

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

The Social and Ethics Committee operates in terms of section 72(8) of the Companies Act and the details pertaining to the Committee's duties, responsibilities and functions are set out in the Social and Ethics Report on pages 61 and 62 of this Integrated Report.

IT Governance Committee

Members: Mr AGW Knock (Chairman); Mr IS Fourie, Mr WF de Jager and Mr AE Prowse

The details pertaining to the responsibilities and functions of the IT Governance Committee are set out in the IT Governance Report on page 60.

Investment Committee

Members: Mr IS Fourie (Chairman); Ms HH Hickey, Mr WF de Jager, Mr AE Prowse

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

Corporate Governance Report continued

Executive management

Responsibility

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

- Mr PA Champion (Human Resource Executive)
- Mr 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)
- Mr T Myburgh (Trainee Operations Executive)

- Mr AE Prowse (Finance Director)
- Mr H Roos (Trainee Operations Executive)
- Mr M Scholes (Trainee Operations Executive)
- Mr H Steenberg (IT Executive)
- Mr SA Thoresson (Operations Director)
- Mr WP van Aswegen (Procurement Executive)
- Mr A van Onselen (Operations Director)
- Mr CT Vengesa (Trainee Operations Executive)

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.



From left to right: Hennie Steenberg, Mark Scholes, Wimpie van Aswegen, Peter Champion, André Havenga, Mimi Masala, Anton Hattingh, Willie Dreyer, Ian McKay, Tyron Myburgh, Hennie Roos, Christopher Vengesa.

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. Changes to the Executive Management were Mr Linda Sithole whose resignation was effective 31 December 2016, and Mr Andre van Onselen whose resignation will be effective 31 December 2017.

Prescribed Officers

Prescribed Officers are defined as Cashbuild employees who:

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

Three members of the Cashbuild Executive Team, Messrs Ian McKay, 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.

Employee forum

Employee forum structure

Cashbuild's Employee Forum structure allows 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 Group 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 Group Steering Committee is also responsible for the formation of the Operations area Employment Equity Committee to be consulted with by the Company in a specific geographical area.

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

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

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

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 was satisfied with 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 team is maintained and updated.

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

Members

The composition of the Remuneration Committee is set out on page 28. Biographical details of the Committee members are provided on page 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

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.

Section A

Remuneration policy

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

The average CPI percentage over the preceding 12 months plus an agreed factor is used as the basis for the calculation of the annual cost of living increase. This formula and final percentage cost of living increase is discussed with and agreed to by the Employee Forum. This year a 7.5% 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 Cashbuild 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 area's performance with Support Office staff and Executive Management qualifying for annual bonuses based on Group performance.

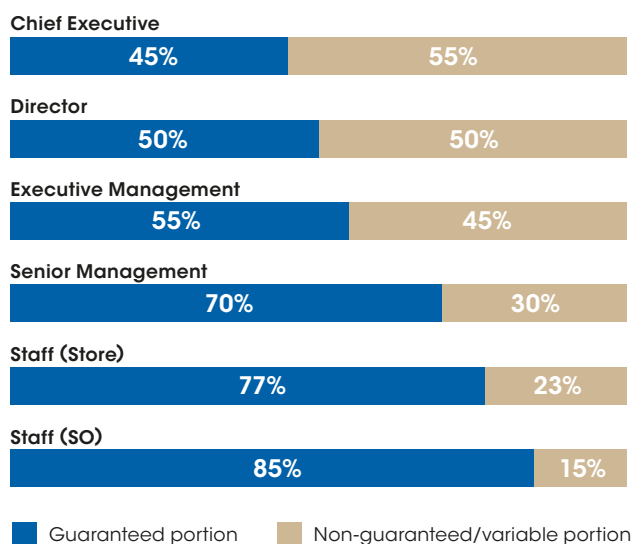
Executive employee contracts

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

Remuneration structure

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

The table below 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 last 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 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. Increases given over and above the July cost of living increase relate to individual performances or market related adjustments.

Retirement funds

Membership of the retirement fund is compulsory for all permanent employees. The retirement fund is part of the

Alexander Forbes Umbrella Fund. Performance of the fund is monitored by a Management Committee that meets and reviews fund administration and the investments strategies. The committee 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 in South Africa are Discovery and Momentum. Approximately 4% of employees have elected to join these medical schemes.

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

Non-guaranteed pay

Short-Term Incentive Scheme (STI)

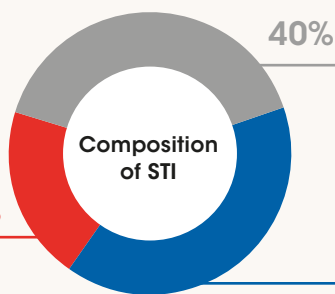
Operations management and staff participate in a monthly, quarterly and annual short-term incentive scheme which is directly related to the financial performance of their operating unit. The criteria for these awards relate to sales, transaction and gross contribution targets.

STI awards (excluding personal objectives) for executive and Support Office staff only take place on condition that the Group's profit before taxation, according to the approved budget for that specific financial year, has been achieved. Once the 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 criteria is assessed when determining the STI awards:

Personal objectives
Personal objectives set for the individual to achieve
2017 STI Award achieved?
This component is payable on achievement of agreed objectives irrespective of the Group's performance

20%



Financial

Revenue >R10.1 billion
Gross margin of >R1.8 billion
Profit before tax >R720 million
2017 STI Award achieved?
No, due to Group performance

Non-financial

Project-based achievements predetermined for each individual during the year – provided Group meets the profit before taxation targets
2017 STI Award achieved?
No, due to Group performance

Remuneration Report continued

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 7.1% of the Group's issued share capital at 30 June 2017. Dividends are paid twice per year to all members of the Trust on an equal basis. In the last financial year, a total of R18.1 million (2016: R77.5 million) was paid to all staff members. The prior year included the BEE buyback distribution of R62 million. Since inception of this Trust in 2005, a total of R226 million has been distributed to staff in the employ of Cashbuild at dividend declaration date.

Store Operations Management Member Trust

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

- promote the continued growth and profitability of stores within the Group, and the growth of the Group, by recognising and rewarding qualifying members;
- empower and retain management members in the Group;
- 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 R21.8 million (2016: R20.7 million) (R10.9 million in cash and R10.9 million in shares after qualification of the vesting period) is to be paid, comprising 137 (2016: 117) store managers and five divisional managers.

Scheme	Number of shares	Share and cash value	Employees qualified
2017	1 594	R1.1 million	16
2016	13 343	R9.5 million	56
2015	9 685	R5.8 million	35
2014	3 524	R1.2 million	8
2013	2 980	R0.2 million	3
2012	16 760	R4.0 million	19
Total		R21.8 million	137

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 and will be awarded annually.

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

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

* 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 for 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 made in September 2016, no limits were 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.



Remuneration Report continued

Section B Remuneration

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

R'000	Year	Basic salary	Bonus	Expenses and travel allowance	Other material benefits ¹	Pension Scheme	Share options exercised	Total
Executive directors								
WF de Jager	2017	3 334	385	137	72	311	-	4 239
	2016	2 916	2 787	139	65	273	20 839	27 019
AE Prowse	2017	2 246	180	156	-	175	-	2 757
	2016	1 976	1 538	154	-	155	15 798	19 621
SA Thoreson	2017	2 026	165	157	-	183	-	2 531
	2016	1 779	1 409	253	-	162	16 228	19 831
A van Onselen	2017	2 586	210	126	70	226	-	3 218
	2016	2 239	1 760	136	63	197	16 228	20 623
Total	2017	10 192	940	576	142	895	-	12 745
	2016	8 910	7 494	682	128	787	69 093	87 094
Prescribed Officers								
I McKay ²	2017	1 422	95	337	62	127	-	2 043
	2016	407	14	112	22	37	1 052	1 644
W Dreyer	2017	1 666	119	124	83	166	-	2 158
	2016	1 290	941	114	67	129	7 894	10 435
A Hattingh	2017	1 823	128	245	-	173	-	2 369
	2016	1 392	1 012	194	-	134	1 052	3 784
IAC de Beer ³	2017	-	-	-	-	-	-	-
	2016	1 350	1 048	356	89	121	10 525	13 489
Total	2017	4 911	342	706	145	466	-	6 570
	2016	4 439	3 015	776	178	421	20 523	29 352

Notes

1. Other material benefits include contributions to medical aid.

2. I McKay became a prescribed Officer in March 2016.

3. IAC de Beer retired at the end of June 2016.

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	2017 R'000	2016 R'000
D Masson ¹	-	348
IS Fourie*	696	531
HH Hickey	370	365
AGW Knock	390	428
Dr DSS Lushaba	360	326
NV Simamane	408	436
Total	2 224	2 434

1 Mr D Masson passed away on 20 March 2016.

* Increase in fees was attributable to becoming Chairman of the Board.

Shares awarded to directors and Prescribed Officers

The following table set out the shares awarded to the executive directors and Prescribed Officers during the year.

	Number of shares [^]	Award face value
Executive directors		
WF de Jager	8 489	3 467
AE Prowse	5 660	2 311
SA Thoresson	5 188	2 119
A van Onselen	6 612	2 700
	25 949	10 597
Prescribed Officers		
W Dreyer	3 151	1 287
I McKay	2 532	1 034
A Hattingh	3 406	1 391
	9 089	3 712

[^] These shares are subject to forfeiture restrictions.

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 2017		30 June 2016	
	Direct	Indirect	Direct	Indirect
WF de Jager	1 000	-	1 000	-
AE Prowse	27 500	27 000	27 500	27 000
NV Simamane	1 200	-	1 200	-
Total	29 700	27 000	29 700	27 000

The holdings stated above exclude any shares held by virtue of the FSP, refer to page 110.

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

Alistair Knock

Remuneration Committee Chairman

28 August 2017



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 2017.

Members

The composition of the ITGov 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 the report.

Functions of the Committee

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

The 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.

No IT risks as evaluated by the ITGov was of sufficient severity to warrant inclusion in the top 10 company material risks as listed on pages 24 and 25 of the report.

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*

28 August 2017



Social and Ethics Report

Introduction

As fully outlined in the Ethics section of the Sustainability Report on page 39, 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 2017.

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

Members

The composition of the SECOM 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 the report.



Social and Ethics Report

continued

Functions of the Committee

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.

A gap analysis, performed by PwC, on the Protection of Personal Information Act was concluded and Cashbuild is in the process of aligning its policies and procedures.

During the year Cashbuild subscribed to the Consumer Goods and Service Ombud which will facilitate the resolution of complaints registered by consumers.

An assessment of the Support Office buildings accessibility for the handicapped was conducted and SECOM have approved the improvements to be performed in the planned refurbishment of the building in the next financial year.

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 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 UN Global Compact Principles;
 - The OECD (Organisation for Economic Co-operation and Development) recommendations regarding corruption;
 - the Employment Equity Act; and
 - the Broad-Based Black Economic Empowerment Act.
- Good corporate citizenship, including the Group's:
 - promotion of equality, prevention of unfair discrimination and reduction of corruption;
 - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
 - record of sponsorships, donations and charitable giving.
- The environment, health and public safety, including the impact of the Group's activities and 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.

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*

28 August 2017





Annual Financial Statements

Directors' responsibilities and approval	66
Audit and Risk Committee Report	67
Directors' Report	71
Company Secretary's Certification	74
Independent Auditor's Report	75
Income Statement	83
Statement of Comprehensive Income	84
Statement of Financial Position	85
Statement of Changes in Equity	86
Statement of Cash Flows	88
Accounting Policies	89
Notes to the Annual Financial Statements	99



Strong cash position allows Group to make strategic acquisitions

Directors' responsibilities and approval

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

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

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

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

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

The external auditors are responsible for independently auditing and reporting on the Group's Annual Financial Statements. The Annual Financial Statements have been examined by the Group's external auditors and their report is presented on pages 75 to 82.

The Annual Financial Statements set out on pages 83 to 134, 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 28 August 2017.

Signed on behalf of the Board of directors by:

Stefan Fourie

Chairman

28 August 2017

Werner de Jager

Chief Executive

Audit and Risk Committee Report

1. Introduction

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

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 page 28.

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

Audit and Risk Committee meetings commenced with a confidential meeting between the Committee members, non-executive directors and the internal and external auditors, as well as another confidential meeting held with the Chief Executive and 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.

Audit and Risk Committee Report

continued

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; and
- The audit firm and the designated auditor are accredited with the JSE.

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

External audit fees

The Committee:

- Approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2017 financial year
- Reviewed and approved the non-audit services fees for the year under review and ensured that the fees were within limit and in line with the non-audit service policy; and
- Determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services.

External audit performance

The Audit Committee reviewed:

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

The Committee confirms that the external auditor has functioned in accordance with its terms of reference for the 2017 financial year.

Key audit matters

The Audit Committee has considered the matters noted in the independent auditor's report and reviewed the process followed by the auditor. Discussions have also taken place with management and the Committee is satisfied that the procedures followed by management are appropriate to address the matters noted being accuracy of supplier rebates, provision for the net realisable value of inventories and the accounting for the acquisition of P&L Hardware.

The Audit Committee have considered the correspondence from the JSE monitoring panel in relation to the prior year restatement for the change in accounting policy. The JSE concluded that the change in accounting policy instead be reflected as a prior period error and the Committee has accepted the JSE's decision on the matter.

Financial statements:

Responsibility

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

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

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

Expertise and experience of Financial Director

As required by JSE Listings Requirement 3.84(h), the Audit and Risk Committee has satisfied itself that the Finance Director, Mr 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.

Quality of earnings

The reconciliation between attributable earnings and headline earnings is set out in note 3 of the Annual Financial Statements. During the prior year there was the material once off BEE transaction that affected operating profit by R63 million.

Internal controls:

The Cashbuild Way

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

Internal Audit team

Internal audit within Cashbuild consists of a team of 23 members with two auditors dedicated to the auditing of support office-based processes, and 16 auditors dedicated to the auditing of key processes at stores. An Internal Audit Manager and two senior internal auditors take responsibility for quality assurance within the internal audit function. An Administrator assists the Group Risk Manager with monitoring and reporting on Issues Management (e.g., tipoffs, burglaries and robberies, OHASA incidents, etc.). Cashbuild's Group Risk Manager, heading up Internal Audit reports functionally to the Chief Executive with a reporting line to the Chairman of the Audit and Risk Committee. Internal audit results are reported to the Audit and Risk Committee with emphasis placed on areas of high risk requiring management attention as identified in terms of non-compliance with key controls.

Internal Audit approach and methodology

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

In terms of principle 7.3 of the King III report, Internal Audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management. The principle further states that internal audit should provide an assessment regarding internal financial controls which should be reported specifically to the Audit and Risk Committee.

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

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

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

Audit and Risk Committee Report continued

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

Risk management:

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

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

Integrated Report:

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

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

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 71 to 73.

External audit:

The Independent Auditor's Report is set out on pages 75 to 82.

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 2017) 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

Johannesburg
28 August 2017

Directors' Report

The directors have pleasure in submitting their report on the Annual Financial Statements of Cashbuild Limited and its Subsidiaries and the Group for the year ended 30 June 2017.

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 (297 at the end of this financial year which includes the nine DIY stores and 46 P&L Hardware stores). Cashbuild carries an in-depth quality product range tailored to the specific needs of the communities we serve. Our customers are typically home-builders and improvers, contractors, farmers, traders, as well as all other customers requiring quality building materials at the best value.

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

2. Financial highlights

Revenue for the year increased by 12% whilst gross profit increased by 10%. Revenue for stores in existence prior to July 2015 (pre-existing stores – 219 stores, plus the nine Cashbuild DIY pilot stores) decreased by 2% while our 23 new stores contributed 4% and P&L Hardware contributed 10% to revenue growth. This increase for the year has been achieved in tough trading conditions with selling price inflation of 2%. Gross profit percentage has decreased to 25.5% from the 26.1% of the prior year, mainly due to including P&L Hardware for the full year.

Operating expenses, excluding the BEE transaction in the prior year increased by 13% which resulted in an operating profit increase of 1%. New stores contributed 5% and P&L Hardware 8% of the increase in operating costs, while existing stores remained well controlled at similar levels.

The effective tax rate for the year of 29% is similar to that of the previous year.

Cash and cash equivalents increased by 3% to R801 million. Stock levels have increased by 5% with stockholding at 78 days (June 2016: 77 days) at the end of the year. Net asset value per share (including treasury shares) has shown a 15% increase, from 5 776 cents (June 2016) to 6 642 cents.

During the financial year, Cashbuild opened 12 new stores, 12 stores were refurbished, two stores were relocated and four P&L Hardware stores were opened. Two stores were closed, one that traded in close proximity to another Cashbuild store and the other reached the end of its lease term. The DIY pilot continues with nine 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.

3. Change in accounting policy in Cashbuild's Annual Financial Statements for the year ended 30 June 2016 ("the 2016 Annual Financial Statements")

The JSE has undertaken a pro-active monitoring review of the 2016 Annual Financial Statements which detected that the change in accounting policy relating to the treatment of advertising rebates as disclosed in the 2016 Annual Financial Statements was incorrectly dealt with. The JSE's pro-active monitoring process involved a referral to the Financial Reporting Investigation Panel and concluded that the change in accounting policy should have been dealt with as a correction of a prior period error.

Cashbuild has accepted the JSE's decision in this matter. On the basis that the previous application by Cashbuild was also applied retrospectively in 2016, the clarification of a prior period error does not change any amounts that were reported in the 2016 results.

4. Trading weeks

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

5. Share capital

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

Directors' Report continued

6. 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: R23 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 that P&L Hardware will remain and grow as a separate brand to Cashbuild.

7. Dividends

The Board has declared a final dividend (No. 49), of 390 cents (2016: 488 cents) per ordinary share out of income reserves to all shareholders of Cashbuild Limited. The dividend per share is calculated based on 24 989 811 (2016: 24 989 811) shares in issue at date of dividend declaration. Net local dividend amount is 312 cents per share for shareholders liable to pay Dividends Tax and 390 cents per share for shareholders exempt from paying Dividends Tax. Local Dividend Tax is 20%.

Relevant dates for the declaration are as follows: Date dividend declared: Monday, 28 August 2017; Last day to trade "CUM" the dividend: Tuesday, 19 September 2017; Date to commence trading "EX" the dividend: Wednesday, 20 September 2017; Record date: Friday, 22 September 2017; Date of payment: Tuesday, 26 September 2017. Share certificates may not be dematerialised or rematerialised between Wednesday, 20 September 2017 and Friday, 22 September 2017, both dates inclusive.

8. Share incentive scheme

Refer to note 9 of the Consolidated Annual Financial Statements for details of share incentive schemes in the Group.

9. Directorate

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

WF de Jager (46)	Chief Executive, CA(SA)	Executive
AE Prowse (53)	Finance Director, CA(SA)	Executive
SA Thoresson (54)	Operations Director	Executive
A van Onselen (55)	Operations Director	Executive
IS Fourie (70)	Chairman, CA(SA)	Non-executive
HH Hickey (63)	CA(SA)	Non-executive
AGW Knock (66)	BSc Eng (Hons); MBA; MSc (Engineering); MDP	Non-executive
Dr DSS Lushaba (51)	BSc Advanced Biochemistry (Hons), MBA, DBA	Non-executive
NV Simamane (58)	BSc Chemistry and Biology (Hons)	Non-executive

There have been no changes to the directorate for the year under review. Details of director's remuneration are set out in note 38.

10. Board committees and attendance

Refer to page 28 of this Integrated Report.

11. Directors' interests in shares

The directors held in aggregate, direct and indirect beneficial interests, and non-beneficial interests of 0.23% (June 2016: 0.23%) in the issued share capital of the company at the statement of financial position date. The company has not been notified of any material change in these interests from the end of the financial year ended 30 June 2017 to the date of this report. For details of directors interests in share options refer to note 9, directors direct shareholdings are detailed in the shareholders' analysis in note 42.

The register of interests of directors and others in shares of the company is available to the shareholder on request.

There have been no changes in beneficial interests that occurred between the end of the financial year and the date of this report.

12. Directors' interests in contracts

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

13. Interests in subsidiaries and other equity investments

Details of material interests in subsidiary companies, associates and joint arrangements are presented in the Consolidated Annual Financial Statements in notes 35.

14. BEE transaction

A special resolution in terms of a specific repurchase was adopted by shareholders on 30 November 2015, whereby 200 000 shares were repurchased from The Cashbuild Empowerment Trust ("the Trust"). The related cost of R61.890 million was classified as a personnel expense in the prior years Group results and the related transaction costs were R1.162 million. The specific repurchase of shares was effected on 29 January 2016. The impact of the BEE transaction on the prior year has been summarised in note 37.

15. Borrowing powers

In terms of the Articles of Association of the Company, the borrowing powers of Cashbuild Limited are unrestricted. Flexible term general banking facilities available are R622.0 million (June 2016: R62.7 million).

16. Events after the reporting period

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

17. Auditor

PricewaterhouseCoopers Inc continued in office as auditor for the Company and its subsidiaries for 30 June 2017.

18. Secretary

The Company Secretary is Corporate Governance Leaders CC.

Company Secretary's Certification

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

Corporate Governance Leaders CC

Chartered Secretaries

28 August 2017

Independent Auditor's Report

To the Shareholders of Cashbuild Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Cashbuild Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Cashbuild Limited's consolidated and separate financial statements set out on pages 83 to 132 comprise:

- the Group and Company Statements of Financial Position as at 30 June 2017;
- the Group and Company Income Statements for the year then ended;
- the Group and Company Statements of Comprehensive Income for the year then ended;
- the Group and Company Statements of Changes in Equity for the year then ended;
- the Group and Company Statements of Cash Flows for the year then ended; and
- the Notes to the Financial Statements, which include a summary of significant Accounting Policies.

Basis for opinion

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

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

Independence

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

Independent Auditor's Report continued

Our audit approach

Overview



Overall Group materiality

- R32.9 million, which represents 5% of profit before tax.

Group audit scope

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

Key audit matters

- Accuracy of supplier rebates
- Provision for the net realisable value of inventories
- Accounting for the acquisition of P&L Hardware (P&L)
- Allocation of goodwill arising from the P&L transaction and impairment testing for goodwill and indefinite life intangibles

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

Materiality

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

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

Overall Group materiality	R32.9 million
How we determined it	5% of profit before tax.
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our Group audit scope

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

As described in note 4 to the financial statements, the Group operates across six different African countries aggregated into three reportable geographical segments, with the South African operations trading under the Cashbuild and P&L store models. The Group's financial statements are a consolidation of 16 components, comprising the Group's retail businesses, property companies, trusts and other components. All Cashbuild model operating segments are centrally managed at the Group's head office in Ormonde with the P&L model operating segment being operated from the P&L head office in Louis Trichardt.

A full scope audit was performed over all Cashbuild model segments. The P&L model segment has a 31 May year end. For the P&L segment a full scope audit was performed for the 11 months to 31 May 2017 with specified and review procedures performed over the month of June 2017. Our audit was performed by a central Group audit team.

Key audit matters

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

Consolidated financial statements

Key audit matter	How our audit addressed the key audit matter
<p>Accuracy of supplier rebates</p> <p>The Group has agreements with suppliers whereby material volume-related rebates and advertising rebates are earned in connection with the purchase of inventories for resale from those suppliers (collectively referred to as supplier rebates). Supplier rebates are accounted for as a reduction in the cost of inventories and result in a reduction of cost of sales as inventories are sold. Refer to the accounting policy for Inventories in Note 1.7.</p> <p>Management use a customised system (Ryto) that interfaces with the Group's primary Enterprise Resource Planning (ERP) system - SAP to determine supplier rebates. Ryto's supplier rebate calculation is reliant on the following:</p> <ul style="list-style-type: none"> • Volumes purchased per supplier are obtained via an interface between the Ryto system and the creditors sub ledger maintained in SAP; and • The contractual rebate percentages are obtained via an interface with the supplier master files maintained in SAP. Rebate percentages are manually captured as and when contracts are negotiated/amended. <p>Specifically, we focussed on supplier rebates because the calculation of supplier rebates includes a number of unique considerations per supplier, namely:</p> <ul style="list-style-type: none"> • Volumes purchased; • The contractual rebate percentage applied to each supplier's purchases; and • The apportionment of rebates between inventories sold and those that remain on hand at year end. <p>We consider supplier rebates a matter of most significant to our current year audit as the number and unique structures of the commercial arrangements with suppliers make it a complex area to audit and an error in the supplier rebate calculation may result in a material misstatement.</p>	<p>We obtained a detailed understanding of the supplier rebate process and evaluated the design and implementation of controls that the Group has established over supplier rebates.</p> <p>We recalculated the supplier rebates recognised in Ryto using CAATs without material exceptions.</p> <p>For a sample of suppliers we tested the inputs used to determine supplier rebates as follows:</p> <ul style="list-style-type: none"> • Tested cash receipts of supplier rebates earned within the year and compared this to the supplier rebates recognised; • Obtained third party supplier rebate confirmations and confirmed the supplier's total rebates for the year and the underlying rebate calculation data including purchase volumes in the year and the rebate percentage applicable; and • Agreed the rebate percentage per the supplier master files to signed contracts. <p>No material differences in the above inputs were noted from the sample tested.</p> <p>We performed a reconciliation between the total purchases from SAP and the total purchases included in the Ryto supplier rebate calculation. We discussed the reconciling items with management and substantiated these to appropriate supporting evidence.</p> <p>Supplier rebates, included as a reduction in the cost of inventories, were tested by comparing management's unrealised rebate calculation to our independent assessment of unrealised rebates recognised as a reduction to the cost inventory. In determining our independent assessment we applied analytical procedures which included calculating a rebate percentage per inventory category and applying this to the respective inventories remaining on hand at year end. No material differences were noted.</p>

Independent Auditor's Report

continued

Key audit matter	How our audit addressed the key audit matter
<p>Provision for the net realisable value of inventories</p> <p>At year end the Group held a material inventories balance of R1,289.5m. Included in inventories presented on the face of the statement of financial position is a provision of R86.6m for the write down of inventories to net realisable value (NRV provision). Refer to Note 10: Inventories and Note 2 Critical accounting estimates and judgements.</p> <p>Management determine the NRV provision using a customised model. Management's model categorises inventories based on an individual inventory items' historic turnover. A distinct NRV provision percentage is applied to each inventory category and in certain instances, management apply estimates to determine specific adjustments made to the model's automated calculation of the NRV provision.</p> <p>The provision for the NRV of inventories was considered to be a matter of most significance in the current year audit because the provision for the NRV of inventories is an area of significant judgement, not only in estimating the eventual selling price of inventories but also in determining what inventories are or may be slow moving and/or obsolete. The subjective estimates applied by management in their NRV provision methodology include:</p> <ul style="list-style-type: none"> • The NRV provision percentage applied against the various inventory categories; and • The manual adjustments made to the NRV provision for specific inventories at risk of loss due to negative margins realised or expected to realise in the foreseeable future. 	<p>We obtained a detailed understanding and evaluated the design and implementation of controls that the Group has established over inventory management with specific focus on those controls implemented to manage inventory valuation.</p> <p>Management have consistently applied their NRV provision methodology across the two year ends presented. To determine the historical reasonableness of management's NRV provision methodology we performed, amongst others, the following procedures:</p> <ul style="list-style-type: none"> • Compared actual inventories sold below cost during the current period to inventories provided for at NRV as at 30 June 2016 and at 31 December 2016; • Compared inventories with a slow turnover time as at 30 June 2016 against inventory turnover for these inventories in the year to 30 June 2017; and • Considered inventories identified at 30 June 2017 as slow movers not previously included in this category at 30 June 2016. <p>Management's NRV provision methodology was considered to be in line with the requirements of IAS 2 and was reasonable compared to the actual results of the current period.</p> <p>We obtained management's NRV provision calculation and performed the following without material exceptions:</p> <ul style="list-style-type: none"> • Recalculated management's inventory categorisation; • Assessed the manual adjustments applied by management to the NRV provision model for reasonableness by considering our industry knowledge and the specific circumstances relating to each manual adjustment; • Considered the justification for management's NRV provision percentage applied against the inventory categories with reference to actual product margins achieved in the current period and historically, together with consideration of our industry knowledge and expected norms; and • Benchmarked the overall NRV provision percentage to publicly available information for JSE listed companies in the general retailers sub sector.

Key audit matter	How our audit addressed the key audit matter
<p>Accounting for the acquisition of P&L Hardware (P&L)</p> <p>Effective 1 June 2016 the Group acquired 100% of P&L. Details of this transaction and the resulting goodwill recognised are presented in notes 5 and 6.</p> <p>Management engaged external experts who utilised customised valuation models to fair value the assets, liabilities and contingencies acquired in this transaction.</p> <p>The following significant fair values were determined as part of this transaction (refer to note 5):</p> <ul style="list-style-type: none"> Contingent consideration of R33.0 m Trademark of R96.4m <p>The resulting Goodwill recognised was R267.3m.</p> <p>In fair valuing the contingent consideration payable the following management assumptions were of significance:</p> <ul style="list-style-type: none"> the assessment of the probabilities and potential timing of P&L achieving the stepped profit before tax targets over the earn out period; and the discount rate applied to management's contingent consideration cash flow analysis. <p>The identification and valuation of intangible assets is a complex area requiring deep business knowledge and significant management judgement. Specifically in relation to the valuation of trademarks, management's significant assumptions regarding the inputs into the income approach model being forecast cash flows, royalty rates and discount rates had a material impact on the valuation of this asset.</p> <p>This transaction was a matter of most significance to the current year audit due to the magnitude of the transaction to the group results and the complexity of the judgements and assumptions applied in determining the fair values in the business combination.</p>	<p>To assess the fair values determined in the acquisition of P&L Hardware we have performed, amongst others, the following procedures:</p> <p>We utilised our technical expertise to inspect the contracts executed as part of the transaction, including the purchase agreements, executive employment agreements and associated side agreements. We assessed these agreements against the principles of IFRS 3: Business Combinations to determine the appropriateness of accounting for this transaction as a business combination and to assess whether the contingent consideration was remuneration or consideration for the business acquired. We were satisfied with management's accounting treatment for the transaction and their determination of the consideration paid.</p> <p>We utilised our valuation expertise to assess the fair value of the contingent consideration by assessing the discounted cash flow analysis prepared by management against historical earnings achieved by the business. Further, we stress tested management cash flow assumptions together with comparing the discount rate applied against external publicly available information. We considered management's fair value of the contingent consideration to be within an acceptable range of our determined fair value.</p> <p>We utilised our valuation expertise to assess the completeness of management's identification and valuation of the intangible assets acquired. We considered the completeness of management's identification of intangible assets by applying our industry knowledge to the specifics of the business acquired. We agreed with management's assessment that the only material intangible asset acquired (other than goodwill) was the Trademark. To assess the valuation of the Trademark we compared management's valuation methodology against our independent income approach model without material exception.</p> <p>Specific to the Trademark valuation we tested the royalty rate assumptions used by management by comparing this assumption to external benchmarks and other publicly available information. We stress tested management's model against our own independent assessment. We considered management's fair value of the Trademark to be within an acceptable range of our independently determined fair value.</p> <p>Furthermore, we considered the basis upon which management identified and assessed the fair value of the other significant assets and liabilities by reference to externally available information and having regard to the relevant accounting standards. No material exceptions were noted and the resulting goodwill was considered reasonable in light of the work performed.</p>

Independent Auditor's Report

continued

Key audit matter	How our audit addressed the key audit matter
<p>Allocation of goodwill arising from the P&L transaction and impairment testing for goodwill and indefinite life intangibles</p> <p>The allocation of the goodwill acquired in the P&L transaction to operating segments (refer to note 5) required management to apply significant judgement in identifying synergies resulting from the transaction. Once synergies were identified, including supplier rebate synergies achieved by the combined businesses, the valuation of these synergies required the use of complex cash flow modelling which involved various assumptions.</p> <p>Goodwill and indefinite life intangibles are required to be tested annually for impairment pursuant to the requirements of IAS 36: Impairment of assets. Management's impairment testing involved the use of discounted cash flow modelling techniques which required management to make assumptions regarding future growth rates, margins, cash investments in working capital and the perpetual growth rate of the business, and then applying a discount rate to these cash flows.</p> <p>The complexity of the judgements and assumptions applied in allocating goodwill to the relevant operating segments and in assessing goodwill and indefinite life intangibles allocated to the P&L operating segment for impairment resulted in this being a matter of most significance to our current year audit.</p>	<p>We utilised our valuation expertise to audit management's identification and allocation of the synergies arising from the transaction to the appropriate operating segments.</p> <p>Specifically regarding supplier rebate synergies we compared actual supplier rebate percentages earned on inventories to that applied in management's valuation model and independently recalculated the valuation of these synergies and the consequential allocation of goodwill. We also stress tested management's assumptions.</p> <p>Based on the synergies identified and the valuation of these synergies, the allocation of goodwill as presented in note 5 was within an acceptable range of our independent assessment.</p> <p>We utilised our valuation expertise to audit management's impairment assessment of goodwill and indefinite life intangibles allocated to the P&L segment by performing our own independent value in use valuation. Our work included:</p> <ul style="list-style-type: none"> • Assessing management's cash flow projections for compliance with IAS 36, namely assessing whether management's cash flows included inflows or outflows that are expected to arise from any future plans not yet committed (such as potential restructuring) or those expected to enhance an asset's performance; • Assessing growth rates, margins and cash investments in working capital applied by management in their impairment assessment by comparing them to historically achieved growth, margin and working capital rates and the board approved budget; • Considering current and forecast economic conditions impacting the cash flows of the operating segments; • Comparing the perpetual growth rate with reference to the South African Consumer Price Index forecast and other relevant economic factors; • Assessing the discount rate by considering the cost of capital for the Group and comparable organisations together with South African economic factors; and • Applying a sensitivity analysis to management's assumptions and our own independent model and calculating the degree to which these assumptions would need to move before an impairment was triggered and considering the likelihood of such a movement. <p>Management's overall value in use valuation of the P&L operating segment was within an acceptable range of our independent valuation.</p>

Separate financial statements

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

Other information

The directors are responsible for the other information. The other information comprises Audit Committee Report, Directors' Report and the Group Secretary's Certification as required by the Companies Act of South Africa, the General Information, Index, Directors' Responsibilities and Approval, and the shareholder information which we obtained prior to the date of this auditor's report, and the integrated report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

Independent Auditor's Report

continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Cashbuild Limited for 19 years.

PricewaterhouseCoopers Inc.

Director: I Buys

Registered Auditor

Sunninghill

28 August 2017

Income Statement

for the year ended 30 June 2017

Figures in Rand thousand	Note(s)	GROUP		COMPANY	
		2017	2016	2017	2016
Revenue	28	9 729 640	8 669 643	256 895	212 835
Cost of sales		(7 248 711)	(6 404 966)	-	-
Gross profit		2 480 929	2 264 677	256 895	212 835
Other income	29	15 703	9 773	-	-
Selling and marketing expenses	30	(1 595 510)	(1 418 609)	-	-
Administrative expenses	30	(278 953)	(241 142)	(4 286)	(6 056)
BEE transaction expense	30	-	(63 052)	-	-
Other operating expenses	30	(2 172)	(3 123)	-	-
Operating profit	30	619 997	548 524	252 609	206 779
Finance income	31	40 814	71 084	-	-
Finance costs	32	(3 785)	(921)	-	-
Profit before taxation		657 026	618 687	252 609	206 779
Tax expense	33	(187 540)	(176 685)	-	(137)
Profit for the year		469 486	442 002	252 609	206 642
Profit attributable to:					
Owners of the parent		464 991	437 442	252 609	206 642
Non-controlling interest		4 495	4 560	-	-
		469 486	442 002	252 609	206 642
Earnings per share information:					
Basic earnings per share (cents)	3	2 047.7	1 920.4	1 010.8	826.9
Diluted earnings per share (cents)	3	2 046.7	1 919.5	1 010.4	826.6

Statement of Comprehensive Income

for the year ended 30 June 2017

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Profit for the year	469 486	442 002	252 609	206 642
Other comprehensive income:				
Items reclassifiable to profit or loss:				
Owners of the parent	(18 974)	14 934	-	-
Non-controlling interest	(1 859)	(2 036)	-	-
Total movement in foreign currency translation reserve (FCTR)	(20 833)	12 898	-	-
Other comprehensive income for the year net of taxation	(20 833)	12 898	-	-
Total comprehensive income	448 653	454 900	252 609	206 642
Total comprehensive income attributable to:				
Owners of the parent	446 017	452 376	252 609	206 642
Non-controlling interest	2 636	2 524	-	-
	448 653	454 900	252 609	206 642

Statement of Financial Position

for the year ended 30 June 2017

		GROUP		COMPANY	
Figures in Rand thousand	Note(s)	2017	2016	2017	2016
ASSETS					
Non-current assets					
Property, plant and equipment	8	978 615	929 163	-	-
Investment property		-	1 900	-	-
Intangible assets	6	397 015	399 689	-	-
Investments in subsidiaries	35	-	-	103 181	60 451
Deferred tax asset	22	25 164	18 788	-	-
Prepayments	14	80 328	81 339	-	-
		1 481 122	1 430,879	103 181	60 451
Current assets					
Inventories	10	1 289 491	1 225 580	-	-
Trade and other receivables	11	122 462	90 994	-	-
Assets held for sale	20	4 345	4 510	-	-
Prepayments	14	14 402	11 029	-	-
Cash and deposits	12	801 420	775 954	5 828	6 135
		2 232 120	2 108 067	5 828	6 135
Total assets		3 713 242	3 538 946	109 009	66 586
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of company					
Share capital and share premium	25	(275 192)	(275 157)	1 274	1 274
Reserves		48 988	63 631	57 317	52 985
Retained income		1 885 972	1 655 004	1 996	6 282
Equity attributable to owners of the parent		1 659 768	1 443 477	60 587	60 541
Non-controlling interest		23 208	21 948	-	-
		1 682 976	1 465 425	60 587	60 541
Liabilities					
Non-current liabilities					
Loans from group companies	36	-	-	42 431	-
Finance lease liabilities	26	1 052	2 243	-	-
Deferred operating lease liability	21	137 051	118 475	-	-
Deferred tax liability	22	37 480	30 706	-	-
Contingent consideration	5	22 886	33 008	-	-
		198 469	184 432	42 431	-
Current liabilities					
Trade and other payables	13	1 768 942	1 789 406	5 991	6 045
Finance lease liabilities	26	1 191	1 110	-	-
Current income tax liabilities		61 664	71 858	-	-
Bank overdraft	12	-	26 715	-	-
		1 831 797	1 889 089	5 991	6 045
Total liabilities		2 030 266	2 073 521	48 422	6 045
Total equity and liabilities		3 713 242	3 538 946	109 009	66 586

Statement of Changes in Equity

for the year ended 30 June 2017

GROUP

Figures in Rand thousand

	Share capital	Share premium	Total share capital
Balance at 1 July 2015	227	(126 559)	(126 332)
Total comprehensive income for the year	-	-	-
Share-based payments	-	-	-
Shares purchased for The Cashbuild Share Incentive Trust	-	(244 541)	(244 541)
Shares sold by The Cashbuild Share Incentive Trust	-	95 716	95 716
Dividends paid	-	-	-
Balance at 30 June 2016	227	(275 384)	(275 157)
Total comprehensive income for the year	-	-	-
Share-based payments	-	-	-
Shares sold by The Cashbuild Share Incentive Trust	-	2 526	2 526
Shares purchased by The Cashbuild Operations Management Member Trust	-	(2 561)	(2 561)
Dividends paid	-	-	-
Balance at 30 June 2017	227	(275 419)	(275 192)
Note(s)	25	25	25

COMPANY

Figures in Rand thousand

	Share capital	Share premium	Total share capital
Balance at 1 July 2015	252	62 912	63 164
Total comprehensive income for the year	-	-	-
Share-based payments	-	-	-
Buy-back of shares for empowerment transaction	(2)	(61 888)	(61 890)
Dividends paid	-	-	-
Balance at 30 June 2016	250	1 024	1 274
Total comprehensive income for the year	-	-	-
Share-based payments	-	-	-
Dividends paid	-	-	-
Balance at 30 June 2017	250	1 024	1 274
Note(s)	25	25	25

FCTR	Share-based payments reserve	Total reserves	Retained earnings	Non- controlling interest	Total equity
(4 289)	45 091	40 802	1 410 081	20 483	1 345 034
14 934	-	14 934	437 442	2 524	454 900
-	7 894	7 894	-	-	7 894
-	-	-	-	-	(244 541)
-	-	-	-	-	95 716
-	-	-	(192 519)	(1 059)	(193 578)
10 645	52 985	63 630	1 655 004	21 948	1 465 425
(18 974)	-	(18 974)	464 991	2 636	448 653
-	4 332	4 332	-	-	4 332
-	-	-	-	-	2 526
-	-	-	-	-	(2 561)
-	-	-	(234 023)	(1 376)	(235 399)
(8 329)	57 317	48 988	1 885 972	23 208	1 682 976
27	9				

FCTR	Share-based payments reserve	Total reserves	Retained earnings	Non- controlling interest	Total equity
-	45 091	45 091	12 475	-	120 730
-	-	-	206 642	-	206 642
-	7 894	7 894	-	-	7 894
-	-	-	-	-	(61 890)
-	-	-	(212 835)	-	(212 835)
-	52 985	52 985	6 282	-	60 541
-	-	-	252 609	-	252 609
-	4 332	4 332	-	-	4 332
-	-	-	(256 895)	-	(256 895)
-	57 317	57 317	1 996	-	60 587
27	9				

Statement of Cash Flows

for the year ended 30 June 2017

Figures in Rand thousand	Note(s)	GROUP		COMPANY	
		2017	2016	2017	2016
Cash flows from operating activities					
Cash generated from operations	15	651 625	761 718	252 555	216 969
Finance income – non-investing	31	-	11 781	-	-
Finance costs	32	(3 785)	(921)	-	-
Tax paid	19	(197 336)	(150 157)	-	(137)
Net cash from operating activities		450 504	622 421	252 555	216 832
Cash flows from investing activities					
Purchase of property, plant and equipment	8	(192 973)	(178 180)	-	-
Proceeds on disposal of assets held-for-sale	16	4 769	22 242	-	-
Proceeds on disposal of property, plant and equipment	17	12 194	4 478	-	-
Finance income	31	40 814	59 303	-	-
Purchase of intangible assets	6	(5 462)	(11 974)	-	-
Business combinations	5	(5 740)	(378 901)	-	-
Increase in subsidiary loan account		-	-	4 033	59 739
Net cash (used in)/from investing activities		(146 398)	(483 032)	4 033	59 739
Cash flows from financing activities					
Shares sold by The Cashbuild Share Incentive Trust	25	2 526	95 716	-	-
Shares purchased by Cashbuild Trusts or subsidiary companies for share incentive schemes	25	(2 561)	(244 541)	-	-
Finance lease payments		(1 110)	-	-	-
Dividends paid	18	(234 023)	(192 519)	(256 895)	(212 835)
Dividends paid to non-controlling interests		(1 376)	(1 059)	-	-
Share buy back for empowerment transaction		-	-	-	(61 890)
Net cash used in financing activities		(236 544)	(342 403)	(256 895)	(274 725)
Total cash movement for the year		67 562	(203 014)	(307)	1 846
Cash at the beginning of the year		749 239	938 917	6 135	4 289
Effect of exchange rate movement on cash balances		(15 381)	13 336	-	-
Total cash at end of the year	12	801 420	749 239	5 828	6 135

Accounting Policies

for the year ended 30 June 2017

Corporate information

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

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate Annual Financial Statements are set out from 1.1 onward.

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements. Refer to note 2 for details of the critical accounting estimates and judgments applied.

The JSE has undertaken a pro-active monitoring review of the 2016 Annual Financial Statements which detected that the change in accounting policy relating to the treatment of advertising rebates as disclosed in the 2016 Annual Financial Statements was incorrectly dealt with. The JSE's pro-active monitoring process involved a referral to the Financial Reporting Investigation Panel and concluded that the change in accounting policy should have been dealt with as a correction of a prior period error.

Cashbuild has accepted the JSE's decision in this matter. On the basis that the previous application by Cashbuild was also applied retrospectively in 2016, the clarification of a prior period error does not change any amounts that were reported in the 2016 results.

1.1 Basis of preparation

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

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

The Annual Financial Statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the group and company's functional currency.

1.2 Segmental reporting

The Executive Directors are the chief operating decision makers and are responsible for allocating resources and assessing performance of each operating segment.

The basis of segmental reporting has been set out in note 4.

1.3 Reporting period

The group adopts the retail accounting calendar, which comprises the reporting period ending on the last Sunday of the month (June 2017: 25 June – 52 weeks; June 2016: 26 June – 52 weeks).

1.4 Consolidation

Basis of consolidation

The Consolidated Annual Financial Statements incorporate the Annual Financial Statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

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

Adjustments are made when necessary to the Annual Financial Statements of subsidiaries to bring their accounting policies in line with those of the group.

Accounting Policies continued

for the year ended 30 June 2017

1. Significant accounting policies (continued)

1.4 Consolidation (continued)

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation.

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

The Cashbuild Share Incentive Trust, Operations Management Member Trust and Cashbuild Empowerment Trust have been consolidated into the group in the current and prior periods.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3: Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5: Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

For detail of business combinations refer to note 5.

1.5 Revenue

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

- the group has transferred to the customer 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 provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

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

1.6 Cost of sales

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

The related settlement discounts and rebates received on inventories are included in cost of sales.

1.7 Inventories

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

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

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

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

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

Refer to note 10 for disclosures of inventory and related values.

1.8 Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds to use in the business of retail trade. These consist mainly of land and buildings, leasehold improvements, furniture, shop and computer equipment and vehicles (forklifts).

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

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

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

Assets are depreciated when an asset is available for use, and depreciated on a straight line basis over its expected useful lives. Assets which are expected to have a material disposal value are allocated residual values, these assets are depreciated up to residual value and useful lives are re-evaluated annually. Depreciation on buildings ceases when they are classified as held for sale under the requirements of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

The details including the useful lives of items of property, plant and equipment have been disclosed in note 8.

The depreciation charge for each year is recognised in profit or loss during the year.

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

Accounting Policies continued

for the year ended 30 June 2017

1. Significant accounting policies (continued)

1.9 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.

Trademarks and licenses

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.

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

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

Computer software

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 on a straight-line basis over their estimated useful lives of three to five years.

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

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

Refer to note 6 for details of the group's intangible assets.

1.10 Impairment of assets

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

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

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

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.

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

The significant assets considered for impairment during the year are the goodwill and trademark acquired from the P&L Hardware business combination. Refer to note 7 for details thereof.

1.11 Financial instruments

Classification

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

- Loans and receivables
- Financial liabilities at fair value through profit or loss
- Financial liabilities measured at amortised cost
- Cash and cash equivalents

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.

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

Financial liabilities at fair value through profit or loss:

Contingent consideration arising from business combinations is designated as a financial liability at fair value through profit and loss.

Financial liabilities measured at amortised cost:

Trade payables and loans from group companies are financial liabilities. Borrowings consist of overdraft facilities available to the group. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the financial position date.

Cash and cash equivalents:

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.

Recognition and measurement

Loans and receivables:

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

The carrying amount of receivables 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.

Accounting Policies continued

for the year ended 30 June 2017

1. Significant accounting policies (continued)

1.11 Financial instruments (continued)

Financial liabilities at fair value through profit or loss:

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Expenses or income arising from changes in the fair value of the 'financial liabilities at fair value through profit or loss' category are presented in the income statement within 'other operating expenses' or 'other income' respectively in the period they arise.

Financial liabilities measured at amortised cost:

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

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

Cash and cash equivalents:

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.

Derecognition

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

Impairment of financial assets

At each reporting date the group assesses all financial assets, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in profit or loss.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

Refer to note 26 for details of finance leases.

Sale and leaseback transactions

The group has an intergroup sale and leaseback transaction for properties used for trade. 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.

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.

Rental income from leases is included in selling and marketing expenses in profit and loss.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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

Refer to note 21 for details of the operating lease liability.

1.13 Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Cashbuild Limited and its subsidiaries only has a joint operation.

Joint operations

Investments made into joint operations are disclosed in note 8.

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

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

1.14 Share capital and equity

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

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

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

Detail of share capital and share premium including the impact of treasury shares is disclosed in note 25.

1.15 Share-based plans and related payments

The Group operates a number of equity-settled, share-based compensation plans:

Cashbuild Forfeitable Share Scheme ("FSP")

Shares are offered under a share purchase and a share award scheme to executive directors and selected management. Schemes have a vesting period of three years. The impact is recognised directly in the income statement, with a corresponding adjustment to equity. The effect of all shares issued under this scheme is taken into account when calculating the diluted basic and headline earnings per share.

The fair value determined at the award date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value is based on a Black Scholes option pricing model. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the shares vest.

Accounting Policies continued

for the year ended 30 June 2017

1. Significant accounting policies (continued)

1.15 Share-based plans and related payments (continued)

Cashbuild Operations Management Member Trust

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

Dividends from The Cashbuild Empowerment Trust

Amounts paid to beneficiaries of the trust, being employees of the group, are treated as staff cost in the income statement. The amounts paid out by the members is equal to dividends received by the trust less specific cost incurred by the trust. Additional detail relating to distributions made by the trust is disclosed in note 37.

1.16 Related party loans receivable

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

1.17 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

Deferred tax recognised from business combinations is realised in accordance with the underlying assets and liabilities.

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

For details of deferred tax assets and liabilities at year end refer to note 22.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Components of the tax expense and effective tax rate is disclosed in note 33.

1.18 Translation of foreign currencies

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. Functional currencies include the Botswana Pula, Malawian Kwacha and Zambian Kwacha.

Foreign currency transactions and group translation

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

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

- income and expenses for each income statement 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.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.19 Provisions and contingencies

Provisions are recognised when:

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

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

Provisions are not recognised for future operating losses.

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

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

Contingencies are disclosed in note 23.

1.20 Investment property

Cashbuild acquired investment property as part of the P&L Hardware business combination. The properties are stated at fair value. Any gain or loss arising from a change in fair value or from subsequent disposal is included in net profit or loss for the period in which it arises.

Accounting Policies continued

for the year ended 30 June 2017

1. Significant accounting policies (continued)

1.21 Employee benefits

Short-term employee benefits

Long service awards:

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

Bonuses:

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

Defined contribution plans:

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

Notes to the Annual Financial Statements

for the year ended 30 June 2017

2. Critical estimates and judgements

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements. The key estimates and assumptions relating to these areas are disclosed in the relevant notes to the financial statements.

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

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

2.1 Inventory net realisable value

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

2.2 Contingent consideration

These arise from consideration payable to the previous owners of P&L Hardware in the event that specified profit targets are met over a three year period. The fair value of the contingent consideration 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.

2.3 Allocation of goodwill acquired in business combinations

Judgement is applied in determining the allocation of goodwill to different cash generating units (CGU's). The allocation is made based on the standalone valuation of the acquired business as well as the expected benefit arising from synergies from the business combinations.

2.4 Goodwill impairment

Assumptions made in calculating the value-in-use of CGU's such as discount rates, working capital and growth projections carry a significant amount of judgement and are revised based on continuing company performance and market indicators.

2.5 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.

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

3. Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares in issue is calculated net of treasury shares acquired/sold during the year. Shares held by The Cashbuild Share Incentive Trust, The Cashbuild Operations Management Member Trust and Cashbuild (South Africa) Proprietary Limited have been included in the calculation from date of acquisition. Shares held by The Cashbuild Empowerment Trust have been included in the calculation from 7 February 2005.

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Attributable earnings	464 991	437 442	252 609	206 642
Weighted number of shares in issue	22 708	22 779	24 990	24 990
Basic earnings per share (cents)	2 047.7	1 920.4	1 010.8	826.9
Weighted number of ordinary shares in issue				
Ordinary shares in issue at beginning of the year	24 990	25 190	24 990	24 990
Less: Weighted average number of treasury shares:				
– The Cashbuild Share Incentive Trust	(6)	(445)	–	–
– The Cashbuild Empowerment Trust	(1 765)	(1 853)	–	–
– The Cashbuild Operations Management Member Trust	(18)	(15)	–	–
– Cashbuild (South Africa) Proprietary Limited*	(493)	(98)	–	–
	22 708	22 779	24 990	24 990

*Shares held for Cashbuild FSP share scheme current and future share allocations. As at 30 June 2017 66 185 shares were allocated to beneficiaries of the first award from this scheme. For more details refer to the share-based payments note 9.

Diluted earnings per share

In the determination of diluted earnings per share, profit or loss attributable to the equity holders of the parent and the weighted average number of ordinary shares are adjusted for the effects of all dilutive potential ordinary shares.

Attributable earnings	464 991	437 442	252 609	206 642
Diluted number of ordinary shares in issue	22 719	22 789	25 001	25 000
Diluted earnings per share (cents)	2 046.7	1 919.5	1 010.4	826.6
Fully diluted weighted average number of ordinary shares in issue:				
Weighted number of shares in issue	22 708	22 779	24 990	24 990
Dilutive effect of the following:				
– Future potential issue for share options	11	10	11	10
	22 719	22 789	25 001	25 000

Headline earnings and diluted headline earnings per share

Headline earnings per share and diluted headline earnings per share are determined by dividing headline earnings and diluted headline earnings by the weighted average number of ordinary shares outstanding at period end.

Headline earnings and diluted headline earnings are determined by adjusting basic earnings and diluted earnings by excluding separately identifiable re-measurement items. Headline earnings and diluted headline earnings are presented after tax and non-controlling interest.

Reconciliation between earnings and headline earnings:

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Reconciliation between earnings and headline earnings:				
Attributable earnings	464 991	437 442	252 609	206 642
Adjusted for:				
Net gains on disposal of property, plant and equipment	(558)	(6 566)	-	-
Gross gains on disposal of property, plant and equipment	(2 093)	(9 586)	-	-
Tax effect	1 535	3 020	-	-
Headline earnings	464 433	430 876	252 609	206 642
Headline earnings	464 433	430 876	252 609	206 642
Weighted average number of shares in issue	22 708	22 779	24 990	24 990
Headline earnings per share (cents)	2 045.2	1 891.5	1 010.8	826.9
Headline earnings	464 433	430 876	252 609	206 642
Fully diluted weighted average number of shares in issue	22 719	22 789	25 001	25 000
Fully diluted headline earnings per share (cents)	2 044.2	1 890.7	1 010.4	826.6
Dividends per share (cents)				
Interim: No 48 paid on 27 March 2017 (2016: No 46 paid on 29 March 2016)	540.00	513.00	540.00	513.00
Final: No 49 payable on 28 September 2017 (2016: No 47 paid on 30 September 2016)	390.00	488.00	390.00	488.00

For additional details of the dividends declared refer to the directors' report on page 72.

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

4. Segmental information

The Executive Directors are the chief operating decision makers and are responsible for allocating resources and assessing performance of each operating segment.

Cashbuild's operating segments are as follows;

- Cashbuild model stores (based in South Africa, Botswana, Swaziland, Lesotho and Namibia, Malawi and Zambia)
- P&L Hardware model stores (based in South Africa)

Operating segments are aggregated and reported based on the store model type and by geography. The geographic area that the segment is reported in is determined by common monetary area. Common monetary area consists of Swaziland, Lesotho and Namibia whilst non-common monetary areas are Malawi, Botswana and Zambia.

All operating segments are in the business of retail of building materials and associated products.

Intersegmental revenue disclosed below is between two of the South African subsidiaries being Cashbuild (South Africa) Proprietary Limited and Roofbuild Trusses Proprietary Limited. All intercompany transactions have been eliminated in the below results.

Figures in Rand thousand	REVENUE		
	Total segment revenue	Inter-segment revenue	Revenue from external customers
30 June 2017			
Cashbuild South African operations	7 787 110	(68)	7 787 042
P&L Hardware operations	960 454	-	960 454
Cashbuild common monetary operations	595 995	-	595 995
Cashbuild non-common monetary operations	386 149	-	386 149
Total	9 729 708	(68)	9 729 640

Figures in Rand thousand	REVENUE		
	Total segment revenue	Inter-segment revenue	Revenue from external customers
30 June 2016*			
Cashbuild South African operations	7 587 841	(99)	7 587 742
P&L Hardware operations	61 458	-	61 458
Cashbuild common monetary operations	601 403	-	601 403
Cashbuild non-common monetary operations	419 040	-	419 040
Total	8 669 742	(99)	8 669 643

* June 2016 results reflected South Africa combined.

Segment assets and liabilities

The table below provides information on segment assets and liabilities as well as a reconciliation to total assets and liabilities as per the statement of financial position.

Figures in Rand thousand	2017			2016		
	Capital investment ⁺	Total assets	Total liabilities	Capital investment ⁺	Total assets	Total liabilities
Cashbuild South African operations	106 024	2 407 381	1 509 869	564 443	2 357 562	1 631 174
P&L Hardware operations	13 437	540 125	249 770	677	474 719	202 747
Cashbuild common monetary operations	42 548	496 554	173 217	15 442	434 769	148 937
Cashbuild non-common monetary operations	31 262	269 182	97 410	11 593	271 896	90 663
Total	193 271	3 713 242	2 030 266	592 155	3 538 946	2 073 521

* June 2016 results reflected South Africa combined.

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

SEPARATELY DISCLOSABLE ITEMS

Operating income	Depreciation	Amortisation	Interest income	Interest expense	Taxation
535 787	(107 428)	(11 622)	17 154	(1 218)	(159 798)
32 378	(2 823)	-	654	(2 414)	(9 121)
38 378	(6 038)	(93)	20 215	(60)	(15 667)
13 454	(6 136)	(155)	2 791	(93)	(2 954)
619 997	(122 425)	(11 870)	40 814	(3 785)	(187 540)

SEPARATELY DISCLOSABLE ITEMS

Operating income	Depreciation	Amortisation	Interest income	Interest expense	Taxation
453 292	(104 970)	(11 389)	54 003	(170)	(141 279)
1 601	(298)	-	45	(409)	(320)
51 995	(5 600)	(68)	14 443	(227)	(20 562)
41 636	(6 313)	(133)	2 593	(115)	(14 524)
548 524	(117 181)	(11 590)	71 084	(921)	(176 685)

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

5. Business combinations

P&L Hardware

Effective 1 June 2016 Cashbuild acquired 100% of the voting equity interest of P&L Hardware. Detail of this business combination was disclosed in note 20 of the group's Annual Financial Statements for the year ended 30 June 2016. The determination of fair values of the identified assets and liabilities relating to the acquisition was previously presented as provisional and were finalised in 2017. No amendments to the provisional disclosures were made in finalisation of the fair values.

Assets and liabilities recognised as a result of the acquisition can be summarised as follows:

Figures in Rand thousand	R' 000
Property, plant and equipment	33 846
Investment property	4 150
Related party loans receivable	3 653
Inventories	168 738
Trade and other receivables	8 100
Cash and deposits	7 939
Finance lease liabilities	(3 440)
Deferred tax asset	(30 706)
Related party payables	(3 291)
Current tax payable	(1 986)
Trade and other payables	(130 035)
Bank overdraft	(36 840)
Contingent liability	(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)
Goodwill allocation	
P&L Hardware	155 504
Cashbuild (South Africa) Proprietary Limited	111 828
	267 332

Goodwill has been allocated to cash generating units consistent with the lowest level at which management monitors the goodwill, being the P&L Hardware and Cashbuild South Africa operating segments. The goodwill allocation was made with consideration of the stand alone value of the P&L Hardware business acquired, together with the value of the synergies expected to arise from the combination of the P&L Hardware and Cashbuild South Africa businesses. For impairment considerations of the goodwill and trademark acquired refer to note 7.

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 contingent consideration of R22.8 million (June 2016: R33.0 million) is classified as a financial liability held at fair value through profit and loss. The contingent consideration is considered a level 3 financial liability in terms of the IFRS 13 fair value hierarchy.

During the current year, there was amortisation and remeasurement of R10.2 million on this contingency. The contingency is valued based on revised probability of future profit before tax targets and discounted using a three year government bond rate.

Build It Kirkwood

In February 2017 Cashbuild (South Africa) Proprietary Limited acquired the business of Build It Kirkwood with the intention that the business trade as a P&L Hardware store. This acquisition is in line with Cashbuild's strategy for growing the P&L Hardware brand.

Goodwill of R 3.8 million was recognised from the acquisition and is attributable to the acquired workforce and profitability of the business. This goodwill value has been finalised and allocated to the cash generating unit (CGU) of P&L Hardware as it forms part of that segment's operations at end June 2017.

The store since it commenced trading in April 2017 contributed revenue of R4.6 million and an operating loss of R0.1 million. Had a full twelve months trading been included in this years results the business would of contributed revenue of R19.3 million and operating profit of R0.6 million.

Figures in Rand thousand

R'000

Assets and liabilities acquired

Property, plant and equipment	702
Bulk deposits and other payables	(297)
Inventories	1 529
Total identifiable net assets	1 934
Goodwill	3 806
Purchase price	5 740

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

6. Intangible assets

GROUP	2017			2016		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Trademarks	97 184	(696)	96 488	97 184	(684)	96 500
Computer software	96 178	(67 882)	28 296	90 759	(56 024)	34 735
Goodwill	272 231	-	272 231	268 454	-	268 454
	465 593	(68 578)	397 015	456 397	(56 708)	399 689

Reconciliation of intangible assets – Group – 30 June 2017

	Opening balance	Additions	Additions through business combinations	Disposals	Foreign exchange movements	Amortisation	Total
Trademarks	96 500	-	-	-	-	(12)	96 488
Computer software	34 735	5 462	-	(43)	-	(11 858)	28 296
Goodwill	268 454	-	3 806	-	(29)	-	272 231
	399 689	5 462	3 806	(43)	(29)	(11 870)	397 015

Reconciliation of intangible assets – Group – 30 June 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

7. Impairment of assets

For details of the goodwill acquired from the P&L Hardware business combination and allocation of the goodwill to the relevant CGU's refer to note 5.

The value-in-use of P&L Hardware and Cashbuild South Africa at 31 May 2017 was determined using assumptions regarding company profitability, growth rates and discount rates applied. These assumptions and sensitivity thereof are presented below.

Key assumptions used to determine value-in-use and sensitivity thereof

The recoverable amount of the P&L Hardware CGU has been determined based on a value-in-use calculation for the forecast period. This forecast period covers the period up to May 2021 (which includes the remaining two years of the earn out period), after which a terminal value has been determined. The recoverable amount of Cashbuild South Africa CGU has also been determined based on a value-in-use calculation covering a period of 5 years with a terminal value applied.

Based on the value-in-use calculated for the respective CGU's no impairment has been identified or recognised by management.

Below lists the assumptions applied in the value-in-use calculations as well as the sensitivity of the relevant assumptions indicating the level they can fluctuate to before there is an impairment. The value-in-use of the P&L Hardware CGU is R1.6 million higher than the carrying amount.

	Assumption applied	Sensitivity
P&L Hardware CGU:		
Growth rate	6.0%	4.9%
Terminal growth rate	5.3%	4.6%
Discount rate	17.6%	18.1%
Target net working capital days	2 days	5 days
The assumptions applied in the P&L Hardware CGU's value-in-use calculation are sensitive, and will be closely monitored by management in assessing impairment in future		
Cashbuild South Africa CGU:		
Growth rate	5.0%	
Terminal growth rate	5.3%	
Discount rate	13.2%	

Growth rates are based on current inflation levels and where applicable adjusted further for expected unit growth. Terminal growth rates are also largely inflation based, however are referenced to a long term more conservative inflation rate. Discount rates used are based on company after-tax weighted-average cost of capital (WACC).

No sensitivity has been disclosed for the Cashbuild South Africa CGU, due to there being no impairment resulting from any reasonably possible change in any of the assumptions.

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

8. Property, plant and equipment

GROUP	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and buildings	497 293	(40 825)	456 468	452 879	(39 439)	413 440
Leasehold improvements	147 098	(70 888)	76 210	119 266	(52 231)	67 035
Furniture and equipment	1 000 455	(600 214)	400 241	922 895	(496 379)	426 516
Vehicles	32 417	(9 018)	23 399	17 123	(153)	16 970
Aircraft	5 629	(380)	5 249	5 202	-	5 202
Property held under joint operation	17 048	-	17 048	-	-	-
	1 699 940	(721 325)	978 615	1 517 365	(588 202)	929 163

Reconciliation of property, plant and equipment – Group – 30 June 2017

	Opening balance	Additions	Additions through business combinations	Disposals
Land and buildings	413 440	-	-	-
Leasehold improvements	67 035	-	-	(185)
Furniture and equipment	426 516	-	307	(11 656)
Vehicles	16 970	-	395	(1 690)
Aircraft	5 202	-	-	-
Property held under joint operation	-	-	-	-
Capital work in progress*	-	192 973	-	-
	929 163	192 973	702	(13 531)

Reconciliation of property, plant and equipment – Group – 30 June 2016

	Opening balance	Additions	Additions through business combinations	Disposals
Land and buildings	353 053	-	291	(895)
Leasehold improvements	67 007	-	-	(7)
Furniture and equipment	415 743	968	11 619	(4 344)
Vehicles	449	-	16 734	-
Aircraft	-	-	5 202	-
Capital work in progress*	-	177 212	-	-
	836 252	178 180	33 846	(5 246)

* Capital work in progress mainly relates to store refurbishments during the period.

Classified as held-for-sale	Transfers	Foreign exchange movements	Transferred to joint operation	Depreciation	Total
(1 614)	61 303	(3 041)	(11 835)	(1 785)	456 468
-	20 539	(168)	-	(11 011)	76 210
-	96 626	(2 589)	-	(108 963)	400 241
-	8 912	(56)	-	(1 132)	23 399
-	380	-	-	(333)	5 249
-	5 213	-	11 835	-	17 048
-	(192 973)	-	-	-	-
(1 614)	-	(5 854)	-	(123 224)	978 615

Classified as held-for-sale	Transfers	Foreign exchange movements	Depreciation	Total
(1 333)	65 560	3 129	(6 365)	413 440
-	10 138	30	(10 133)	67 035
-	101 514	1 576	(100 560)	426 516
-	-	(89)	(124)	16 970
-	-	-	-	5 202
-	(177 212)	-	-	-
(1 333)	-	4 646	(117 182)	929 163

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

8. Property, plant and equipment (continued)

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

- Buildings	Straight-line basis – 25 to 50 years
- Leasehold improvements	Straight-line basis – 10 years
- Furniture and equipment	Straight-line basis – 3 to 15 years
- Vehicles	Straight-line basis – 5 years

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Amounts recognised in profit and loss for the year:				
Profit on disposal of property, plant and equipment and assets held for sale	(739)	(9 290)	-	-
Repairs and maintenance expenditure	35 693	22 323	-	-

Joint operation

During the year, Cashbuild entered into a joint operation agreement for the Nasrec Corner Shopping Centre in Johannesburg South Africa. This consortium comprises a right to extend and develop a shopping centre. Cashbuild has 50% participation and control in the owner consortium and is exposed to or has equal rights to variable returns from the owner consortium together with the other 50% participant S-Identity Holdings Proprietary Limited.

At 30 June 2017 no returns had yet been generated by the joint operation. Cashbuild has contributed infrastructure development cost to the project totalling R5.2 million as well as an amount of R11.8 million being a portion of the property owned by Cashbuild allocated for the development.

S-Identity Holdings Proprietary Limited has in its own capacity raised finance from a third party to fund the remaining construction of the shopping centre. Neither of the joint venturers are entitled to receive any share in the profits of the joint operation until the financed amounts are repaid to the third party.

The year end of the joint operation is 30 June.

9. Share-based payments

The Cashbuild Share Incentive Trust

The Group previously had share schemes in place which were operated through the Cashbuild Share Incentive Trust. All the share options issued under these schemes by the Trust vested in April 2016, vesting was over a period of three years from grant date and would have expired five years from grant date. At 30 June 2016 there were 25 000 outstanding options which were all exercised in the current period. All the share options relating to this scheme were exercised at 30 June 2017.

Share options under this share scheme and the movements thereof in the reported periods are as follows:

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Opening balance	25 000	772 500	25 000	772 500
Options exercised	(25 000)	(747 500)	(25 000)	(747 500)
Closing balance of outstanding options	-	25 000	-	25 000

Forfeitable Share Plan

Cashbuild has adopted and implemented a new share incentive plan in 2017 being the Cashbuild Limited Forfeitable Share Plan ("FSP") for executive directors and senior management. Under the FSP, participants will become owners of performance shares and/or retention shares shortly after the award date and will immediately benefit from dividends and have shareholder voting rights in respect of the shares over the vesting period. The shares cannot be disposed of by the participants prior to the vesting date and will be subject to forfeiture restrictions until the vesting date.

The fair value at award date is independently determined using an adjusted form of the Black Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the share awarded, the impact of dilution (where material), the share price at award date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the vesting period and the correlations and volatilities of the peer group companies.

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

Details of the first share award under this scheme is as follows:

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Shares awarded:				
New shares awarded	66 185	–	66 185	–
1st Award				
Grant date	27 Sep 2016			
Vesting date	27 Sep 2019			
Exercise price	Nil			
Expected option lifetime	3 years			
Share price at grant date	R408.37			
Expected share price volatility	10%			

Vesting conditions consist of company performance conditions (refer to detail below) and a retention condition that the employees remain in the employ of the company for three years.

Performance conditions:	Threshold	Target
EPS	CPI +2% p.a. (i.e. 2% real growth p.a.)	CPI +10% p.a. (i.e. 10% real growth p.a.)
Relative TSR	Median of peers*	Upper quartile of peers*
ROCE	WACC	WACC +10% p.a

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

	Number of Shares [^]	Award face value* R'000
Executive directors:		
WF de Jager	8 489	3 467
AE Prowse	5 660	2 311
SA Throesson	5 188	2 119
A van Onselen	6 612	2 700
	25 949	10 597
Key management:		
PA Champion	2 980	1 217
W Dreyer	3 151	1 287
A Hattingh	3 406	1 391
AHS Havenga	2 895	1 182
M Masala	2 532	1 034
I McKay	2 532	1 034
WP van Aswegan	3 321	1 356
	20 817	8 501

* Face value of awards calculated as a percentage (65% to 90%) of total annual cost to company, before adjusting for any probability or attrition.

[^] These shares are subject to forfeiture restrictions.

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

9. Share-based payments (continued)

Operations Management Member Trust Schemes

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

The first and second schemes (2012 and 2013 schemes respectively) have fully vested. The third year scheme qualified for 3 524 shares in June 2014, the fourth year 2015 scheme qualified for 9 685 shares, the fifth 2016 scheme has qualified for 9 371 shares at the end of June 2016. The sixth 2017 scheme has provisionally qualified for 1 578 shares at the end of June 2017.

Summary of share-based payments for all schemes

The Group's expense and related movement in the share-based payment reserve is R4.3 million (June 2016: R7.9 million).

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

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Share-based payments reserve:				
Opening balance	52 985	45 091	52 985	45 091
- Share Incentive Trust Schemes: 5th scheme	-	5 483	-	5 483
- Forfeitable Share Scheme: 1st award	3 274	-	3 274	-
- Operations Management Member Trust Schemes	1 058	2 411	1 058	2 411
	57 317	52 985	57 317	52 985

10. Inventories

Merchandise	1 289 491	1 225 580	-	-
-------------	-----------	-----------	---	---

Cost of inventories recognised as an expense and included in cost of sales amounted to R7 917 million (June 2016: R7 009 million).

The provision for the net realisable value of inventory at year end is R86.6 million (June 2016: R95.2 million).

11. Trade and other receivables

Trade receivables	127 583	93 599	-	-
Less: Provision for impairment of trade	(16 369)	(16 441)	-	-
VAT	6 316	4 560	-	-
Other receivables	4 932	9 276	-	-
	122 462	90 994	-	-

Credit quality of trade and other receivables

Trade receivables are typically extended credit terms of 30 to 60 days from invoice, after which they are considered past due.

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

	2017	2017	2016	2016
	Gross	Impairment	Gross	Impairment
Not past due	98 399	-	66 233	-
Past due 1 – 30 days	9 679	-	9 819	-
Past due 31 – 60 days	3 136	-	1 106	-
Past due 61 – 90 days	2 705	(2 705)	3 133	(3 133)
Past due 91 – 120 days	605	(605)	1 065	(1 065)
More than 120 days	13 059	(13 059)	12 243	(12 243)
	127 583	(16 369)	93 599	(16 441)

Fair value of trade and other receivables

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 34 where related party receivables have been disclosed.

Trade and other receivables impaired

The Group recognised a provision of R 16.4 million (June 2016: R16.4 million) for the impairment of its trade receivables during the year ended 30 June 2017. The creation and usage of the provision for impaired receivables has been included in selling and marketing cost in the income statement.

Trade receivables balances are considered doubtful when payment terms are exceeded, which are generally those over 90 days, to the extent that they are not covered by credit insurance.

Reconciliation of provision for impairment of trade and other receivables;

	GROUP		COMPANY	
Figures in Rand thousand	2017	2016	2017	2016
Opening balance	16 441	18 601	-	-
Creation/(reversal) of provision	365	(2 132)	-	-
Utilisation of provision	(437)	(28)	-	-
	16 369	16 441	-	-

12. Cash and deposits

Cash and cash equivalents consist of:

Cash at banks and on hand	801 420	775 954	5 828	6 135
Bank overdraft	-	(26 715)	-	-
	801 420	749 239	5 828	6 135

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

13. Trade and other payables

Trade payables	1 280 978	1 289 199	-	-
VAT	17 080	21 332	-	-
Accruals	124 865	112 550	5 991	6 045
Refundable deposits held	279 957	249 031	-	-
Employee related accruals	60 384	111 931	-	-
Retirement awards and gifts	5 678	5 363	-	-
	1 768 942	1 789 406	5 991	6 045

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

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

14. Prepayments

Cashbuild has entered into agreements with store developers whereby advances were granted to the developers in exchange for reduced rentals over the period of the lease. The total advances to date amounted to R83.7 million (June 2016: R84.2 million), which will be amortised and recognised as a lease expense over the period of the lease.

Current rental prepayments relate to the portion of the advance that will realise within 12 months after period end. Non-current rental prepayments relate to the portion of the advance that will realise in 1 to 12 years. The current portion is disclosed under the prepayments section on the statement of financial position.

Total prepayments on balance sheet can be summarised as follows:

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Rental prepayment: Non-current portion	80 328	81 339	-	-
Rental prepayment: Current portion	3 417	2 868	-	-
Other current prepayments	10 985	8 161	-	-
	94 730	92 368	-	-

15. Cash generated from operations

Profit before taxation	657 026	618 687	252 609	206 779
Adjustments for:				
Depreciation and amortisation	134 295	128 772	-	-
Profit on disposal of assets held for sale	(2 119)	(12 153)	-	-
Loss on sale of non-current assets	1 380	2 864	-	-
Finance income	(40 814)	(71 084)	-	-
Finance costs	3 785	921	-	-
Movement in deferred operating lease liability	18 576	12 496	-	-
Movement in share-based payments reserve	4 332	7 894	-	7 894
Non-cash IFRS 3 adjustments to non-current assets	(2 490)	-	-	-
Exchange differences on monetary assets	5 980	(4 721)	-	-
Revaluation of contingent consideration	(10 121)	-	-	-
Changes in working capital:				
Inventories	(63 911)	(170 360)	-	-
Trade and other receivables	(31 468)	(6 100)	-	-
Prepayments	(2 362)	(12 532)	-	-
Trade and other payables	(20 464)	267 034	(54)	2 296
	651 625	761 718	252 555	216 969

16. Proceeds on disposal of assets held-for-sale

Net book value	2 650	10 089	-	-
Profit on sale of assets	2 119	12 153	-	-
	4 769	22 242	-	-

17. Proceeds on disposal of property, plant and equipment

Net book value	13 574	7 342	-	-
Loss on sale of assets	(1 380)	(2 864)	-	-
	12 194	4 478	-	-

18. Dividends paid

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Final dividend – prior period (Div 47)	(110 933)	(76 192)	(121 950)	(84 638)
Interim dividend – current period (Div 48)	(123 090)	(116 327)	(134 945)	(128 197)
Amounts paid to non-controlling shareholders	(1 376)	(1 059)	-	-
	(235 399)	(193 578)	(256 895)	(212 835)

19. Tax paid

Balance at beginning of the year	(71 858)	(43 387)	-	-
Current tax for the year recognised in profit or loss	(187 540)	(176 685)	-	(137)
Movement in deferred tax	398	(1 943)	-	-
Balance at end of the year	61 664	71 858	-	-
	(197 336)	(150 157)	-	(137)

20. Assets held for sale

Non-current assets held for sale include land and buildings which were placed on the market after approval by the board. The Group is engaged in an active plan to sell these assets, it is highly probable that the assets will be sold in the next financial period.

Land and buildings held-for-sale:				
Plot 2461 Serowe – Botswana	831	927	-	-
Erf 31 Pongola KwaZulu-Natal, South Africa	-	400	-	-
Kranskop Unit 4, Stand 1237, Monument Park Ext 2, Tshwane, South Africa	950	-	-	-
Kranskop Unit 8, Stand 1237, Monument Park Ext 2, Tshwane, South Africa	950	-	-	-
Remaining extent of portion 6 (a portion of portion 5) of the farm de rust #12, Hazyview, South Africa	1 614	-	-	-
Erf 1864 Alice, Eastern Cape, South Africa	-	933	-	-
SS Katherine Quay, Farm 373, Unit 402	-	2 250	-	-
	4 345	4 510	-	-

These land and buildings were initially purchased as the location for Cashbuild stores. The stores were relocated and the land and buildings were left vacant. These land and buildings were placed on the market after approval by the board. The Serowe property was put up for sale in the previous year and is yet to be sold at period end. The Hazyview property is currently on auction.

During the current period the Pongola property was sold. The Alice property is no longer classified as held for sale as the prospective purchaser is in the process of securing finance and the property will be leased out in the interim. The SS Katherine Quay property was sold in the current financial period and impacts the P&L Hardware reportable segment. Refer to note 16 for proceeds received on sold properties. The movement in the Serowe property's net book value is due to foreign exchange differences on Group consolidation at year end.

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

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

21. Deferred operating lease liability

The Group has entered into various operating leases in respect of premises. Rentals comprise minimum monthly payments and additional payments based on turnover levels.

Operating leases with fixed escalation charges are recognised in the income statement on a straight line basis and the liability has been allocated to deferred operating lease liability. Deferred lease incentives are recognised as income over the lease period of the underlying operating lease.

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Deferred operating lease liability	(136 033)	(117 163)	-	-
Deferred lease incentives received	(1 350)	(1 700)	-	-
Realised lease incentives portion in profit and loss	332	388	-	-
	(137 051)	(118 475)	-	-

22. Deferred tax

Deferred tax liability:

Property plant and equipment	(41 052)	(40 446)	-	-
Prepayments	(867)	(1 934)	-	-
Acquired through business combinations	(29 199)	(30 706)	-	-
Total deferred tax liability	(71 118)	(73 086)	-	-

Deferred tax asset:

Provisions and accruals	38 956	32 919	-	-
Straight-lining of leases	698	77	-	-
Assessed losses	626	335	-	-
Total deferred tax asset	58 802	61 168	-	-

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

Deferred tax liability	(37 480)	(30 706)	-	-
Deferred tax asset	25 164	18 788	-	-
Total net deferred tax liability	(12 316)	(11 918)	-	-

Deferred tax assets are supported by the expected taxable income generated by the relevant operating entities in the group.

23. 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.

The fair value of the contingent consideration resulting from the P&L Hardware business combination (refer to note 5 for more information) is included below:

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Bank guarantees	16 022	13 102	-	-
Contingent consideration	22 886	33 008	-	-
	38 908	46 110	-	-

24. Commitments

Authorised capital expenditure:

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

• Authorised, contracted and fulfilled	75 101	15 821	-	-
• Authorised but not contracted for	303 380	83 697	-	-

Current year capital commitment includes the Zambia expansion which is still in progress with R140 million authorised expenditure at 30 June 2017. The remaining capital commitments are for building and infrastructure for new stores, store refurbishments or relocations.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	344 185	333 237	-	-
- in second to fifth year inclusive	801 842	689 574	-	-
- later than five years	647 418	579 861	-	-
Total future cash flows	1 793 445	1 602 672	-	-
Straight-lining of leases already accrued in statement of financial position	(137 051)	(118 475)	-	-
	1 656 394	1 484 197	-	-

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 2016: 7%) per annum.

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

25. Share capital and share premium

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Authorised share capital				
35 000 000 ordinary shares of 1 cent each	350	350	350	350
There has been no change in the authorised share capital in the current or previous financial year.				
Reconciliation of number of shares issued:				
Opening balance (24 989 811 shares)	250	252	250	252
Less: Share buy-back for empowerment deal	-	(2)	-	(2)
Less: Treasury shares held:	(23)	(23)	-	-
Opening balance: 2 259 656 shares	(23)	(25)	-	-
Shares disposed by The Cashbuild	-	7	-	-
Share buy back for empowerment deal	-	2	-	-
Shares purchased by The Cashbuild Share Incentive Trust and The Cashbuild Operations Management Member Trust	-	(2)	-	-
Shares purchased by Cashbuild (South Africa) Pty Ltd	-	(5)	-	-
Total issued shares	227	227	250	250
Share premium				
Opening balance	3 935	65 823	1 024	62 912
Less: Share buy-back for empowerment deal	-	(61 888)	-	(61 888)
Less: Treasury share premium	(279 354)	(279 319)	-	-
Opening balance	(279 319)	(192 382)	-	-
Share buy back for empowerment deal	-	61 888	-	-
Shares purchased for The Cashbuild Share Incentive Trust	(2 561)	(244 534)	-	-
Shares sold by The Cashbuild Share Incentive Trust	2 526	95 709	-	-
Total share premium	(275 419)	(275 384)	1 024	1 024

26. Finance lease liabilities

Minimum lease payments due				
- Within one year	1 191	1 110	-	-
- In second to fifth year inclusive	1 052	2 243	-	-
	2 243	3 353	-	-
Less: Future finance charges	(235)	(423)	-	-
Present value of minimum lease payments	2 008	2 930	-	-
Non-current liabilities	1 052	2 243	-	-
Current liabilities	1 191	1 110	-	-
	2 243	3 353	-	-

Finance leases refer to those held by Rio Ridge 1027 Proprietary Limited 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%. 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.

27. Foreign currency translation reserve (FCTR)

The foreign currency translation reserves arise as a result of foreign exchange differences calculated on the conversion of foreign operations into the Group reporting currency, accounted for directly in the statement of other comprehensive income. The movement is due to the significant decreased strength of the Kwacha and the Pula against the Rand during the current period compared to prior periods when these currencies were significantly stronger.

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Opening balance	10 645	(4 289)	-	-
Currency translation differences	(18 974)	14 935	-	-
Closing balance	(8 329)	10 646	-	-

28. Revenue

Sale of merchandise	9 729 640	8 669 643	-	-
Dividends received	-	-	256 895	212 835
	9 729 640	8 669 643	256 895	212 835

29. Other income

Profit on sale of non-current assets	739	9 290	-	-
Sundry income	2 346	468	-	-
Rental related income	260	15	-	-
Insurance recoveries	2 237	-	-	-
Revaluation of contingent consideration liability	10 121	-	-	-
	15 703	9 773	-	-

30. Operating profit

Operating profit for the year includes the following significant items:

Expenses by nature:				
Cost of goods sold	7 248 711	6 404 966	-	-
Employee costs	793 005	778 083	-	-
Operating lease charges - premises	271 652	226 560	-	-
Depreciation and amortisation	134 294	128 772	-	-
Delivery charges	116 842	109 802	-	-
Advertising expenses	153 279	135 889	-	-
Costs relating to business combination	-	3 391	-	-
Bank and speedpoint charges	65 050	60 548	-	-
Municipal utility charges	51 114	46 979	-	-
Other income	(18 631)	(9 773)	-	-
Consumables	1 713	1 746	-	-
Net reversal of provision for impaired receivables	(72)	(2 160)	-	-
Other expenses	214 726	161 832	4 286	6 056
	9 031 683	8 046 635	4 286	6 056
Auditor remuneration:				
Audit services	10 826	8 783	-	-
Taxation services	867	1 323	-	-
	11 693	10 106	-	-

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

30. Operating profit (continued)

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Remuneration paid for outsourced services:				
Information technology	55 075	49 473	-	-
Administrative	6 139	7 957	-	-
Secretarial	1 094	871	-	-
Technical	3 959	6 077	-	-
	66 267	64 378	-	-
	9 109 643	8 121 119	4 286	6 056
Classified on income statement as:				
Cost of sales	7 248 711	6 404 966	-	-
Selling and marketing expenses	1 595 510	1 418 609	-	-
Costs relating to BEE transaction	-	63 052	-	-
Administrative expenses	278 953	241 142	4 286	6 056
Other operating expenses	2 172	3 123	-	-
Other income	(15 703)	(9 773)	-	-
	9 109 643	8 121 119	4 286	6 056
Employee costs				
Salary cost	678 734	608 997	-	-
Pension fund contributions – defined contribution fund	91 480	83 167	-	-
Distribution related to BEE transaction	-	61 890	-	-
Employee benefits – long service awards	315	479	-	-
Share-based payments	4 332	7 894	-	-
Dividends paid to participants of The Cashbuild Empowerment Trust	18 144	15 656	-	-
	793 005	778 083	-	-

31. Finance income

Earned on bank balances	40 636	59 303	-	-
Received from revenue authorities	178	11 781	-	-
	40 814	71 084	-	-

32. Finance costs

Finance lease and loan interest	1 059	508	-	-
Bank borrowings	2 245	521	-	-
Revenue authorities	369	(51)	-	-
Other	112	(57)	-	-
	3 785	921	-	-

33. Tax expense

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Major components of the tax expense:				
Current				
Income tax – current period	167 175	154 846	-	-
(Over)/under provision in prior periods	(935)	2 573	-	-
Securities transfer tax	-	137	-	137
Capital gains tax	254	227	-	-
Withholding tax	340	2 444	-	-
Foreign income tax – current period	19 281	27 696	-	-
Foreign income tax – (over)/under provision in prior periods	(977)	802	-	-
	185 138	188 725	-	137
Deferred				
Current period temporary differences	2 711	(12 509)	-	-
Over provision in prior periods	(569)	(1 072)	-	-
Foreign – Current period temporary differences	260	1 691	-	-
Foreign – Prior period adjustments	-	(104)	-	-
Tax rate change	-	(46)	-	-
	2 402	(12 040)	-	-
	187 540	176 685	-	137
	%	%	%	%
Reconciliation of effective tax rate:				
Applicable tax rate	28.0	28.0	28.0	28.0
Exempt income	(1.0)	(2.5)	(28.0)	(28.0)
Foreign tax at different rates	(0.2)	(0.1)	-	-
(Over)/under provision in prior periods	(0.4)	0.4	-	-
Non-resident shareholders tax	0.5	0.7	-	-
Capital gains tax	0.1	0.1	-	-
Disallowed expenditure	1.5	1.9	-	-
Securities transfer tax	-	0.1	-	0.1
	28.5	28.6	-	0.1

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

34. Related parties

RELATIONSHIPS

Ultimate holding company

Cashbuild Limited

Holding company

Cashbuild (Management Services) Proprietary Limited

Subsidiaries

Refer to note 35

	GROUP		COMPANY	
Figures in Rand thousand	2017	2016	2017	2016
RELATED PARTY BALANCES				
Payables – Owing to related parties				
– André Prinsloo Trust	(4 650)	(4 650)	–	–
– FJP Beleggings Proprietary Limited	(13 948)	(13 948)	–	–
– S-Identity Holdings Proprietary Limited: Related party of Cashbuild (South Africa) Proprietary Limited	(17 048)	–	–	–
– Kier & Kawder Proprietary Limited: Minority shareholders of Cashbuild Lilongwe	(1 960)	(1 960)	–	–
– The Cashbuild Share Incentive Trust	–	–	(42 431)	(39 974)
– Exploit Tools Proprietary Limited: Related party of P&L Hardware Proprietary Limited	(401)	–	–	–
Receivables – Owed by related parties				
– JAM Trading Limited: Related party of P&L Hardware Proprietary Limited	1 816	–	–	–
– UBM P and L (Pvt) Limited: Related party of P&L Hardware Proprietary Limited	250	1 026	–	–
– Vanda Products Proprietary Limited: Related party of P&L Hardware Proprietary Limited	–	102	–	–
– Optimprops 90 Proprietary Limited: Related party of P&L Hardware Proprietary Limited	–	47	–	–
– Changing Tides 31 Proprietary Limited: Related party of P&L Hardware Proprietary Limited	–	4	–	–
– Andre Prinsloo Trust	–	1	–	–
– The Cashbuild Empowerment Trust	–	–	223	928
– Cashbuild (Management Services) Proprietary Limited	–	–	38 704	39 575
Contingent payables				
– Andre Prinsloo: CEO of P&L Hardware	(22 886)	(33 008)	–	–
RELATED PARTY TRANSACTIONS				
Sales				
– UBM P and L Proprietary Limited: Related party of P&L Hardware Proprietary Limited	–	(428)	–	–
Purchases				
– Exploit Tools Proprietary Limited: Related party of P&L Hardware Proprietary Limited	8 256	157	–	–
– Optimprops 90 Proprietary Limited: Related party of P&L Hardware Proprietary Limited	–	1 465	–	–
Rental paid				
– Optimprops 90 Proprietary Limited: Related party of P&L Hardware Proprietary Limited	18 899	–	–	–
Interest received				
– UBM P and L Proprietary Limited: Related party of P&L Hardware Proprietary Limited	(30)	–	–	–
Flight income				
– Optimprops 90 Proprietary Limited: Related party of P&L Hardware Proprietary Limited	(367)	–	–	–
Dividends received				
– Cashbuild (Management Services) Proprietary Limited	–	–	(256 895)	(212 835)

35. Interests in subsidiaries

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

Cashbuild (Management Services) Proprietary Limited	GROUP			
	Share capital	Nature of business	% Holding 2017	% Holding 2016
Cashbuild (Botswana) Proprietary Limited	P1 500 000	A	100	100
Cashbuild Kanye Proprietary Limited	P2	B	100	100
Cashbuild (Lesotho) Proprietary Limited	M100 000	A	80	80
Cashbuild Lilongwe Limited	MWK100 000	A	51	51
Cashbuild (Namibia) Proprietary Limited	N\$1	A	100	100
Cashbuild (South Africa) Proprietary Limited	R54 000	A	100	100
Cashbuild (Swaziland) Proprietary Limited	E500	A	100	100
Roofbuild Trusses Proprietary Limited	R100	A	100	100
Cashbuild Zambia Proprietary Limited	ZMK2	A	100	100
P&L Hardware Proprietary Limited	R100	A	100	100
P&L Boerebenodighede Investments Proprietary Limited	R1 000	A	100	100
Rio Ridge 1027 Proprietary Limited	R100	A	100	100
Tradebuild Proprietary Limited	R4	B	100	100
Cashbuild (Kwandebele) Proprietary Limited	R200 000	C	100	100
Cashbuild (Transkei) Proprietary Limited	R250 000	C	100	100
Cashbuild (Properties) Proprietary Limited	R1	C	100	100
Cashbuild (Venda Properties) Proprietary Limited	R1	C	100	100
Cashbuild (Properties Holdings) Proprietary Limited	R1	C	100	100

A – Trading company

B – Dormant company

C – Property holding company

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 9 for details of the share option schemes.

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Share-based payment capital contribution	-	-	57 317	52 985
Loan account	-	-	45 864	7 466
	-	-	103 181	60 451

Non-controlling interests

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

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

36. Loans from group companies

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
The Cashbuild Share Incentive Trust	-	-	42 431	-

The loan is unsecured, non-interest bearing with no fixed repayment terms.

37. The Cashbuild Empowerment Trust

In terms of the broad-based BEE transaction approved by the shareholders on 7 February 2005, 2 580 535 shares were issued to the Cashbuild Empowerment Trust. The shares were issued for a total consideration of R75.1 million (R29.09 per share). The trust was funded by way of an interest-free loan from Cashbuild Management Services Proprietary Limited. As at 31 December 2016, Cashbuild Limited had 24 989 811 (Dec 2015: 25 189 811) shares in issue.

On 6 December 2010 a resolution was passed to repurchase 615 536 ordinary shares from the Cashbuild Empowerment Trust for a total consideration of R 50 million. The proceeds on the share repurchase were distributed as a dividend to beneficiaries of the Trust, equal to R 20 million. In the 2016 financial year a resolution was passed to repurchase a further 200 000 shares from the Trust which resulted in a distribution to the beneficiaries of the Trust of R61.89 million, which excludes transaction costs associated with the transaction of R1.62 million. As at 30 June 2016, The Cashbuild Empowerment Trust held 1 764 999 (June 2015: 1 964 999) shares in Cashbuild Limited.

The financial impact of the BEE transaction on the June 2016 year can be summarised as follows:

	Before BEE	% 2017 increase on 2016	After BEE	% 2017 increase on 2016
Operating profit	611 576	2	548 524	15
Attributable earnings	500 494	(7)	437 442	8
Net asset value per share (cents)	5 981	11	5 776	15
Headline earnings	493 928	(6)	430 876	8
Headline earnings per share (cents)	2 168.3	(6)	1 891.5	8

The aggregate number of shares which may be acquired by the trust shall not exceed 10% of the issued share capital of Cashbuild. The majority of Cashbuild employees are previously disadvantaged. In terms of income benefits, the empowered employees will share in the net dividend of the scheme shares underlying the trust on an equal basis. In addition to this, the empowered employees of Cashbuild will also benefit on an equitable basis should the capital of the trust be distributed following a corporate restructuring resulting in a change of control or liquidation.

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

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
- Final 2016 (2015)	8 613	6 602	-	-
- Interim 2017 (2016)	9 531	9 054	-	-
- Share buy back	-	61 890	-	-
	18 144	77 546	-	-

38. Directors' and Prescribed Officers' emoluments

Executive

Figures in Rand thousand	30 JUNE 2017						
	Basic salary	Expenses and travel allowance	Other material benefits [^]	Company's pension scheme contributions	Bonus	Share options exercised	Total
WF de Jager (46)	3 334	137	72	311	385	-	4 239
AE Prowse (53)	2 246	156	-	175	180	-	2 757
SA Thoresson (54)	2 026	157	-	183	165	-	2 531
A van Onselen (55)	2 586	126	70	226	210	-	3 218
	10 192	576	142	895	940	-	12 745

Figures in Rand thousand	30 JUNE 2016						
	Basic salary	Expenses and travel allowance	Other material benefits [^]	Company's pension scheme contributions	Bonus	Share options exercised	Total
WF de Jager (45)	2 916	139	65	273	2 787	20 839	27 019
AE Prowse (52)	1 976	154	-	155	1 538	15 798	19 621
SA Thoresson (53)	1 779	253	-	162	1 409	16 228	19 831
A van Onselen (54)	2 239	136	63	197	1 760	16 228	20 623
	8 910	682	128	787	7 494	69 093	87 094

[^] Other benefits comprise travel allowance and medical benefits.

Refer to note 9 for details of share incentive schemes of which directors are beneficiaries of at year end.

Non-executive

Figures in Rand thousand	30 JUNE 2017	
	Directors' fees	Total
IS Fourie (70)	696	696
HH Hickey (63)	370	370
AGW Knock (66)	390	390
Dr DSS Lushaba (51)	360	360
NV Simamane (58)	408	408
	2 224	2 224

Figures in Rand thousand	30 JUNE 2016	
	Directors' fees	Total
IS Fourie (69)	531	531
HH Hickey (62)	365	365
AGW Knock (65)	428	428
Dr DSS Lushaba (50)	326	326
NV Simamane (57)	436	436
D Masson (passed away 20 March 2016)	348	348
	2 434	2 434

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

38. Directors' and Prescribed Officers' emoluments (continued)

Key staff and Prescribed Officers'

Prescribed Officers' and key staff are paid by the subsidiary company Cashbuild (South Africa) Proprietary Limited, with the exception of Andre Prinsloo who is employed and paid by P&L Hardware.

Prescribed Officers' and top 3 earning key staff emoluments for the year end 30 June 2017 are as follows:

Figures in Rand thousand	30 JUNE 2017						
	Basic salary	Expenses and travel allowance	Other material benefits [^]	Company's pension scheme contributions	Bonus	Share options exercised	Total
W Dreyer*	1 666	124	83	166	119	-	2 159
A Hattingh*	1 823	245	-	173	128	-	2 369
I McKay*	1 422	337	62	127	95	-	2 043
A Prinsloo	1 986	-	-	-	-	-	1 986
PA Champion	1 443	159	100	139	94	-	1 935
W van Aswegen	1 583	233	-	167	104	-	2 087
	9 923	1 098	245	772	540	-	12 578

Figures in Rand thousand	30 JUNE 2016						
	Basic salary	Expenses and travel allowance	Other material benefits [^]	Company's pension scheme contributions	Bonus	Share options exercised	Total
A Hattingh*	1 392	194	-	134	1 012	1 052	3 784
W Dreyer*	1 290	114	67	129	941	7 894	10 435
IAC de Beer*	1 350	356	89	121	1 048	10 525	13 489
PA Champion	1 107	152	121	113	867	7 894	10 254
AHS Havenga	1 310	66	-	125	865	7 894	10 260
WP van Aswegen	1 432	151	-	139	986	7 894	10 602
	7 881	1 033	277	761	5 719	43 153	58 824

[^] Other benefits comprise travel allowance and medical benefits.

* Prescribed officer.

39. Events after the reporting period

The directors are not aware of any matter or circumstance arising since year end that has a material impact on these Consolidated Annual Financial Statements.

40. New Standards and Interpretations

40.1 Standards and interpretations effective

In the current year, the following standards and interpretations became effective for the current financial year and are applicable to the group however do not have a material impact:

- Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Annual Improvements project
- Amendment to IAS 34: Interim Financial Reporting. Annual Improvements project
- Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

40.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are expected to have a material impact on the group:

IFRS 16 Leases

IFRS 16: Leases is a new standard which replaces IAS 17: Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.

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

The group expects to adopt the standard for the first time in the 2020 Annual Financial Statements.

Management is assessing how this change will be accommodated in our accounting processes in order to recognise the resulting assets and liabilities on the balance sheet for leases previously treated as operating leases.

IFRS 9 Financial Instruments

IFRS 9: Financial Instruments issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9: Financial Instruments 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: Financial Instruments 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.

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

The group expects to adopt the standard for the first time in the 2019 Annual Financial Statements.

Management is assessing how this change will impact the valuation of existing and future financial assets and liabilities.

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

40. New Standards and Interpretations (continued)

40.2 Standards and interpretations not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

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

The core principle of IFRS 15: Revenue from Contracts with Customers is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

This standard has a further amendment issued which provides clarification and further guidance regarding certain issues in IFRS 15: Revenue from Contracts with Customers. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent *versus* principal considerations; and guidance regarding licenses and royalties.

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

The group expects to adopt the standard for the first time in the 2019 Annual Financial Statements.

Management is still assessing how this change will impact the group however the impact is not expected to be material.

41. Risk management

Financial risk management

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

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

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

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

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group manages liquidity risk through the compilation and monitoring of cash flow forecasts, as well as ensuring that adequate borrowing facilities are maintained.

The group has unutilised banking facilities of R622.0 million (June 2016: R62.6 million).

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

Group – Non-derivative financial liabilities

Figures in Rand thousand	30 days or less	More than 30 days but less than 1 year	1 to 5 years	More than 5 years
At 30 June 2017				
Finance lease liabilities	-	(1 191)	(1 052)	-
Trade liabilities and accruals	(561 845)	(719 133)	-	-
Contingencies	-	-	(38 908)	-
Deferred operating lease liability	-	(344 185)	(801 842)	(647 418)

Figures in Rand thousand	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				
Finance lease liabilities	-	(1 110)	(2 243)	-
Trade liabilities and accruals	(639 395)	(1 063 413)	-	-
Contingencies	-	-	(41 727)	-
Bank overdraft	-	(26 715)	-	-
Deferred operating lease liability	-	(333 237)	(689 574)	(579 861)

Company – Non-derivative financial liabilities

Figures in Rand thousand	30 days or less	More than 30 days but less than 1 year	1 to 5 years	More than 5 years
At 30 June 2017				
Trade liabilities and accruals	-	-	(5 991)	-

Figures in Rand thousand	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				
Trade liabilities and accruals	-	-	(6 045)	-

Trade liabilities and accruals we expect to be settled by cash resources and changes in working capital.

At reporting date, the group held cash and other liquid assets of R749 million and R1 332 million respectively, which are expected to readily generate cash inflows to manage any liquidity risk.

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

41. Risk management (continued)

Financial risk management (continued)

Foreign exchange risk

The group operates throughout southern Africa and is exposed to foreign exchange risk arising from various currencies, primarily the Botswana Pula, Malawi Kwacha, Kwacha and USD dollar in Zambia. At 30 June 2017 the Zambian operations were not yet trading and the impact of the exchange rate was not significant. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign entities. A portion of the group's income is earned in foreign currencies. The group does not hedge borrowings in foreign currencies as the intention is to repay these from its foreign earned income stream. The group also has a translation risk arising from the consolidation of foreign entities into South African rand.

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

Foreign currency exposure at the end of the reporting period:

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Pula exposed to Rand				
- Trade receivables	6 268	6 406	-	-
- Cash and cash equivalents	117 493	106 141	-	-
- Trade payables	(37 885)	(66 723)	-	-
Kwacha exposed to Rand				
- Trade receivables	1 197	1 634	-	-
- Cash and cash equivalents	9 900	13 459	-	-
- Trade payables	(10 517)	(14 771)	-	-

Exchange rates used for conversion of foreign items were:

Botswana Pula – Reporting date rate	1.26	1.41
Botswana Pula – Average rate	1.29	1.37
Malawi Kwacha – Reporting date rate	59.70	47.69
Malawi Kwacha – Average rate	54.78	44.31

If the currency had weakened/strengthened by 10% against the Malawi Kwacha with all other variables, in particular interest rates held constant, profit for the year would have been affected by R0.5 million (June 2016: R0.1 million) mainly as a result of foreign exchange gains or losses on translation of Kwacha denominated trade receivables, cash and cash equivalents and trade payables.

If the currency had weakened/strengthened by 10% against the Botswana Pula with all other variables, in particular interest rates held constant, profit for the year would have been affected by R1.1 million (June 2016: R4.2 million) mainly as a result of foreign exchange gains or losses on translation of Pula denominated trade receivables, cash and cash equivalents and trade payables.

Price risk

The group is not exposed to significant commodity price risk.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Potential concentrations of credit risk consist mainly of cash and cash equivalents and trade and other receivables.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Funds are only invested with authorised financial service providers. Due to the group's international operational requirements it is forced to transact with financial institutions in certain countries where independent internationally accredited credit ratings are not available. Cash balances deposited with these financial institutions are kept to an operational minimum and are transferred, subject to exchange control regulations and available suitable foreign currency, to financial institutions with acceptable credit ratings. The group has policies that limit the amount of credit exposure to any one financial institution.

Sales to retail customers are settled in cash or using debit and credit cards. Except for the total exposure represented by the respective statement of financial position items, the group has no other significant concentration of credit risk. Accounts receivable comprise a widespread client base and the group has policies in place to ensure that all sales of goods and services on credit are made to customers with an appropriate credit history. These policies include reviewing the group's own credit history with the customer, verifying the credit history with an external credit bureau, as well as a formalised application process where the creditworthiness of the customer is assessed and insured. With the exception of special orders where an upfront deposit is held, no collateral is held for other customers.

The table below shows the cash invested at the statement of financial position date at financial institutions grouped per the Fitch short-term credit rating (BB+) of the financial institutions:

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Cash held at financial institutes	801 420	750 283	5 828	6 135

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 2016: 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 companies standard payment and delivery terms are offered. The group review includes external ratings, bank references and obtaining credit reports. Purchase limits are established for each customer. Furthermore, credit insurance is taken out for the majority of receivables balances. For smaller customers, surety from directors is required.

For detail on the credit quality (ageing) of trade receivables and movement in the allowance for impairment in respect of trade receivables refer to note 11.

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

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
Cash and receivables	923 882	960 547	5 828	6 135
Bank held guarantees	16 022	13 102	-	-

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

41. Risk management (continued)

Financial risk management (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Figures in Rand thousand	GROUP		COMPANY	
	2017	2016	2017	2016
- South Africa	112 771	81 167	-	-
- Other members of common monetary area	7 665	11 625	-	-
- Botswana, Malawi and Zambia	7 147	4 571	-	-

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.

Cash flow interest rate risk

Financial assets (bank account balances)	Average interest rate				
Carrying amount	7.00 %	801 420	775 954	5 828	6 135
Effect of a 100bp (basis point) move		8 014	7 760	58	61

Capital risk management

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

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 26 and 36, cash and cash equivalents disclosed in note 12, and equity as disclosed in the statement of financial position.

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

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

42. Shareholders' analysis (Unaudited)

Listed below is an analysis of holdings extracted from register of ordinary holders at 30 June 2017:

	% Holding	No. of shares
Directors	0.23	56 700
Cashbuild (South Africa) Proprietary Limited	1.72	429 628
The Cashbuild Empowerment Trust	7.06	1 764 999
The Cashbuild Operations Management Member Trust	0.10	24 049
Banks	20.84	5 208 412
Brokers	1.13	282 481
Close Corporations	6.08	1 519 903
Endowment Funds	0.16	39 425
Individuals	6.73	1 682 588
Hedge funds	0.40	99 222
Insurance Companies	2.18	545 953
Medical Aid Schemes	0.23	58 477
Mutual Funds	8.63	2 156 473
Nominees and Trusts	13.15	3 287 169
Other Corporations	0.31	77 506
Pension Funds	20.08	5 017 810
Private Companies	8.13	2 032 498
Public Companies	2.37	591 088
Sovereign Wealth Fund	0.21	52 396
	100.00	24 989 811
Portfolio size		
1 – 1 000	1.71	428 203
1 001 – 5 000	2.49	623 052
5 001 – 100 000	19.22	4 803 977
100 001 – 1 000 000	38.96	9 733 308
1 000 000 – over	37.62	9 401 271
	100.00	24 989 811

The following shareholders held in excess of 5% of the shares of the company at 30 June 2017:

	% Holding	No. of shares
Public Investment Corporation Limited	14.32	3 579 781
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 2017:

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

The holding stated above exclude any shares held by virtue of the FSP, refer to note 9.

Notes to the Annual Financial Statements

continued

for the year ended 30 June 2017

42. Shareholders' analysis (Unaudited) (continued)

Listed below is an analysis of holdings extracted from 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 Limited	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
1 000 000 – over	37.35	9 334 514
	100.00	24 989 811

The following shareholders held in excess of 5% of the shares of the company 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:

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



General Information

Shareholders' analysis	138
Shareholders' diary	138
Notice of Annual General Meeting	139
Form of Proxy	143
Abbreviations and definitions	145
Corporate information	146





Annual General
Meeting date
27 November 2017

Shareholders' analysis

Public/non-public shareholders	Number of shareholders	%	Number of shares	%
Non-public shareholders	8	0.34	2 338 410	9.36
• Directors' holdings	4	0.18	56 700	0.23
• Empowerment	1	0.04	1 764 999	7.06
• Share Trusts	1	0.04	63 034	0.25
• Ops Trusts	1	0.04	24 049	0.10
• Company-related	1	0.04	429 628	1.72
Public shareholders	2 357	99.66	22 651 401	90.64
Total	2 365	100.00	24 989 811	100.00

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

Shareholders' diary

Final results published	29 August 2017
Final dividend paid	25 September 2017
2017 Integrated Report posted to shareholders	September 2017
Annual General Meeting	27 November 2017
Interim results for the six months ending 31 December 2017	February 2018
Annual results for the year ending 30 June 2018	August 2018

Notice of Annual General Meeting

CASHBUILD LIMITED

(Incorporated in the Republic of South Africa)
REG NO. 1986/001503/06 • ISIN: ZAE000028320 • JSE Code: CSB
("Cashbuild" or "the Company")

Notice is hereby given that the Annual General Meeting of members of Cashbuild will be held in the Cashbuild boardroom, cnr Northern Parkway and Crownwood Road, Ormonde, Johannesburg on Monday, 27 November 2017 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 2017, 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, the directors shall be individually appointed by the shareholders in the Annual General Meeting.

3. Ordinary Resolution number three (Re-election of independent Non-executive Director: MR IS FOURIE)

TO RESOLVE to re-elect Mr IS Fourie (Independent Non-executive Director), who became a director on 1 July 2012, and who retires by rotation but, being eligible, offers himself for re-election.

Qualifications: CA(SA)

Mr Fourie is the former Chief Operating Officer of PwC Southern Africa and a former member of the PwC Global Board.

He is Chairman of the Board, Nominations and Investment Committee and a member of the Remuneration and the IT Governance Committee.

4. Ordinary Resolution number four (Re-election of independent Non-executive Director: MR AGW KNOCK)

TO RESOLVE to re-elect Mr AGW Knock (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: Pr Eng, BSc (Eng) (Wits), MSc (Eng) (Wits), MDP (Cape Town)

Mr Knock 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.

He is Chairman of the Remuneration Committee and the IT Governance Committee as well as a member of the Nomination 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 financial year ending 30 June 2018. 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.

Notice of Annual General Meeting

continued

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 DSS LUSHABA

6.3 Ordinary Resolution number eight

MS HH HICKEY

7. Ordinary Resolution number nine (Endorsement of the Company's remuneration policy)

"TO RESOLVE THAT, the Company's remuneration policy as set out in Section A of the Remuneration Report, be and is hereby approved.

In terms of The King Code of Governance Principles 2016 ("King IV"), companies are required to table their remuneration policy every year to shareholders for a non-binding advisory vote at the Annual General Meeting. This vote enables shareholders to express their views on the remuneration policy adopted.

Section A of the Company's Remuneration Report is contained on pages 54 to 57 of this report.

Ordinary Resolution number nine is of a non-binding advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when reviewing the Company's remuneration policy."

8. Ordinary Resolution number ten (Endorsement of the implementation of the Company's remuneration policy)

"TO RESOLVE THAT, the implementation of the Company's remuneration policy as set out in Section B of the Remuneration Report, be and is hereby approved.

In terms of King IV, companies are required to table their remuneration implementation policy every year to shareholders for a non-binding advisory vote at the Annual General Meeting. This vote enables shareholders to express their views on the implementation of the remuneration policy.

Section B of the Company's Remuneration Report is contained on pages 58 and 59 of this Report.

Ordinary Resolution number ten is of a non-binding advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering the company's implementation of the remuneration policy."

Should more than 25% of the total votes cast be against either Ordinary Resolutions nine or ten, the Company will issue in its voting results announcement an invitation to shareholders who voted against the resolutions to meet with members of the Remuneration Committee. The process to be followed will be set out in a SENS announcement.

9. Special Resolution number one (Remuneration of non-executive directors)

TO RESOLVE that the remuneration for the non-executive directors, for the period 1 July 2017 to 30 June 2018, as set out below is approved."

		Excluding VAT	Payable
Annual retainer	Chairman	R268 000	Annually
	Director	R169 000	Annually
Board and strategy meetings	Chairman	R46 000	Each meeting
	Director	R24 000	Each meeting
Audit and Risk Committee meetings	Chairman	R18 000	Each meeting
	Director	R14 500	Each meeting
All other meetings	Chairman	R16 000	Each meeting
	Director	R13 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.

10. 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 for operational requirements.

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.

11. Special Resolution number three (Amendment of paragraph 10.1.2 of the Memorandum of Incorporation to provide for proxies to validly be lodged with the Transfer Secretaries or with the Chairman of the Company at any time before an ordinary or special resolution is put to the Annual General or General Meeting, as the case may be, and shall thereupon immediately become valid)

"TO RESOLVE to amend article 10.1.2 of the Company's Memorandum of Incorporation, to align with the decision of the Supreme Court of Appeal on 13 April 2017 in the case of Richard du Plessis Barry v Clearwater Estates NPC & Others (187/2016)[2017] ZASCA11

Accordingly, the Special Resolution provides as follows:

11.1 The existing article 10.1.2 (including sub-points 10.1.2.1 and 10.1.2.20) are deleted, immediately upon this Special Resolution being registered.

11.2 A new article 10.1.2 is to replace the deleted article 10.1.2 to provide that:

Proxy forms shall be lodged with the Transfer Secretaries or with the Chairman of the Company and shall thereupon immediately become valid at any time before voting commences."

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.

Notice of Annual General Meeting

continued

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, 17 November 2017.

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 Secretaries, Computershare Investor Services Proprietary Limited, at its address below, to be received by the Transfer Secretaries at least five business days prior to the Annual General Meeting in order for the Transfer Secretaries to arrange for the shareholder (or its representative or proxy) to provide reasonably satisfactory identification to the Transfer Secretaries for the purposes of section 63(1) of the Companies Act, and for the Transfer Secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The Company reserves the right to elect not to provide for electronic participation at the Annual General Meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation.

Voting and proxies

Shareholders are reminded that:

- a shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy (or more than one proxy) to attend, participate in and vote at the Annual General Meeting in the place of the shareholder, and shareholders are referred to the attached form of proxy;
- a proxy holder need not also be a shareholder of the Company.
- 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 Secretaries at either of the below addresses, 24 hours before the commencement of the Annual General Meeting (or any adjournment of the Annual General Meeting) or handed to the Chairman of the Annual General Meeting or Transfer Secretaries at the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (or any adjournment of the Annual General Meeting), provided that should a shareholder lodge a form of proxy with the Transfer Secretaries at either of the below addresses less than 24 hours before the Annual General Meeting or at the 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

28 August 2017

Form of Proxy

CASHBUILD LIMITED

(Incorporated in the Republic of South Africa)
REG NO. 1986/001503/06
ISIN : ZAE000028320
JSE Code: CSB
("Cashbuild" or "the Company")

For the use of members who hold certificated shares and members who have dematerialised their shares in "own name" registrations.

FOR THE ANNUAL GENERAL MEETING TO BE HELD ON MONDAY, 27 NOVEMBER 2017 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, 27 November 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 Independent Non-executive Director: MR IS FOURIE			
4.	Ordinary Resolution number four: Re-election of Independent Non-executive Director: MR AGW KNOCK			
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: Endorsement of the Company's remuneration policy			
8.	Ordinary Resolution number ten: Endorsement of the implementation of the Company's remuneration policy			
9.	Special Resolution number one: Remuneration of non-executive directors			
10.	Special Resolution number two: Financial assistance in terms of section 45 of the Companies Act to associated or Group companies			
11.	Special Resolution number three: Amendment of article 10.1.2 of the Memorandum of Incorporation to provide for proxies to validly be lodged with the Transfer Secretaries or with the Chairman of the Company at any time before an ordinary or special resolution is put to the Annual General or General Meeting, as the case may be, and shall thereupon immediately become valid.			

Signed at on2017

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.

Form of Proxy continued

Notes to Form of Proxy

Members holding certificated shares or dematerialised shares registered in their own name

Only members who hold certificated shares and members who have dematerialised their shares in "own name" registrations may make use of this proxy form.

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.

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.

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.

Any power of attorney and any instrument appointing a proxy or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney shall be deposited at the office of the Transfer Secretaries, 24 (twenty four) hours before the time appointed for holding the Annual General Meeting or at the Annual General Meeting.

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.

Where there are joint holders of ordinary shares any one holder may sign the proxy form. The vote of only one holder in order of seniority (determined by sequence of names on the Company register) will be accepted, whether in person or by proxy, to the exclusion of the vote(s) of other joint holders.

Members should lodge or post their completed proxy forms with:

Computershare Investor Services Proprietary Limited

Hand deliveries:

Rosebank Towers, 15 Bierman Avenue, Rosebank, 2196

OR postal deliveries:

P O Box 61051
Marshalltown, 2107

OR facsimile:

011 688-5238

OR email:

proxy@computershare.co.za

by not later than 24 hours before the Annual General Meeting or handed to the Chairman of the Annual General Meeting or Transfer Secretaries at the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (or any adjournment of the Annual General Meeting).

Members holding dematerialised shares

Members who have dematerialised their shares through a 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 or at the Annual General Meeting.

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 be lodged with the Transfer Secretaries before the closing time set out in 8 above or presented at the Annual General Meeting.

Abbreviations and definitions

The abbreviations and definitions listed below have been used throughout this Integrated Report.

"AGM"	Annual General Meeting	"KPA"	Key Performance Area
"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	"Listings Requirements"	Listings Requirements of the JSE
"B-BBEE"	Broad-Based Black Economic Empowerment	"LSM"	Living Standards Measure
"BEE"	Black Economic Empowerment	"Ltd"	Limited
"CAGR"	Compounded Annual Growth Rate	"LTI"	Long-Term Incentive
"Cashbuild" or "the Group"	Cashbuild Limited and its subsidiaries	"MOI"	Memorandum of Incorporation
"CB"	Cashbuild	"N/A"	Not applicable
"CGR"	Corporate Governance Report contained within this IR	"NAV"	Net asset value
"CGU"	Cash Generating Unit	"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
"CIPC"	Companies and Intellectual Property Commission	"NRV"	Net Realisable Value
"CPI"	Consumer Price Index	"NQF"	National Qualifications Framework
"Closing PE ratio"	Market value per share at 30 June divided by HEPS	"OHASA"	Occupational Health and Safety Act
"Companies Act"	Companies Act No 71 of 2008, as amended	"Operating profit margin"	Operating profit as a percentage of revenue
"CSDP"	Central Securities Depository Participants	"OR"	Ordinary Resolution
"CSI"	Corporate Social Investment	"P&L Hardware"	P&L Hardware (Pty) Ltd
"DEA"	Department of Environmental Affairs	"PDI"	Previously Disadvantaged Individual
"Dividend cover"	EPS divided by dividend per share	"PE"	Price earnings, market value per share divided by HEPS
"DWT"	Dividend Withholding Tax	"Pty"	Proprietary
"Earnings yield"	HEPS as a percentage of market value per share	"PwC"	PricewaterhouseCoopers Inc.
"EBIT"	Earnings before interest and taxation	"RMR"	Risk Management Review
"ED"	Enterprise Development	"ROCE"	Return on Capital Employed
"EDRA"	European DIY Retail Association	"SABS"	South African Bureau of Standards
"EE"	Employment Equity	"SARS"	South African Revenue Services
"EPS"	Earnings per share	"SECOM"	Social and Ethics Committee
"FCTR"	Foreign Currency Translation Reserve	"SENS"	Stock Exchange News Service
"FSP"	Forfeitable Share Plan	"SETA"	Sector Education and Training Authority
"GDP"	Gross Domestic Product	"SHE"	Safety, Health and Environment
"GRI"	Global Reporting Initiative	"SKU"	Stock Keeping Unit
"HEPS"	Headline earnings divided by the weighted average number of ordinary shares in issue during the year	"SPR"	Special Resolution
"HR"	Human Resources	"SR"	Sustainability Report contained within this IR
"IFRS"	International Financial Reporting Standards	"SRI"	Socially Responsible Investment
"ILO"	International Labour Organisation	"STI"	Short-Term Incentive
"IR"	Integrated Report	"the Board"	The Board of directors of Cashbuild
"IT"	Information Technology	"the Company"	Cashbuild Limited
"ITGov"	IT Governance Committee	"the current year"	The financial year ended 30 June 2017
"JSE"	JSE Limited	"the next year"	The financial year ending 30 June 2018
"King III"	King Report on Corporate Governance for South Africa 2009	"the previous year"	The financial year ended 30 June 2016
"King IV"	King Report on Corporate Governance for South Africa 2016	"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)
Auditors	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) Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107)
Investor Relations	Keyter Rech Investor Solutions CC (Registration number 2008/156985/23) Fountain Grove, 5 2nd Street, Hyde Park, 2195 (PO Box 653078, Benmore, 2010)
Transactional Bankers	Nedcor Bank, a division of Nedbank Group Limited The Standard Bank of South Africa Limited First National Bank, a division of FirstRand Limited

Notes

Notes

