




Cashbuild

INTEGRATED REPORT **2018**

This Integrated Report provides an overview of our activities as Cashbuild for the financial year ended 30 June 2018.

This report was prepared in accordance with IFRS, the requirements of the Companies Act, the JSE Listings Requirements, the principles of King IV 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.

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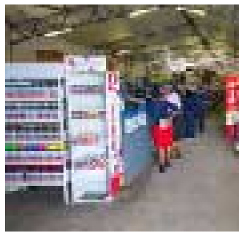

ABOUT THE REPORT

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This report was prepared in accordance with IFRS, the requirements of the Companies Act, the JSE Listings Requirements, the principles of King IV and the International Integrated Reporting Framework by the International Integrated Reporting Council and strives to provide information on all aspects of Cashbuild's activities in an integrated manner.

SCOPE AND BOUNDARY

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

There are no material changes to the content of this report compared to the 2017 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 detailed on pages 23 to 27 of this report.

ASSURANCE

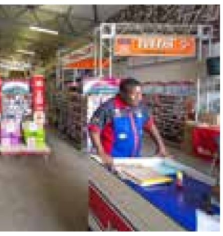
Although the Sustainability Report as a whole has not been independently assured; certain information contained in the Sustainability Report has been scrutinised by the Group's own internal control functions, as well as by external assurance providers where this has been deemed relevant and necessary.

The Company will consider the need for such assurance and will implement the required processes as it deems appropriate.

In accordance with the Companies Act and the JSE Listings Requirements, the Annual Financial Statements of Cashbuild have been audited by PricewaterhouseCoopers Inc. and the Independent Auditor's Report can be found commencing on page 85 of this report.

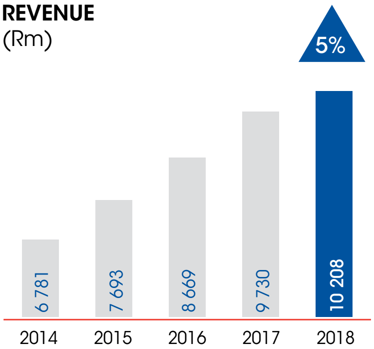
Cashbuild has an Internal Audit Department and together with the Audit and Risk Committee, assesses all internal and external assurances obtained and matches these to its identified risks.

An independent accredited empowerment rating agency, has provided assurance on the BEE scorecard for the current financial year. Please refer to page 39 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.

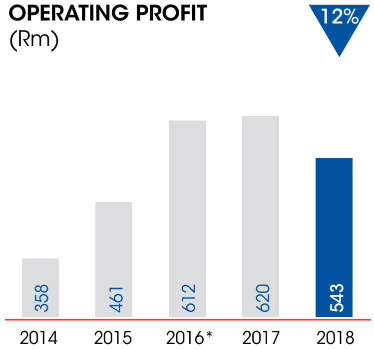


FINANCIAL HIGHLIGHTS

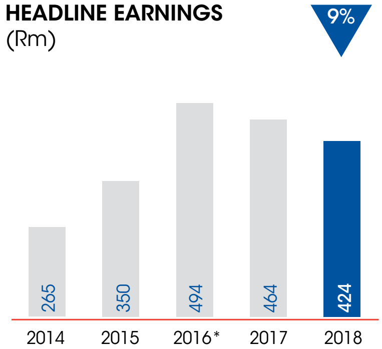
REVENUE (Rm)



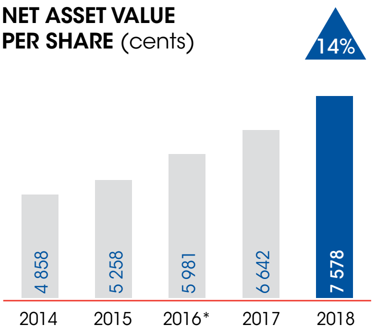
OPERATING PROFIT (Rm)



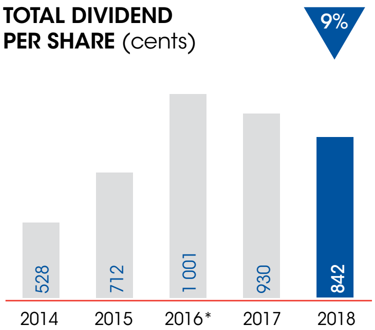
HEADLINE EARNINGS (Rm)



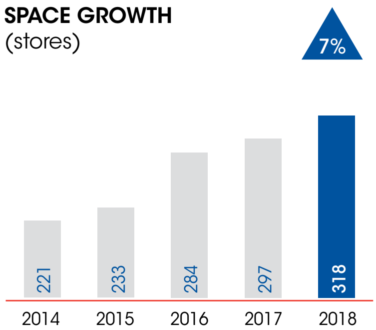
NET ASSET VALUE PER SHARE (cents)



TOTAL DIVIDEND PER SHARE (cents)



SPACE GROWTH (stores)



**2016 Excluding BEE transaction*

HOW TO READ THIS REPORT

DOCUMENTS AVAILABLE ON THE COMPANY'S WEBSITE:
www.cashbuild.co.za

- *King IV Application Register*
- *Stakeholder engagement and materiality issues identified by stakeholders*
- *Cashbuild's Equality and Diversity Policy Statement*

ABBREVIATIONS AND DEFINITIONS

The abbreviations and definitions used throughout this Integrated Report are detailed on page 155.

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:

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Tel: +27 11 248 1500

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

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Investor Relations Consultant
Keyter Rech Investor Solutions CC
E-mail: mkeyter@kris.co.za
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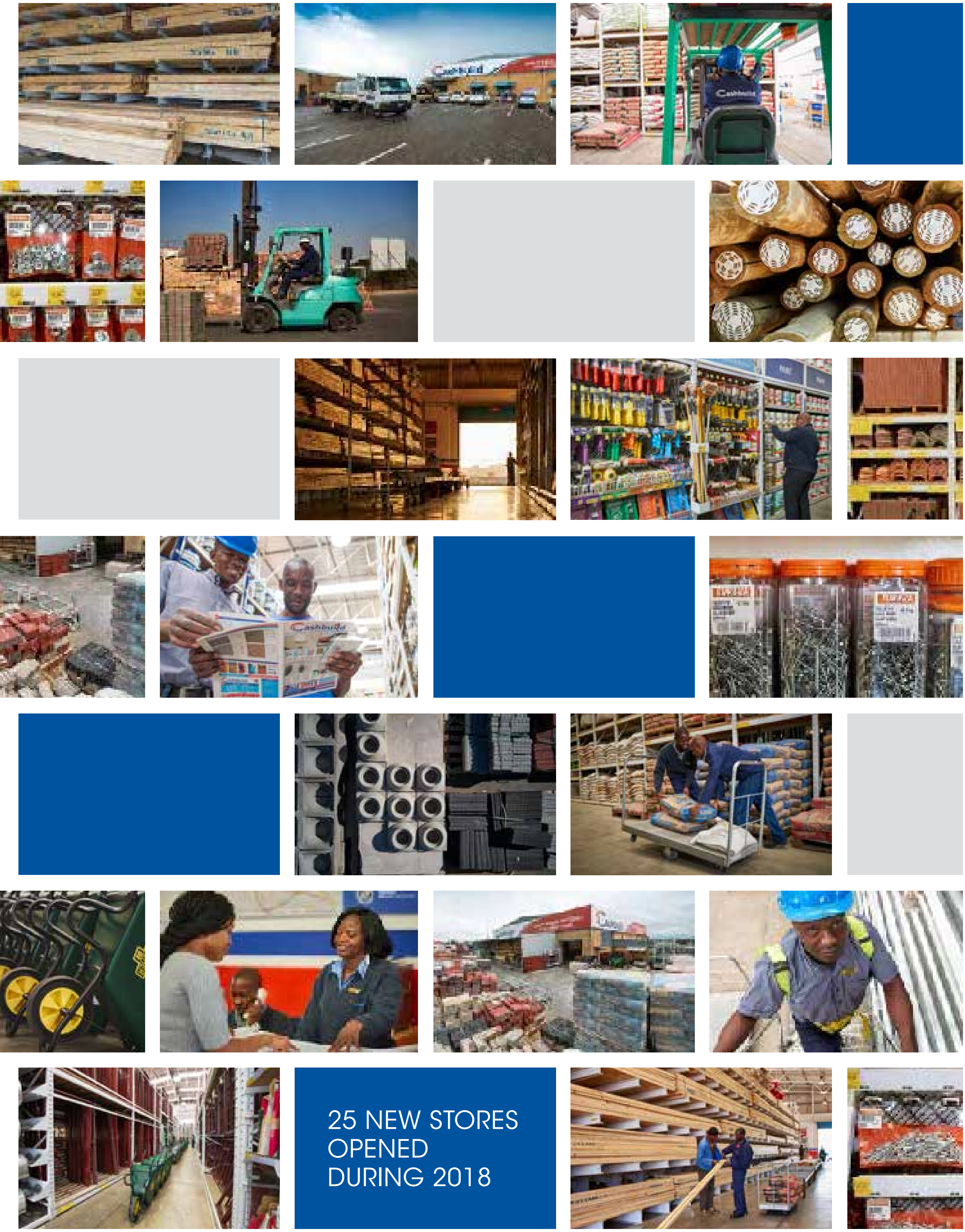
ABOUT CASHBUILD



25 NEW STORES OPENED DURING 2018

GROUP HIGHLIGHTS

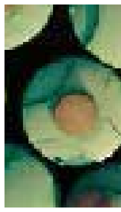
Cashbuild delivered the following highlights for the year ended 30 June 2018 following its strategic sustainability approach and aligning them with the Six Capitals as set out in the International Integrated Reporting Framework:

Financial Capital	Units	% change	30 June 2018	30 June 2017
Revenue	R'000	5	**10 207 603**	9 729 640
Operating profit	R'000	(12)	**543 326**	619 997
Profit before taxation	R'000	(10)	**594 311**	657 026
Attributable earnings	R'000	(10)	**420 609**	464 991
Headline earnings	R'000	(9)	**424 065**	464 433
HEPS	Cents	(9)	**1 867**	2 045
Dividend per share	Cents	(10)	**842**	930
NAV per share[1]	Cents	14	**7 578**	6 642
Cash and cash equivalents	R'000	19	**952 929**	801 420
Manufactured Capital				
Number of stores[2]		7	**318**	297
Number of trading weeks		–	**52**	52
Average basket size	Rands	4	**569**	549
Total wealth created/distributed and reinvested	Rands	(2)	**1 568 733**	1 598 953
Rental prepayments on store developer contracts	R'000	>100	**24 697**	2 786
Number of store developer contracts		–	**8**	8
Human Capital				
Number of employees		(1)	**6 316**	6 365
Revenue per employee	R'000	6	**1 616**	1 529
BEE Contributor Level		–	**8**	8
New employees		(24)	**1 268**	1 658
Intellectual Capital				
Learnerships granted		(9)	**198**	217
Social Capital				
Number of schools contributed to		32	**327**	247
Value of school contributions	R'000	34	**4 995**	3 738
Various social initiatives	R'000	>100	**479**	–
Payments for delivery driver employment	R'000	4	**149 373**	143 424
Total CSI spend	R'000	5	**154 847**	147 162
Natural Capital				
Total number of stores converted through energy conservation projects		21	**158**	131

1 Based on ordinary number of shares in issue.
2 Includes seven (2017: nine) Cashbuild DIY stores.

CASHBUILD AT A GLANCE

Cashbuild is a Southern African-based retailer of building materials and 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 to Cashbuild's expansion strategy.

The Group acquired Build it Hunters Retreat in August 2017 and Buffalo Building Supplies in September 2017. All the stores acquired were rebranded to P&L Hardware stores.

Our footprint encompasses 318 stores (2017: 297 stores) including 60 (2017: 46) P&L Hardware stores and seven (2017: nine) Cashbuild DIY pilot stores spread across seven countries throughout Southern Africa.

We employ 6 316 (2017: 6 365) committed employees and contracted 331 (2017: 317) equally committed delivery contractors and service providers as at 30 June 2018.

Our achievements in store growth, broadening our footprint as well as our relationships built in the past have stood us in good stead given the current economic climate across Southern Africa.

We continue to strengthen 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 our engagements, 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 318 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

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

Human

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

Natural

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

Intellectual

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

Manufactured

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

Social

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

OUR BUSINESS MODEL

INPUTS

Financial capital

- Risk management
- New opportunities
- Strategy planning
- Strong financial position
- Investor meetings and presentations

Human capital

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

Social capital

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

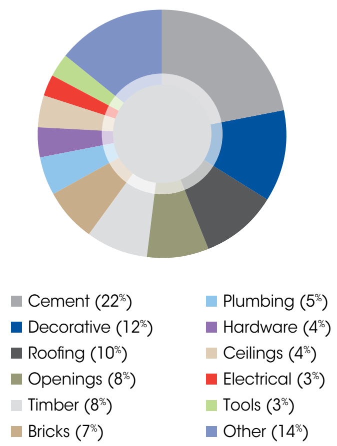
Suppliers

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.

PRODUCTS



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 delivery 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

Outputs	Outcomes
Revenue growth	Increased profitability
Cost savings	Improved market share growth
New, refurbished and relocated stores	Improved shareholder return
Informed shareholders	Remain industry leader

Human capital

Outputs	Outcomes
Skilled workforce	Considered employer of choice
Low staff turnover	Attract and retain best people
Healthy staff morale	Staff continuity
Decreased injuries	Profit sharing
Increased PDI employment	Improved PDI management representation

Social capital

Outputs	Outcomes
Create local employment opportunities	Community upliftment
Art-at-Heart (School contributions)	Encourage entrepreneurship
Support entrepreneurs	Improved brand loyalty
Loyal customers	Good corporate citizen

Intellectual capital

Outputs	Outcomes
Proven management team	Maintain robust policies and procedures
Succession plan	Considered employer of choice
Best practice policies and procedures	

Manufactured capital

Outputs	Outcomes
Good quality products at best value	Expanded customer base
No "grey" goods	Suppliers with same ethical values
"Every day best value" – marketing	Continued safe environment
Loyal customers	Sustainable profits

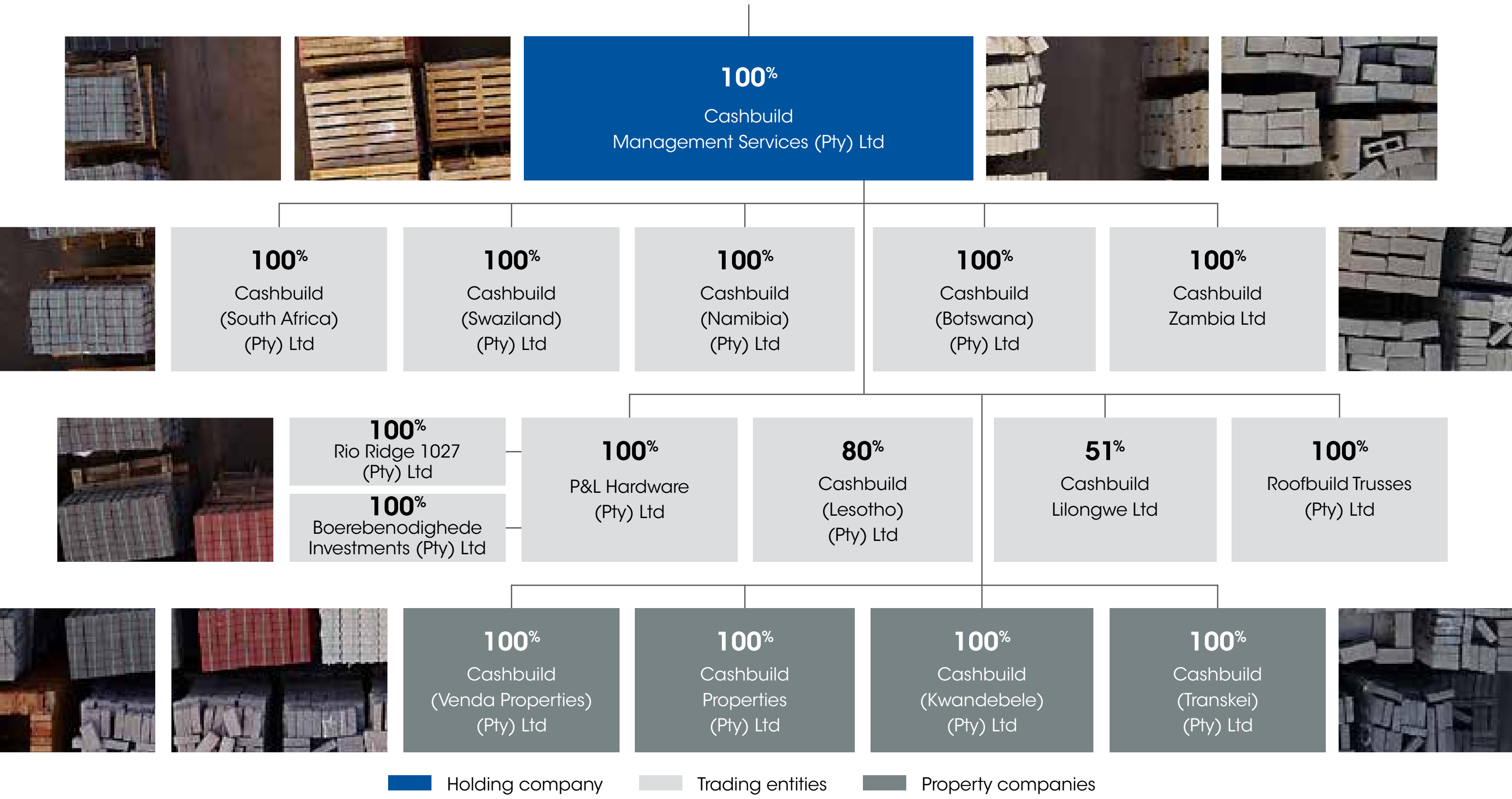
Natural capital

Outputs	Outcomes
Energy efficient	Sustainable business practices
Low carbon footprint	
Reduced water consumption	
Ensure a clean environment	

OUR ORGANISATIONAL STRUCTURE

Cashbuild

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 the Executive Management Team.

OPERATIONS DIRECTOR

Shane Thoresson

OPS 1 *(Mpumalanga and Limpopo)*
Trainee Operations Executive: Tyron Myburgh

OPS 2 *(KwaZulu-Natal)*
Trainee Operations Executive: Hennie Roos

OPS 3 *(Gauteng – North and Swaziland)*
Operations Executive: Willie Dreyer

OPS 4 *(North West and Free State)*
Operations Executive: Ian McKay

OPS 6 *(Gauteng – East, West and South)*
Operations Executive: Mimi Masala

OPS 7 *(Western Cape and Eastern Cape)*
Trainee Operations Executive: Mark Scholes

OPERATIONS DIRECTOR

Anton Hattingh

OPS 5 *(Botswana, Malawi, Namibia and Zambia)*
Trainee Operations Executive: Christopher Vengesa

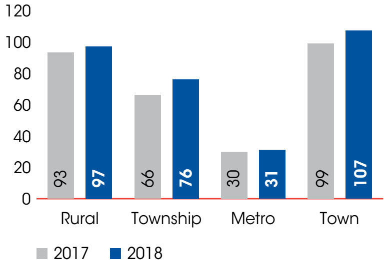
P&L Hardware *(Mpumalanga and Limpopo)*
Managing Director: André Prinsloo
P&L Hardware *(Eastern Cape)*
Operations Director: Anton Hattingh

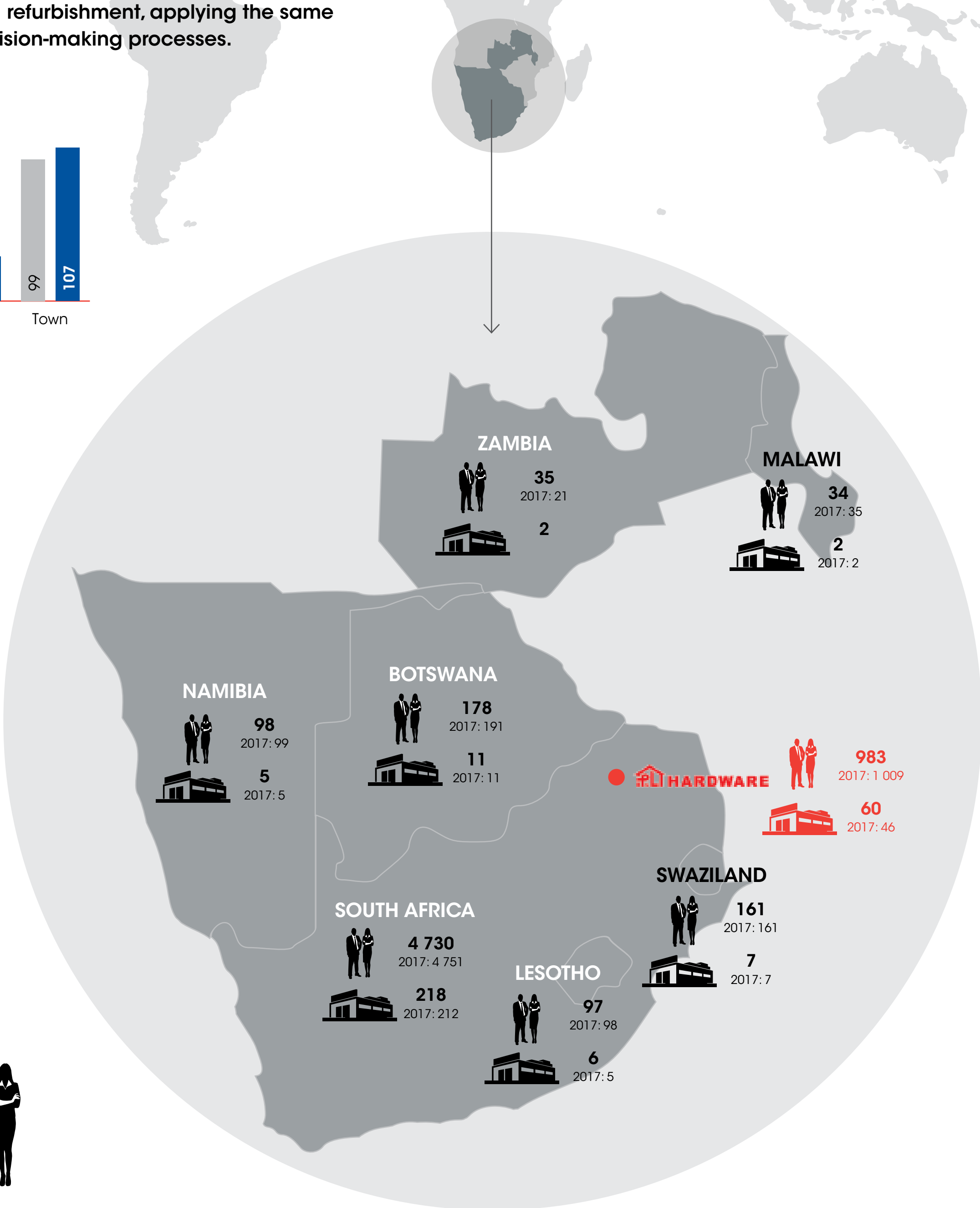
OUR GEOGRAPHICAL FOOTPRINT

Cashbuild positions its stores to bring quality building materials at best value to local communities, and strives to enhance the 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*

311 (2017: 288)

TOTAL NUMBER OF EMPLOYEES

6 316 (2017: 6 365)

**Excludes 7 (2017: 9) DIY pilot stores*

OUR STAKEHOLDERS

ENGAGING WITH OUR STAKEHOLDERS

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

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

SUPPLIERS, SERVICE PROVIDERS, SPECIALISTS AND INDUSTRY PARTNERS

Form of interaction

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

CUSTOMERS AND COMMUNITIES

Form of interaction

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

ENGAGING WITH OUR STAKEHOLDERS

LOCAL AND PROVINCIAL GOVERNMENTS AND REGULATORY BODIES (LABOUR, HEALTH, SARS, ETC.)

Form of interaction

- National builders forums
- Audit and related meetings
- Employment equity plan

JSE AND OTHER LOCAL AND INTERNATIONAL REGULATORY/LISTINGS BODIES

Form of interaction

- Business associations
- Written communications and presentations

SHAREHOLDERS, INVESTORS, ANALYSTS AND MEDIA

Form of interaction

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

EMPLOYEES, LEARNERS, CONTRACTORS AND SUB-CONTRACTOR

Form of interaction

- Employee forums
- Informal social meetings
- Employee surveys
- Management road shows
- Health, safety and wellness forums
- Learnerships and bursaries

General forms of interaction

- Website and social media
- SENS announcements
- Newspaper articles
- Advertisements
- Community participation
- Integrated Report

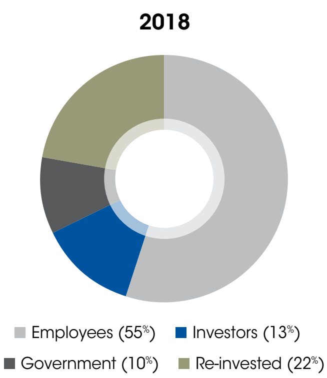
For the comprehensive interaction with stakeholders, each group's expectations and concerns, how their expectations and concerns were addressed and how it links in with the Group's sustainability strategy, please refer to the Group's website.

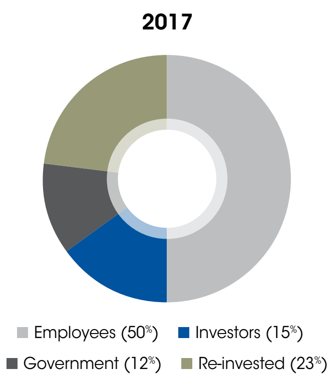
VALUE-ADDED STATEMENT

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 2018	%	30 June 2017	%
Revenue	**10 207 603**		9 729 640	
Less: Cost of merchandise and expenses	**(8 692 999)**		(8 171 502)	
Value-added from trading operations	**1 514 605**		1 558 139	
Interest received from investments	**54 128**		40 814	
Total wealth created	**1 568 733**	100.0	1 598 953	100.0
Allocated as follows:				
To employees – salaries and benefits	**861 795**	54.9	793 005	49.7
To Government – Group taxation	**149 745**	9.6	197 336	12.3
To providers of capital:	**208 900**	13.3	241 822	15.1
• Dividend to shareholders	**201 209**	12.8	234 023	14.6
• Interest on borrowings	**3 052**	0.2	3 304	0.2
• Minorities' interest	**4 639**	0.3	4 495	0.3
Wealth distributed	**1 220 440**	77.8	1 232 163	77.1
To retain for re-investment in the Group	**348 293**	22.2	366 790	22.9
• Depreciation, amortisation and impairment of property	**137 988**	8.8	134 294	8.4
• Income retained in the business	**210 305**	13.4	232 496	14.5
Total wealth distributed and reinvested	**1 568 733**	100.0	1 598 953	100.0

Statistics	June 2018	June 2017	% change
Number of employees	**6 316**	6 365	(1)
Wealth created per employee	**248**	251	(1)
Wealth distributed per employee	**193**	194	(1)
Revenue per employee	**1 616**	1 529	6



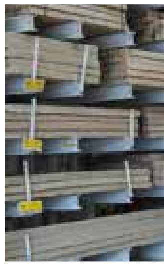


OUR STRATEGY

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

KEY STRATEGIC BUSINESS IMPERATIVES

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



Our strategy of growth is achieved through ***various channels*** *supported by*

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

OUR STRATEGIC BUSINESS IMPERATIVES
(derived from business strategy, risks and opportunities)

- Sustainable customer base and customer loyalty
- Increased market share, continued growth
- Stable operating environments
- Internal excellence (people, processes, systems)
- Strategic relationships and partnerships
- Good governance and controls
- Staying ahead of the competition
- Store growth (urban and rural)
- Supplier loyalty

MACRO-ECONOMIC CHALLENGES/ CONCERNS

WHAT IS MOST IMPORTANT TO OUR STAKEHOLDERS

- Availability of quality goods
- Excellent service
- Sustainability of community initiatives
- Good governance and compliance
- Clear and transparent reporting
- Share price growth
- Local employment opportunities
- Development and growth opportunities
- Economic empowerment and transformation
- Free delivery

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.

STRATEGY FOR CORPORATE SUSTAINABILITY

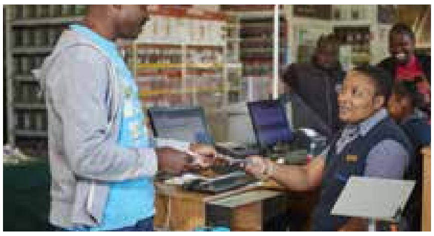
In the broadest possible sense, sustainability is defined by Cashbuild as "maximising the Group's chances of continued profitable existence in the future". More specifically, and borrowing from the established definition of sustainable development, it can be defined as the utilisation of current resources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

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

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

In developing any sustainability-related initiatives or programmes or strategies aimed at creating value for stakeholders, the Board and Executive Management are required to adopt a precautionary approach, in order to ensure that neither Cashbuild nor any of its key stakeholder groups are in any way disadvantaged by the decisions taken or strategies implemented by the organisation.

CHAIRMAN'S REPORT



Stefan Fourie
Chairman

CSI SPEND

^5%

to R155 million

ADOPTED

King IV

in 2018

The headwinds and tough trading conditions experienced in the first half of the 2018 financial year continued unabated, with the second half being even worse than anticipated. Cashbuild has a strategy that remains robust and the business model is sound which bodes well for Cashbuild in the event of market conditions improving.

It is my pleasure to introduce the 2018 Integrated Report for Cashbuild. The Group experienced another challenging year with the results reflective of the tough trading conditions, increased competition and economic difficulties faced by the Group's customers.

However, our commitment to our strategy perseveres. We believe that our vision, mission and core values reflect what Cashbuild stands for, as does the Cashbuild Way. As in the past, the Group sought to grow market share through adding new stores, finding alternative sales channels, and expanding further into the continent, opening two stores in Zambia.

The Group continues to apply good corporate governance practices – this includes adherence to the recommendations of the new Code of Corporate Governance, King IV, as well as JSE Listings Requirements and the International Integrated Reporting Council's International Integrated Reporting Framework.

Despite the prevailing economic headwinds during the year, we managed to open 25 new stores constituting 11 Cashbuild-branded stores and 14 P&L Hardware-branded stores.

The Integrated Report includes the Group's results, achievements and practices in terms of the Six Capitals as set out in the Framework. Our Corporate Governance Report, which can be found on pages 50 to 59 of this Integrated Report, sets out our principles and policies in more detail.

Our material issues and our mitigation plan are set out on pages 23 to 26. As part of our risk universe, we also assess the key risks associated with operating in the building retail sector on an annual basis.

We not only identify risks, but also opportunities to ensure that unlocking value for shareholders and other stakeholders remains a priority.

Cashbuild maintains stringent internal controls and systems which provide reasonable assurance of the achievement of operational business objectives and financial statements, while protecting, verifying and maintaining accountability for assets. These controls are based on established policies and procedures contained in the Cashbuild Way.

Cashbuild's BEE rating is a Level 8 on the generic scorecard, however, going forward we will be classified under the construction sector code and expect to remain on a Level 8. We continuously strive to improve our empowerment rating.

This year Cashbuild invested R155 million (2017: R147 million), an increase of 5%, in the communities in which it operates. Details of the CSI initiatives in which we invested are set out in detail on pages 40 to 43 of this report.

On behalf of the Board, Werner de Jager and his team must be thanked for their hard work and efforts during the year.

I would like to welcome Gloria Tapon Njamo to the Board as an Independent Non-executive Director and we are looking forward to her contribution to the Board. To my fellow Board members, your support has been invaluable once again and we relied on your collective knowledge, dedication and "steady hand" in guiding Cashbuild through the year.

Stefan Fourie
Chairman
27 August 2018

CHIEF EXECUTIVE'S REPORT

Werner de Jager
Chief Executive

INVESTMENTS INTO THE FUTURE

25 stores

ADDED

P&L HARDWARE MODEL FUTURE EXPANSION STRATEGY

THE YEAR AT A GLANCE

The Group experienced a tough year in a low growth environment, with our results reflecting deepening consumer pressure, ongoing difficulty in the building retail industry and the turmoil in the cement industry. We saw a marked increase in independent cement blenders and intensifying competition in the bagged cement market. Political uncertainty, fueled by the economic pressures leads to increased civil unrest which negatively impacts the environment in which the Group operates.

However, our continued focus on our strategy ensured that Cashbuild, a predominantly cash business, could report:

- Revenue growth of 5% to R10.2 billion;
- Gross profit (Rands banked) growth of 4% to R2.6 billion;
- Operating expenses only increasing 3% in existing stores; and
- Headline earnings of R424 million, unfortunately a decrease of 9%.

Cashbuild, as at June 2018, had 318 outlets, made up of 251 Cashbuild stores, 60 P&L Hardware stores and seven Cashbuild DIY outlets. During the 2018 financial year we added 25 stores, consisting of 11 new Cashbuild stores and 14 P&L Hardware stores, refurbished 27 stores, relocated six stores and closed two stores.

Group achieved sales in excess of R10 billion for the first time.

The one Build it Hunters Retreat store and the seven Buffalo Timber stores in the Eastern Cape, acquired in August and September 2017, were successfully rebranded as P&L Hardware stores.

French homeware improvement retailer Leroy Merlin announced the opening of its first retail store in the country in the latter part of 2018. As previously outlined, we believe they are not a direct competitor to Cashbuild as they focus on a different market segment.

Since the introduction of our Bursary Programme in 2014, Cashbuild has enrolled a total of 12 students in various degrees. The first student graduated last year with a B.Com (Accounting) degree. Since 2009 Cashbuild has offered the Retail Operations NQF level 2 learnership programme to 489 unemployed individuals. Full-time employment was offered to all learners upon completion of the learnership programme. 190 of these employees are still with the company with four having progressed into management. It is planned to offer a further 50 learnerships in 2019.

Cashbuild's sustainability initiatives and governance related matters are set out in the Sustainability and Corporate Governance sections of this Integrated Report commencing on pages 32 and 50, respectively.

FINANCIAL REVIEW

Group revenue for the year increased by 5% to R10.2 billion from R9.7 billion (June 2017). The increase is primarily attributable to sales growth experienced by the 42 stores opened or acquired since 1 July 2016 contributing 5% of the increase.

Transactions through the tills increased by 1% to that of the comparative year, with new stores contributing 4% of the increase whilst existing stores decreased by 3%. Selling inflation was 2% at the end of June 2018 which is consistent with the prior year. The gross profit margin percentage was slightly lower to that reported in the prior year.

Operating expenses increased by 9%, with our new and acquired stores contributing 6% of the increase. Operating profit decreased by 12% to R543 million from R620 million in the prior year. The Group reported an operating profit margin of 5.3% compared to the 6.4% achieved in 2017.

CHIEF EXECUTIVE'S REPORT

(continued)

Headline earnings per share decreased by 9% from 2 045 cents (June 2017) to 1 867 cents. There was an increase in NAV per share of 14% from 6 642 cents (June 2017) to 7 578 cents. The Group's net cash position increased by 19% from R801 million (June 2017) to R953 million.

DIVIDENDS

The Board declared a total dividend for the year ended 30 June 2018 of 842 cents, a decrease of 9% on the total dividend for 2017 of 930 cents per share. The dividend policy of two times cover has been consistently applied as the Board recognises the importance of rewarding its shareholders.

STRATEGIC OVERVIEW

Our strategy remains unchanged and is set out on page 16 of this Integrated Report – this provides a blueprint for how, and why, we do business. We continue to subscribe to the highest ethical standards of business practice as endorsed by our Code of Ethics and our business is aligned with both local and international corporate governance best practice and rooted in the "Cashbuild Way". Our philosophy is underpinned by our vision, mission and values.

LOOKING AHEAD

As the largest retail chain of building materials in Southern Africa, Cashbuild continues to offer a focused and competitively-priced range of quality products to customers. As such, and despite the continuing difficult economic and trading environment, we are certain that the Group remains a sustainable business, with sound growth prospects for the future.

Notwithstanding, we acknowledge that the trading environment remains highly competitive, and we don't expect this to change in the near future.

In terms of macro-economic issues, surprisingly, the increase in Value-Added Tax (VAT) in April 2018 to 15% had little impact on the Group. However, there is no doubt that with the steep fuel price hikes during the first half of the 2018 calendar year, as well as inflation-linked increases in the cost of living, South African consumers are under more pressure than perhaps ever before. These factors were reflected in retail trade sales for the first six weeks of our 2019 financial year, reporting a marginal 1% increase.

Risks associated with the industry in which we operate are identified, monitored and evaluated to ensure that proactive measures are taken to mitigate these. Our Executive Management team is both experienced and competent, and understands the challenges we face. This combined expertise is also able to guide us to new opportunities.

ACKNOWLEDGEMENT

As previously mentioned, this year has been demanding and has required extraordinary efforts from both the Executive Management team, Cashbuild and P&L Hardware employees alike. I would, as always, like to commend them for their hard work and continued commitment to the Group, each living the values and believing in our vision.

I would like to welcome Anton Hattingh, Operations Director, responsible for P&L Hardware and Countries and Wimpie van Aswegen our Commercial and Marketing Director, to the Executive Board. Both these directors have been with Cashbuild for over 10 years.

We also had to bid farewell to André van Onselen after 20 years of loyal service to the company, we wish him well with his future endeavors.

Our Board members continue to provide thoughtful guidance to the Group, and this was no different during the year under review. Your insight is very much appreciated.

My sincere appreciation also goes 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.

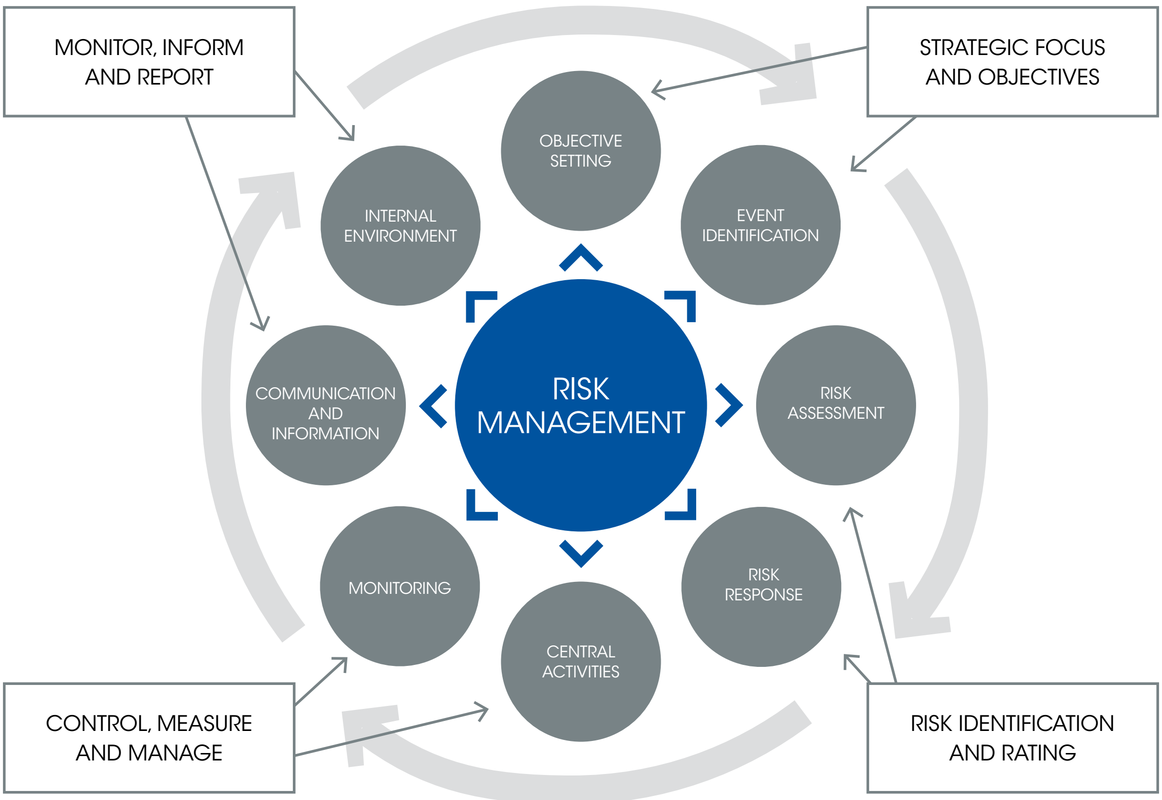
And finally, heartfelt thanks again to our customers and shareholders for your continued loyalty and confidence in us. We hope to continue unlocking and creating stakeholder value by doing it the Cashbuild Way.

Werner de Jager
Chief Executive
27 August 2018

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.

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 80 of the Integrated Report.

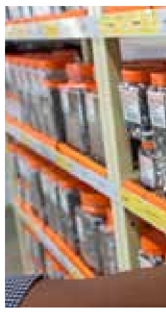
OUR MATERIAL RISKS
(continued)

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 risks as at 30 June 2018 are ranked in order of ranked risk level.

Risk description	Mitigation plan
Increased community unrest events and resultant lost trading days.	• Giving priority attention to the safety of staff and customers by closing the store should incidents be considered harmful in any way to persons in the store at the time of the incident. • Distancing Cashbuild as a business from all community unrest incidents. • Investigation of the adequacy of SASRIA insurance coverage with the intention of improving coverage should that be identified as a viable action.
Sales growth of a number of Cashbuild stores being below expectation.	• Detailed store specific action plans put in place to address sales trends in these identified stores. • Identifying the root cause of sales growth being below expectation and pro-actively addressing that. • Giving consideration towards closing down stores unable to turn repeated loss-making situations around.
Increased trend of prices negotiated with suppliers being beaten by competitive procurement practices of competitors.	• Improvement and testing of pricing policy. • Increased advertising focus on better prices. • Increased negotiation of better prices with suppliers. • Optimisation of pricing and margins inter-relationship.



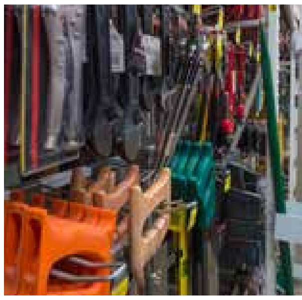



Risk description	Mitigation plan
Management action plans to address loss making stores not having the desired impact.	• Regular review of implemented action plans at executive level. • Recurring loss-making trends will lead to a decision relating to store management changes or possible store closure.
Excessive stock levels at some stores are not being reduced as expected.	• Recalculation process on Stock Order Quantity (SOQ) changed. Effect of this improvement monitored to confirm effectiveness of change and prompting any further revision for improvement. • Reviewing and adjusting minimum target stock quantities by SKU as well as minimum order quantities by supplier.

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 experienced by the Executive Management Team with the risks facing the Company.

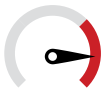
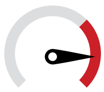
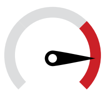
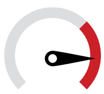
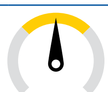
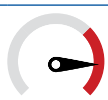
OUR MATERIAL RISKS
(continued)



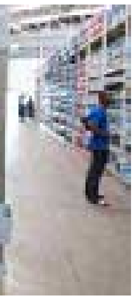


MACRO-ECONOMIC CHALLENGES AND CONCERNS

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.

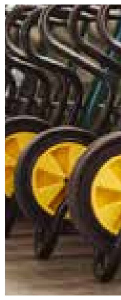
Challenges/concerns	Potential impact	Probability	Response	Outcome
Current constrained economic conditions in areas we trade.			Protect market share with competitive pricing and stringent cost control.	25 new stores opened Margin stable at 25.2% Cost of existing stores increased by only 3%
High unemployment in areas we trade.			By opening new stores, Cashbuild employs between 14 and 20 employees per new store opened.	1 268 new employees
Macro-economic developments such as exchange rate volatility, credit rating fluctuations and global economic slowdown.			Monitoring purchase price inflation and imported cement.	Purchase price inflation was at acceptable levels Listing imported cement where local suppliers are not competitive
Skills shortage (including attraction, retention, and inadequate or sub-standard education and skills development.			Through Cashbuild's Training courses as well as Learnership and Bursary Programmes, we uplift and empower our employees who are keen to further their skills. With each new, relocated or refurbished store R120 000 is contributed to schools in need.	During 2018: 4 642 Staff attended training courses 141 NQF Level 2 Learners 35 NQF Level 3 Learners 12 NQF Level 4 Learners 10 NQF Level 5 Learners 10 Bursary students
Political instability in run-up to elections.			Incidents of civil unrest are escalating.	144 Incidents 121 Retail days lost R17.5 million cost-to-company

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 on average 10 additional Cashbuild stores and 10 P&L Hardware 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 2018 financial year, 27 stores (June 2017: 12 stores) were refurbished and six stores (June 2017: two stores) 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 concept. During the 2018 financial year, focus was given to converting selected DIY stores and where not viable, to close the DIY store. Two Cashbuild DIY stores were closed during the financial year.

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 "Be Great" customer service programme was introduced during the 2018 financial year in order to increase customer growth and improved customer service through positive "word-of-mouth" advertising. This "Be Great" programme enables 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 one store later in the year. A third store is planned to open in April 2019. As and when the opportunity to expand into Africa is presented, it will be carefully considered and the viability assessed.

Zambia is currently not performing as expected due to various factors which have been addressed and in the process of being resolved. Our cost of getting stock into Zambia from South Africa is excessive and this is contributing to the difficulty to be competitive in many areas. Through a logistics company, a process is being put in place to reduce costs to get stock to Zambia and a very aggressive drive is in place to engage with more local suppliers which will ensure that we are more competitive. In addition to this the medium of marketing has been revisited and a new strategy, more applicable to the environment, has now been put in place which includes brand awareness. Excessive stock levels and slow moving stock have also been addressed with effective reduction plans in place.

OUR DIRECTORATE

EXECUTIVE DIRECTORS

WF de Jager (47)
Chief Executive
CA(SA)

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.

A Hattingh (52)
Operations Director: P&L and Countries

1 January 2018

Anton has over 30 years of retail experience. He joined Cashbuild in October 2007 as a Divisional Manager and has been an Operations Director of Cashbuild Limited since 1 January 2018.

AE Prowse (54)
Financial Director
CA(SA)

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.

SA Thoresson (55)
Operations Director

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.

WP van Aswegen (51)
Commercial and Marketing Director
CA(SA)

2 April 2018

Wimpie joined Cashbuild in April 2008 as General Manager Creditors. In 2010 he became Procurement Executive and has been appointed Commercial and Marketing Director of Cashbuild Limited effective 2 April 2018.

Board committees and attendance

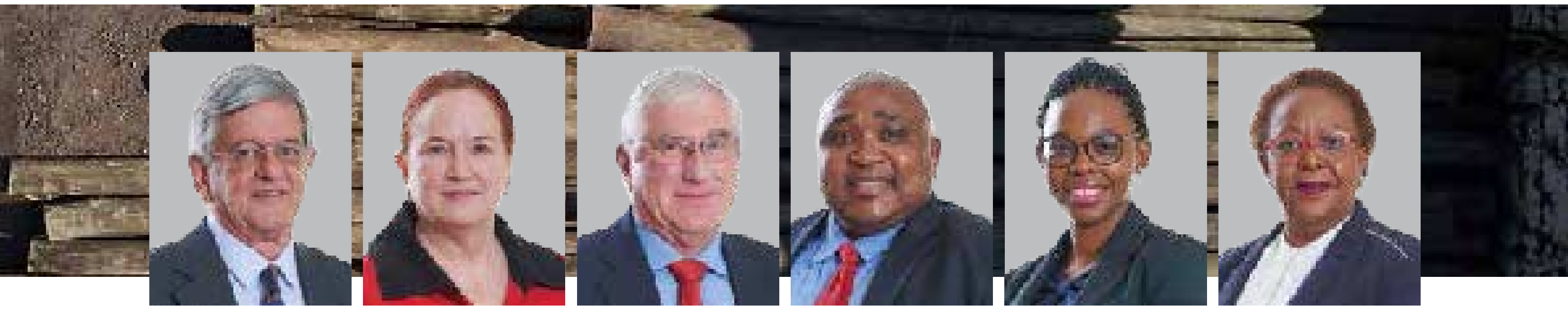
Name	Board	Audit and Risk Committee	Remuneration Committee	Social and Ethics Committee	IT Governance Committee	Investment Committee	Nomination Committee
Non-executive							
IS Fourie	C – 4/4	I – 4/4	M – 3/3	M* – 4/4	M – 4/4	C – 2/2	C – 1/1
HH Hickey	M – 4/4	C – 4/4	–	M – 4/4	–	M – 2/2	–
AGW Knock	M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

Legend

C Chairperson of the Board/Committee **M** Member of the Committee * Apologies were submitted and noted **I** Attendance by invitation

^ Number of meetings attended since appointment to the Board and/or Committee # Appointed during the year ## Resigned during the year

INDEPENDENT NON-EXECUTIVE DIRECTORS



IS Fourie (71)

Chairman of the Board, Investment and Nomination Committee

CA(SA)

1 July 2012

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

HH Hickey (64)

Chairperson of the Audit and Risk Committee

CA(SA)

1 July 2012

Hester serves on various Boards including Barloworld Limited, Pan African Resources Plc, Northam Platinum Limited and African Dawn Capital Limited. She performs board evaluations and directors training for the Institute of Directors of Southern Africa.

AGW Knock (67)

Chairperson of the IT Governance and Remuneration Committee

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

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 DSS Lushaba (52)

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

1 July 2011

Simo performs boad assessment and director training for the Institute of Directors of Southern Africa. His directorships include Harmony Gold Ltd, GVSC (Pty) Ltd, South Africa Day NPC.

GM Tapon Njamo (40)

CA(SA)

2 April 2018

Gloria is a Chartered Accountant. She completed her BCom degree at UCT and articles with PwC in 2004. She has over 15 years leadership experience with working knowledge of operating in over 10 African countries. She worked for JP Morgan as VP Operations, Woolworths Financial Services and served as FD for SGM. She is currently CFO of GE Transportation Africa.

NV Simamane (59)

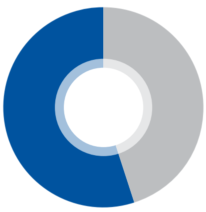
Chairperson of the Social and Ethics Committee

BSc (Chemistry & Biology) (Hons)

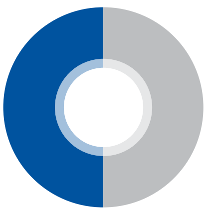
1 September 2004

Nomahlubi has extensive business, marketing and communications experience, having previously held the positions of Marketing Manager at Unilever, Marketing Director of British American Tobacco and Managing Director of BLGK Bates Advertising Agency. She is currently the CEO of Zanusi Brand Solutions, a branding consultancy that she founded in 2001. She is also a Non-executive Director of The Foschini Group Ltd, Oceana Group Ltd, Etana (Pty) Ltd and Hollard Insurance Company Ltd.
She has worked in the United States and Kenya and has been recognised as a seasoned business woman, having won two Business Women of the Year Awards in 2009 by TOPCO and BBQ. She was also named the 2013 Enterprising Woman in Fort Lauderdale, Florida, USA.

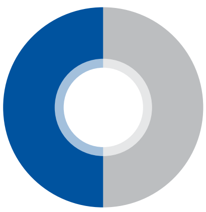
Board composition



Executive (45%)
Non-executive (55%)

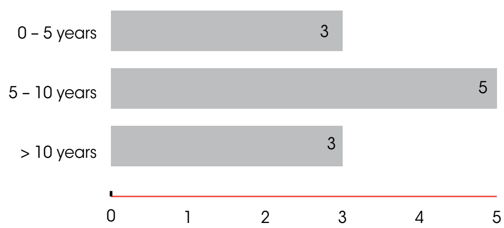


Black non-executive (50%)
White non-executive (50%)



Female non-executive (50%)
Male non-executive (50%)

Length of directors' tenure

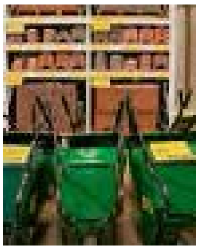
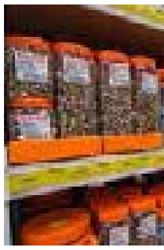


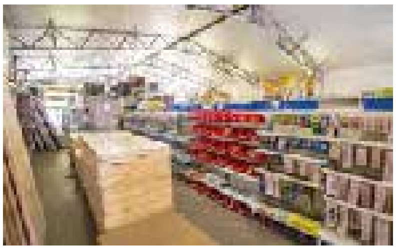
SUSTAINABILITY AND CORPORATE GOVERNANCE





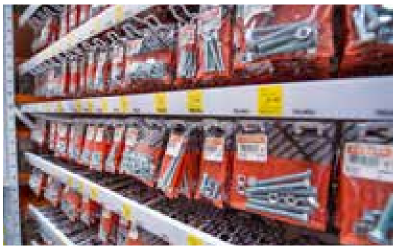
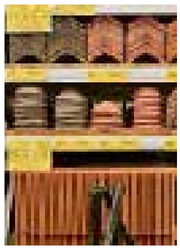




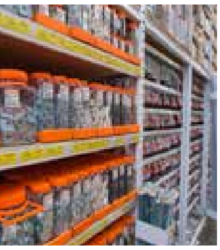


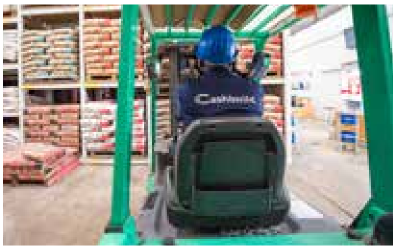


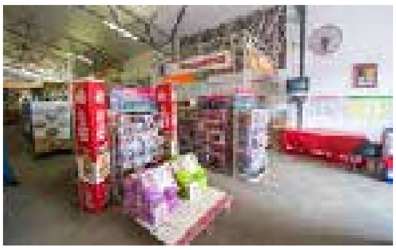














1 268
NEW EMPLOYEES
FOR 2018


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.

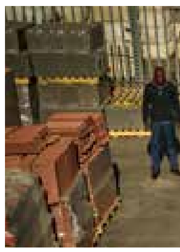
The underlying objective of following the Six Capitals is to ensure that Cashbuild focuses the appropriate degree of attention on each of these areas, taking into account the impact of each aspect on the Group's performance, as well as the impact that the Group has on its stakeholders in each area. This 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.



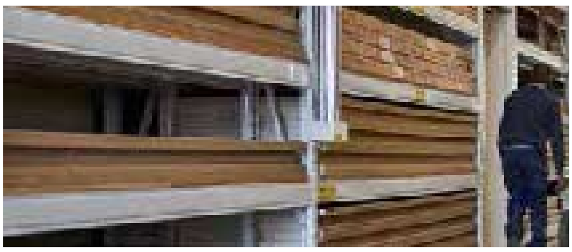



ASSURANCES OBTAINED

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 service and assurance providers
Finance	PricewaterhouseCoopers Inc. – Independent Auditor's Report (page 85 of this report), provides auditing, tax and advisory services.
Legal compliance	Webber Wentzel Inc. and Van der Vyver Inc. 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 was outsourced to Deloitte. Assurance is provided by Deloitte on risk-based key focus areas included in a three-year rolling Internal Audit Plan. A new service provider is currently being selected. 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.



SUSTAINABILITY REPORT
(continued)

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 growth of Financial Capital is dependent on all of the other Capitals functioning optimally.

FIVE-YEAR PERFORMANCE REVIEW

		June 2018 52 weeks	June 2017 52 weeks	June 2016 52 weeks	June 2015 52 weeks	June 2014 52 weeks
Group Income Statement						
Revenue	R'm	**10 208**	9 730	8 670	7 693	6 781
Profit before tax	R'm	**594**	657	619	499	384
Earnings attributable to owners of the Company	R'm	**421**	465	437	357	268
Group Statement of Financial Position						
Total assets	R'm	**4 273**	3 713	3 539	3 051	2 601
Total equity	R'm	**1 921**	1 683	1 465	1 345	1 224
Total liabilities	R'm	**2 351**	2 030	2 074	1 706	1 377
Group Cash Flow						
Net cash from operations	R'm	**609**	451	622	593	876
Working capital movements	R'm	**71**	(119)	76	168	489
Capital investment	R'm	**(302)**	(193)	(592)	(169)	(269)
Key performance statistics						
Returns and profitability						
Revenue per employee	R'000	**1 616**	1 529	1 550	1 553	1 447
Operating profit margin	%	**5.3**	6.4	6.3	6.0	5.3
Profit before tax on revenue	%	**5.8**	6.8	7.1	6.5	5.7
Profit before tax per employee	R'000	**94**	103	105	101	82
Basic EPS	Cents	**1 852**	2 048	1 920	1 547	1 157
Basic HEPS	Cents	**1 867**	2 045	1 892	1 519	1 154
Total dividend per share	Cents	**842**	930	1 001	712	528
NAV per share^	Cents	**7 578**	6 642	5 776	5 258	4 920
Return on shareholders' funds	%	**23.3**	29.5	31.0	27.8	23.1
Return on average capital employed	%	**23.7**	29.9	32.2	28.2	23.4
Total asset turn	Times	**2.4**	2.6	2.6	2.5	2.6
Total assets per employee	R'000	**676**	583	587	616	555
Solvency and liquidity						
Dividend cover	Times	**2.0**	2.0	2.0	2.0	2.0
Current ratio	Times	**1.2**	1.2	1.1	1.3	1.3
Total liabilities to total shareholders' funds	Times	**1.3**	1.2	1.4	1.3	1.1
Interest-free liabilities to total assets	Times	**0.6**	0.5	0.6	0.6	0.5
Share performance						
Market value per share						
– At year end	Cents	**31 439**	35 900	35 500	30 100	12 500
– Highest (year to 30 June)	Cents	**50 477**	44 295	36 900	31 479	16 216
– Lowest (year to 30 June)	Cents	**31 000**	32 100	25 528	12 162	11 854
PE ratio at year end	Times	**18.7**	19.3	17.7	21.3	11.7
Market capitalisation – at year end	R'm	**7 857**	8 971	8 871	7 582	3 149
Volume traded (year to 30 June)	'000	**7 120**	6 785	9 688	12 286	11 183
Weighted number of shares	'000	**22 711**	22 708	22 779	23 055	23 171
Issued shares at 30 June	'000	**24 990**	24 990	24 990	25 190	25 190
Other statistics						
Number of employees		**6 316**	6 365	6 029	4 953	4 687
Number of stores		**318**	297	284	233	215

^ *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 2018

- We are the largest retailer of quality building materials and associated products in Southern Africa.
- We have an experienced Board and Executive Management Team.
- We strive to 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.

Our differentiators

What makes us unique

We focus on our customers, ensuring that our stores:

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

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 our people, ensuring that:

- our management approach is consistent;
- internal growth and development opportunities are supported by best in class
- HR systems, policies, processes are fair and equitable;
- our store managers feel empowered and supported; and
- we take pride in the Cashbuild brand and act according to our core values.

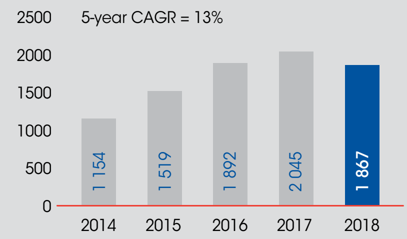
We focus on our suppliers ensuring that:

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

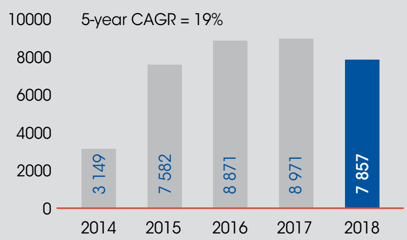
We focus on sound governance and compliance, ensuring that:

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

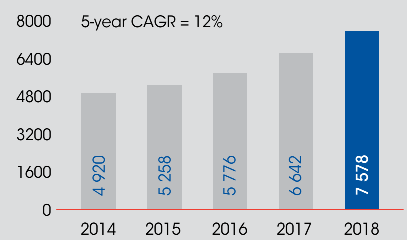
HEPS (Cents)



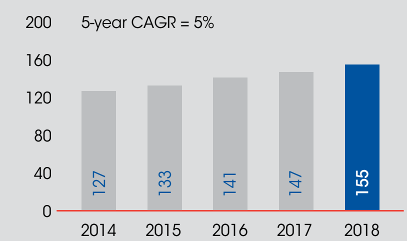
MARKET CAPITALISATION (Rm)



NAV PER SHARE (Cents)

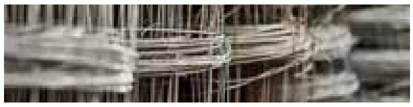


CSI SPEND (Rm)



SUSTAINABILITY REPORT
(continued)

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, employ unemployed learners through our leadership programme, as well as a variety of other initiatives.

OUR EMPLOYEES

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

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

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

Cashbuild's HR policies can be summarised as follows:

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

As at 30 June 2018, Cashbuild employed, on a permanent basis, 6 316 (2017: 6 365) individuals, across the Group. 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 15 full-time human resource employees who are responsible for supporting line managers in (and holding them accountable for) the ongoing training and development of all employees. We are 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.

HUMAN CAPITAL CHALLENGES

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

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

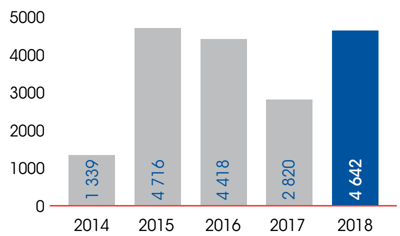
Cashbuild's influence over suppliers regarding their respective transformation programmes is limited.

EMPLOYEE TRAINING AND DEVELOPMENT

Cashbuild staff members undergo training courses in areas such as customer service, management, role-specific functional training and product knowledge enhancement. This training was for the most part internal and non-accredited e-learning. A total of 4 642 (2017: 2 820) staff members underwent this training during the year, at a cost of R6.9 million (2017: R8.0 million).

Cashbuild was registered as an accreditation provider with the Wholesale and Retail SETA this year.

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.

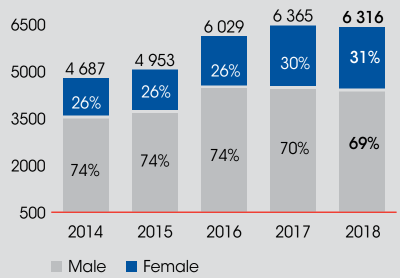
A health and safety representative, with at least one appropriately trained and qualified first aid provider, is appointed for each store and Support Office department. The Group also strictly adheres to appropriate regulatory requirements and OHASA guidelines regarding the availability of medical and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

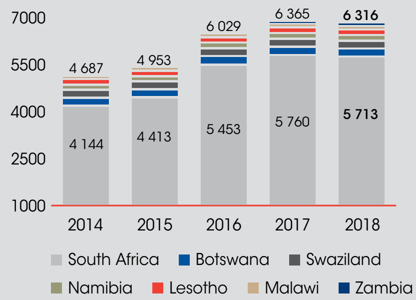
Staff member injuries that occurred are mainly as a direct result of non-compliance to Cashbuild's OHASA policy and disciplinary action was taken against these staff members. No incidents were identified in which the Group

EMPLOYMENT STATISTICS

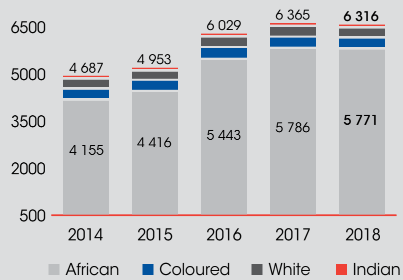
EMPLOYEES BY GENDER



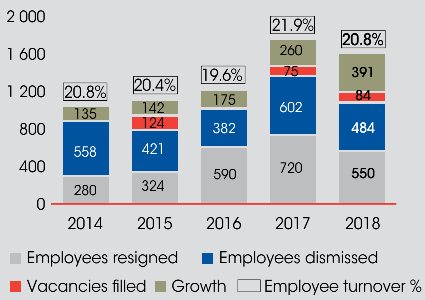
EMPLOYEES PER GEOGRAPHY



EMPLOYEES PER ETHNIC GROUP



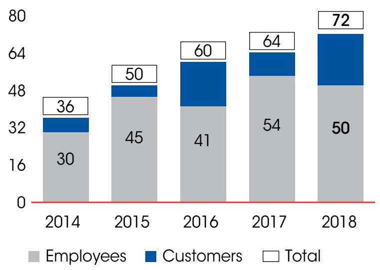
EMPLOYEE MOVEMENT



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 or permanent disabilities as a result of these reported injuries.

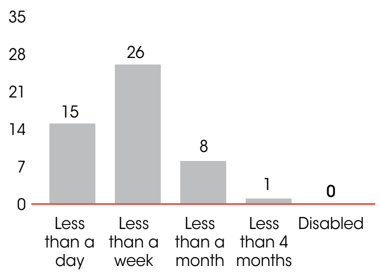
Cashbuild is committed to continued improvement in this area, and to maintaining a safe working environment for its employees and customers.

REPORTED INJURIES



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

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 is ongoing 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.

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

Compliance with The Cashbuild Way is monitored through our Internal Audit function. Audits are done on each store at least three times a year and Support Office processes are audited on a frequency that depends on the risk-based priority assigned to specific business support focus areas. Cashbuild remains contracted to Tip-offs Anonymous, which provides a secure system to staff 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 2018, Cashbuild had 503 (2017: 484) PDI's in management level positions, which equates to 72% (2017: 72%) of management level employees.

Cashbuild continues to give preference to local employees 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 is a Level 8 on the generic scorecard, however, going forward we will be classified under the construction sector code and expect to remain on a Level 8. The Group has put a supplier and enterprise development strategy in place and is rolling out a three-year skills development plan to increase learnerships as well as a BEE-targeted recruitment plan at management level. Cashbuild remains committed to economic empowerment, and plans to continually increase its transformation efforts.

INDUSTRIAL RELATIONS

The level of union membership within the Group is less than 5%. Discussions 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 59 under the Corporate Governance section of this report.

Cashbuild manages its industrial relations internally and we use outsource service providers for any specialist or technical advice.

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, weekly CB mail, monthly P&L newspaper and through the intranet, aimed at informing employees of developments taking place within the Group.

CHILD LABOUR, FORCED AND COMPULSORY LABOUR

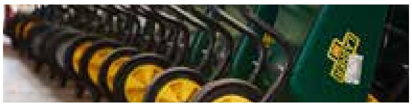
In line with its commitment to the UN Global Compact Principles, Cashbuild has a zero-tolerance policy with regard to child labour and forced or compulsory labour amongst the delivery contractors, delivery drivers and suppliers that the Group supports.

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 improved its female:male ratio from 30%:70% in 2017 to 31%:69% in 2018. Neither women nor men can be considered as a homogenous group and that individual capabilities will drive advancement. Women and men have different skill sets whereby either or both can be developed for the advancement of the Group. However, our policy acknowledges that the means of developing 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.

SUSTAINABILITY REPORT
(continued)

SOCIAL CAPITAL



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

CSI

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

Cashbuild is ramping up its corporate social investment as we aim to increase our community impact in areas where we trade. As part of our focus in creating meaningful and real social and economic value in communities where we trade a new strategy has been developed and is being implemented.

Cashbuild CSI Strategy has been developed and streamlined to focus on education, local enterprise assistance and small builder support programmes. These three pillars, which will anchor our strategy, will be complemented by a focus on local skills development and a structured and impactful community support initiatives that seek to leave a lasting legacy in communities where we trade. Given Cashbuild's geographical footprint with stores located in the middle of communities, our biggest opportunity is in stimulating the local economy through assistance of local enterprises. This is in recognition that economic development is a force for social change and creates tangible mutual benefits for both Cashbuild and the communities where our stores are located.

Cashbuild believes that local enterprise and creation of thriving local economies is an important departure from corporate benevolence that unwittingly induces dependence and smothers initiative and resourcefulness. Our expanded focus will foster real partnerships with communities with the sole aim of developing real economic opportunities. The first step in achieving this has been the appointment of the Head of CSI within the Group to implement this much more expanded community support effort. More work lies ahead in implementing these expanded initiatives and in the coming years Cashbuild's community support will become more visible as they begin to impact local communities where our stores are located. Cashbuild will embroider this to our current CSI programmes including the well established Art-at-Heart, use of local truck deliveries, glass cutters, awarding bursaries to high academic achievers from disadvantaged backgrounds,

During this reporting period, Cashbuild made a number of contributions to natural disaster victims located in areas across the country.

Last year, South Africa was buffeted by numerous natural disasters, ranging from the fires that ravaged the Southern Cape to severe hail storms that swept through the West Rand of Gauteng. In this regard, Cashbuild assisted FAMSA in Knysna which saw a rise in demand for its services. The donation will enable the non-profit orginasation to cater for the poorer communities in Knysna.

Other natural disaster assistance included a donation to Protea Rif Primary School in Krugersdorp on the West Rand and Yellowwood Primary School in Mitchel's Plain which was negatively affected by storms that wreak havoc across the Cape Peninsula in the Western Cape.

During the 2018 International Mandela Month, Cashbuild participated in a week long build programme that was organised and hosted by the Nelson Mandela Foundation and Habitat for Humanity South Africa. During this week South African corporates, including Cashbuild working in conjuction with government and community volunteers, built houses for 67 families in Orange Farm, south of Johannesburg. To contribute to this effort, Cashbuild made a donation in the form of tools and equipment that the volunteers used. The tools included wheelbarrows, sweeping brooms, trowels, spades and other equipment that were needed for this project.

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Children at Ebenezer Crèche to be kept warm this winter

Saint-Gobain and Cashbuild handing over the project: [illegible] from Saint-Gobain, Pastor Jacobs [illegible] and Thembelani Tukwayo from Cashbuild holding hands. In the pictures are other local leaders together with Saint-Gobain staff that installed the insulation and ceilings. Photo: Supplied

[illegible]

■ Brian McPherson, divisional manager for Cashbuild, Marzanne Jacobs assistant manager, Selwyn Norman sales co-ordinator and Yellowwood primary principal Donovan Senosi with the cheque

■ Brian McPherson, divisional manager for Cashbuild is pictured with Yellowwood primary principal Donovan Senosi at the store.

Building a brighter future for pupils

KAYLYNN PALM

Yellowwood Primary School in Tafelsig is receiving much needed help from a local business after parts of its building were damaged during the storm in June this year.

To assist the school with repairs, Cashbuild in Mitchell's Plain handed over a cheque on Thursday November 23.

They will be assisting the school with building material to fix their damaged infrastructure at a cost of R194 709.03. It includes the bricked fence around the school and fixing certain parts of the roof and down pipes. The school also received four 10-litre water tanks.

Yellowwood Primary School principal Donovan Senosi said the school was grateful for the generous donation.

"This assistance will be very helpful. Parts of the fence blew down and the roof was damaged during the storm. The contribution will help us create a conducive environment for our pupils. Construction already started and we hope to complete the work by January," he said.

Brian McPherson, divisional manager for Cashbuild, said despite the effort by government, the school had a lot of sections that needed repairing.

"Cashbuild is focused on assisting communities close to our stores. We see ourselves as corporate residents in these communities and to be able to assist the community in general is very pleasing to us. One of the most exciting factors about this donation is that water tanks will be installed at the school. This is meant to assist the community to harvest rain water," he said.

Cashbuild reaches out to FAMSA

Acting director of FAMSA Knysna, Karin du Plessis, and CSI manager for Cashbuild Thembelani Tukwayo.
Photo: Stefan Goosen

The Knysna branch of Families South Africa (Famsa) received a much needed donation of R60 000 from Cashbuild last week. The money will be used for alterations and an extension to their building to cater for rising demands, specifically after the fires that ravaged Knysna.

Acting director of Famsa Karin du Plessis said trauma assistance is often only sought once the client has managed to sort out their primary needs for safety and security.

"Once this is done the client will begin to process what really took place and become aware of how they are feeling."

The cheque was handed over by Cashbuild's head of community support initiatives, Thembelani Tukwayo on Thursday, August 24.

"We can make much progress if we pull together as a country, and disasters like this help to galvanise us and we are delighted that as Cashbuild we can be part of this collective effort to assist those that have been affected by the fires," said Tukwayo.

– Stefan Goosen

SUSTAINABILITY REPORT
(continued)

Store openings and relocations

In the year under review 25 (2017: 16) 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 way:

- new staff employed (425 people were employed in our 25 new stores during this financial year)
- local delivery drivers being employed by Cashbuild formally 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 various schools, orphanages and day care centres in the community;
- 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; as well as
- actively engage, by the store management team, the local community leaders prior to and following the store opening.

Delivery driver employment

Cashbuild's policy of free local customer delivery provides a value-added service to customers and directly supports local entrepreneurship and employment creation. As at the end of the financial year, over 331 (2017: 317) delivery drivers are contracted across the Group's stores, for this service Cashbuild spent R149.4 million (2017: R143.4 million), an increase of 4.1%.

School contributions

Over the past 20 years Cashbuild has, in conjunction with store openings and/or re-openings, conducted a programme of donations of building materials to schools, orphanages and day care centres in each community in which such an opening or relaunch takes place. Access to these building materials is strictly controlled by the Cashbuild Store Manager in question, in order to ensure that they are used for their intended purpose of school improvement. Since the inception of the programme Cashbuild has donated building materials worth R38.7 million to 3 098 schools. Refer to the Group's website for the detailed list of schools at each store opening and/or relaunch.

INDIGENOUS RIGHTS

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

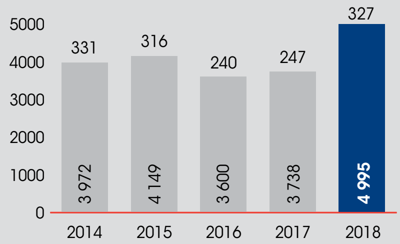
In this regard, Cashbuild is not aware of any incidents of violation of indigenous rights, across any of its operations and in particular during the establishment of new stores, during the reporting period.

Although we have employed 1 269 new employees in our new stores and to fill vacancies due to staff turnover, the total number of staff has remained at similar levels. This is mainly as a result of us applying our internal benchmarks together with the lack of sufficient sales growth in the Group.

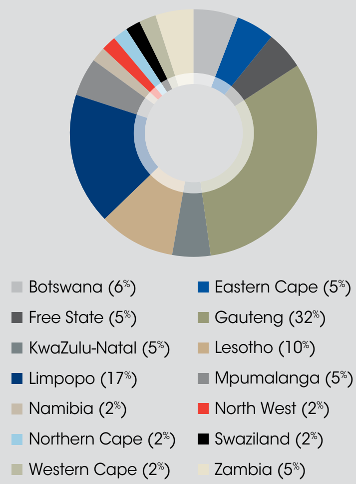
Store	Date*	Province	Amount donated (ZAR)
Alexandra	21 September 2017	Gauteng	120 000
Boitekong	04 August 2017	North West	120 000
Botlokwa	21 September 2017	Limpopo	120 000
Butha Buthe	26 October 2017	Lesotho	120 000
Botshabelo	07 June 2018	Free State	120 000
Casteel	16 November 2017	Mpumalanga	120 000
Delft	28 September 2017	Western Cape	120 000
Dennilton	28 July 2017	Limpopo	120 000
Diepsloot	23 November 2017	Gauteng	120 000
Dobsonville	30 November 2017	Gauteng	120 000
Empangeni	16 May 2018	KwaZulu-Natal	120 000
Gaborone North	24 May 2018	Botswana	157 068
Giyani	14 June 2018	Limpopo	120 000
Groblersdal	09 November 2017	Limpopo	120 000
Hillfox	18 October 2017	Gauteng	120 000
Kabwe	24 August 2017	Zambia	127 901
Karenpark	07 June 2018	Gauteng	120 000
Katlehong	20 June 2018	Gauteng	120 000
Kokstad	11 August 2017	KwaZulu-Natal	105 000
Kwa Thema Square	29 November 2017	Gauteng	120 000
Kwa Thema	12 April 2018	Gauteng	120 000
Lethlabile	22 June 2018	Gauteng	120 000
Maputsoe	25 October 2017	Lesotho	120 000
Maseru	14 June 2018	Lesotho	120 000
Matsapha	25 September 2017	Swaziland	120 000
Maun	31 May 2018	Botswana	157 068
Mohaleshoek	24 October 2017	Lesotho	120 000
Mothibistad	20 June 2018	Northern Cape	120 000
Mutale	10 May 2018	Limpopo	120 000
Ndola	07 December 2017	Zambia	127 901
Ondangwa	25 April 2018	Namibia	120 000
Orange Farm Central	26 October 2017	Gauteng	120 000
Protea Gardens	22 November 2017	Gauteng	120 000
Roodekop	09 November 2017	Gauteng	120 000
Siyabuswa	24 May 2018	Mpumalanga	120 000
Soshanguve South	28 June 2018	Gauteng	120 000
Steelpoort	08 December 2017	Limpopo	120 000
Thulamahashe	30 November 2017	Limpopo	120 000
Uitenhage	10 May 2018	Eastern Cape	120 000
Welkom	18 May 2018	Free State	120 000
Ziyabuya	09 May 2018	Eastern Cape	120 000
Total contributions 2018 (327 schools)			**R4 994 938**
Total contributions to date			**R38 670 546**

** New, refurbished and relocated store opening dates.*

SCHOOL CONTRIBUTIONS (R'000)

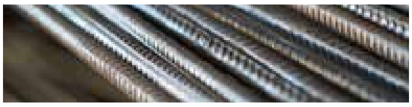


SCHOOL CONTRIBUTIONS BY PROVINCE AND COUNTRY



SUSTAINABILITY REPORT
(continued)

INTELLECTUAL CAPITAL



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

LEARNERSHIP PROGRAMMES

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

To date, 838 learnerships have been successfully completed by previously unemployed persons. As at the end of the 2018 financial year, 277 of these learners are still employed by Cashbuild and P&L Hardware.

The below table illustrates the learnerships granted:

NQF	2018	2017
Level 2	**141**	113
Level 3	**35**	52
Level 4	**12**	20
Level 5	**10**	32
Total	**198**	**217**

BURSARIES

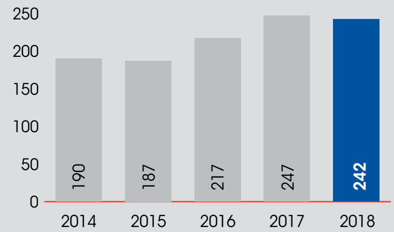
During the 2014 financial year, Cashbuild established a Bursary Programme extended to the children of PDI's. The bursary includes all tuition, books and accommodation fees, if required, as well as a monthly allowance. In addition, Cashbuild guarantees employment to its bursary students on successful completion of his or her studies. Cashbuild will continue to spend approximately R1 million per annum on its bursary programme. We currently have 10 bursary students:

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

OPPORTUNITIES FOR LOCAL ARTISANS

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

NUMBER OF GLASS CUTTERS



SUSTAINABILITY REPORT

(continued)

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 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.

SECURITY, CRIME PREVENTION AND COUNSELLING

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

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

Cashbuild remains committed to offer the victims of such crimes appropriate counseling on both an individual and a group basis, through an external service provider. The majority of crimes committed at Cashbuild stores during the 2018 financial year included 72 (2017: 58) burglary cases and 23 (2017: 26) armed robbery cases.

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 Team and quarterly reporting done to the Audit and Risk Committee. During the past financial year, 86 (2017: 64) such incidents were reported, with each of these being directly addressed by the Group and the disciplinary action being implemented where found warranted.

This issue is also linked to the rate of employee turnover within Cashbuild. In the reporting period, a total of 484 (2017: 660) 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.

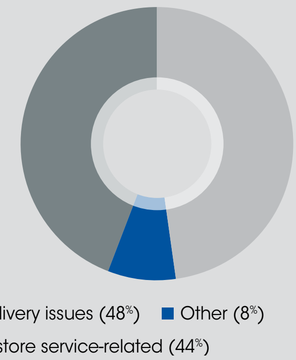
During the 2018 financial year, Cashbuild had 144 (2017: 80) incidents of community unrest which resulted in our stores being closed for 121 (2017: 69) trading days. Trading days affected for 260 (2017: 145) days resulted in an estimated loss in sales and damages of R17.4 million (2017: R11.4 million).

CUSTOMER SATISFACTION AND COMPLAINTS

Complaints from customers slightly increased from the prior 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.

	2018	2017	2016	2015
Total customer complaints	**410**	401	539	595
Complaints as a percentage of total sales transactions	**0.002%**	0.002%	0.003%	0.004%

NATURE OF THE COMPLAINTS (%)



SUSTAINABILITY REPORT
(continued)

NATURAL CAPITAL

As a responsible corporate citizen, Cashbuild recognises the need to minimise its environmental impacts through whatever means are available and financially viable, so as to maximise both the economic and non-economic value generated by the Group for key stakeholder groups.

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

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

ENERGY AND CARBON MANAGEMENT

In all its operations, Cashbuild is primarily dependent on electricity supplied by national or municipal electricity generation utilities. As a result, the Group has historically found itself constantly at the mercy of supply interruptions and price increases. To avoid disruption in operations, in each of Cashbuild stores is an auto start generator which is tested once a week.

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

ELECTRICITY USAGE

In the last financial year Cashbuild continued its aggressive energy efficiency and energy cost control management by ensuring the continued management of energy billing and using energy efficient lighting in all new stores. Further energy efficient lighting was installed in all 27 store refurbishments and six store relocations.

As at 30 June 2018, 158 stores (June 2017: 131 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 of this focus are that:

- baseline consumption patterns have been calculated; and
- stores with high cost patterns are identified and investigated

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

Of the 204 stores analysed:

- Cashbuild has received financial credits for the amount of R1 809 245. These are for errors in billing and consumption reporting.
- Cashbuild has reduced monthly billings by an amount of R142 373 per month for the period.

CARBON FOOTPRINT

Cashbuild has yet to undertake a comprehensive carbon footprint analysis across the full extent of its operations. This would also equip the Group to comply with the Carbon Tax legislation scheduled to be implemented in South Africa in the near future.

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 therefore 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. Currently undergoing various tests to ensure quality of water achieved is acceptable.
- stores that regularly experience water outages, consideration is given to water storage tanks to provide water to stores in periods of outages; and
- new stores 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

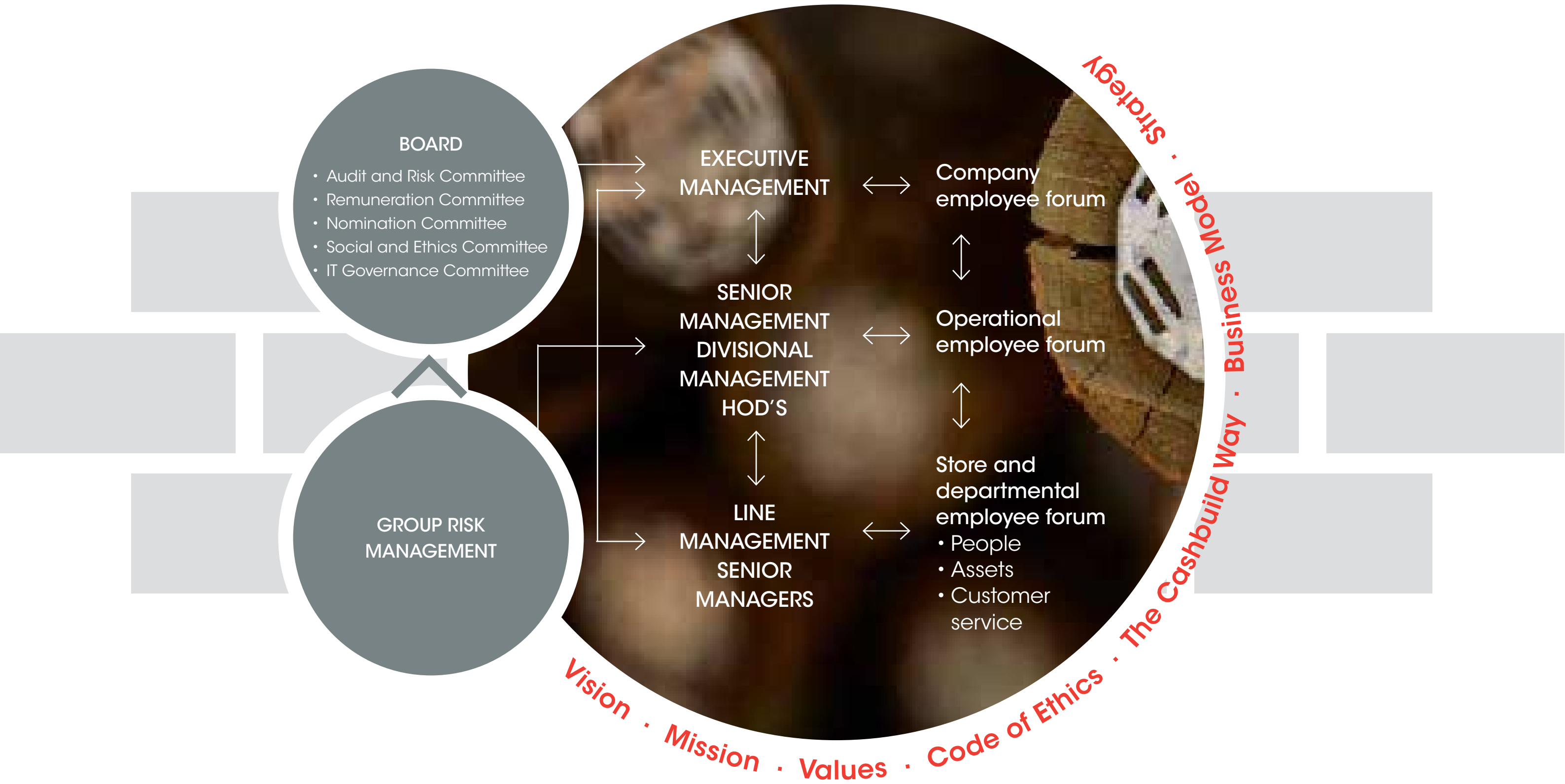
Cashbuild has in the past not measured the volume of waste generated in its operations. As a matter of policy, however, the Group contracts with responsible waste collection agencies (whether public or private) to remove, recycle and dispose of waste, mostly bulk packaging materials that are generated,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

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

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

CORPORATE GOVERNANCE REPORT

GOVERNANCE FRAMEWORK AND STRUCTURE AT A GLANCE



We believe that our governance practices are sound and that we comply with the JSE Listings Requirements, King IV (published in November 2016 and adopted by the Group) as well as guidelines provided by the International Integrated Reporting Framework in terms of reporting according to the Six Capitals. There are no material changes to the content of this report compared to the 2017 Integrated Report, other than a continued emphasis on providing additional supplementary information on the Group's strategic direction, risk and sustainability initiatives as well as compliance with King IV. Cashbuild endorses and continuously assesses the principles of the Code and, where necessary, tailors these as appropriate to the organisation.

The following is a summary of Cashbuild's most recently completed King IV application assessment:

Principle 1:	**Ethical Leadership:** The governing body should lead ethically and effectively.
The Cashbuild Board leads within the framework provided by the Group's Core Values, Cashbuild Way (policies and procedures), Code of Ethics, Corporate Approvals Framework, and the Board Charter and Terms of Reference of various sub-committees of the Board. Board members, whose performance is subject to formal annual review, have sufficient working knowledge and guidance to discharge their responsibilities ethically and effectively.	

Principle 2:	**Organisational values, ethics and culture:** The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The Board has ensured that a code of conduct and ethics-related policies, through which ethical standards are clearly articulated, is established and implemented. Understanding of the code of ethics is entrenched as part of staff induction and compulsory training of all staff members on the topic.

The Board sets the values to which the Group will adhere to and these are formulated in the Group's code of conduct. Cashbuild's vision, mission and core values as approved by the Board are clearly documented and communicated throughout the Group and forms a basis of the Group's Ethics Charter and company policies.

Monitoring of organisational ethics is the role and responsibility of the Social and Ethics Committee that relies on amongst others assurance provided by management, external audit, and the Cashbuild Group Risk Management function which includes internal audit.

Principle 3:	**Responsible corporate citizenship:** The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The Board considers not only financial performance, but also the potential impact of the Group's operations on society and the environment. Reporting on the impact of the Group's operations on society and the environment is done in the Integrated Report .

Measurable corporate citizenship programmes and policies are developed and implemented. Corporate citizenship programmes and policies are established in Cashbuild and are continuously improved on as part of Cashbuild's corporate citizenship growth journey. Measured projects (with related Company policies in place) as reported in the Integrated Report involves Store Expansion, Relocation and Refurbishment; Customer Growth; Local Hiring Practices; Contractor Funding; Employment and Transformation (including BEE targets), Employee Training and Development, Community Investment (which includes investment in local schools), and energy and carbon management.

Monitoring of Cashbuild's CSI in the workplace, with specific reference to employment equity, fair remuneration, safety, health, dignity and development of employees is done by the Board via the Social and Ethics Committee and the Remuneration Committee.

Principle 4:	**Strategy implementation and performance:** The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The Board takes cognisance of risks, opportunities, and significant matters influencing the area in which Cashbuild operates and challenges Cashbuild strategy constructively which leads to a well-considered and relevant inclusive strategy for the Group. Ongoing oversight by the Board on implementation of strategy and related operational plans against performance measures and targets takes place via Board meetings, Board sub-committee meetings, and annual strategy workshop.

Principle 5:	**Reports and disclosure:** The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long term prospects.

Cashbuild's Integrated Report provides insight into issues identified as the most relevant and material to Cashbuild and its various stakeholder groups. Comprehensive information pertaining to stakeholder engagement and material issues relevant to various stakeholder groups are 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.

Assurance is provided on the financial portion of the Integrated Report. Any issues of concern identified by external audit regarding accuracy, validly and integrity is highlighted for management action. The Board takes ultimate responsibility to ensure integrity of the Integrated Report.

CORPORATE GOVERNANCE REPORT

Principle 6:	**Primary role and responsibility of the governing body:** The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The role and responsibility of the Board is duly documented in a Board Charter with that of its committees contained in appropriate terms of reference due for annual review and approval. Non-Executive Board Members have unrestricted authority to consult with Executive Directors and Executive Management to obtain information about the company, its operations, assets or liabilities as stipulated in the Board Charter. Cashbuild's Board discloses their satisfaction regarding fulfilment of its responsibilities through reports of the Chairman, the Chief Executive and Board sub-committees.

Principle 7:	**Composition of the governing body**: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The Board, consisting of five Executive and six Independent Non-executive Directors has an appropriate balance of knowledge, skills, experience, diversity, and independence to objectively discharge its governance roles and responsibilities.

Principle 8:	**Committees of the governing body:** The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

Roles and responsibilities of Board members and Board Committees are clearly defined and contained in terms of reference / charters of the Board and committees. Delegation is also appropriately attended to within the governance structure in accordance with legal requirements.

Principle 9:	**Performance evaluations:** The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

Annual evaluation of directors (which includes their independence) are performed by the Chairman of the Board with feedback on the process being presented to the Board upon completion of the exercise. Performance assessment of the Board and its committees, including that of the Chair, is facilitated by the Company Secretary.

Principle 10:	**Delegation to management:** The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

Cashbuild has a formal delegation of approvals framework which is approved by the Board. This delegation framework sets the direction and parameters which are to be reserved for the Board, and those that are delegated to management. Any changes to this delegation framework are subject to approval by the Board. Appointment of Board members are evaluated and proposed via the Nomination Committee.

The Board 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.

Adherence to the provisions of the Companies Act with regards to appointment, removal, evaluation and duties of the Company Secretary is attended to in the Board Charter. The office of the Company Secretary is duly empowered and carries the necessary authority.

Principle 11:	**Risk Governance:** The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.

The Board's responsibility for risk governance is set out in the Board Charter and the Audit and Risk Committee Charter as well as the Risk Management CB Way. Risk governance encompass both opportunities and associated risks for consideration when developing strategy.

Risk responses focuses to a large extent on actions taken to mitigate risks at hand. Consideration is always given to exploitation of opportunities to improve performance of the Group when preparing action plans to mitigate risks. These are recorded in the risk register which is made available as information to the Board via quarterly Audit and Risk Committee meetings.

Principle 12:	**Technology and IT Governance:** The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

The Board and its IT Governance Committee takes responsibility for the governance of IT and addresses it during IT Governance and Board meetings. Cashbuild's IT Governance Committee performs the oversight role that integration of people, technologies, information and processes takes place across the organisation. Management is responsible for the implementation of all the structures, processes and mechanisms for the IT governance framework. Prime responsibility for this has been delegated to the IT Executive reporting to the Chief Executive.

Principle 13:	**Compliance Governance:** The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

The Board has as objective that Group policies and procedures and adherence thereto take account of the context of law and how applicable laws relate to one another. Compliance with known legislation is duly considered during approval of Cashbuild policies and procedures. Legal advice is obtained during preparation and completion of Company policy as and when required.

The Board receives assurance on the effectiveness of the internal controls intended to ensure compliance with laws, rules, codes and standards through internal and external audit service delivery. Status of assurance obtained is monitored with the Group's combined assurance and legal compliance process.

Principle 14:	**Remuneration Governance:** The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

The Remuneration Committee, on behalf of the Board, assumes responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis. The Remuneration Committee is responsible to the Board for ensuring that the remuneration policy is kept current and remuneration packages are in line with industry norms, and that it addresses the governance objective of remunerating fairly, responsibly, and transparently in promotion of achievement of strategic objectives and positive business outcomes.

Principle 15:	**Assurance:** The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

The Board assumes responsibility for assurance by setting the direction concerning the arrangements for assurance services and functions. The Board delegates to the Audit and Risk Committee the responsibility for overseeing that arrangements (internal controls, combined assurance process, and external audit service delivery) are effective in achieving the objective of supporting the integrity of information used for internal decision-making by management, the Board and its committees.

The Board oversees that the combined assurance model, as contained in the Cashbuild Way, is designed and implemented to cover effectively the organisation's significant risks and material matters through a combination of assurance service providers and functions considered appropriate for the organisation.

The Board assumes responsibility for internal audit by setting the direction for the internal audit arrangements needed to provide objective and relevant assurance that contributes to the effectiveness of governance, risk management and control processes. This is done through approval of the Internal Audit Charter and the Internal Audit CB Way. The Board delegates oversight of internal audit to the Audit and Risk Committee.

Principle 16	**Stakeholders:** In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

The Board assumes responsibility for the governance of stakeholder relationships by setting the direction for how stakeholder relationships should be approached and conducted in the organisation.

The Board has delegated to management the responsibility for implementation and execution of effective stakeholder relationship management and exercise ongoing oversight of stakeholder management and in particular, oversee that it results in methodologies for identifying individual stakeholders and stakeholder groupings.

Note: Above summarised results are supported by the detailed King IV Application Register available on www.cashbuild.co.za

CORPORATE GOVERNANCE REPORT
(continued)

BOARD

Responsibilities

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

Board composition

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

The Board acknowledges its responsibility towards equality and diversity at Board level. Changes were made to the Board during the course of the financial year, with due consideration of the Equity and Diversity Policy Statement. 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 and performance and background checks prior to nominations. Executive director appointments are formalised through an agreed contract of service between the Company and the director.

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

Board meetings

The Board met four times during the year. The Chairman of the Board and the Chief Executive meet monthly. A strategy meeting involving all members of the Board is held annually. The Chairman of the Board and Chief Executive, in consultation with the Company Secretary, take 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 IV 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 14 years. The Board has assessed the length of service of this director and concluded that it has not impaired her independence, character or judgement.

The matter of independence of directors is addressed during the recruitment stage and revisited annually when directors are required to declare any conflict in their interests. No conflict of interest or any factor hampering independence of any director has been identified during the 2018 financial year.

Board and committee performance evaluation

Cashbuild undertakes an annual Board evaluation, as recommended by King IV. During the year under review, the internal evaluation process was conducted by the Chairman using questionnaires completed by each member on the board. 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.

The Board Chairman is evaluated annually by the Board members.

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 Cashbuild directors are provided on pages 28 and 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 prescribed. 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 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 Company or any of its directors or officers during the year. A detailed regulatory compliance risk assessment involving the Cashbuild Executive Management and Senior Management was completed during 2014/15 and has been 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 the Executive Management Team and frequently meet with the 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). During the year it was decided to combine the role of Company Secretary and newly created position of Compliance Officer at Cashbuild. This will be a full time position at Cashbuild and on 17 August 2018, an announcement was made on SENS regarding the appointment of Mr Takalani Nengovhela, effective 18 September 2018.

BOARD COMMITTEES

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

The Board has six Board committees, namely the:

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

CORPORATE GOVERNANCE REPORT
(continued)

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 using questionnaires completed by each member on the committee and reports to the Board on the outcome.

Audit and Risk Committee

Members: Ms HH Hickey (Chairperson); Dr DSS Lushaba, Ms NV Simamane and Ms GM Tapon Njamo (appointed to the committee 4 June 2018)

In terms of the Companies Act, the members of the Audit and Risk Committee were individually elected at the Annual General Meeting on 27 November 2017 by the shareholders. All members of the committee, are standing for re-election at the Annual General Meeting to be held on 26 November 2018.

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 77 to 81 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 meeting strategy of the business. 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 Committee Report on page 60 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.

One meeting of this committee took place during the 2018 financial year.

Social and Ethics Committee

Members: Ms NV Simamane (Chairperson); Mr IS Fourie (appointed to the committee 4 June 2018), 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 Committee Report on pages 71 and 72 of this Integrated Report.

IT Governance Committee

Members: Mr AGW Knock (Chairman); Ms GM Tapon Njamo (appointed to the committee 4 June 2018) 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 Committee Report on page 69.

Investment Committee

Members: Mr IS Fourie (Chairman); Mrs 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.

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 Director)
- Mr AHS Havenga (Risk and Audit Executive)
- Ms M Masala (Operations Executive)
- Mr I McKay (Operations Executive)
- Mr T Myburgh (Trainee Operations Executive)
- Mr A Prinsloo (Managing Director P&L Hardware)
- Mr AE Prowse (Finance Director)
- Mr H Roos (Trainee Operations Executive)
- Mr M Scholes (Trainee Operations Executive)
- Mr H Steenberg (IT Executive)
- Mr WP van Aswegen (Commercial and Marketing Director)
- Mr CT Vengesa (Trainee Operations Executive)

From left to right: T Myburgh; M Scholes; H Roos; CT Vengesa; P Champion; W Dreyer; H Steenberg; I McKay; M Masala; AHS Havenga

CORPORATE GOVERNANCE REPORT
(continued)

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

Succession planning and continuity of management

The Board regularly participates in the review of succession planning for key senior executive positions. The directors periodically discuss succession planning and are re-evaluating that, in the event of any executive and senior management transition, plans are in place to ensure smooth transition. Only one member of the Executive Management Team made any intention known during the financial year to resign or retire, being Mr Andre van Onselen whose resignation was 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 Management Team, Messrs Ian McKay, Willie Dreyer and André Prinsloo (Operations Executives), were classified as Prescribed Officers. They formally acknowledged and accepted all responsibilities and obligations associated with this designation.

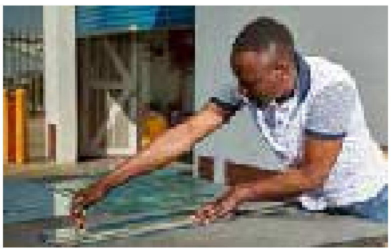
EMPLOYEE FORUM

Employee Forum structure

Cashbuild's Employee Forum structure allows Store Representatives more direct access to the Senior and Executive Management Team.

GROUP STEERCOM
Members include:
- All Divisional Representatives
- Financial Director
- Operations 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*

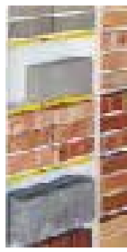


SUPPORT OFFICE FORUM
Members include:
- One representative per department
- Financial Director
- HR Manager
  - *Meets quarterly*

STORE/DEPARTMENT FORUM
Members include:
- Store/Department Manager
- Store/Department 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, discuss Group specific issues 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.

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.

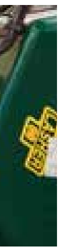
Employee Forums form an integral part of Cashbuild Governance Framework and aim to optimise the governance relationship between Cashbuild management and staff.

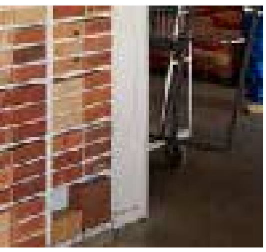
The Cashbuild Employee Forum constitutes the principal means of communication between employees and the Executive Management Team.

In addition, various mechanisms exist for employees and other stakeholders to engage directly with (particularly non-executive) members of the Board. The most direct of these relate to the 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 Company has adequate resources to continue operating for the next 12 months and into the foreseeable future. The Audit and Risk Committee has, based on input from the Finance Director, assessed and recommended to the Board that the financial statements be prepared on the going concern basis. The Board is satisfied of the Company's going concern status as assessed at the Board meetings coinciding with the interim and year-end results.





REMUNERATION REPORT

INTRODUCTION

The Remuneration Committee ("the Committee") strives to ensure that our staff complement is diverse, motivated, skilled, ethical and safe. Cashbuild's sustainability initiatives are set out in the Sustainability Report under Human Capital in this Integrated Report.

Remuneration Committee

Chairperson	AGW Knock
Members	IS Fourie DSS Lushaba
Independence	All Committee members are independent non-executive directors
Meetings	Three times per annum
Role and function	The Committee's role is delegated to it by the Board to ensure that: • the remuneration policy is kept current; • remuneration packages are in line with industry norm; and • 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 on behalf of the Board. • Ensures that 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. • Ensures that executive compensation is linked to the achievement of both the organisation's financial and non-financial goals.
Responsibilities	The Committee's responsibilities include: • That all positions are graded using the Patterson grading methodology. • Remuneration packages are benchmarked every three years via formal salary surveys using external remuneration specialists. • Cashbuild's policy, to remunerate staff at the 50th percentile, with scarce skills being pitched at the 75th percentile, is applied. • That the executive directors' remuneration mix, in respect of "guaranteed pay" and "non-guaranteed/variable pay", is appropriate, so as to align the directors' interests with those of shareholders. • Assesses succession planning at executive and senior management levels. The CEO, in consultation with the Committee, is responsible for ensuring that adequate succession plans are in place.
Assurance	The Committee is governed by good corporate governance principles and the Group's value statement. The members of the Committee hereby confirms that they were diligent in exercising their duties of care and skill and that they have taken reasonable steps to ensure that they performed their duties in accordance with the Committee's mandate.

In terms of King IV, the Company should obtain the endorsement of its shareholders pertaining to the Company's Remuneration Policy and the implementation of this policy at the AGM. If more than 25% of the total votes cast by the shareholders, present and by proxy, are against either resolution, the Company will issue an announcement on SENS inviting shareholders who voted against the resolutions to meet with the members of the Committee. The process to be followed will be set out in a SENS announcement.

The Company's Remuneration Policy has remained consistent in all material aspects from the prior year.

The Cashbuild Remuneration Policy received support from the shareholders who voted in favour of the policy at the most recent and prior AGMs and the results are indicated in the table below:

Percentage of "For" votes	27 November 2017	5 December 2016
Endorsement of the Remuneration Policy	84.0%	98.1%
Endorsement of the implementation of the Remuneration Policy	82.1%	N/A

Activities undertaken by the Committee during the year

During the year under review, the Committee reviewed the Remuneration Policy to ensure that it is aligned with applicable regulation and remuneration principles contained in the Group's value statement as well as corporate governance guidelines.

The Remuneration Report was aligned to King IV Principles to articulate and demonstrate the link between strategy, value creation, performance and remuneration.

The Committee also reviewed the remuneration packages and structure of executives to ensure that they are competitive in the relevant market and are aligned with shareholders' interest as well as with the Group's strategy and performance.

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 potentially 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 Group Employee Forum. This year a 6.0% (2017: 7.5%) cost of living increase was agreed to for the year ahead for all staff including senior and Executive Management.

The second potential salary increase is given over and above the annual cost of living increase, as agreed to with the Cashbuild Employee Forum. This rewards exceptional performance by individuals by means of a secondary salary increase in October based on agreed performance parameters. Such increases vary between 1% and 3% 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.

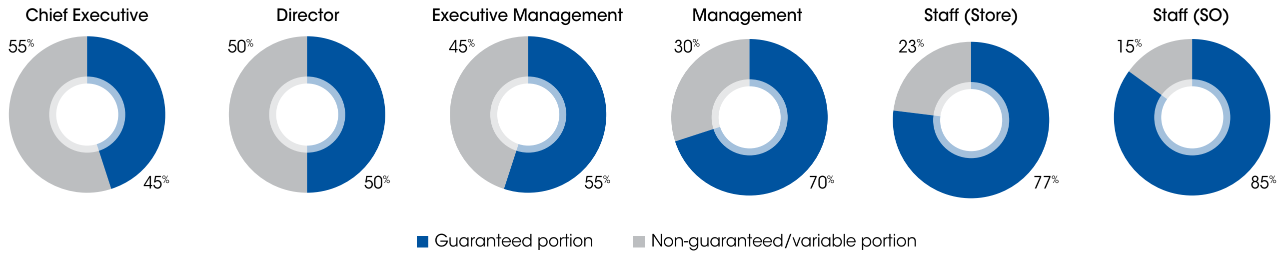
REMUNERATION REPORT
(continued)

REMUNERATION STRUCTURE

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

The table below is indicative of the goal of the remuneration structure.

REMUNERATION STRUCTURE



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. The last survey was conducted in 2016.

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

The rationale behind this benchmarking exercise is the retention of key members of the Company's executive directors and senior management. The potential loss of key senior personnel was previously identified by Cashbuild's risk management system as a significant risk faced by the 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 pages 66 and 67 of this report.

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

Retirement funds

Membership of the retirement fund is compulsory for all permanent employees. The retirement fund is part of the Alexander Forbes Umbrella Fund. The fund has performed well in comparison with other such funds and benchmarks set. The fund is managed by a management committee that meets twice a year and consists of 50% employer and 50% employee elected representatives. In order to facilitate financial decision-making aligned to Group policies, the Group's Remuneration Committee Chairman, Chief Executive and Finance Director are all employer elected members of this Committee.

Medical aid

Membership of a medical aid is optional. The medical schemes offered 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 Group.

Non-guaranteed pay

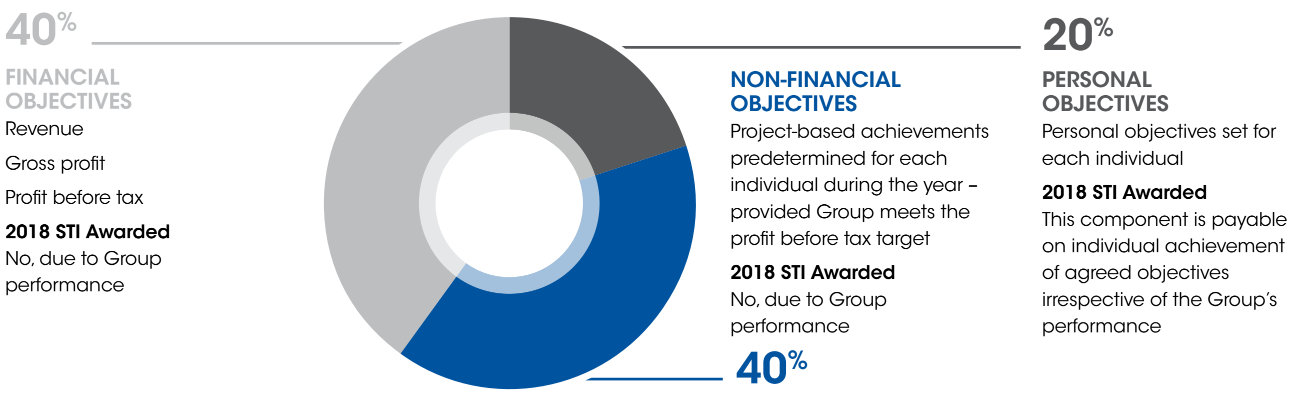
Short-Term Incentive Scheme (STI)

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

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

COMPOSITION OF STI (%)



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.

This Trust owns 7.1% of the issued share capital at 30 June 2018. Dividends are paid twice per year to all members of the Trust on an equal basis. In the last financial year, a total of R12.4 million (2017: R18.1 million) was paid to all staff members. Since inception of this Trust in 2005, a total of R238 million has been distributed to staff in the employ of Cashbuild.

REMUNERATION REPORT
(continued)

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 2011, a total of R25.0 million (R12.5 million in cash and R12.5 million in shares after qualification of the vesting period) (2017: R21.8 million) will have been paid, comprising 158 (2017: 142) store managers and five divisional managers.

Scheme	Number of shares	Share and cash value	Employees qualified
2018	4 996	R3.2 million	21
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		**R25.0 million**	**158**

Long-Term Incentive Scheme (LTI)

In line with local and global best practice, as approved by shareholders, Cashbuild in 2017 implemented 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 become owners of the performance shares and/or retention shares from the settlement date, shortly after the award date and will immediately benefit from dividends and have shareholder voting rights in respect of the performance shares and/or retention shares over the vesting period. The shares cannot be disposed of by the participants prior to the vesting date and will be subject to forfeiture restrictions until the vesting date.

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

The vesting of performance shares is subject to predetermined performance conditions and the employment condition for vesting and 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, as regulated by the recharge policy, remain responsible to procure the settlement of shares under the FSP to the participants employed by them at all times at the expense and cost of the employer companies. In order to effect any forfeiture of awards, performance shares and retention shares are 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.

Limits apply to shares allocated in total over multiple award years, it is still not envisaged that any limits will be exceeded in the foreseeable future.

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[1]	Expenses and travel allowance	Other material benefits[2]	Pension scheme	Total
Executive directors							
WF de Jager	**2018**	**3 923**	**414**	**156**	**85**	**356**	**4 934**
	2017	3 334	385	137	72	311	4 239
A Hattingh[3]	**2018**	**1 153**	**182**	**76**	**–**	**109**	**1 520**
	2017	–	–	–	–	–	–
AE Prowse	**2018**	**2 707**	**193**	**210**	**–**	**203**	**3 313**
	2017	2 246	180	156	–	175	2 757
SA Thoresson	**2018**	**2 433**	**177**	**196**	**–**	**212**	**3 018**
	2017	2 026	165	157	–	183	2 531
WP van Aswegen[4]	**2018**	**536**	**177**	**57**	**–**	**52**	**822**
	2017	–	–	–	–	–	–
A van Onselen[5]	**2018**	**1 431**	**113**	**107**	**37**	**123**	**1 811**
	2017	2 586	210	126	70	226	3 218
Total	**2018**	**12 183**	**1 256**	**802**	**122**	**1 055**	**15 691**
	2017	10 192	940	576	142	895	12 745
Prescribed Officers							
W Dreyer	**2018**	**1 852**	**38**	**121**	**92**	**184**	**2 287**
	2017	1 666	119	124	83	166	2 158
A Hattingh[3]	**2018**	**1 018**	**–**	**144**	**–**	**96**	**1 258**
	2017	1 823	128	245	–	173	2 369
I McKay	**2018**	**1 650**	**35**	**262**	**61**	**146**	**2 154**
	2017	1 422	95	337	62	127	2 043
A Prinsloo	**2018**	**2 040**	**–**	**541**	**–**	**–**	**2 581**
	2017	1 986	–	422	–	–	2 408
Total	**2018**	**6 560**	**73**	**1 067**	**153**	**426**	**8 280**
	2017	6 897	342	706	145	466	8 556

Notes

1. *Bonuses differ to the Notes to the Annual Financial Statements on pages 136 and 137 as these values have subsequently been approved for payment by the Remuneration Committee.*
2. *Other material benefits include contributions to medical aid.*
3. *A Hattingh was previously a Prescribed Officer but effective 1 January 2018 appointed Operations Director – P&L Hardware and Countries. Remuneration is for appointment period.*
4. *WP van Aswegen was previously a key staff member and was appointed as Commercial and Marketing Director effective 2 April 2018. Remuneration is for appointment period.*
5. *A van Onselen resigned from Cashbuild effective 31 December 2017.*

Non-executive directors

Non-executive director fees are recommended by the Remuneration Committee approved by the Broad 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:

	2018 R'000	2017 R'000
Non-executive directors		
IS Fourie	**719**	696
HH Hickey	**413**	370
AGW Knock	**469**	390
Dr DSS Lushaba	**425**	360
NV Simamane	**437**	408
GM Tapon Njamo*	**90**	–
Total	**2 553**	2 224

** Appointed effective 2 April 2018.*

SHARES AWARDED TO DIRECTORS AND PRESCRIBED OFFICERS

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

	Number of shares^	Award face value R'000
Executive directors		
WF de Jager	9 725	3 727
AE Prowse	6 484	2 485
SA Thoresson	5 943	2 277
A Hattingh	3 902	1 495
WP van Aswegen	3 805	1 458
Total	**29 859**	**11 442**
Prescribed Officers		
W Dreyer	3 610	1 383
I McKay	3 304	1 266
Total	**6 914**	**2 649**

^ These shares are subject to forfeiture restrictions based on the Group performance.

REMUNERATION REPORT
(continued)

INTERESTS OF DIRECTORS IN THE SHARE CAPITAL OF CASHBUILD

The aggregate beneficial holdings of the directors of the Company and their immediate families in the issued ordinary shares of the Company are detailed below. There have been no changes in these shareholdings between 30 June 2018 and the date of approval of this report.

	Number of shares held			
	30 June 2018		30 June 2017	
	Direct	**Indirect**	**Direct**	**Indirect**
Beneficial				
WF de Jager	1 000	–	1 000	–
AE Prowse	27 500	10 000	27 500	27 000
NV Simamane	1 200	–	1 200	–
Total	**29 700**	**10 000**	**29 700**	**27 000**

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

AGW Knock

Remuneration Committee Chairman

27 August 2018

INFORMATION AND TECHNOLOGY GOVERNANCE REPORT

INTRODUCTION

Information technology is critical to the strategic transformation and organisational performance of Cashbuild. The Information and Technology Governance Committee ("ITGov") strives to ensure that the IT application systems are well suited and maintained to adequately support and enhance the Group's needs.

ITGov

Chairperson	AGW Knock
Members	WF de Jager AE Prowse GM Tapon Njamo (appointed to committee 4 June 2018)
Independence	Two ITGov members are independent non-executive directors. As this is a sub-committee of the Board and integral to the day-to-day operations of the Group, the Board is comfortable with the composition of ITGov.
Meetings	Four times per annum
Role and function	ITGov assists the Board in monitoring Cashbuild's governance and risk management of its responsibilities of the IT infrastructure.
Responsibilities	ITGov 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.
Assurance	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 2018. 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.

INFORMATION AND TECHNOLOGY GOVERNANCE REPORT
(continued)

ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

During the year under review, ITGov:

- Monitored the achievement of IT Governance objectives at the IT Governance forums held quarterly as IT Governance is an integral part of Cashbuild's business.
- Ensured that the appropriate IT risks and related business objectives are properly addressed.
- Addressed 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 the IT Management Framework. Cashbuild has an IT Internal Audit service line which is outsourced. The IT audit function measured compliance to the IT procedures and roles and is assisted by Deloitte and PwC in this regard.
- Considered the results of a detailed IT Governance Framework Review conducted by Cashbuild IT Internal Audit in consultation with Executive Management in order to update the Cashbuild IT Management Framework and align the IT strategy with Cashbuild's business strategy. This is a long-term project receiving appropriate and prioritised attention from Executive Management.
- Continuously refine and improve Cashbuild's integrated Active Retail and SAP All-in-One solutions. Business imperative items receive continued and focused attention including daily balancing of transactional data between Active Retail and SAP.
- Enhanced the existing rebate system and integrated it with SAP while providing the necessary controls over billing accuracy and collection management.
- Ensured the re-establishment of contracted IT Outsourced Services in support of Cashbuild's strategy, thereby ensuring required adherence to Governance Standards
- Monitored the re-implementation of the IT Information Security Management System based on the current ISO 27001 Industry Standard which also considers requirements of compliance to Protection of Personal Information (PoPI), Payment Card Industry (PCI), Cyber Risk and King IV frameworks.
- Addressed the requirements and implementation of the required controls to obtain PCI Compliance thereby ensuring that card holder data is effectively secured to prevent dissemination of information.
- Monitored the establishment of the required PoPI processes and controls in order to ensure compliance to the legislative act.
- Ensured that the required focus remains on the establishment of enhanced Disaster Recovery capabilities for Cashbuild's Information Systems in order to ensure long term sustainability of Cashbuild's Information Systems.

AGW Knock

Information and Technology Governance Committee Chairman

27 August 2018

SOCIAL AND ETHICS REPORT

INTRODUCTION

As fully outlined in the Ethics section of the Sustainability Report on page 38, 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.

Social and Ethics Committee ("SECOM")

Chairperson	NV Simamane
Members	HH Hickey IS Fourie (appointed to Committee 4 June 2018) WF de Jager AE Prowse
Independence	Three SECOM members are independent non-executive directors. As social and ethical behavior are integral to the Cashbuild Way, the Board is comfortable with the composition of SECOM.
Meetings	Four times per annum
Role and function	SECOM's role is governed by Terms of Reference approved by the Board. These Terms of Reference are subject to an annual review by SECOM 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	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.
Assurance	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 2018. 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.

ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

During the year, SECOM reviewed and improved:

- the Group's Code of Business Conduct and Ethics;
- its Transformation Strategy, including the submission of the Employment Equity Report;
- its Equality and Diversity Policy;
- its Stakeholder Engagement Policy;
- its Security and Crime Prevention Policy;
- 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.

Policies and procedures were established to fulfil the requirements of the Protection of Personal Information Act when this is enacted by government.

Refurbishment of our Support Office to enable the accessibility of the building to handicapped people is close to completion.

SOCIAL AND ETHICS REPORT
(continued)

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:

- 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.

In fulfilling its functions, SECOM has received and reviewed reports on:

- Human Rights practices within the Group
  There have been no incidents of human rights abuses declared against the Group in the year under review.
- Labour and employment practices.
  The Committee reviewed the employee headcount, progress of employment initiatives undertaken during the year, employment equity reporting, skills development reporting and legislative updates. Reports on Employment Equity were submitted to the Department of Labour timely.
- Security and crime prevention.
  Cashbuild remained vigilant in maintaining compliance to policies and procedures which together with its Code of Ethics and Core Values forms the basis of its crime prevention drive.
- Transformation
  The Committee reviewed the Group's performance against the new B-BBEE codes including Ownership, Skills development, Preferential Procurement, Management Control/Employment Equity, Supplier development, Enterprise development and Socio-economic development. The Group undertook a gap analysis to ascertain areas requiring focus, leading to the formulation of action plans and targets.
- Corporate Social Investment
  The Group's CSI strategy was revisited to ascertain areas of focus and a revised plan was approved. The expenditure on planned initiatives during the year was assessed and found to be satisfactory.
- Anti-corruption, ethics and compliance
  During the year the committee received various reports on ethics and compliance and it was further noted that relevant information is being communicated to all employees through workshops and have been incorporated into the Cashbuild Way. Additionally, requested our external auditors provide feedback on how they ensure quality control within their operation and ensure that the highest ethical standards are achieved and maintained.
- Occupational Health and Safety Act
  Compliance and Incident Reports were reviewed at all meetings and occurring incidents were recorded and appropriately handled.
- Customer Relationships
  The Committee received and reviewed reports on the Group's advertising and public relations activities together with stakeholder relations initiatives. Analysts and customer feedback including complaints were also reviewed and plans to correct implemented.
- Legislation
  An update of legislative compliance progressed well, including acts and legislation of neighbouring countries in which Cashbuild trades.

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

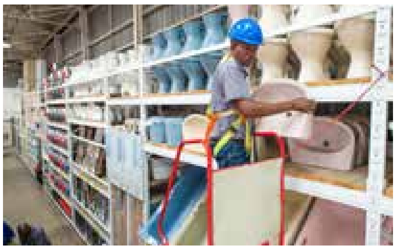
SECOM is satisfied that it has fulfilled all its duties during the year under review and has made significant progress in formalising or improving all relevant policies and implementing identified plans.

NV Simamane
Social and Ethics Committee Chairperson

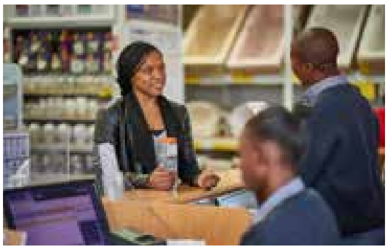
27 August 2018

ANNUAL FINANCIAL STATEMENTS



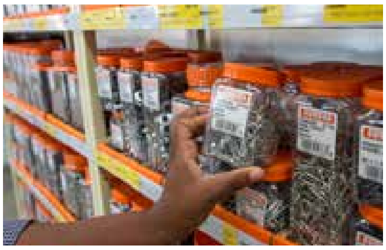




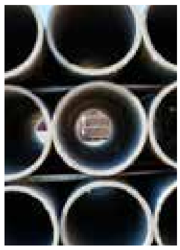







STRONG CASH POSITION ALLOWS GROUP TO MAKE STRATEGIC ACQUISITIONS

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 86 to 90.

The Annual Financial statements set out on pages 91 to 145, which have been prepared on the going-concern basis under the supervision of the Financial Director, Mr AE Prowse CA(SA), were approved by the board of directors on 27 August 2018.

Signed on behalf of the Board of Directors by:

Stefan Fourie
Chairman

Werner de Jager
Chief Executive Officer

27 August 2018

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

27 August 2018

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 the King Report on Governance.

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

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

HH Hickey (Chairperson)

Dr DSS Lushaba

NV Simamane

GM Tapon Njamo

2. MEETINGS HELD BY THE AUDIT COMMITTEE

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

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

AUDIT AND RISK COMMITTEE REPORT
continued

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. Due to partner rotation Mr A Rossouw will undertake the Group's audit for the ensuing year. Before recommending to the Board the re-election of PwC and being proposed to shareholders, the Committee satisfied itself of PwC's independence.

This assessment was made after considering the following:

- confirmation from the external auditor that their employees, or their immediate family, do not hold any direct or indirect financial interest or have any material business relationship with Cashbuild. The external auditors also confirmed that they have internal monitoring procedures to ensure their independence.
- the auditor does not, other than in their capacity as external auditors or rendering permitted non-audit services, receive any remuneration or other benefits from us.
- the auditor's independence was not prejudiced as a result of any previous appointment as auditor. In addition, an audit partner rotation process is in place in accordance with the relevant legal and regulatory requirements.
- the criteria specified for independence by the Independent Regulatory Board for Auditors.
- the audit firm and the designated auditor are accredited with the JSE.
- PwC submitted reports relating to quality assessment reviews undertaken internally and by the Independent Regulatory Board for Auditors and the Public Company Accounting Oversight Board, together with progress on any remedial actions necessary. There are no significant matters to report to the shareholders in this regard.

Ordinary resolution number six set out in the Notice of the Annual General Meeting proposes the re-appointment of PwC as external auditor and Mr A Rossouw as the independent individual registered auditor of the Group.

External audit fees

The Committee:

- approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2018 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 2018 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 and the impairment testing of goodwill and indefinite life intangibles assets allocated to the P&L Hardware cash generating unit.

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

Adequacy of finance function

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

Quality of earnings

The reconciliation between attributable earnings and headline earnings is set out in note 3 of the Annual Financial Statements.

Internal controls

The Cashbuild Way

Internal controls within Cashbuild are based on established policies and procedures contained in The Cashbuild Way. The Cashbuild Way is 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.

AUDIT AND RISK COMMITTEE REPORT
continued

In terms of the King Report on Governance, 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.
- 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:

- 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; and
- the Committee has recommended the integrated report for approval by the Board.

4. COMBINED ASSURANCE

The creation of a Combined Assurance Framework as recommended by the King Report on Governance has been completed and enacted in policy format. The purpose of this policy is integration and alignment of assurance processes in Cashbuild to minimise the risk of governance and control deficiencies, and optimise overall assurance to the Audit and Risk Committee as recommended by the King Report on Governance. Implementation of the policy, with the objective of optimising effective coordination across assurance providers (internal and external to Cashbuild), was completed during the 2018 financial year.

Financial statements

The directors' report is set out on pages 82 to 84.

External audit

The Independent Auditor's report is set out on pages 85 to 90.

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 2017 to June 2018) supports the assertion that Cashbuild's system of internal controls and risk management is effective, and that any serious problem and or concern identified by the Group Risk Management Department during performance of its risk management, issues management and internal audit duties are reported on in quarterly Audit and Risk Committee Reports".

On behalf of the Audit Committee

HH Hickey
Audit and Risk Committee Chairperson

Johannesburg

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 2018.

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 (318 at the end of this financial year which includes seven DIY stores and 60 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 5%. Revenue for stores in existence prior to July 2016 (pre-existing stores – 276 stores) remained at similar levels while our 42 new stores provided the 5% increase. Gross profit increased by 4% with gross profit percentage decreasing from 25.5% to 25.2%. This was achieved in tough trading conditions with selling price inflation of 2%.

Operating expenses, including new stores, remained well controlled and increased by only 9% (existing stores 3% and new stores 6%). Notwithstanding this, the increase in revenue did not compensate for the increased expenses, resulting in operating profit decreasing by 12%. Basic earnings per share decreased by 10% with headline earnings per share also decreasing by 9% from the prior year. The effective tax rate of 28.4% for the period is similar to that of the previous period.

Cash and cash equivalents increased by 19% to R953 million. Stock levels, including new stores, have increased by 17% with overall stockholding at 88 days (2017: 85 days) at year-end. Net asset value per share has increased by 14%, from 6 642 cents (June 2017) to 7 578 cents.

During the year, Cashbuild opened 25 new stores (11 Cashbuild stores, six P&L Hardware stores and acquired eight stores which were converted to P&L Hardware stores), refurbished 27 stores and relocated six Cashbuild 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. REPORTING PERIOD

The Group adopts the retail accounting calendar, which comprises the reporting period ending on the last Sunday of the month June 2018: 24 June 2018 (52 weeks); June 2017: 25 June (52 weeks).

4. SHARE CAPITAL

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

5. ACQUISITION OF BUSINESS

In August 2017 the Group acquired the business of Build it Hunters Retreat and in September 2017 acquired Buffalo Building Supplies for a combined consideration of R72.6 million with the intention that the businesses trade as P&L Hardware stores. These acquisitions are in line with Cashbuild's strategy for growing the P&L Hardware brand.

Property, plant and equipment of R18.3 million, trademarks of R2.2 million, inventories of R17.2 million, trade and other receivables of R0.5 million, trade and other payables of R1.6 million, deferred tax of R1.0 million and goodwill of R37.0 million has been recognised at date of acquisition. These values approximate the fair values as determined under IFRS 3.

The acquired businesses contributed revenue of R64.2 million and a net loss of R4.6 million to the Group for the year. Had a full 52 weeks trading result been included in these Group Annual Financial Statements, the total revenue contributed would have been R75.8 million and the net loss would have been R2.4 million excluding non-recurring costs incurred during the take-on and business integration phase.

For further detail of these business combinations refer to note 4 of these consolidated Annual Financial Statements.

6. DIVIDENDS

The board has declared a final dividend (No. 51), of 346 cents (2017: 390 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 (2017: 24 989 811) shares in issue at date of dividend declaration. Net local dividend amount is 276.80 cents per share for shareholders liable to pay Dividends Tax and 346 cents per share for shareholders exempt from paying Dividends Tax. The total dividend for the year amounts to 842 cents (June 2017: 930 cents) a 9% decrease on the prior year. Local dividend tax is 20%.

Relevant dates for the declaration are as follows: Date dividend declared: Monday, 27 August 2018; Last day to trade "CUM" the dividend: Tuesday, 18 September 2018; Date to commence trading "EX" the dividend: Wednesday, 19 September 2018; Record date: Friday, 21 September 2018; Date of payment: Tuesday, 25 September 2018. Share certificates may not be dematerialised or rematerialised between Wednesday, 19 September 2018 and Friday, 21 September 2018, both dates inclusive.

7. SHARE INCENTIVE SCHEME

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

8. DIRECTORATE

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

WF de Jager (47)	Chief Executive, CA(SA)	Executive
A Hattingh (52)	Operations Director	Executive
AE Prowse (54)	Finance Director, CA(SA)	Executive
SA Thoresson (55)	Operations Director	Executive
WP van Aswegen (51)	Commercial and Marketing Director, CA(SA)	Executive
IS Fourie (71)	Chairman, CA(SA)	Independent Non-executive
HH Hickey (64)	CA(SA)	Independent Non-executive
AGW Knock (67)	BSc Eng (Hons); MSc (Engineering); MDP	Independent Non-executive
Dr DSS Lushaba (52)	BSc Advanced Biochemistry (Hons), MBA, DBA, CD(SA)	Independent Non-executive
NV Simamane (59)	BSc Chemistry and Biology (Hons)	Independent Non-executive
GM Tapon Njamo (40)	CA(SA)	Independent Non-executive

Mr A van Onselen resigned as an executive director effective 31 December 2017. Mr A Hattingh was appointed as an executive director effective 1 January 2018 and WP van Aswegen was appointed effective 2 April 2018.

In addition, Ms GM Tapon Njamo was appointed as an independent non-executive director effective 2 April 2018.

DIRECTORS' REPORT
continued

9. BOARD COMMITTEES AND ATTENDANCE

Refer to page 28 of this Integrated Report.

10. 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.

11. 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 note 35.

12. BORROWING POWERS

In terms of the Memorandum of Incorporation of the Company, the borrowing powers of Cashbuild Limited are unrestricted. Flexible term general banking facilities available are R622 million (June 2017: R622 million).

13. EVENTS AFTER THE REPORTING PERIOD

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

14. AUDITOR

PricewaterhouseCoopers Inc. was the auditor for the Company and its subsidiaries for the period ended 30 June 2018.

15. SECRETARY

The Company Secretary is Corporate Governance Leaders CC.

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 2018, 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 91 to 143 comprise:

- the consolidated and separate statements of financial position as at 30 June 2018;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; 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

- R29.7 million, which represents 5% of group profit before taxation.

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

- Impairment testing of goodwill and indefinite life intangible assets allocated to the P&L Hardware cash-generating unit.
- Accuracy of supplier rebates.

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	**R29.7 million**
How we determined it	5% of group profit before taxation
Rationale for the materiality benchmark applied	We chose group profit before taxation 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 5 to the financial statements, the Group has four reportable segments which comprises operations in seven different African countries, with the South African operations trading under the Cashbuild and P&L Hardware store models. The Group's financial statements are a consolidation of 16 components, comprising the Group's retail business, property companies, trusts and other components.

A full scope audit was performed over all Cashbuild and P&L Hardware model segments. The audits of all components were performed centrally by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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
Impairment testing of goodwill and indefinite life intangible assets allocated to the P&L Hardware cash-generating unit. At reporting date, the Group has goodwill with a carrying value of R309.1 million (refer to note 6: Intangible assets) and indefinite life intangible assets that comprise of trademarks with a carrying value of R98.7 million (refer to note 6: Intangible assets). Goodwill acquired in a business combination and intangible assets with an indefinite useful life are required to be tested for impairment at the end of each reporting period, pursuant to the requirements of IAS 36: *Impairment of assets.* The recoverable amount of goodwill and intangible assets with indefinite useful lives is determined in relation to the cash-generating unit (CGU) to which these assets have been allocated. Management applied the value in use method to determine the recoverable amount of the P&L Hardware CGU to which the goodwill and intangible assets with indefinite useful lives belong. In determining the value in use, management makes assumptions and applies their judgement in relation to the values assigned to the key assumptions made in the calculation such as the discount rate (pre-tax), working capital and growth projections. Refer to note 2: Critical estimates and judgements and note 7: Impairment of assets where the key assumptions used and judgements applied by management have been disclosed. We considered this matter to be of most significance to the audit due to the sensitivity of the judgements and assumptions applied by management in assessing whether the carrying values of goodwill and indefinite life intangible assets relating to the P&L Hardware operating segment are impaired.	For the goodwill balance and indefinite useful life intangible assets allocated to the P&L Hardware operating segment, we performed the following procedures in respect of management's value in use calculation for the P&L Hardware cash-generating unit: • Verified the mathematical accuracy of management's valuation models and agreed relevant data, including assumptions on timing of future capital and operating expenditure, to the latest production plans and budgets. • Assessed the reasonableness of the budgeting process by comparing current year actual results with the prior year budgeted results and determined that management's budgeting techniques are reasonable; • Utilising our valuation expertise, assessed the reasonability of the discount rate (pre-tax), working capital and growth projections applied by management in their impairment assessment by comparing them to historically achieved growth rates, margins and working capital rates and considered these to be reasonable; • Utilising our valuation expertise, assessed the appropriateness of the discount rate used by management in the cash flow forecast by considering whether it is consistent with the cost of capital for the Group. The discount rate applied by management was also evaluated against our own internally developed range of acceptable discount rates, which took into account current and forecast economic conditions. While our range is, in itself, subjective, the discount rate adopted by management fell at the lower end of our internally developed range. We held discussions with management, and obtained an understanding of the rationale for the discount rate applied and we considered this to be reasonable. • Utilising our valuation expertise, applied a sensitivity analysis to management's assumptions using our own independent model in order to calculate the degree to which these assumptions would need to change before an impairment will be triggered, considering the likelihood of such a change and found this to be within an acceptable range.

INDEPENDENT AUDITOR'S REPORT
continued

Key audit matter	How our audit addressed the key audit matter
Accuracy of supplier rebates The Group has agreements with suppliers whereby 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 Cost of sales in note 1.6. 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: • Volumes purchased per supplier are obtained via an interface between the Ryto system and the creditors sub-ledger maintained in SAP. • 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 or amended. The supplier arrangements contain unique considerations in relation to the calculation of the rebate. These include: • volumes purchased; • the contractual rebate percentage applied to purchases from each supplier; and • the apportionment of rebates between inventories sold and those that remain on hand at period-end. We considered the calculation of supplier rebates to be a matter of most significance to the current period audit because it includes a number of unique considerations and an error in the calculation could result in a material misstatement.	We obtained a detailed understanding of the supplier rebate process and evaluated the design and implementation of controls that the Group has established over supplier rebates. We recalculated the supplier rebate income recognised in Ryto using computer assisted auditing techniques and noted no material differences. For a sample of suppliers we tested the inputs used to determine the supplier rebates as follows. We: • compared cash receipts of supplier rebates earned to the supplier rebates recognised in the current year; • obtained confirmation from suppliers of the total rebates earned for the year and the underlying rebate calculation data including volumes purchased during the year and the rebate percentage applicable; and • agreed the rebate percentage per the supplier master files to signed contracts. No material differences in the above inputs were noted from the sample tested. We reconciled the total purchases from SAP to the total purchases included in the Ryto supplier rebate calculation. We discussed the reconciling items with management and corroborated these to the appropriate supporting evidence. Supplier rebates included as a reduction in the cost of inventories were tested by comparing management's unrealised rebate calculation to our independent assessment thereof. 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.

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 the information included in the *Cashbuild Limited and its Subsidiaries' Annual Financial Statements for the year ended 30 June 2018*, which includes the directors' report, the Audit Committee Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the *Cashbuild Integrated Report 2018*, 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 and will not express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT
continued

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 20 years.

PricewaterhouseCoopers Inc.

Director: I Buys
Registered Auditor

Johannesburg
27 August 2018

INCOME STATEMENT

for the year ended 30 June 2018

		Group		Company	
Figures in Rand thousand	Note(s)	**2018**	2017	**2018**	**2017**
Revenue	28	**10 207 603**	9 729 640	**221 410**	256 895
Cost of sales		**(7 639 019)**	(7 248 711)	**–**	–
Gross profit		**2 568 584**	2 480 929	**221 410**	256 895
Other income	29	**30 926**	15 703	**–**	–
Selling and marketing expenses	30	**(1 778 355)**	(1 595 510)	**–**	–
Administrative expenses	30	**(267 566)**	(278 953)	**(5 892)**	(4 286)
Other operating expenses	30	**(10 263)**	(2 172)	**–**	–
Operating profit	30	**543 326**	619 997	**215 518**	252 609
Finance income	31	**54 128**	40 814	**–**	–
Finance costs	32	**(3 143)**	(3 785)	**–**	–
Profit before taxation		**594 311**	657 026	**215 518**	252 609
Tax expense	33	**(169 063)**	(187 540)	**–**	–
Profit for the year		**425 248**	469 486	**215 518**	252 609
Profit attributable to:					
Owners of the parent		**420 609**	464 991	**215 518**	252 609
Non-controlling interest		**4 639**	4 495	**–**	–
		425 248	469 486	**215 518**	252 609

Earnings per share for profit attributable to the ordinary equity holders of the Company

Basic earnings per share (cents)	3	**1 852.00**	2 047.70	**862.40**	1 010.80
Diluted earnings per share (cents)	3	**1 851.30**	2 046.70	**862.10**	1 010.40

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

Figures in Rand thousand		Group		Company	
Profit for the year	Note(s)	**2018**	2017	**2018**	2017
Other comprehensive income:		**425 248**	469 486	**215 518**	252 609
Items reclassifiable to profit or loss:					
Owners of the parent		**5 395**	(18 974)	**-**	–
Non-controlling interests		**922**	(1 859)	**-**	–
Total movement in foreign currency translation reserve (FCTR)*		**6 317**	(20 833)	**-**	–
Other comprehensive income for the year net of taxation		**6 317**	(20 833)	**-**	–
Total comprehensive income		**431 565**	448 653	**215 518**	252 609
Total comprehensive income attributable to:					
Owners of the parent		**426 004**	446 017	**215 518**	252 609
Non-controlling interest		**5 561**	2 636	**-**	–
		431 565	448 653	**215 518**	252 609

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

		Group		Company	
Figures in Rand thousand	Note(s)	**2018**	2017	**2018**	2017
Assets					
Non-current assets					
Property, plant and equipment	8	**1 100 132**	978 615	**–**	–
Intangible assets	6	**433 467**	397 015	**–**	–
Investments in subsidiaries	35	**–**	–	**105 042**	103 181
Deferred tax assets	22	**44 090**	25 164	**–**	–
Prepayments	14	**85 707**	80 328	**–**	–
		1 663 396	1 481 122	**105 042**	103 181
Current assets					
Inventories	10	**1 512 823**	1 289 491	**–**	–
Trade and other receivables	11	**118 489**	122 462	**–**	–
Prepayments	14	**20 360**	14 402	**–**	–
Assets held for sale	20	**4 510**	4 345	**–**	–
Cash and cash equivalents	12	**952 929**	801 420	**5 554**	5 828
		2 609 111	2 232 120	**5 554**	5 828
Total assets		**4 272 507**	3 713 242	**110 596**	109 009
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	25	**(274 187)**	(275 192)	**1 274**	1 274
Reserves		**62 575**	48 988	**65 509**	57 317
Retained income		**2 105 371**	1 885 972	**(3 896)**	1 996
Equity attributable to owners of the parent		**1 893 759**	1 659 768	**62 887**	60 587
Non-controlling interest		**27 725**	23 208	**–**	–
		1 921 484	1 682 976	**62 887**	60 587
Liabilities					
Non-current liabilities					
Loans from group companies	36	**–**	–	**–**	42 431
Finance lease liabilities	26	**115**	1 052	**–**	–
Deferred operating lease liability	21	**162 930**	137 051	**–**	–
Deferred tax liability	22	**42 180**	37 480	**–**	–
Contingent consideration	4	**–**	22 886	**–**	–
		205 225	198 469	**–**	42 431
Current liabilities					
Trade and other payables	13	**2 070 688**	1 768 942	**5 278**	5 991
Loans from group companies	36	**–**	–	**42 431**	–
Finance lease liabilities	26	**936**	1 191	**–**	–
Current tax payable		**74 174**	61 664	**–**	–
		2 145 798	1 831 797	**47 709**	5 991
Total liabilities		**2 351 023**	2 030 266	**47 709**	48 422
Total equity and liabilities		**4 272 507**	3 713 242	**110 596**	109 009

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

Figures in Rand thousand	Share capital	Share premium	Total share capital
Group			
Balance at 30 June 2016	**227**	**(275 384)**	**(275 157)**
Total comprehensive income for the year	–	–	–
Share-based payments	–	–	–
Shares sold for The Cashbuild Share Incentive Trust	–	2 526	2 526
Shares purchased by The Cashbuild Share Incentive Trust	–	(2 561)	(2 561)
Dividends paid	–	–	–
Balance at 30 June 2017	**227**	**(275 419)**	**(275 192)**
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**
Shares purchased by The Cashbuild Operations Management Member Trust	**–**	**(605)**	**(605)**
Shares Sold by The Cashbuild Operations Management Member Trust	**–**	**1 610**	**1 610**
Dividends paid	**–**	**–**	**–**
Balance at 30 June 2018	**227**	**(274 414)**	**(274 187)**
Note(s)	25	25	25

Figures in Rand thousand	Share capital	Share premium	Total share capital
Company			
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**
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**
Balance at 30 June 2018	**250**	**1 024**	**1 274**
Note(s)	25	25	25

	FCTR	Share-based payments reserve	Total reserves	Retained earnings	Non-controlling interest	Total equity
	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**
	5 395	**–**	**5 395**	**420 609**	**5 561**	**431 565**
	–	**8 192**	**8 192**	**–**	**–**	**8 192**
	–	**–**	**–**	**–**	**–**	**(605)**
	–	**–**	**–**	**–**	**–**	**1 610**
	–	**–**	**–**	**(201 210)**	**(1 044)**	**(202 254)**
	(2 934)	**65 509**	**62 575**	**2 105 371**	**27 725**	**1 921 484**
	27	9				

	FCTR	Share-based payments reserve	Total reserves	Retained earnings	Non-controlling interest	Total equity
		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**
		–	**–**	**215 518**	**–**	**215 518**
		8 192	**8 192**	**–**	**–**	**8 192**
		–	**–**	**(221 410)**	**–**	**(221 410)**
		65 509	**65 509**	**(3 896)**	**–**	**62 887**
		27	9			

STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

		Group		Company	
Figures in Rand thousand	Note(s)	**2018**	2017	**2018**	2017
Cash flows from operating activities					
Cash generated from operations	15	**781 720**	651 625	**214 805**	252 555
Finance costs	32	**(3 143)**	(3 785)	**–**	–
Tax paid	19	**(169 775)**	(197 336)	**–**	–
Net cash from operating activities		**608 802**	450 504	**214 805**	252 555
Cash flows from investing activities					
Purchase of property, plant and equipment	8	**(239 041)**	(192 973)	**–**	–
Proceeds on disposal of assets held for sale	16	**1 189**	4 769	**–**	–
Proceeds on disposal of property, plant and equipment	17	**6 579**	12 194	**–**	–
Finance income	31	**54 128**	40 814	**–**	–
Purchase of intangible assets	6	**(9 958)**	(5 462)	**–**	–
Business combinations	4	**(72 573)**	(5 740)	**–**	–
Cash inflows from loan to subsidiary		**–**	–	**6 330**	4 033
Net cash (used in)/from investing activities		**(259 676)**	(146 398)	**6 330**	4 033
Cash flows from financing activities					
Shares sold by Cashbuild Trusts	25	**1 610**	2 526	**–**	–
Shares purchased by Cashbuild Trusts	25	**(605)**	(2 561)	**–**	–
Finance lease payments		**(1 192)**	(1 110)	**–**	–
Dividends paid	18	**(201 210)**	(234 023)	**(221 409)**	(256 895)
Dividends paid to non-controlling interests		**(1 044)**	(1 376)	**–**	–
Net cash used in financing activities		**(202 441)**	(236 544)	**(221 409)**	(256 895)
Total cash movement for the year		**146 685**	67 562	**(274)**	(307)
Cash at the beginning of the year		**801 420**	749 239	**5 828**	6 135
Effect of exchange rate movement on cash balances		**4 824**	(15 381)	**–**	–
Total cash at end of the year	12	**952 929**	801 420	**5 554**	5 828

ACCOUNTING POLICIES

for the year ended 30 June 2018

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.

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 5.

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 2018: 24 June – 52 weeks; June 2017: 25 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 of 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.

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.

ACCOUNTING POLICIES

continued

for the year ended 30 June 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.4 Consolidation (continued)

Investment in subsidiaries in separate financial statements

In the company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investment which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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.

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 4.

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.

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 2018

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 licences

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; and
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. 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 on 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 outstanding balance has prescribed (i.e. is three years old), it is considered uncollectable and 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.11 Financial instruments classification (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 statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

The 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/liability. 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.
- 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.

ACCOUNTING POLICIES
continued

for the year ended 30 June 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.15 Share-based plans and related payments (continued)

Cashbuild Forfeitable Share Scheme ("FSP") (continued)

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

Cashbuild Operations Management Member Trust

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 Dividends

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

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.
- 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.

ACCOUNTING POLICIES
continued

for the year ended 30 June 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.20 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 2018

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 (CGUs). 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 the calculation of the value-in-use of CGUs 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 2018

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 period. Shares held by The Cashbuild Operations Management Member Trust and Cashbuild (South Africa) Proprietary Limited have been included in the calculation from date of acquisition. Shares held by The Cashbuild Empowerment Trust have been included in the calculation from 7 February 2005.

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Attributable earnings	**420 609**	464 991	**215 518**	252 609
Weighted number of shares in issue	**22 711**	22 708	**24 990**	24 990
Basic earnings per share (cents)	**1 852.0**	2 047.7	**862.4**	1 010.8
Weighted number of ordinary shares in issue				
Ordinary shares in issue beginning of the year	**24 990**	24 990	**24 990**	24 990
***Less*: Weighted average number of treasury shares:**				
– The Cashbuild Share Incentive Trust#	**–**	(6)	**–**	–
– The Cashbuild Empowerment Trust	**(1 765)**	(1 765)	**–**	–
– The Cashbuild Operations Management Member Trust	**(22)**	(18)	**–**	–
– Cashbuild (South Africa) Proprietary Limited*	**(492)**	(493)	**–**	–
	22 711	22 708	**24 990**	24 990

* *Shares held for Cashbuild FSP share scheme current and future share allocations. As at 30 June 2018, 56 719 shares were allocated to beneficiaries of the first award from this scheme and 70 934 were allocated to the beneficiaries of the second award. For more details refer to the share-based payments note 9.*

All share options held under the Share Incentive Trust schemes were exercised in FY2017 and therefore have no weighting effect in the current period.

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	**420 609**	464 991	**215 518**	252 609
Diluted number of ordinary shares in issue	**22 720**	22 719	**24 999**	25 001
Diluted earnings per share (cents)	**1 851.3**	2 046.7	**862.1**	1 010.4
Fully diluted weighted average number of ordinary shares in issue:				
Weighted number of shares in issue	**22 711**	22 708	**24 990**	24 990
Dilutive effect of the following:				
– Future potential issue of shares	**9**	11	**9**	11
	22 720	22 719	**24 999**	25 001

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 remeasurement items. Headline earnings and diluted headline earnings are presented after tax and non-controlling interest.

Reconciliation between earnings and headline earnings:

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Attributable earnings	**420 609**	464 991	**215 518**	252 609
Adjusted for:				
Net loss/(gain) on disposal of property, plant and equipment	**3 456**	(558)	**-**	–
Gross loss/(gain) on disposal of property, plant and equipment	**3 426**	(2 093)	**-**	–
Tax effect	**31**	1 535	**-**	–
Headline earnings	**424 065**	464 433	**215 518**	252 609
Headline earnings	**424 065**	464 433	**215 518**	252 609
Weighted average number of shares in issue	**22 711**	22 708	**24 990**	24 990
Headline earnings per share (cents)	**1 867.2**	2 045.2	**862.4**	1 010.8
Headline earnings	**424 065**	464 433	**215 518**	252 609
Fully diluted weighted average number of shares in issue	**22 720**	22 719	**24 999**	25 001
Fully diluted headline earnings per share (cents)	**1 866.5**	2 044.2	**862.1**	1 010.4
Dividends per share (cents)				
Interim: No 50 payable on 3 April 2018 (2017: No 48 paid on 27 March 2017)	**496**	540	**496**	540
Final: No 51 payable on 25 September 2018 (2017: No 49 paid on 28 September 2017)	**346**	390	**346**	390
	842	930	**842**	930

4. BUSINESS COMBINATIONS

Build it Kirkwood

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

Goodwill of R3.8 million was recognised from the acquisition and is attributable to the acquired workforce and profitability of the business. In the prior reporting period the goodwill value was finalised and allocated to the cash generating unit (CGU) of P&L Hardware as it forms part of that segment's operations. For additional detail regarding the impairment of acquired goodwill and trademarks refer to note 6.

Assets and liabilities acquired:

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
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 – settled with cash resources	**–**	5 740	**–**	–
Goodwill allocation				
P&L Hardware	**–**	3 806	**–**	–

Build it Hunter's Retreat

In August 2017 Roofbuild Trusses Proprietary Limited purchased the business of Build it Hunter's Retreat with the intention that the business trades as a P&L Hardware store. This acquisition is in line with Cashbuild's strategy for growing the P&L Hardware brand.

Goodwill of R7.5 million was recognised from the acquisition and is attributable to the acquired workforce and profitability of the business. The 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.

Assets and liabilities acquired:

Property, plant and equipment	**5 447**	–	**–**	–
Inventories	**1 333**	–	**–**	–
Trade and other payables	**(103)**	–	**–**	–
Total identifiable net assets	**6 677**	–	**–**	–
Goodwill	**7 478**	–	**–**	–
Purchase price – settled with cash resources	**14 155**	–	**–**	–
Goodwill allocation				
P&L Hardware	**7 478**	–	**–**	–

Buffalo Building Supplies Proprietary Limited

In September 2017 Roofbuild Trusses Proprietary Limited purchased the business of Buffalo Building Supplies Proprietary Limited with the intention that the businesses trade as P&L Hardware stores. This acquisition is in line with Cashbuild's strategy for growing the P&L Hardware brand.

Goodwill of R29.5 million arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities. The determination of fair values of the identified assets and liabilities relating to the acquisition was finalised at 31 December 2017.

Assets and liabilities acquired:

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Property, plant and equipment	**12 852**	–	**–**	–
Inventories	**15 873**	–	**–**	–
Trade and other receivables	**463**	–	**–**	–
Cash and cash equivalents	**24**	–	**–**	–
Trademarks	**2 219**	–	**–**	–
Deferred tax liability	**(1 004)**	–	**–**	–
Trade and other payables	**(1 498)**	–	**–**	–
Total identifiable net assets	**28 929**	–	**–**	–
Goodwill	**29 513**	–	**–**	–
Purchase price – settled with cash resources	**58 442**	–	**–**	–
Goodwill allocation				
P&L Hardware	**15 511**	–	**–**	–
Cashbuild (South Africa) Proprietary Limited	**14 002**	–	**–**	–
	29 513	–	**–**	–

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 standalone value of the business acquired, together with the value of the synergies expected to arise from the combination of the Buffalo Timbers and Cashbuild South Africa businesses. For impairment considerations of the goodwill and trademark acquired refer to note 7.

P&L Hardware contingent consideration arrangements

The contingent consideration arrangement relates to the acquisition of the P&L Hardware business in May 2016. In the event that P&L Hardware achieves certain pre-determined profit before tax targets for the periods ending May 2017, May 2018 and May 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 R0 million (June 2017: R22.9 million) was 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 due to one or more of the significant inputs not being based on observable market data.

During the current period, there was a downward remeasurement of R22.9 million on this contingency. The contingency is valued based on a revised probability of future profit before tax targets and is discounted using a three-year government bond rate. P&L Hardware needs to earn in excess of 100% on current year's performance to earn any contingency payment in the final year.

The movement in the contingency can be summarised as follows:

	Company	
Figures in Rand thousand	**2018**	2017
Opening balance	**22 886**	33 008
Downward remeasurement	**(22 886)**	(10 122)
Closing balance	**–**	22 886

Revenue and profitability contributed by new business combinations

The acquired businesses contributed revenue of R64.2 million and a net loss of R4.6 million to the Group for the year. Had a full 52 weeks trading result been included in these Group Annual Financial Statements, the total revenue contributed would have been R75.8 million and the net loss would have been R2.4 million excluding non-recurring costs incurred during the take-on and business integration phase.

5. 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, Namibia, Malawi and Zambia); and
- 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.

	Revenue		
Figures in Rand thousand	**Total segment revenue**	**Inter-segment revenue**	**Revenue from external customers**
30 June 2018			
Cashbuild South African operations	**8 043 743**	**–**	**8 043 743**
P&L Hardware operations	**1 139 122**	**(2 686)**	**1 136 436**
Cashbuild common monetary operations	**606 644**	**–**	**606 644**
Cashbuild non-common monetary operations	**420 780**	**–**	**420 780**
Total	**10 210 289**	**(2 686)**	**10 207 603**
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

Segment assets and liabilities

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

	2018			2017		
	Capital investment	**Total assets**	**Total liabilities**	Capital investment	Total assets	Total liabilities
Cashbuild South African operations	**119 772**	**2 764 523**	**1 392 935**	106 024	2 407 381	1 509 869
P&L Hardware operations	**81 638**	**715 887**	**631 880**	13 437	540 125	249 770
Cashbuild common monetary operations	**23 954**	**527 675**	**171 816**	42 548	496 554	173 217
Cashbuild non-common monetary operations	**18 635**	**264 422**	**154 392**	31 262	269 182	97 410
Total	**243 999**	**4 272 507**	**2 351 023**	193 271	3 713 242	2 030 266

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

Separately disclosable items				
Operating income	**Depreciation and amortisation**	**Interest revenue**	**Interest expense**	**Taxation**
478 813	**(114 485)**	**29 408**	**(2 660)**	**(149 113)**
21 458	**(8 388)**	**1 043**	**(377)**	**(5 865)**
36 269	**(7 599)**	**20 599**	**(55)**	**(14 201)**
6 786	**(7 515)**	**3 078**	**(51)**	**116**
543 326	**(137 987)**	**54 128**	**(3 143)**	**(169 063)**
535 787	(119 050)	17 154	(1 218)	(159 798)
32 378	(2 823)	654	(2 414)	(9 121)
38 378	(6 131)	20 215	(60)	(15 667)
13 454	(6 291)	2 791	(93)	(2 954)
619 997	(134 295)	40 814	(3 785)	(187 540)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
continued
for the year ended 30 June 2018

6. INTANGIBLE ASSETS

Group	2018			2017		
Figures in Rand thousand	**Cost/ Valuation**	**Accumulated amortisation**	**Carrying value**	Cost/ Valuation	Accumulated amortisation	Carrying value
Trademarks	**99 403**	**(709)**	**98 694**	97 184	(696)	96 488
Computer software	**101 138**	**(75 500)**	**25 638**	96 178	(67 882)	28 296
Goodwill	**309 135**	**–**	**309 135**	272 231	–	272 231
Total	**509 676**	**(76 209)**	**433 467**	465 593	(68 578)	397 015

Reconciliation of intangible assets – Group – 30 June 2018

Figures in Rand thousand	**Opening balance**	**Additions**	**Additions through business combinations**
Trademarks	**96 488**	**–**	**2 218**
Computer software	**28 296**	**4 958**	**–**
Goodwill	**272 231**	**–**	**36 991**
	397 015	**4 958**	**39 209**

Reconciliation of intangible assets – Group – 30 June 2017

Figures in Rand thousand	Opening balance	Additions	Additions through business combinations
Trademarks	96 500	–	–
Computer software	34 735	5 462	–
Goodwill	268 454	–	3 806
	399 689	5 462	3 806

Transfers in the current financial year relate to software that was included in furniture and equipment in the prior financial year.

Disposals	Transfers	Foreign exchange movements	Amortisation	Total
–	**–**	**–**	**(12)**	**98 694**
(20)	**23**	**–**	**(7 619)**	**25 638**
–	**–**	**(87)**	**–**	**309 135**
(20)	**23**	**(87)**	**(7 631)**	**433 467**

Disposals	Foreign exchange movements	Amortisation	Total
–	–	(12)	96 488
(43)	–	(11 858)	28 296
–	(29)	–	272 231
(43)	(29)	(11 870)	397 015

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 CGUs refer to note 4.

The value-in-use of P&L Hardware and Cashbuild South Africa at 30 June 2018 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 June 2022 (which includes the remaining 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 five years with a terminal value applied.

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

Listed below are the assumptions applied in the value-in-use calculation as well as the sensitivity of the relevant assumptions indicating the level they can fluctuate to before there is an impairment. The value-in-use of the P&L Hardware CGU is R1.9 million (June 2017: R1.6 million) higher than the carrying amount.

P&L Hardware CGU:

	June 2018 Assumption applied	**June 2018 Sensitivity**	June 2017 Assumption applied	June 2017 Sensitivity
Growth rate	**6.0%**	**4.5%**	6.0%	4.9%
Terminal growth rate	**5.3%**	**4.6%**	5.3%	4.6%
Discount rate (pre-tax)	**18.2%**	**18.5%**	22.5%	22.6%
Target net working capital days	**11 days**	**14 days**	2 days	5 days

Although a 6% growth rate has been assumed, if the FY2018 base earnings were to decrease by 17% or R7.79 million, there would be an indicator of impairment. The assumptions applied in the P&L Hardware CGU's value-in-use calculation continue to be closely monitored by management in assessing impairment in future.

Cashbuild South Africa CGU:

	June 2018 Assumption applied	June 2017 Assumption applied
Growth rate	**4.6%**	5.0%
Terminal growth rate	**4.6%**	5.3%
Discount rate	**15.9%**	16.1%

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 pre-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.

8. PROPERTY, PLANT AND EQUIPMENT

Group	2018			2017		
Figures in Rand thousand	**Cost**	**Accumulated depreciation**	**Carrying value**	Cost	Accumulated depreciation	Carrying value
Land and buildings	**575 173**	**(43 676)**	**531 497**	497 293	(40 825)	456 468
Furniture and equipment	**1 116 164**	**(686 268)**	**429 896**	1 000 455	(600 214)	400 241
Vehicles	**39 190**	**(9 770)**	**29 420**	32 417	(9 018)	23 399
Leasehold improvements	**168 556**	**(81 615)**	**86 941**	147 098	(70 888)	76 210
Property held under joint operation	**17 048**	**–**	**17 048**	17 048	–	17 048
Aircraft	**5 479**	**(149)**	**5 330**	5 629	(380)	5 249
Total	**1 921 610**	**(821 478)**	**1 100 132**	1 699 940	(721 325)	978 615

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

for the year ended 30 June 2018

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment – Group – 30 June 2018

Figures in Rand thousand	Opening balance	Additions	Additions through business combinations
Land and buildings	**456 468**	**–**	**12 500**
Furniture and equipment	**400 241**	**14 647**	**3 406**
Vehicles	**23 399**	**11 727**	**3 018**
Leasehold improvements	**76 210**	**990**	**153**
Property held under joint operation	**17 048**	**–**	**–**
Aircraft	**5 249**	**–**	**–**
Capital work in progress*	**–**	**211 677**	**–**
	978 615	**239 041**	**19 077**

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

Figures in Rand thousand	Opening balance	Additions	Additions through business combinations
Land and buildings	413 440	–	–
Leasehold improvements	67 035	–	–
Furniture and equipment	426 516	–	307
Vehicles	16 970	–	395
Leasehold improvements	–	–	–
Aircraft	5 202	–	–
Capital work in progress*	–	192 973	–
	929 163	192 973	702

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

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
• Aircraft (engine)	Flight hours – 2 000

Amounts recognised in profit and loss for the year:

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Profit on disposal of property, plant and equipment and assets held for sale	**(5 586)**	(739)	**–**	–
Repairs and maintenance expenditure	**42 514**	35 693	**–**	–

Disposals	**Classified as held for sale**	**Transfers**	**Foreign exchange movements**	**Impairment loss**	**Depreciation**	**Total**
(10)	**4 510**	**59 792**	**1 163**	**–**	**(2 926)**	**531 497**
(8 279)	**–**	**128 838**	**934**	**(799)**	**(109 092)**	**429 896**
(3 077)	**–**	**(1 073)**	**14**	**–**	**(4 588)**	**29 420**
(799)	**–**	**23 905**	**98**	**–**	**(13 616)**	**86 941**
–	**–**	**–**	**–**	**–**	**–**	**17 048**
–	**–**	**215**	**–**	**–**	**(134)**	**5 330**
–	**–**	**(211 677)**	**–**	**–**	**–**	**–**
(12 165)	**4 510**	**–**	**2 209**	**(799)**	**(130 356)**	**1 100 132**

Disposals	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
(185)	–	20 539	(168)	–	(11 011)	76 210
(11 656)	–	96 626	(2 589)	–	(108 963)	400 241
(1 690)	–	8 912	(56)	–	(1 132)	23 399
–	–	5 213	–	11 835	–	17 048
–	–	380	–	–	(333)	5 249
–	–	(192 973)	–	–	–	–
(13 531)	(1 614)	–	(5 854)	–	(123 224)	978 615

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Joint operation

During the 2017 financial period, Cashbuild entered into a joint operation agreement for the Nasrec Corner Shopping Centre in Johannesburg, South Africa. This consortium comprises a right to extend and develop a shopping centre. Cashbuild has 50% participation 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 2018 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 operators 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

Forfeitable Share Plan

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

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

The number of performance shares awarded to a participant is based on the participant's annual salary and grade. Details of the first and second share option awards under this scheme are as follows:

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Opening balance	**66 185**	–	**66 185**	–
Share movement	**60 667**	66 185	**60 667**	66 185
Total performance shares awarded	**126 852**	66 185	**126 852**	66 185

Outstanding options	**1st Award**	**2nd Award**
Grant date	27 Sep 2016	4 Dec 2017
Vesting date	27 Sep 2019	4 Dec 2020
Exercise price	Nil	Nil
Expected option lifetime	3 years	3 years
Share price at grant date	R408.37	R383.20
Expected share price volatility	10%	10%

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

Executive directors:

	Number of shares#	**R'000 Award face value***
WF de Jager	**18 215**	**7 194**
A Hattingh	**7 308**	**2 886**
A E Prowse	**12 143**	**4 796**
SA Thoresson	**11 131**	**4 396**
WP van Aswegen	**7 126**	**2 814**
	55 923	**22 086**
Key management:		
PA Champion	**6 395**	**2 526**
W Dreyer	**6 760**	**2 670**
AHS Havenga	**6 212**	**2 453**
MS Masala	**5 432**	**2 141**
I McKay	**5 836**	**2 300**
H Steenberg	**3 191**	**1 223**
	33 826	**13 313**

** 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.

Operations Management Member Trust Schemes

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

The first, second and third schemes (2012, 2013 and 2014 schemes respectively) have fully vested. 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 qualified for 1 291 shares at the end of June 2017. The seventh 2018 scheme provisionally qualified for 9 847 shares at the end of June 2018.

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9. SHARE BASED PAYMENTS (continued)

Summary of share-based payments for all schemes

The Group's expense and related movement in the share-based payment reserve is R8.2 million (June 2017: R4.3 million). The movement in the share-based payments reserve for the various share schemes can be summarised as follows;

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Share-based payments reserve:				
Opening balance	**57 317**	52 985	**57 317**	52 985
– Forfeitable Share Scheme: 1st award	**3 830**	3 274	**3 830**	3 274
– Forfeitable Share Scheme: 2nd award	**2 694**	–	**2 694**	–
– Operations Management Member Trust Schemes	**1 668**	1 058	**1 668**	1 058
	65 509	57 317	**65 509**	57 317

10. INVENTORIES

Merchandise	**1 512 823**	1 289 491	**–**	–

Cost of inventories recognised as an expense and included in cost of sales amounted to R8 284 million (June 2017: R7 917 million).

The provision for the net realisable value of inventory at year end is R95.6 million (June 2017: R86.6 million).

11. TRADE AND OTHER RECEIVABLES

Trade receivables	**124 837**	127 583	**–**	–
Less: Provision for impairment of trade	**(18 216)**	(16 369)	**–**	–
VAT	**8 495**	6 316	**–**	–
Other receivables	**3 373**	4 932	**–**	–
	118 489	122 462	**–**	–

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:

	June 2018 Gross	June 2018 Impairment	June 2017 Gross	June 2017 Impairment
Not past due	**95 909**	**–**	98 399	–
Past due 1 – 30 days	**9 079**	**–**	9 679	–
Past due 31 – 60 days	**2 979**	**(1 346)**	3 136	–
Past due 61 – 90 days	**1 437**	**(1 437)**	2 705	(2 705)
Past due 91 – 120 days	**758**	**(758)**	605	(605)
More than 120 days	**14 675**	**(14 675)**	13 059	(13 059)
	124 837	**(18 216)**	127 583	(16 369)

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 R18.2 million (June 2017: R16.4 million) for the impairment of its trade receivables during the year ended 30 June 2018. 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. If there are other indicators of impairment, a provision will be raised when such indicators arise.

Reconciliation of provision for impairment of trade and other receivables:

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Opening balance	**16 369**	16 441	**–**	–
Provision for impairment	**2 279**	365	**–**	–
Amounts written off as uncollectable	**(432)**	(437)	**–**	–
	18 216	16 369	**–**	–

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash at banks and on hand	**952 929**	801 420	**5 554**	5 828

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

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13. TRADE AND OTHER PAYABLES

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Trade payables	**1 407 104**	1 280 978	**–**	–
VAT	**8 140**	17 080	**–**	–
Accruals	**187 401**	124 865	**5 278**	5 991
Refundable deposits held	**345 153**	279 957	**–**	–
Employee-related accruals	**115 409**	60 384	**–**	–
Retirement awards and gifts	**7 481**	5 678	**–**	–
	2 070 688	1 768 942	**5 278**	5 991

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

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 R100.8 million (June 2017: R83.7 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 one to 12 years. The current portion is disclosed under the prepayments section on the statement of financial position.

Total prepayments on the statement of financial position can be summarised as follows:

Rental prepayment: Non-current portion	**85 707**	80 328	**–**	–
Rental prepayment: Current portion	**7 488**	3 417	**–**	–
Other current prepayments	**12 872**	10 985	**–**	–
	106 067	94 730	**–**	–

15. CASH GENERATED FROM OPERATIONS

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Profit before taxation	**594 311**	657 026	**215 518**	252 609
Adjustments for:				
Depreciation and amortisation	**137 987**	134 295	**–**	–
Profit on disposal of assets held for sale	**(239)**	(2 119)	**–**	–
Loss on sale of non-current assets	**5 586**	1 380	**–**	–
Finance income	**(54 128)**	(40 814)	**–**	–
Finance costs	**3 143**	3 785	**–**	–
Movement in deferred operating lease liability	**25 879**	18 576	**–**	–
Movement in share-based payments reserve	**8 192**	4 332	**–**	–
Non-cash IFRS 3 adjustments to non-current assets	**14 947**	(2 490)	**–**	–
Exchange differences on monetary assets	**(2 122)**	5 980	**–**	–
Revaluation of contingent consideration	**(22 886)**	(10 121)	**–**	–
Changes in working capital:				
Inventories	**(223 332)**	(63 911)	**–**	–
Trade and other receivables	**3 973**	(31 468)	**–**	–
Prepayments	**(11 337)**	(2 362)	**–**	–
Trade and other payables	**301 746**	(20 464)	**(713)**	(54)
	781 720	651 625	**214 805**	252 555

16. PROCEEDS ON DISPOSAL OF ASSETS HELD FOR SALE

Net book value	**950**	2 650	**–**	–
Profit on sale of assets	**239**	2 119	**–**	–
	1 189	4 769	**–**	–

17. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Net book value	**12 165**	13 574	**–**	–
Loss on sale of assets	**(5 586)**	(1 380)	**–**	–
	6 579	12 194	**–**	–

The loss on sale of assets has been included in other operating expenses in the income statement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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for the year ended 30 June 2018

18. DIVIDENDS PAID

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Final dividend – prior period (Div 49)	**(89 222)**	(110 933)	**(97 460)**	(121 950)
Interim dividend – current period (Div 50)	**(111 987)**	(123 090)	**(123 949)**	(134 945)
Amounts paid to non-controlling shareholders	**(1 044)**	(1 376)	**–**	–
	(202 253)	(235 399)	**(221 409)**	(256 895)

19. TAX PAID

	Group 2018	Group 2017	Company 2018	Company 2017
Balance at beginning of the year	**(61 664)**	(71 858)	**–**	–
Current tax for the year recognised in profit or loss	**(169 063)**	(187 540)	**–**	–
Movement in deferred tax	**(13 222)**	398	**–**	–
Balance at end of the year	**74 174**	61 664	**–**	–
	(169 775)	(197 336)	**–**	–

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

	Group 2018	Group 2017	Company 2018	Company 2017
Plot 2461 Serowe – Botswana	**863**	831	**–**	–
– *Kranskop Unit 8, Stand 1237, Monument Park Ext 2, Tshwane, South Africa*	**–**	950	**–**	–
– *Kranskop Unit 4, Stand 1237, Monument Park Ext 2, Tshwane, South Africa*	**950**	950	**–**	–
– *Remaining extent of portion 6 (a portion of portion 5) of the farm de rust #12, Hazyview, South Africa*	**1 614**	1 614	**–**	–
– *Erf 214 Thohoyandou*	**1 083**	–	**–**	–
	4 510	4 345	**–**	–

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 movement in the Serowe property's net book value is due to foreign exchange differences on Group consolidation at year-end.

During the current period the Unit 8 Kranskop property was sold impacts the P&L Hardware reportable segment. Refer to note 16 for proceeds received on sold properties.

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

The Hazyview property was classified as held for sale in the prior financial year. The buyer who paid a deposit in the prior year was unable to secure financing from the bank and as a result the deal fell through. A new buyer has been located, and the sale is pending bond approval from the bank.

The Serowe property has not yet been sold as a result of a dispute with the Botswana land board. The attorneys are in the process of resolving this issue.

With regards to the property in Thohoyandou, the full purchase price has been received by the buyer. This money is with the attorneys until LIEDA transfers the property into Cashbuild's name and then into the buyers name.

Kranskop property is being actively marketed at a reasonable price, however, a buyer has not been located yet.

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.

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Deferred operating lease liability	**(162 268)**	(136 033)	**–**	–
Deferred lease incentives received	**(1 006)**	(1 350)	**–**	–
Realised lease incentives portion in profit and loss	**344**	332	**–**	–
	(162 930)	(137 051)	**–**	–

22. DEFERRED TAX

Deferred tax liability:

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Property, plant and equipment	**(41 193)**	(41 052)	**–**	–
Prepayments	**(2 063)**	(867)	**–**	–
Acquired through business combinations:				
– Property, plant and equipment	**80**	(206)	**–**	–
– Intangible assets	**(27 616)**	(26 995)	**–**	–
– Inventory	**(5 629)**	(2 145)	**–**	–
– Third party contingency	**766**	64	**–**	–
– Bad debts provision	**83**	83	**–**	–
Unrealised foreign exchange difference on intergroup loans	**(73)**	–	**–**	–
Total deferred tax liability	**(75 645)**	(71 118)	**–**	–
Deferred tax asset:				
Provisions and accruals	**19 471**	18 522	**–**	–
Straight–lining of leases	**46 167**	38 956	**–**	–
Assessed losses	**11 901**	698	**–**	–
Unrealised foreign exchange difference on intergroup loans	**16**	626	**–**	–
Deferred tax balance from temporary differences other than unused tax losses	**77 555**	58 802	**–**	–
Total deferred tax asset	**77 555**	58 802	**–**	–

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

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Deferred tax liability	**(42 180)**	(37 480)	**–**	–
Deferred tax asset	**44 090**	25 164	**–**	–
Total net deferred tax liability	**1 910**	(12 316)	**–**	–
Deferred tax realisation:				
To be realised within 12 months	**4 974**	(2 097)	**–**	–
To be realised after 12 months	**(3 064)**	(10 219)	**–**	–
	1 910	(12 316)	**–**	–

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

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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 4 for more information) is included below:

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Bank guarantees	**16 022**	16 022	**–**	–
Contingent consideration	**–**	22 886	**–**	–
	16 022	38 908	**–**	–

24. COMMITMENTS

Authorised capital expenditure:

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

	Group 2018	Group 2017	Company 2018	Company 2017
• Authorised, contracted and fulfilled	**112 125**	75 101	**–**	–
• Authorised but not contracted for	**231 083**	303 380	**–**	–

Current year capital commitment includes the Zambia expansion which is still in progress with R83.9 million authorised expenditure as at 30 June 2018. The remaining capital commitments are for building and infrastructure for new stores, store refurbishments or relocations.

Operating leases – as lessee (expense)

	Group 2018	Group 2017	Company 2018	Company 2017
Minimum lease payments due				
– within one year	**432 233**	344 185	**–**	–
– in second to fifth year inclusive	**941 476**	801 842	**–**	–
– later than five years	**737 460**	647 418	**–**	–
Total future cash flows	**2 111 169**	1 793 445	**–**	–
Straight-lining of leases already accrued in statement of financial position	**(162 930)**	(137 051)	**–**	–
	1 780 204	1 656 394	**–**	–

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 2017: 7%) per annum.

25. SHARE CAPITAL

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Authorised				
35 000 000 ordinary shares of 1 cent each	**350**	350	**350**	350

There has been no change in the authorised share capital in the current or previous financial year.

Reconciliation of number of shares issued:

Reported as at 1 July 2018	**250**	250	**250**	250
Less: Treasury shares held	**(23)**	(23)	**–**	–
Opening balance: 2 259 656 shares	**(23)**	(23)	**–**	–
Total issued shares	**227**	227	**250**	250
Share premium				
Opening balance	**3 935**	3 935	**1 024**	1 024
Less: Treasury share premium	**(279 354)**	(279 354)	**–**	–
Opening balance	**(279 354)**	(279 319)	**–**	–
Shares purchased for The Cashbuild Trusts	**(605)**	(2 561)	**–**	–
Shares sold by The Cashbuild Trusts	**1 610**	2 526	**–**	–
Total share premium	**(274 414)**	(275 419)	**1 024**	1 024

26. FINANCE LEASE LIABILITIES

Minimum lease payments due				
– within one year	**936**	1 191	**–**	–
– in second to fifth year inclusive	**115**	1 052	**–**	–
	1 051	2 243	**–**	–
Less: Future finance charges	**(58)**	(235)	**–**	–
Present value of minimum lease payments	**993**	2 008	**–**	–
Non-current liabilities	**115**	1 052	**–**	–
Current liabilities	**936**	1 191	**–**	–
	1 051	2 243	**–**	–

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.

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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 increased strength of the Kwacha and the Pula against the Rand during the current period compared to prior periods when these currencies were stronger.

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Opening balance	**(8 329)**	10 645	**–**	–
Currency translation differences	**5 395**	(18 974)	**–**	–
Closing balance	**(2 934)**	(8 329)	**–**	–

28. REVENUE

Sale of merchandise	**10 207 603**	9 729 640	**–**	–
Dividends received	**–**	–	**221 410**	256 895
	10 207 603	9 729 640	**221 410**	256 895

29. OTHER INCOME

Profit on sale of non-current assets	**805**	739	**–**	–
Sundry income	**2 178**	2 346	**–**	–
Rental-related income	**252**	260	**–**	–
Insurance recoveries	**–**	2 237	**–**	–
Revaluation of contingent consideration liability	**27 691**	10 121	**–**	–
	30 926	15 703	**–**	–

30. OPERATING PROFIT

Operating profit for the year includes the following significant items:

Expenses by nature:

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Cost of goods sold	**7 639 019**	7 248 711	**–**	–
Employee costs	**861 795**	793 005	**–**	–
Operating lease charges – premises	**322 648**	271 652	**–**	–
Depreciation and amortisation	**137 987**	134 294	**–**	–
Delivery charges	**126 692**	116 842	**–**	–
Advertising expenses	**170 785**	153 279	**–**	–
Bank and speedpoint charges	**70 467**	65 050	**–**	–
Municipal utility charges	**59 917**	51 114	**–**	–
Other income	**(30 926)**	(18 631)	**–**	–
Consumables	**3 781**	3 292	**–**	–
Net reversal of provision for impaired receivables	**(665)**	(72)	**–**	–
Other expenses	**302 777**	291 107	**5 892**	4 286
	9 664 277	9 109 643	**5 892**	4 286
Auditor remuneration:				
Audit services	**11 009**	10 826	**–**	–
Taxation services	**571**	867	**–**	–
	11 580	11 693	**–**	–
Remuneration paid for outsourced services:				
Information technology	**63 361**	55 075	**–**	–
Administrative	**9 432**	6 139	**–**	–
Secretarial	**850**	1 094	**–**	–
Technical	**3 207**	3 959	**–**	–
	76 850	66 267	**–**	–
Classified on income statement as:				
Cost of sales	**7 639 019**	7 248 711	**–**	–
Selling and marketing expenses	**1 778 355**	1 595 510	**–**	–
Administrative expenses	**267 566**	278 953	**5 892**	4 286
Other operating expenses	**10 263**	2 172	**–**	–
Other income	**(30 926)**	(15 703)	**–**	–
	9 664 277	9 109 643	**5 892**	4 286
Employee costs:				
Salary cost	**751 431**	678 734	**–**	–
Pension fund contributions – defined contribution fund	**88 861**	91 480	**–**	–
Employee benefits – long service awards	**921**	315	**–**	–
Share-based payments	**8 192**	4 332	**–**	–
Dividends paid to participants of The Cashbuild Empowerment Trust	**12 390**	18 144	**–**	–
	861 795	793 005	**–**	–

31. FINANCE INCOME

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Earned on bank balances	**53 739**	40 636	**–**	–
Received from revenue authorities	**389**	178	**–**	–
	54 128	40 814	**–**	–

32. FINANCE COSTS

	Group 2018	Group 2017	Company 2018	Company 2017
Finance lease and loan interest	**1 576**	1 059	**–**	–
Bank borrowings	**1 477**	2 245	**–**	–
Revenue authorities	**90**	369	**–**	–
Other	**–**	112	**–**	–
	3 143	3 785	**–**	–

33. TAX EXPENSE

Major components of the tax expense:

	Group 2018	Group 2017	Company 2018	Company 2017
Current				
Income tax – current period	**160 183**	167 175	**–**	–
Over provision in prior periods	**(331)**	(935)	**–**	–
Capital gains tax	**76**	254	**–**	–
Withholding tax	**5 787**	340	**–**	–
Foreign income tax – current period	**18 835**	19 281	**–**	–
Foreign income tax – under/(over) provision in prior periods	**150**	(977)	**–**	–
	184 700	185 138	**–**	–
Deferred				
Current period temporary differences	**(9 266)**	2 711	**–**	–
Over provision in prior periods	**(1 465)**	(569)	**–**	–
Foreign – current period temporary differences	**(4 906)**	260	**–**	–
	(15 637)	2 402	**–**	–
	169 063	187 540	**–**	–
Reconciliation of effective tax rate:				
Applicable tax rate	**28.0%**	28.0%	**28.0%**	28.0%
Exempt income*	**(2.1)%**	(1.0)%	**(28.0)%**	(28.0)%
Tax loss used	**–**	(0.2)%	**–**	–
Capital gains tax	**–**	(0.4)%	**–**	–
Lower foreign tax rates	**(0.5)%**	0.5%	**–**	–
Increase in tax rate	**–**	0.1%	**–**	–
Disallowable charges^	**1.6%**	1.5 %	**–**	–
Withholding tax on dividends	**1.5%**	–	**–**	–
Prior year adjustments deferred tax	**(0.1)%**	–	**–**	–
	28.4%	28.5%	**–**	–

* *Exempt income relates to employee tax incentives and exempt dividends received by Cashbuild Trusts.*
^ *Disallowable charges relates to IFRS adjustments relating to share-based payments.*

34. RELATED PARTIES

Relationships

Ultimate holding company	Cashbuild Limited
Holding company	Cashbuild Management Services Proprietary Limited
Subsidiaries	Refer to note 35

Related party balances

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Loan accounts – Owing (to)/by related parties				
– FJP Beleggings Proprietary Limited	**(13 948)**	(13 948)	**–**	–
– Andre Prinsloo: CEO of P&L Hardware	**(4 650)**	(4 650)	**–**	–
– Nasrec Corner Shopping Centre: Related party of Cashbuild (South Africa) Proprietary Limited	**17 048**	17 048	**–**	–
– Kier and Kawder Proprietary Limited	**(1 960)**	(1 960)	**–**	–
– Exploit Tools Proprietary Limited: Related party of P&L Hardware Proprietary Limited	**(1 688)**	(401)	**–**	–
– The Cashbuild Share Incentive Trust	**–**	–	**(42 431)**	(42 431)
Amounts included in trade receivable/(trade payable) regarding related parties				
– UBM P and L (Pvt) Limited: Related party of P&L Hardware Proprietary Limited	**281**	250	**–**	–
– Cashbuild Management Services Proprietary Limited	**–**	–	**32 425**	38 704
– The Cashbuild Empowerment Trust	**–**	–	**174**	223
Contingent payables				
– Andre Prinsloo: CEO of P&L Hardware	**–**	(22 886)	**–**	–
Related party transactions				
Purchases				
– Exploit Tools Proprietary Limited: Related party of P&L Hardware Proprietary Limited	**11 808**	8 256	**–**	–
Rental paid				
– Optimprops 90 Proprietary Limited: Related party of P&L Hardware Proprietary Limited	**20 795**	18 899	**–**	–
Interest received				
– UBM P and L Proprietary Limited: Related party of P&L Hardware Proprietary Limited	**(30)**	(30)	**–**	–
Flight income				
– Optimprops 90 Proprietary Limited: Related party of P&L Hardware Proprietary Limited	**(227)**	(367)	**–**	–
Dividends received				
– Cashbuild Management Services Proprietary Limited	**–**	–	**(221 410)**	(256 895)

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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 Issued share capital	Nature of business	**% holding 2018**	% holding 2017
Cashbuild (Botswana) Proprietary Limited	P1500 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.

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Share-based payment capital contribution	**–**	–	**65 509**	57 317
Loan account	**–**	–	**39 533**	45 864
	–	–	**105 042**	103 181

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.

36. LOANS FROM GROUP COMPANIES

The Cashbuild Share Incentive Trust	**–**	–	**(42 431)**	(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 30 June 2018, Cashbuild Limited had 24 989 811 (June 2017: 24 989 811) shares in issue.

On 6 December 2010 a resolution was passed to repurchase 615 536 ordinary shares from the Cashbuild Empowerment Trust for a total consideration of R50 million. The proceeds on the share repurchase were distributed as a dividend to beneficiaries of the Trust, equal to R20 million. In the 2016 financial year a resolution was passed to repurchase a further 200 000 shares from the Trust which resulted in a distribution to the beneficiaries of the Trust of R61.89 million, which excludes transaction costs associated with the transaction of R1.62 million. As at 30 June 2018, The Cashbuild Empowerment Trust held 1 764 999 (June 2017: 1 764 999) shares in Cashbuild Limited.

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

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

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
– Final 2017 (2016)	**6 883**	8 613	**–**	–
– Interim 2018 (2017)	**8 754**	9 531	**–**	–
	15 637	18 144	**–**	–

38. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS

Executive

	Basic salary	Expenses and travel allowance	Medical benefits	Company's pension scheme contributions	Bonus	Total
30 June 2018						
WF de Jager (47)	**3 923**	**156**	**85**	**356**	**414**	**4 934**
A Hattingh (52)*	**1 153**	**76**	**–**	**109**	**138**	**1 476**
AE Prowse (54)	**2 707**	**210**	**–**	**203**	**193**	**3 313**
SA Thoresson (55)	**2 433**	**196**	**–**	**212**	**177**	**3 018**
WP van Aswegen (51)*	**536**	**57**	**–**	**52**	**112**	**757**
A van Onselen (56)	**1 431**	**107**	**37**	**123**	**113**	**1 811**
	12 183	**802**	**122**	**1 055**	**1 456**	**15 618**
30 June 2017						
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

** Directors' emoluments from date of appointment as a director.*

Share options granted to directors

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

Non-executive

	30 June 2018	
	Directors' fees	**Total**
IS Fourie (71)	**719**	**719**
HH Hickey (64)	**413**	**413**
AGW Knock (67)	**469**	**469**
Dr DSS Lushaba (52)	**425**	**425**
NV Simamane (59)	**437**	**437**
GM Tapon Njamo (40)	**90**	**90**
	2 553	**2 553**

	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

Key staff and Prescribed Officers

30 June 2018

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 three earning key staff emoluments for the year-end 30 June 2018 are as follows:

	Basic salary	Expenses and travel allowance	Medical benefits	Company pension scheme contributions	Bonus	Total
P Champion	**1 667**	**148**	**106**	**158**	**101**	**2 180**
W Dreyer*	**1 852**	**121**	**92**	**184**	**128**	**2 377**
A Havenga	**1 705**	**88**	**164**	**–**	**98**	**2 055**
MS Masala	**1 447**	**190**	**100**	**157**	**85**	**1 979**
I McKay*	**1 650**	**262**	**61**	**146**	**117**	**2 236**
A Hattingh^	**1 018**	**144**	**–**	**96**	**–**	**1 258**
WP van Aswegen^	**1 475**	**156**	**–**	**144**	**–**	**1 775**
A Prinsloo*	**2 040**	**541**	**–**	**–**	**–**	**2 581**
	12 854	**1 650**	**523**	**885**	**529**	**16 441**

30 June 2017

	Basic salary	Expenses and travel allowance	Medical benefits	Company pension scheme contributions	Bonus	Total
W Dreyer*	1 666	124	83	166	119	2 158
A Hattingh*	1 823	245	–	173	128	2 369
PA Champion	1 443	159	100	139	94	1 935
I McKay*	1 422	337	62	127	95	2 043
WP van Aswegen	1 583	233	–	167	104	2 087
A Prinsloo*	1 986	–	–	–	–	1 986
	9 923	1 098	245	772	540	12 578

** Prescribed Officers.*
^ Salary earned prior to being appointed as director.

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 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 remeasurement 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 remeasured 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.

The Group has been conducting internal workshops to determine the potential impact of the adoption of this new standard and is still in the process of assessing all areas impacted by the standard. At period end the significant areas impacted are property leases for store property and vehicles leased in the P&L Hardware business. The initial assessment indicates that the present value of operating rental commitments will be recorded as a financial liability with a corresponding capitalised non-current asset on the Statement of Financial Position. The related amortised finance cost and non-current asset depreciation will be recorded in the Statement of Comprehensive Income, replacing the operating lease expenses currently recognised.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendment now specifies the treatment of vesting and non-vesting conditions with regards to cash-settled share-based payment transactions. The treatment is essentially similar to the treatment of such conditions for equity settled share-based payment transactions. That is, non-market vesting conditions are taken into consideration when estimating the number of awards which are expected to vest (and which ultimately vest), while market conditions and other non-vesting conditions are taken into consideration when determining the fair value of the share-based payment liability, both initially and subsequently.

The amendment also provides for share-based payment transactions with a net settlement feature for withholding tax obligations. Essentially, where the entity is required to withhold part of the equity instruments equal to the tax obligation, the entity is required to account for the payment to tax authorities as a reduction in equity, except to the extent that the payment exceeds the fair value of the equity instruments withheld at net settlement date. The entity should also disclose the amount that it expects to transfer to tax authorities in terms of such transactions.

The amendment further provides guidance in terms of modifications which convert cash-settled share-based payment transactions to equity settled share-based payment transactions. For such modifications, the equity settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at modification date, to the extent to which goods or services have been received. The liability for cash-settled share-based payment transactions is derecognised on the modification date. Any difference between the two is recognised immediately in profit or loss.

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

The Group expects to adopt the amendment for the first time in the 2019 Annual Financial Statements.

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

IFRS 9 Financial Instruments

A final version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:

- IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and its cash flow characteristics. A new business model was introduced which allows certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances.
- The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.
- The new standard introduces a single "expected credit loss" impairment model for the measurement of financial assets.
- IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.
- IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

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.

The Group has been conducting internal workshops to determine the potential impact of the adoption of this new standard and is still in the process of assessing all areas impacted by the standard. The initial assessment indicates that the impairment allowance of trade receivables currently estimated on the incurred loss model will be estimated on an expected credit loss model.

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.

The Group has been conducting internal workshops to determine the potential impact of the adoption of this new standard and is still in the process of assessing all areas impacted by the standard. The initial assessment indicates that there is a change expected for pending customer deliveries and the classification and disclosure of our VIC customers.

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 2017: R622.0 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

At 30 June 2018

	30 days or less	**More than 30 days but less than 1 year**	**1 to 5 years**	**More than 5 years**
Finance lease liabilities	**–**	**(936)**	**(115)**	**–**
Trade liabilities and accruals	**(655 139)**	**(751 965)**	**–**	**–**
Contingencies	**–**	**–**	**(16 022)**	**–**
Deferred operating lease liability	**–**	**(264 198)**	**(941 476)**	**(737 460)**

At 30 June 2017

	30 days or less	More than 30 days but less than 1 year	1 to 5 years	More than 5 years
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

Company – Non-derivative financial liabilities

At 30 June 2018

	30 days or less	More than 30 days but less than 1 year	1 to 5 years	More than 5 years
Trade and other payables	**–**	**–**	**(5 278)**	**–**

At 30 June 2017

	30 days or less	More than 30 days but less than 1 year	1 to 5 years	More than 5 years
Trade payables and accruals	–	–	(5 991)	–

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 R953 million and R801 million respectively, which are expected to readily generate cash inflows to manage any liquidity risk.

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 US Dollar in Zambia. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign entities. A portion of the Group's income is earned in foreign currencies. The Group does not hedge borrowings in foreign currencies as the intention is to repay these from its foreign earned income stream. The Group also has a translation risk arising from the consolidation of foreign entities into South African Rands.

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

	Group		Company	
Figures in Rand thousand	**2018**	2017	**2018**	2017
Botswana Pula exposed to Rand				
Trade receivables	**6 191**	6 268	**–**	–
Cash and cash equivalents	**39 932**	117 493	**–**	–
Trade payables	**(65 040)**	(37 885)	**–**	–
Malawi Kwacha exposed to Rand				
Trade receivables	**1 779**	1 197	**–**	–
Cash and cash equivalents	**14 779**	9 900	**–**	–
Trade payables	**(14 791)**	(10 517)	**–**	–
Zambia Kwacha exposed to Rand				
Trade receivables	**725**	–	**–**	–
Cash and cash equivalents	**2 034**	–	**–**	–
Trade payables	**(5 368)**	–	**–**	–
US Dollar exposed to Rand				
Cash and cash equivalents	**142**	–	**–**	–

41. RISK MANAGEMENT (continued)

Exchange rates used for conversion of foreign items were:

	2018	2017
Botswana Pula – Reporting date rate	**1.31**	1.26
Botswana Pula – Average rate	**1.28**	1.29
Malawi Kwacha – Reporting date rate	**54.54**	59.70
Malawi Kwacha – Average rate	**57.92**	54.78
Zambia Kwacha – Reporting date rate	**1.33**	1.39
Zambia Kwacha – Average rate	**1.29**	1.39
US Dollar – Reporting date rate	**13.29**	12.71

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 R0.2 million (June 2017: R0.5 million) mainly as a result of foreign exchange gains or losses on translation of Kwacha-denominated trade receivables, cash and cash equivalents and trade payables.

If the currency had weakened/strengthened by 10% against the Botswana Pula with all other variables, in particular interest rates held constant, profit for the year would have been affected by R1.7 million (June 2017: R1.1 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.

Zambian operations only commenced trading in August 2017. If the currency had weakened/strengthened by 10% against the Zambia Kwacha with all other variables, in particular interest rates held constant, profit for the period would have been affected by R0.3 million (June 2017: N/A) mainly as a result of foreign exchange gains or losses on translation of Zambian Kwacha-denominated trade receivables, cash and cash equivalents and trade payables. Zambian operations are also exposed to the US Dollar and if that currency had weakened/strengthened by 10% the Group results would be affected by R0.4 million (June 2017: N/A) mainly as a result of foreign exchange gains or losses on translation of US Dollar-denominated trade receivables, cash and cash equivalents and trade payables.

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 counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Potential concentrations of credit risk consist mainly of cash and cash equivalents and trade and other receivables.

Credit risk consists mainly of cash 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 counterparty.

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

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:

	Group – 30 June 2018	Group – 30 June 2017	**Company – 30 June 2018**	Company – 30 June 2017
Cash held at financial institutions	**952 929**	801 420	**5 554**	5 828

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 2017: 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.

Interest rate risk

As the Group is operating with a low gearing ratio, interest rate risk on borrowings is minimised. Surplus funds are invested in call and other notice accounts in order to maximise interest potential. The only interest rate risk that the company is exposed to relates to bank borrowings.

	Group – 30 June 2018	Group – 30 June 2017	**Company – 30 June 2018**	Company – 30 June 2017
Effect of 100bp (basis point) move	**9 529**	8 014	**55**	58

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 statements of financial position.

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

The Group's target is to maintain a dividend cover of two times annual result. The Group has achieved an actual dividend cover of two times annual result in both the current and prior financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
continued

for the year ended 30 June 2018

42. SHAREHOLDERS' ANALYSIS (UNAUDITED)

Listed below is an analysis of holdings extracted from register of ordinary holders at 30 June 2018:

	% holding	No. of shares
Directors	**0.16**	**39 700**
The Cashbuild Empowerment Trust	**7.06**	**1 764 999**
Cashbuild (South Africa) Proprietary Limited	**1.46**	**364 579**
Cashbuild Forfeitable Share Plan	**0.51**	**126 852**
Cashbuild Operations Management Member Trust	**0.09**	**21 259**
Banks	**23.68**	**5 917 425**
Brokers	**0.59**	**147 795**
Close corporations	**6.08**	**1 520 058**
Endowment funds	**0.23**	**57 861**
Individuals	**6.60**	**1 649 936**
Insurance companies	**2.63**	**656 397**
Medical aid schemes	**0.11**	**26 854**
Mutual funds	**9.45**	**2 360 399**
Nominees and trusts	**13.11**	**3 277 015**
Other corporations	**0.24**	**60 114**
Pension funds	**18.49**	**4 620 634**
Private companies	**8.04**	**2 009 238**
Public companies	**1.34**	**334 221**
Sovereign Wealth Fund	**0.23**	**57 000**
	100.00	**24 989 811**
Portfolio size		
1 – 1 000	**1.62**	**405 831**
1 001 – 5 000	**2.38**	**595 903**
5 001 – 100 000	**18.88**	**4 719 236**
100 001 – 1 000 000	**38.69**	**9 699 644**
1 000 001 – over	**38.41**	**9 599 197**
	100.00	**24 989 811**

The following shareholders held in excess of 5% of the shares of the Company at 30 June 2018:

	% holding	No. of shares
Public Investment Corporation Limited	**12.27**	**3 067 484**
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 2018:

	Holders	No. of shares
AE Prowse	**2**	**37 500**
NV Simamane	**1**	**1 200**
WF de Jager	**1**	**1 000**
	4	**39 700**

The holding stated above exclude any shares held by virtue of the FSP.

43. SHAREHOLDERS' ANALYSIS (UNAUDITED) (continued)

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
1 000 001 – over	37.62	9 401 271
	100.00	**24 989 811**

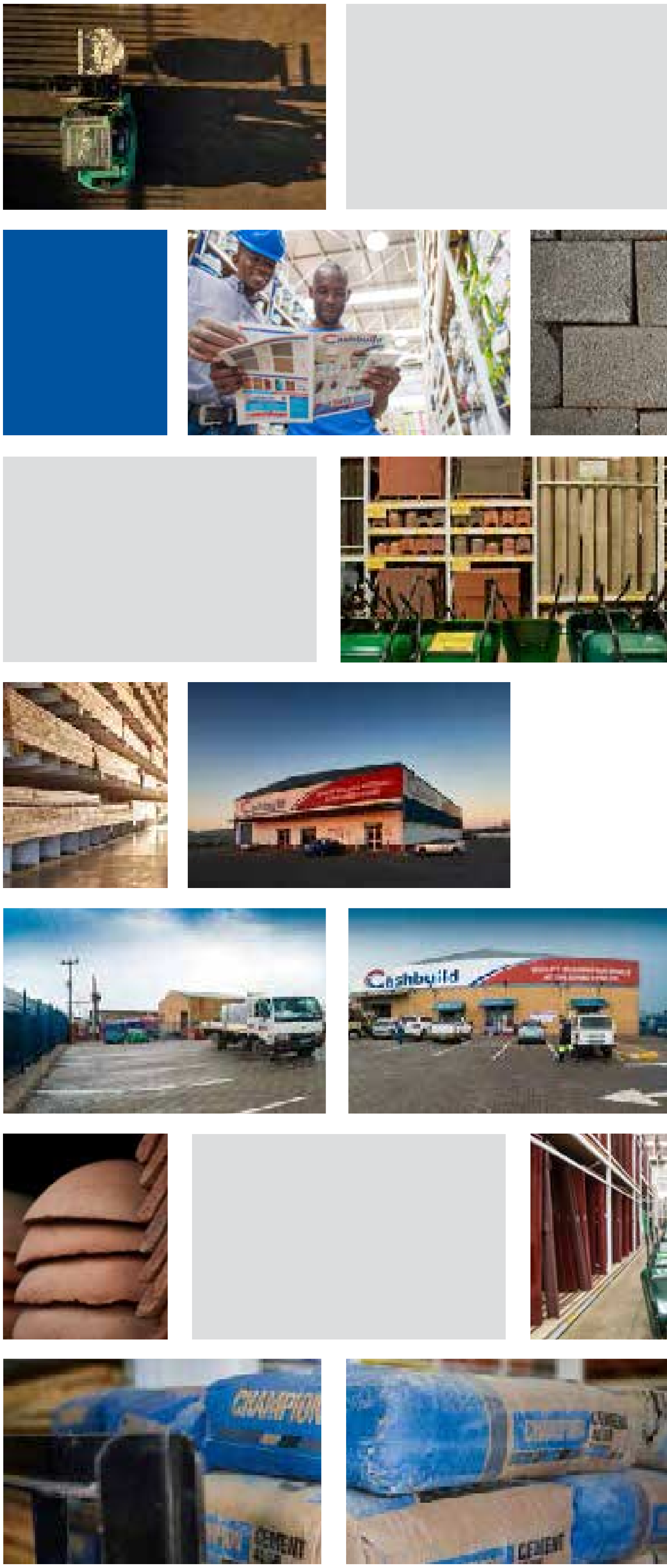
The following shareholders held in excess of 5% of the shares of the Company at 30 June 2017:

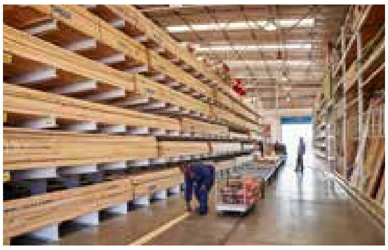
	% holding	No. of shares
Public Investment Corporation Limited	14.32	3 579 781
Goldrick, PK	9.75	2 436 673
The Cashbuild Empowerment Trust	7.06	1 764 999
SRA Investments CC	6.00	1 500 000

Directors' shareholding in main register 30 June 2017:

	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

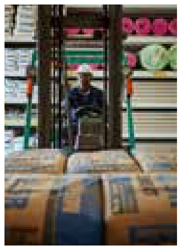




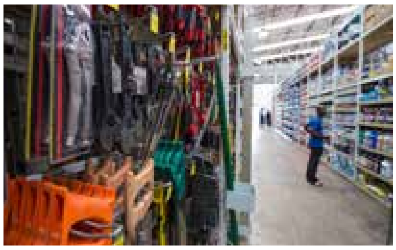















ANNUAL GENERAL MEETING DATE 26 NOVEMBER 2018


SHAREHOLDERS' ANALYSIS

Public/non-public shareholders	No of shareholders	No of shares	% holding
Non-public shareholders	**8**	**2 317 389**	**9.27**
• Directors' holdings	4	39 700	0.16
• Empowerment	1	1 764 999	7.05
• Share Plan	1	126 852	0.51
• Ops trusts	1	21 259	0.09
• Company-related	1	364 579	1.46
Public shareholders	**2 234**	**22 672 422**	**90.73**
Total	**2 242**	**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	**28 August 2018**
Final dividend paid	**25 September 2018**
2018 Integrated Report posted to shareholders	**October 2018**
Annual General Meeting	**26 November 2018**
Interim results for the six months ending 31 December 2018	**March 2019**
Annual results for the year ending 30 June 2019	**September 2019**

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 shareholders of Cashbuild will be held in the Cashbuild boardroom, cnr Northern Parkway and Crownwood Road, Ormonde, Johannesburg on Monday, 26 November 2018 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 2018, 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 (Election of Independent Non-executive Director: MS GM TAPON NJAMO)**

   TO RESOLVE to elect Ms GM Tapon Njamo (Independent Non-executive Director), who was appointed as a director on 2 April 2018. Ms Tapon Njamo offers herself for appointment by election.

   - Qualifications: CA(SA)
   - Was appointed a director on 2 April 2018
   - Chief Financial Officer of General Electric Transportation Africa
   - Member of the Cashbuild Audit & Risk Committee and IT Governance Committee.

4. **Ordinary resolution number four (Re-election of Independent Non-executive Director: MS NV SIMAMANE)**

   TO RESOLVE to re-elect Ms NV Simamane (Independent Non-executive Director) who became a director on 1 September 2004, and who retires by rotation but, being eligible, offers herself for re-election.

   - Qualifications: Bsc (Hons) Chemistry and Biology
   - Was appointed a director on 1 September 2004
   - A director of South African listed companies:
     - The Foschini Group and Oceana Group
     - A director of Hollard Insurance & Lenmed
   - Currently the CEO of Zanusi Brand Solutions
   - Awarded Business Woman of the Year in 2009 by TOPCO & BBQ.
   - Named 2013 Enterprising Woman in Fort Lauderdale, Florida, USA
   - Member of the Cashbuild Audit and Risk Committee and Chairperson of the Cashbuild Social and Ethics Committee.

   Ms Simamane has served as an Independent Non-executive Director of Cashbuild for fourteen years. The Board has confirmed that she continues to act in an objective, independent and impartial manner and accordingly her reappointment has been recommended.

NOTICE OF ANNUAL GENERAL MEETING

(continued)

5. Ordinary resolution number five (Re-election of Independent Non-executive Director: MS H H HICKEY)

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

- Qualifications: B.Compt (Hons)(University of South Africa). CA (SA)
- Directorships:
  - Barloworld Limited
  - African Dawn Capital
  - Pan African Resources
  - Northam Platinum Limited
- Member of the Cashbuild Social and Ethics Committee and Chairman of the Audit and Risk Committee.

6. Ordinary resolution number six (Re-appointment of Auditor)

TO RESOLVE, upon the recommendation of the Audit and Risk Management Committee, to re-appoint PricewaterhouseCoopers Inc. as the Auditor for the financial year ending 30 June 2019. The responsible Audit Partner is Mr Andries Rossouw.

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.

7. Ordinary resolutions numbers seven, eight, nine and ten (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:

7.1 Ordinary resolution number seven (subject to ordinary resolution number five being passed)

To appoint MS HH HICKEY

7.2 Ordinary resolution number eight

To appoint DR DSS LUSHABA

7.3 Ordinary resolution number nine (subject to ordinary resolution number four being passed)

To appoint MS NV SIMAMANE

7.4 Ordinary resolution number ten (subject to ordinary resolution number three being passed)

To appoint MS GM TAPON NJAMO

8. Ordinary resolution number eleven (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 61 to 65 of the Integrated Report of which this Notice of Annual General Meeting forms part.

Ordinary resolution number eleven 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 remuneration policy.

9. Ordinary resolution number twelve (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 the implementation of 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 implementation of the remuneration policy.

Section B of the Company's Remuneration Report is contained on pages 66 and 67 of the Integrated Report of which this Notice of Annual General Meeting forms part.

Ordinary resolution number twelve 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 eleven or twelve, 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.

10. Special resolution number one (Remuneration of Non-executive Directors)

TO RESOLVE that the remuneration for the Non-executive Directors, for the period 1 July 2018 to 30 June 2019, as set out below, is approved.

		Excluding VAT	Payable
Annual retainer	Chairman	284 000	Annually
	Director	180 000	Annually
Board and strategy meetings	Chairman	49 000	Each meeting
	Director	25 500	Each meeting
Audit and Risk Committee meetings	Chairman	19 000	Each meeting
	Director	15 500	Each meeting
All other meetings	Chairman	17 000	Each meeting
	Director	14 000	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.

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

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

Explanatory note in respect of Special resolution number two

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

In terms of section 45 of the Companies Act, the Directors of the Company may not authorise the Company to provide financial assistance by way of loans, guarantees, the provision of security or otherwise, to any company which is related or inter-related to Cashbuild, i.e. directly or indirectly, its subsidiaries, unless such financial assistance is pursuant to a special resolution of shareholders. This special resolution does not authorise the provision of financial assistance to a director or prescribed officer of the Company.

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

The authorisation of any such financial assistance will be, and remain, subject to the Board being satisfied that immediately after granting financial assistance, the Company will satisfy the solvency and liquidity test set out in the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

In accordance with section 45(5) of the Companies Act, the Board gives notice to shareholders of its intention to propose a resolution authorising the Company to provide financial assistance to certain related and/or inter-related companies, which Board resolution will take effect on the passing of Special resolution number two set out above.

The percentage of voting rights that will be required for this special resolution to be adopted is 75% of the votes exercised.

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 Annual General 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, 16 November 2018.

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 set out in the form of proxy, 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 the address set out in the form of proxy, 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).

Dematerialised shareholders without "own-name" registration who wish to attend the Annual General Meeting in person should request their CSDP or Broker to provide them with the necessary letter of representation in terms of their custody agreement with their CSDP or Broker. Dematerialised shareholders without "own- name" registration who do not wish to attend but wish to be represented at the Annual General Meeting must advise their CSDP or Broker of their voting instructions. Dematerialised shareholders without "own-name" registration should contact their CSDP or Broker with regard to the cut-off time for their voting instructions.

By order of the Board

Corporate Governance Leaders CC
Chartered Secretaries
Company Secretary to Cashbuild Limited

27 August 2018

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 shareholders who hold certificated shares and shareholders who have dematerialised their shares in "own name" registrations.

FOR THE ANNUAL GENERAL MEETING TO BE HELD ON MONDAY, 26 NOVEMBER 2018 AT 10:00

I/We ………

of ………

being a shareholder/shareholders of Cashbuild and entitled to ………………………votes do hereby appoint ………………………… …………………………………………………………… or failing him/her, ……………………………………………………… ……………………………… or failing him/her, the Chairman of the Annual General Meeting as my/our proxy to act for me/us at the Annual General Meeting of the Company to be held on Monday, 26 November 2018 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: Election of Independent Non-executive Director: MS GM TAPON NJAMO			
4. Ordinary Resolution number four: Re-election of Independent Non-executive Director: MS NV SIMAMANE			
5. Ordinary Resolution number five: Re-election of Independent Non-executive Director: MS HH HICKEY			
6. Ordinary Resolution number six: Re-appointment of Auditor			
7. Ordinary Resolutions numbers seven, eight, nine and ten By separate resolutions, to appoint the following members to the Audit and Risk Committee			
7.1 Ordinary Resolution number seven (subject to ordinary resolution number five being passed) MS HH HICKEY			
7.2 Ordinary Resolution number eight DR DSS LUSHABA			
7.3 Ordinary Resolution number nine (subject to ordinary resolution number four being passed) MS NV SIMAMANE			
7.4 Ordinary Resolution number ten (subject to ordinary resolution number three being passed) MS GM TAPON NJAMO			
8. Ordinary Resolution number eleven: Endorsement of the Company's remuneration policy			
9. Ordinary Resolution number twelve: Endorsement of the implementation of the Company's remuneration policy			
10. Special resolution number one: Remuneration of Non-executive Directors			
11. Special resolution number two: Financial assistance in terms of section 45 of the Companies Act to associated or Group companies			

If voted "against" for a resolution, kindly indicate which resolution number and the reasons in order to assist the Board in addressing the issue.

Signed at ………………………………………………………………………… on ……………………………………………………2018

Signature ……………………………… Assisted by me ……………………………………………… (where applicable – see note 7)

A shareholder qualified to attend and vote at the Annual General Meeting is entitled to appoint a person to attend, speak and vote in his/her stead. A proxy holder need not be a shareholder of the Company.

NOTES TO FORM OF PROXY

SHAREHOLDERS HOLDING CERTIFICATED SHARES OR DEMATERIALISED SHARES REGISTERED IN THEIR OWN NAME.

1. Only shareholders who hold certificated shares and shareholders who have dematerialised their shares in "own name" registrations may make use of this proxy form.
2. Each such shareholder is entitled to appoint one or more proxyholders (none of whom needs to be a shareholder of the Company) to attend, speak and, on a poll, vote in place of that shareholder at the Annual General Meeting, by inserting the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder's instructions to the proxyholder must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box/es provided. Failure to comply with the above will be deemed to authorise the chairman of the Annual General 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 shareholder's votes.
4. A shareholder 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 shareholder or his proxy is entitled.
5. Any power of attorney and any instrument appointing a proxy or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney shall be deposited at the office of the Transfer Secretaries, 24 (twenty four) hours before the time appointed for holding the Annual General Meeting or at the Annual General Meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxyholder appointed.
7. Where there are joint holders of 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.
8. Shareholders should lodge or post their completed proxy forms with the Transfer Secretaries:

   Computershare Investor Services Proprietary Limited
   Hand deliveries:
   Rosebank Towers, 15 Biermann 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).

SHAREHOLDERS HOLDING DEMATERIALISED SHARES

9. Shareholders who have dematerialised their shares through a CSDP or broker (except those shareholders who have elected to dematerialise their shares in "own name" registrations) and all beneficial shareholders 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.
10. All such shareholders wishing to attend the Annual General Meeting in person may do so only by requesting their CSDP, broker or nominee to issue the shareholder 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
"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
"BEE"	Black Economic Empowerment
"CAGR"	Compounded Annual Growth Rate
"Cashbuild" or "the Group"	Cashbuild Limited and its subsidiaries
"CB"	Cashbuild
"CGR"	Corporate Governance Report contained within this IR
"CIPC"	Companies and Intellectual Property Commission
"CPI"	Consumer Price Index
"Closing PE ratio"	Market value per share at 30 June divided by HEPS
"Companies Act"	Companies Act No 71 of 2008, as amended
"CSDP"	Central Securities Depositary Participants
"CSI"	Corporate Social Investment
"DEA"	Department of Environmental Affairs
"Dividend cover"	EPS divided by dividend per share
"DWT"	Dividend Withholding Tax
"Earnings yield"	HEPS as a percentage of market value per share
"EBIT"	Earnings before interest and taxation
"ED"	Enterprise Development
"EDRA"	European DIY Retail Association
"EE"	Employment Equity
"EPS"	Earnings per share
"FSP"	Forfeitable Share Plan
"GDP"	Gross Domestic Product
"GRI"	Global Reporting Initiative
"HEPS"	Headline earnings divided by the weighted average number of ordinary shares in issue during the year
"HR"	Human Resources
"IFRS"	International Financial Reporting Standards
"ILO"	International Labour Organisation
"IR"	Integrated Report
"IT"	Information and Technology
"JSE"	JSE Limited
"King IV"	Report on Corporate Governance for South Africa 2016
"Listings Requirements"	Listings Requirements of the JSE
"Ltd"	Limited

"LTI"	Long-Term Incentive
"MOI"	Memorandum of Incorporation
"N/A"	Not applicable
"NAV"	Net asset value
"NAV per share"	The net asset value of the Company divided by the number of shares in issue, after deducting treasury shares, at the end of the year
"NQF"	National Qualifications Framework
"OHSAS"	Occupational Health and Safety Advisory Service
"Operating profit margin"	Operating profit as a percentage of revenue
"OR"	Ordinary Resolution
"P&L Hardware"	P&L Hardware (Pty) Ltd
"PDI"	Previously Disadvantaged Individual
"PE"	Price earnings, market value per share divided by HEPS
"Pty"	Proprietary
"PwC"	PricewaterhouseCoopers Inc.
"RMR"	Risk Management Review
"ROCE"	Return on Capital Employed
"SABS"	South African Bureau of Standards
"SARS"	South African Revenue Services
"SECOM"	Social and Ethics Committee
"SENS"	Stock Exchange News Service
"SETA"	Sector Education and Training Authority
"SHE"	Safety, Health and Environment
"SKU"	Stock Keeping Unit
"SPR"	Special Resolution
"SR"	Sustainability Report contained within this IR
"SRI"	Socially Responsible Investment
"STI"	Short-Term Incentive
"the Board"	The Board of directors of Cashbuild
"the Company"	Cashbuild Limited
"the current year"	The financial year ended 30 June 2018
"the next year"	The financial year ending 30 June 2019
"the previous year"	The financial year ended 30 June 2017
"TSR"	Total Shareholder Return
"UN"	United Nations
"WACC"	Weighted-Average Cost of Capital

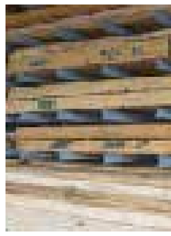
CORPORATE INFORMATION

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 Waterfall City, 4 Lisbon Lane, Jukskei View Midrand, 2090 (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







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