

Cashbuild

AUDITED ANNUAL FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2003

↑ **Headline earnings per share up 81%**

↑ **Net asset value per share up 35%**

↑ **Revenue up 24%**

CONDENSED GROUP BALANCE SHEET

as at 30 June	Audited	
R'000	2003	2002
Assets		
Non-current assets	95 225	68 122
Property, plant and equipment	73 676	50 734
Intangible assets	1 875	3
Loans receivable	6 882	2 889
Deferred taxation	3 097	2 562
Other non-current assets	9 695	11 934
Current assets	385 156	350 025
Inventories	249 263	198 238
Trade and other receivables	29 503	28 759
Tax paid in advance	-	438
Cash and cash equivalents	106 390	122 590
Total assets	480 381	418 147
Equity and liabilities		
Shareholders' funds	131 928	95 179
Minority interest	11 918	8 266
Non-current liabilities	297	349
Interest-bearing borrowings	-	63
Deferred taxation	297	286
Current liabilities	336 238	314 353
Short-term borrowings	63	115
Tax liability	16 433	1 887
Trade and other liabilities	319 742	312 351
Total liabilities	336 535	314 702
Total equity and liabilities	480 381	418 147
Capital expenditure	35 184	13 015
Depreciation of property, plant and equipment	8 028	8 240
Amortisation of intangible assets	134	1
Net asset value per share (cents)	568	421
Capital commitments	8 107	4 390
Contingent liabilities	1 576	3 364

GROUP STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Share premium	Foreign currency translation reserve	Distributable reserve	Total
Opening balance at 1 July 2001	232	38 052	2 730	38 162	79 176
Attributable earnings for the year				24 029	24 029
Dividend paid				(5 574)	(5 574)
Cost of shares repurchased	(6)	(2 446)			(2 452)
Balance at 1 July 2002	226	35 606	2 730	56 617	95 179
Effect of change in accounting policy				(97)	(97)
Attributable earnings for the year				45 195	45 195
Dividends paid				(13 936)	(13 936)
Dividend received on repurchased shares				221	221
Repurchased shares sold	6	2 446			2 452
Surplus on sale of repurchased shares		2 914			2 914
Closing balance at 30 June 2003	232	40 966	2 730	88 000	131 928

CONDENSED GROUP CASH FLOW STATEMENT

for the year ended 30 June	Audited	
R'000	52 weeks 2003	52 weeks 2002
Net cash inflows from operating activities	15 283	73 831
Net cash (outflows) from investing activities	(36 734)	(12 181)
Net cash inflows/(outflows) from financing activities	5 251	(2 553)
Net (decrease)/increase in cash and cash equivalents	(16 200)	59 097
Cash and cash equivalents at beginning of year	122 590	63 493
Cash and cash equivalents at end of year	106 390	122 590

NOTES TO THE CONDENSED GROUP ANNUAL FINANCIAL INFORMATION

1. Accounting policies

The group's condensed financial information has been extracted from the audited group annual financial statements, which have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies used in the preparation of the annual financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2002, except that AC 133 Financial Instruments: Recognition and Measurement, has been adopted. The effect of this change is reflected in the group statement of changes in equity.

2. Reporting period

The group adopts the retail accounting calendar which comprises the reporting period ending on the last Saturday in June (2003: 28 June - 52 weeks; 2002: 29 June - 52 weeks).

3. Audit opinion

PricewaterhouseCoopers Inc. audited the condensed announcement of annual results contained herein, as well as the comprehensive financial statements from which the condensed results were derived. The unqualified audit reports on the comprehensive financial statements and the condensed financial results are available for inspection at the company's registered office.

4. Repurchased shares

The company purchased 631 296 ordinary shares of Cashbuild Limited through its subsidiary Cashbuild (South Africa) (Pty) Ltd during the period December 2001 to February 2002. These shares were sold to The Cashbuild Share Incentive Trust in December 2002. The surplus realised on the sale of shares and the dividend received on these shares have been transferred directly to equity.

Number of shares reconciliation:	June 03	June 02
Shares in issue/fully diluted number of shares	23 224 812	23 224 812
Weighted number of shares repurchased	(313 054)	(313 480)
Weighted number of shares	22 911 758	22 911 332

5. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to shareholders by the weighted average number of 22 911 758 ordinary shares in issue during the year (2002: 22 911 332 shares). To calculate the headline earnings per share, the earnings attributable to shareholders is adjusted for the (profit)/loss on sale of assets after taxation and the amortisation of goodwill. This headline earnings calculation is in compliance with SAICA Circular 7/2002 as directed by the JSE Securities Exchange South Africa.

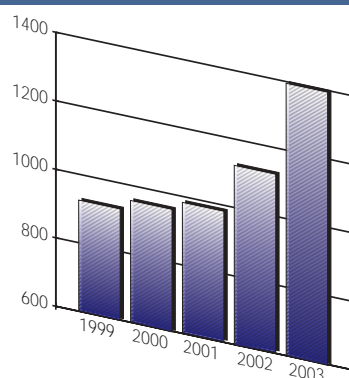
6. Declaration of dividend

The board has declared a final dividend (No. 21), of 40 cents per ordinary share to all shareholders of Cashbuild Limited.
Date dividend declared: 25/8/2003
Last day to trade "CUM" the dividend: 12/9/2003
Date commence trading "EX" the dividend: 15/9/2003
Record date: 19/9/2003
Date of payment: 22/9/2003
Share certificates may not be dematerialised or rematerialised between Monday, 15 September 2003 and Friday, 19 September 2003, both dates inclusive.

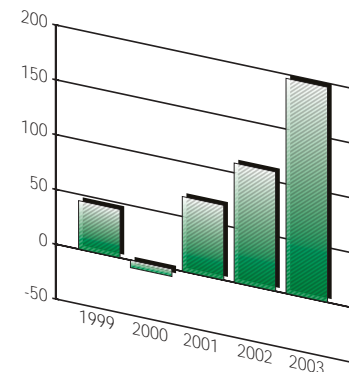
On behalf of the board
DONALD MASSON
Chairman
Johannesburg

PAT GOLDRICK
Chief Executive
25 August 2003

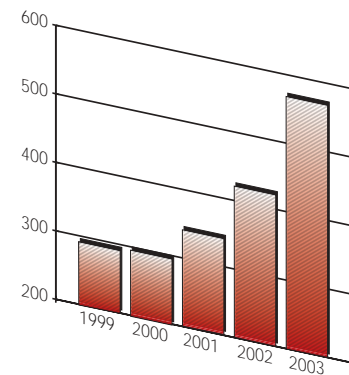
REVENUE (RM)



HEADLINE EARNINGS PER SHARE (CENTS)



NET ASSET VALUE PER SHARE (CENTS)



COMMENTS

Nature of business

Cashbuild has for a number of years been southern Africa's largest retailer of quality building materials and associated products. The group sells directly to a cash-paying customer base through its constantly expanding chain of stores (113 at the end of the reporting year).

Cashbuild carries an in-depth quality product range tailored to the specific needs of the communities it serves. Its customers are typically home builders and improvers, contractors, farmers, traders and, increasingly, large construction companies and government-related infrastructure developers, as well as all discerning customers looking for quality building materials at lowest prices.

Cashbuild has built its credibility and reputation by consistently and reliably offering quality products at lowest everyday prices, whilst adhering to a purchasing and inventory policy that ensures that customers' requirements are always in stock.

Our store staff continue to play an invaluable role in our success through their knowledge of the business and commitment to a consistently outstanding level of customer service.

Financial highlights

Management is proud to announce a further strong increase in headline earnings per share of 81% for the year ended 30 June 2003.

Net asset value per share has increased by 35%, from 421 cents (June 2002) to 568 cents (June 2003).

The board has declared a final dividend of 40 cents per share, which together with the interim dividend brings the full year's dividend to 65 cents. This represents an 86% increase on the comparative year. It is the intention of the board to continue with the payment of interim dividends.

The improvement in headline earnings is mainly attributable to revenue growth which was especially gratifying in both our new

and existing stores. Overall revenue increased by 24% for the year, with new stores contributing 8% and existing stores a creditable 16%.

This improvement in revenue was achieved dissimilarly over the two halves of the year. In the first half, an improvement of 34% was achieved from a low base in the previous six months when growth in revenue had been modest as a result of management's decision to withdraw all advertising while improving and reinforcing core strategies. This level of growth was not expected to continue, with revenue growth in the second half increasing by a more realistic 16%.

Gross profit improved by 26% compared to the previous 12 months, due to revenue improvement and a higher gross profit percentage. This improved percentage was principally due to better stock management, reduced shrinkage (0.4% of revenue), our enhanced buying power, and improved control of inventory ranging and obsolescence.

Operating expenses remain under tight control, the increase for the reporting year being 15%. The group benefits considerably from economies of scale as new stores are established. New stores represented 8% of the increase in operating expenses for the year under review, whereas existing stores accounted for 7%.

Financing income showed a healthy increase from R5.8 million to R9.5 million for the year. This increase is attributable to improved cash flows generated by the business operations as well as good treasury management.

Working capital continues to be a focus of our attention, with growth in inventories and trade liabilities in line with management's expectations, given current levels of revenue, the group's "always in stock" strategy, and our rate of organic expansion. Management is keenly aware of the need to balance customer requirements with the efficient management of its working capital. During this reporting year, management invested significantly in stock (an increase of 26%) and achieved a corresponding increase in revenue and customer satisfaction. Of this 26% increase in stock, 12% is attributable to the stocking of new stores.

Management during the past 18 months has adopted its "always in stock" strategy and put in place appropriate policies. It has been observed that during the implementation of this strategy, together with additional levels of stock, a concomitant increase in revenue and customer satisfaction was achieved. This has proven to management that the policies the company has adopted in relation to this strategy have provided obvious benefits. Given this outcome, Cashbuild undertook towards the end of the first half of this financial year to initiate a project to determine the optimum level of stock holdings given the impact on revenue, margins and the opportunity cost of this investment. This project was performed under very strict ranging and stock control management. It has resulted in the utilisation of available cash in the business to fund varying levels of stock and to assess and analyse the outcome in relation to overall profitability. Before year end, Cashbuild, as a result of this detailed project, was able to determine the optimal stock model for the business. This stock model has now been applied and is expected to lower overall stock levels within the business whilst ensuring all stores are "always in stock" and providing the business with maximum return on assets employed. Given the strict control over the term of this project, management does not foresee any significant markdowns or write-offs due to the current higher stock levels.

The immediate result of the implementation of the stock model is lower stock ordering levels and the resultant stabilisation of trade liabilities at year end. Cashbuild has also utilised excess cash within the year to negotiate mutually beneficial settlement terms with suppliers. Whilst Cashbuild has finalised its ongoing settlement terms and arrangements with creditors, this will continue to be reviewed on an ongoing basis.

The group's cash balance of R106.4 million at year end, has arisen from continued expansion and refurbishing activities, the payment of our first interim dividend, and our focus on our "always in stock" strategy. Working capital is expected to contribute to improved cash levels as our stock model is actualised.

Expansion strategy

In June of last year, Cashbuild undertook to open 10 new stores per year. By the end of this reporting year, 11 new Cashbuild outlets had been opened. Our commitment to this level of organic expansion will continue into the foreseeable future. We possess the resources in management, finance, and infrastructure to make this possible.

Besides the new store expansion, our store in Maun, Botswana, was entirely rebuilt. We also completed our first store refurbishment, in Mabopane. This store is part of a structured programme designed to revitalise all existing stores in order to maximise returns on these investments.

Sites for new stores and stores requiring refurbishment are identified on the basis of dependable demographic data that indicates unambiguously worthwhile revenue potential in the proposed locality. Additionally all financial investments must meet the strict criteria that have always characterised the Cashbuild business model, which has proved its ability to maximise returns in all the markets in which we are active – rural, urban and mass housing.

Cashbuild's ongoing organic expansion programme will continue to be prudently managed and funded through cash flows from operational profitability.

Management

The group's results are in line with the board's expectation and show once again, the continuing benefit the company derives from the experience, specialised knowledge, and commitment of its management at all levels. Managers accept that they are personally responsible for delivering sustainable results and readily take ownership of issues to be resolved and opportunities to be exploited. Management style at Cashbuild is detailed and comprehensive. The team is cohesive and well equipped to accept and deal with challenges, including those presented by the need to tightly control our store expansion programme.

Cashbuild's management, with its vested shareholder stake in the business, will continue to deliver steadily improving, sustainable results and will stay focussed on its proven key business strategies. Tight financial and operational controls will continue to be exercised.

Prospects

Cashbuild strives to continue to increase its revenue by profitably growing market share to a minimum of 30%. Our prime target customer remains the cash-paying individual intent on necessary domestic improvements and structural repairs – and the contractor who services him.

We are also making headway in our efforts to increase the volume of revenue generated from government-related contracts.

Management is confident that Cashbuild's markets will continue to grow, supported by government drives to increase home ownership, and the continued striving of private home builders and developers to meet the aspirations of more and more home owners for larger homes and better housing. In all of the countries in which Cashbuild trades, home ownership is increasingly seen as a dependable and profitable investment.

Cashbuild is the first-choice supplier of quality building materials in all the markets in which it is represented. Our permanent strategy of expansion and store relocations continually increases the size of the market to which we have access.

The group is confident that it will be able to maintain its record of rewarding its stakeholders and share owners with consistently improving and sustainable results into the foreseeable future.

LARGEST RETAILER OF BUILDING MATERIALS IN SOUTHERN AFRICA

Directors: D Masson* (Chairman), PK Goldrick (Chief executive) (Irish), CT Daly, FM Rossouw* (*Non-executive) • Company secretary: Alan C Smith
Registered office: Cnr Aeroton and Aerodrome Roads, Aeroton, Johannesburg 2001; PO Box 90115, Bertsam 2013
Transfer secretaries: Computershare Limited, 70 Marshall Street, Johannesburg 2001; PO Box 61051, Marshalltown 2107
Registration number: 1986/001503/06 (Incorporated in the Republic of South Africa) • Listed on the JSE Securities Exchange South Africa
JSE Sponsor: Nedbank Corporate • Auditors: PricewaterhouseCoopers Inc. • JSE Sharecode CSB • ISIN Code ZAE000028320

Visit our website at: www.cashbuild.co.za