Cashbuild

2021 INTEGRATED REPORT

FOR THE YEAR ENDED 27 JUNE

Contents

"The Covid-19 pandemic has placed a lot of personal and professional challenges on everyone. I would like to thank the Cashbuild family for their dedication and hard work during these uncertain times. Our excellent results are testimony to all your efforts.

Our sincere condolences to all those who lost family, friends and/or colleagues during the year."

Werner de Jager
Chief Executive, Cashbuild

Cashbuild is a southern African-based retailer of building materials and products at the best value, direct to the public.

How to read this Report

DOCUMENTS AVAILABLE ON THE COMPANY'S WEBSITE:

www.cashbuild.co.za

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

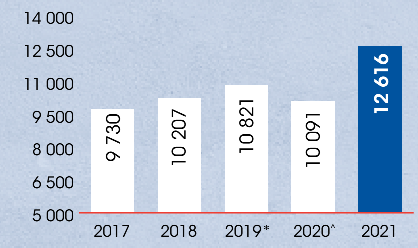
ABBREVIATIONS AND DEFINITIONS

The abbreviations and definitions used throughout this Integrated Report are detailed on page 176.

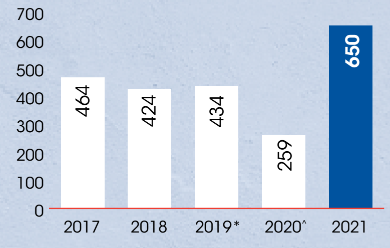
Highlights

for the year ended 27 June 2021

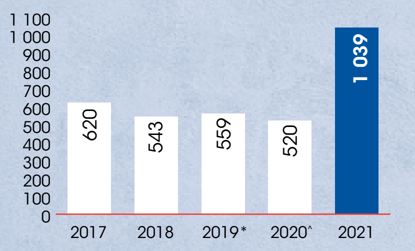
REVENUE (Rm)



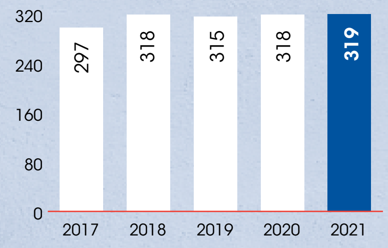
HEADLINE EARNINGS (Rm)



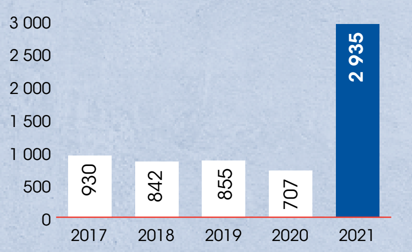
OPERATING PROFIT (Rm)



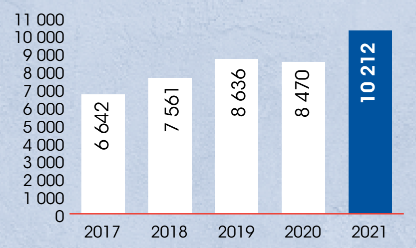
NUMBER OF STORES



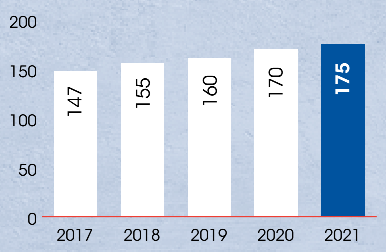
TOTAL DIVIDEND PER SHARE (cents)



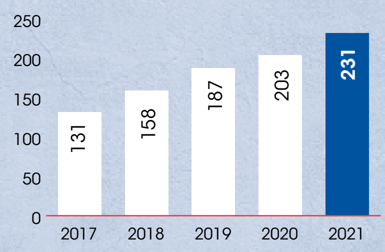
NAV PER SHARE (cents)



CSI SPEND (Rm)



TOTAL NUMBER OF STORES (converted through energy conservation projects to date)



* *2019 includes 53rd week of trading.*

^ *2020: Covid-19 negatively impacted operations. Revenue, operating profit and headline earnings impact estimated at approximately R621 million, R109 million and R76 million, respectively.*

About the Report

This Integrated Report provides an overview of Cashbuild's activities for the financial year ended 27 June 2021.

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 amended International <IR> Framework by the International Integrated Reporting Council (IIRC) 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, clear 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 ordinary 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 the Group operates.

There are no material changes to the content of this Report compared to the 2020 Integrated Report. However, Cashbuild has restructured the Integrated Report to incorporate a dedicated ESG Report as well as introduced the use of the UN Sustainable Development Goals (UN SDGs). This Report reflects on the Group's current and anticipated financial performance as well as non-financial performance in line with its strategic objectives. The Company has also published its application of the King IV™ Principles, in terms of the JSE Listings Requirements, on its website.

The Board has considered the volume and complexity of the information in this 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.

REPORTING FRAMEWORKS

Cashbuild continues to enhance the Integrated Report and follows the guidelines provided by the amended IIRC's International <IR> Framework in terms of reporting according to the Six Capitals.

To guide and inform Cashbuild's decisions during the preparation of this Report, we applied the principles and requirements contained within various regulations, codes and standards as set out in the table below.

	Integrated Report	Annual Financial Statements
IIRC's International <IR> Framework	√	–
JSE Listings Requirements	√	√
Companies Act	√	√
IFRS	√	√
King IV™	√	√
UN SDGs	√	–

ESG

The Covid-19 pandemic has sharply emphasised that governments, businesses and individuals across the globe can no longer afford to ignore the perils associated with the differences in societal means and the alarming rate of degradation of the environment. Whilst good corporate governance has been firmly on the radar for listed South African companies thanks to King IV™ and its predecessors, often putting local companies ahead of their international peers in this respect, social and environmental impacts have gained increasing significance over the past few years. Cashbuild remains committed to ensuring good corporate citizenship in this respect, and strives to embrace ESG (environmental, social and governance) good practices. The Group, however, acknowledges this is a journey, and our initial and ongoing efforts in this respect are detailed in this Integrated Report.

The interaction between the Six Capitals and the compliance to the UN SDGs are explained or indicated by using icons where applicable throughout this Integrated Report.

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 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 most relevant and material to Cashbuild and our various stakeholder groups, that could potentially impact our strategy and the Group as a going concern. Material matters are identified for the Group through an internal and external materiality determination process.

- Desktop research performed, including media, trend and peer analysis
- Review of prior period material matters
- Application of guidance and research from standard-setting bodies, including reporting standards and frameworks

When making materiality judgements, the Executive Management Team and the Board assess the available information holistically from a quantitative as well as a qualitative perspective and consider whether the matter could impact the Group's ability to create value and/or reasonably be expected to influence a primary user's decision.

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, plays a pivotal role in the determination of Cashbuild's material risks as well as opportunities that arise in the course of conducting our business activities. Further detail pertaining to these risks and opportunities is detailed on pages 26 to 33 of this Report.

OUR MATERIAL MATTERS

Matters are identified on an on-going basis through our Group Risk Management Policy and closely and actively managed by Cashbuild's Executive Management with oversight of the Board. Matters identified and considered material are reported in the Integrated Report.

The material matters are informed by the operating environment as well as expectations of our stakeholders and consider retrospective and forward-looking information.

Our material matters evolve with the changes in the operating environment and stakeholder expectations and therefore, our material matters identified are reviewed annually and appropriate response action is implemented.

ASSURANCE

Although the ESG Report has not been independently assured, certain information contained herein has been scrutinised by the Group's own internal audit function, 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 on pages 100 to 106 of this Report.

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

An independent accredited empowerment rating agency has provided assurance on the B-BBEE scorecard for the current financial year. Please refer to page 56 for more detail on our scorecard and current B-BBEE 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 B-BBEE Compliance Report in terms of section 13G(2) of the B-BBEE Act has been published on the Company's website.

01 ABOUT CASHBUILD

Group Highlights

Cashbuild delivered the following highlights for the year ended 27 June 2021 following its strategic sustainability approach and aligning them with the Six Capitals as set out in the IIRC's International <IR> Framework:

Financial Capital		% change	**27 June 2021**	28 June 2020
Revenue	R'000	25	**12 615 629**	10 091 910
Operating profit	R'000	100	**1 038 819**	520 312
Profit before taxation	R'000	>100	**967 644**	393 976
Attributable earnings	R'000	>100	**666 647**	267 371
Headline earnings	R'000	>100	**650 415**	258 682
HEPS	Cents	>100	**2 873**	1 139
Dividend per share	Cents	>100	**2 935**	707
NAV per share[1]	Cents	21	**10 212**	8 470
Cash and cash equivalents	R'000	30	**2 546 380**	1 951 582
Manufactured Capital				
Number of stores[2]		–	**319**	318
Number of trading weeks		–	**52**	52
Average basket size	Rands	8	**641**	594
Total wealth created/distributed and reinvested	Rands	34	**2 345 252**	1 751 328
Human Capital				
Number of employees		–	**6 238**	6 213
Revenue per employee	R'000	24	**2 022**	1 624
B-BBEE rating level			**6**	8
New employees		9	**1 016**	933
Learnerships granted		(16)	**294**	352
Intellectual Capital				
Number of trading brands			**2**	2
Number of registered trademarks			**7**	7
Social Capital				
Number of schools contributed to	R'000	(100)	**–**	181
Value of school donations	R'000	(100)	**–**	2 691
Various social initiatives	R'000	49	**2 462**	1 656
Payments to drivers for delivery driver employment	R'000	4	**172 500**	165 826
Total CSI	R'000	3	**174 962**	170 173
Natural Capital				
Total number of stores converted through energy conservation projects to date		14	**231**	203

1. *Based on ordinary number of shares in issue*
2. *Includes one (2020: one) Cashbuild DIY store*

Our Group at a Glance

Our achievements in store growth, **broadening our footprint as well as our relationships** built in the past have stood us on 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.**

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

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

P&L Hardware, **acquired on 1 June 2016,** was founded in 1982 and has a business model aligned to that of Cashbuild's.

Our footprint encompasses 319 stores (2020: 318 stores) including 55 (2020: 61) P&L Hardware stores and one (2020: one) Cashbuild DIY store, trading across **seven countries throughout southern Africa.**

As at 27 June 2021 **we employ 6 238** (2020: 6 213) **committed employees** and **348** (2020: 383) **equally committed delivery driver contractors**.

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, 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, ensures that all our people develop to their fullest potential, 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 and sustainable returns to our shareholders, both financial and non-financial.

OUR CORE VALUES

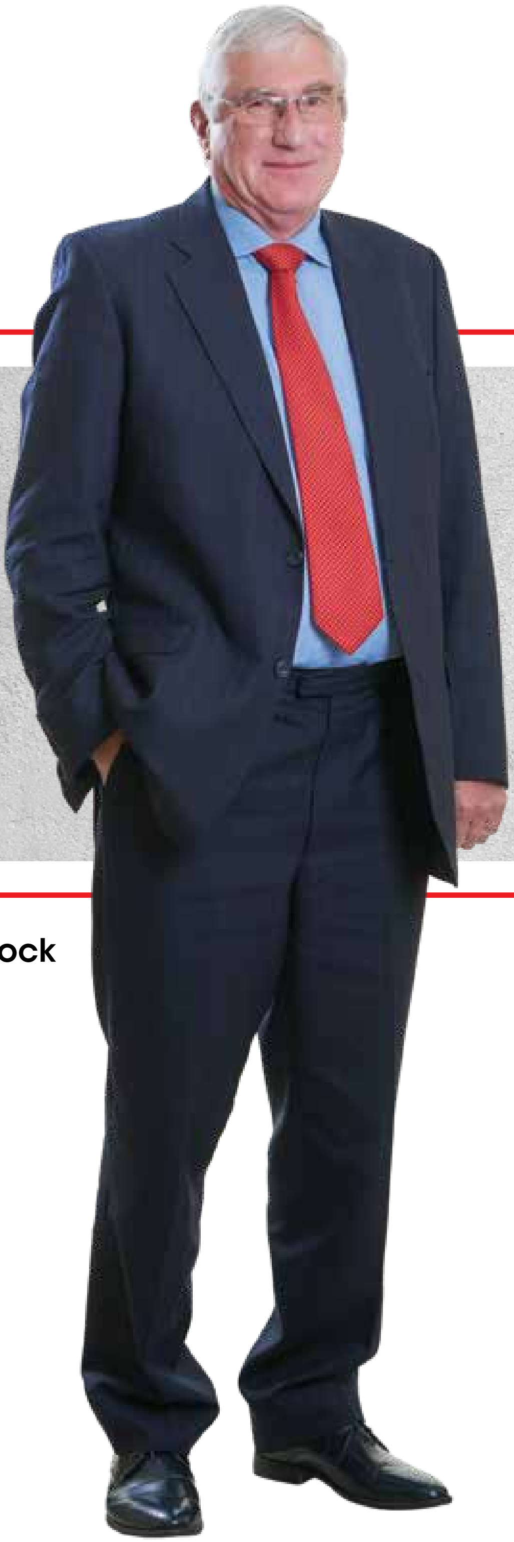
Our principles

Our values form the basis for all our engagements, both within the Group and externally. Rather than 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 **aim to 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.

Chairman's Report



Alistair Knock

Cashbuild reported a record set of results for the year ended 27 June 2021, despite the impact of Covid-19 on the South African economy.

As we continue living in these unprecedented times brought on by the Covid-19 pandemic, and having adapted to the new "normal" way of conducting business, we need to remember the personal cost that has been borne by so many in our country. In particular we must strive to support our young people in these difficult times, as Cashbuild continues with its many training programmes, including that of offering job experience to young unemployed persons, many of whom succeed in joining the Company once their year-long support ends.

Despite the numerous challenges faced by businesses across South Africa as we move between the various lockdown levels, Cashbuild reported an excellent set of results for the year ended 27 June 2021.

The Company benefitted in part from Covid-related grants, as well as the home improvement industry boom, triggered by the lockdowns, as people spend more time at home doing household maintenance work, or having to create workspaces to work from home. This trend peaked between August and October 2020, when DIY retailers recorded, on average, an 11% rise in sales compared with the same period in 2019. This trend leveled out at the start of 2021 as life started to return to "normal".[1]

The safety of our staff and our customers continues to be of paramount importance to us and Cashbuild's Covid-19 safety and health protocols are set out on page 52 of the Integrated Report. With the country returning

1. *Covid will decide if home refurb boom continues | Sarah Smit | Mail & Guardian | 18 January 2021*

to an Adjusted Level 4 lockdown on 28 June 2021, we can only hope that the onslaught of the Delta variant will begin to subside, and South Africa's efforts to obtain sufficient vaccines will start to see results, leading to a significant beneficial effect on the health of the nation. At the time of writing my report, South Africa has moved to Adjusted Level 3 lockdown.

Sales trends were encouraging, which was echoed in retail data from Statistics South Africa (Stats SA). This included a strong demand for structural building materials such as bricks and cement.

Several of South Africa's cement and concrete producers joined up in early March 2021 to form an industry association called Cement & Concrete SA (CCSA). The International Trade Administration Commission (ITAC) of South Africa started reviewing the tariffs on low-priced cement imports in December 2020 in a process expected to take up to 18 months. Cashbuild welcomes this industry initiative.

The South African consumer, however, remains under severe strain. The Quarterly Labour Force Survey (QLFS) released by Stats SA on 2 June 2021 showed that the unemployment rate increased slightly from the 32.5% recorded in the final quarter of 2020 to 32.6%, climbing to the highest level since the report was introduced 13 years ago. This is a clear indication that the economy is struggling to create much needed jobs. This level of unemployment cannot be allowed to persist if the country wants to be considered a successful nation and attract both foreign capital, as well as much needed skills. We support government and private sector initiatives to find solutions that will create job opportunities in order to fight poverty.

The performance of stores in neighbouring countries has been satisfactory, including Cashbuild's two stores in Zambia, which have shown good improvement this year, albeit still below break-even level. The restriction on travel to and from South Africa has made the task of management more difficult in overseeing the southern African stores to ensure individual challenges are both correctly identified and attended to. The social unrest in eSwatini towards the end of the financial year unfortunately resulted in a loss of several days of trading.

However, this paled in significance compared to the damage caused by the looting given the violent unrests in KwaZulu-Natal and Gauteng mid-July 2021. Over 30 of Cashbuild's stores were looted. Behaviour such as this must be roundly condemned by both government and business, and should this level of violent civil unrest occur again, it should certainly not be allowed to continue unabated as it was in the initial days of the crisis.

On 4 August 2020, Cashbuild announced that it had entered into a definitive sale and purchase agreement with Pepkor Limited (Pepkor) to acquire 100% of the issued share capital of The Building Company Proprietary Limited (TBC), a wholly-owned subsidiary of Pepkor (the Transaction). On Friday, 28 May 2021, shareholders were advised that the Competition Commission recommended that the Transaction be prohibited. The approval by the Competition Commission was a material suspensive condition which was required to be fulfilled in order to implement the Transaction. Consequently, given that not all the suspensive conditions would be met by the long-stop date of 16 August 2021, and the parties unable to agree on an extension of the long-stop date, we announced on 12 August 2021 that the Transaction between Pepkor and ourselves is regrettably terminated.

Cashbuild understands and supports the necessity of conducting business in a way that secures the natural and social environments for future generations. The ESG movement has been maturing pre-2020 with the onset of the Covid-19 pandemic catapulting this movement onto the Ethical Investing 2021's "Must Do" list. According to the Global ESG Survey, issued February 2021, the climate crisis is driving an extraordinary increase in new funds with an environmental focus and eco-conscious millennials are the vanguard of the ESG investment movement.

Cashbuild already embraces strong governance and sustainable business practices and using the UN SDGs, decided to highlight the many environmental and social initiatives undertaken by the Group, in a separate ESG Report. This ESG Report commences on page 43 of the Integrated Report.

Cashbuild's total CSI spend amounted to R174.9 million (2020: R170.2 million), a 2.8% increase on the prior year. The Group's direct impact on the environment is negligible, but where possible, the stores collect rainwater, recycle all packaging towards managing waste, use electricity-saving lighting and, in some instances, install solar panels to ensure that stores can operate during periods of load shedding.

Cashbuild is not involved in the production or manufacturing process of the products available in its stores. However, the Group is committed to sourcing 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 and sustainable retailer, the Group only sources products that comply with legislative requirements related to product labelling, including warning labels. In certain instances, particularly with regards 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.

Chairman's Report continued

On behalf of the Board, I would like to extend my appreciation to Werner de Jager and his team for the exceptional and ethical manner in which the business was managed despite the challenges faced during the year, exacerbated by the Covid-19 pandemic and the appalling civil unrest in South Africa. The strong cash generation, sound balance sheet and growth are testimony to their hard work, the correct, and the comprehensive business processes laid out in The Cashbuild Way.

I would like to extend my and the Board's condolences to all shareholders, employees, customers and other stakeholders within the Group, who have lost loved ones during the past year.

Regarding changes to the Board, Ms Hester Hickey resigned from the Board effective 31 May 2021, and I would like to thank her for her contribution over the years and wish her well in her future endeavours. The Board would like to welcome Ms Melanie Bosman and Mr Abey Mokgwatsane as Independent Non-executive Directors of Cashbuild with effect from 1 August 2021 and looks forward to their contributions.

To my colleagues on the Board, thank you for your invaluable input, wise counsel and support throughout another challenging year. I appreciate the steadfast and ethical way the Board collectively confronted and addressed the challenges in these uncertain times.

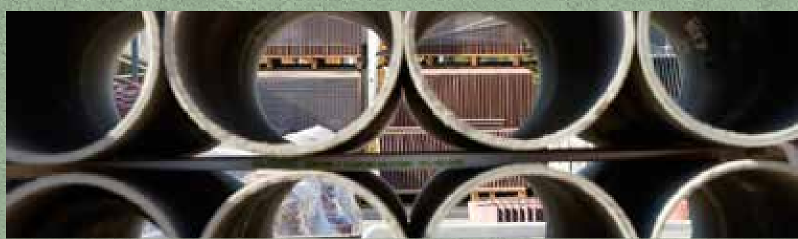
In conclusion, I am confident that Cashbuild's stated strategy and the very able management team will continue to generate sustainable growth across all operations, which in turn, will drive shareholder returns.

Alistair Knock
Chairman

31 August 2021


Home is
where the heart is
Cashbuild
COROBRIK
BRICKIT
AGM


Seats



02 SUSTAINABLE VALUE CREATION

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 that guide how we do things throughout the Group and conduct 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.

We then sell quality building materials and associated products to our customers at the best value. We aim to ensure a pleasant shopping experience for all our customers in each of our 319 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, service 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 18 and 19 illustrates our value creation, showing our inputs, outputs and outcomes clearly.

The Cashbuild and P&L Hardware values are aligned and are consistent with those of prior years.

WHY INVEST IN CASHBUILD

The Cashbuild Way, together with our strategy and corporate sustainability approach focused on the Six Capitals for the year ended 27 June 2021 is presented below:

- We are one of the larger retailers 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. although this was not possible in the current year due to the effects of the Covid-19 pandemic.
- Our financial position is healthy and robust, allowing us to take advantage of growth opportunities when they arise.
- We continue to successfully open new stores and refurbish or relocate existing stores.
- We are a responsible corporate, taking our ESG commitments seriously, ensuring we adhere not only to the necessary laws, regulations and principles in play but also embracing the spirit in which these were promulgated.
- We reward our shareholders by paying a consistent dividend.

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 and P&L Hardware brands 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 the triple bottom line of defense auditing system.

The Six Capitals

WHAT WE STRIVE FOR WITH THESE CAPITALS:

FINANCIAL	To generate sustainable profits which will enable the Group to expand and grow our business.
HUMAN	To ensure that our staff complement is diverse, motivated, skilled, ethical and safe. To invest in our people through creating opportunities for skills development and ensuring succession planning.
SOCIAL	To invest in the communities in which we operate. To ensure upliftment through the support of local entrepreneurs, creating 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. To develop and empower our communities through learnership programmes and bursaries.
INTELLECTUAL	To ensure that the Cashbuild and P&L Hardware brands remain synonymous with quality service and product delivery.
MANUFACTURED	To expand our footprint and build stores responsibly to best serve our customers.
NATURAL	To minimise our impact on the environment and its resources and expect our stakeholders to do the same.

The interaction between the Six Capitals and the compliance to the UN SDGs are explained or indicated by using icons where applicable throughout the Integrated Report.

Our Business Model

Inputs

Financial Capital

- Risk management
- New opportunities
- Strategic planning
- Strong financial position
- Shareholder investments

Human Capital

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

Social Capital

- New store openings
- Free local customer deliveries
- Delivery driver programme
- Local brick and block makers
- Glass cutters
- Learnership and bursary programmes

Intellectual Capital

- Experienced Board and Executive Management
- Cashbuild and P&L Hardware brands
- Process aligned IT systems
- Registered trademarks

Manufactured Capital

- Procurement and supply chain
- Product responsibility
- Customer service
- Security and crime prevention
- Growing store footprint
- Local sourcing

Natural Capital

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

Operations

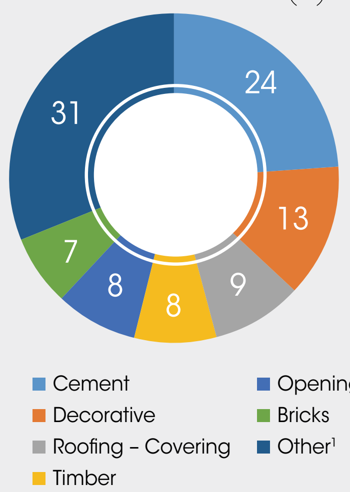
Suppliers

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 and bricks, and associated products such as tools, hardware and plumbing.

PRIMARY PRODUCTS (%)



[1] *Other primary products represents sales from products that are similar in nature and individually, contributes less than 6% to revenue.*

Stores

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

Customers

Our customers are building contractors, home improvers, farmers, traders and anybody looking for quality building material at the lowest prices.

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.

UN SDGs impacted: 1 No poverty, 3 Good health and well-being, 4 Quality education, 5 Gender equality, 7 Affordable and clean energy, 8 Decent work and economic growth, 9 Industry, innovation and infrastructure, 10 Reduced inequalities, 12 Responsible consumption and production

Outputs

Financial Capital

- Revenue growth
- Cost savings
- New, refurbished and relocated (where necessary) stores
- Informed shareholders
- Wealth created

Human Capital

- Skilled workforce
- Lower staff turnover
- Healthy staff morale
- Minimise injuries
- Increased employment of HDSAs
- Employee safety

Social Capital

- Create local employment opportunities
- Art@Heart (school donations)
- Support entrepreneurs
- Loyal customers

Intellectual Capital

- Established management team
- Succession plan
- Trusted brands
- Efficient systems that enhance controls and reduce operational risks
- e-Commerce initiatives

Manufactured Capital

- Good quality products at best value
- No "grey" goods
- "Every day best value" – marketing
- Loyal customers
- Number of local jobs created/supported through local sourcing

Natural Capital

- Energy efficiency
- Lower carbon footprint
- Reduced water consumption
- Ensure a clean environment

Outcomes

Financial Capital

- Increased profitability
- Market share growth
- Improved shareholder return
- Industry leadership

Human Capital

- Considered employer of choice
- Attract and retain best people
- Staff experience and skilled workforce
- Profit sharing
- Improved HDSA management representation

Social Capital

- Community upliftment
- Encourage entrepreneurship
- Improved brand loyalty
- Good corporate citizenship

Intellectual Capital

- Increased market share
- Considered brand of choice
- Market knowledge and being ahead of the curve in terms of market trends and influences
- Increased sales and customer interaction through various initiatives

Manufactured Capital

- Expanded stores and customer base
- Suppliers with shared ethical values
- Continued safe environment
- Sustainable profits

Natural Capital

- Sustainable business practices

Our Group Structure

OUR ORGANISATIONAL STRUCTURE

The Group's organisational structure differs from its operational reporting structure. The Group is organised into different operational areas each headed by an Operations Executive, who in turn reports to the Divisional or Operations Director/Managing Director. The Operations Executives, Divisional Director and Operations Director are members of the Executive Management Team.

OUR OPERATIONAL REPORTING STRUCTURE

Cashbuild

Shane Thoresson, *Operations Director*
Disemelo Masala, *Divisional Director*
OPS 1 – Tyron Myburgh, *Operations Executive:* Mpumalanga, Limpopo, Gauteng and North West

OPS 2 – Hennie Roos, *Operations Executive:* Eastern Cape, Gauteng, KwaZulu-Natal, Malawi, Mpumalanga and Zambia

OPS 3 – Willie Dreyer, *Operations Executive:* Gauteng, Limpopo, Mpumalanga and eSwatini

OPS 4 – Ian McKay, *Operations Executive:* Botswana, Eastern Cape, Free State, Gauteng, Lesotho, Limpopo, Namibia and North West

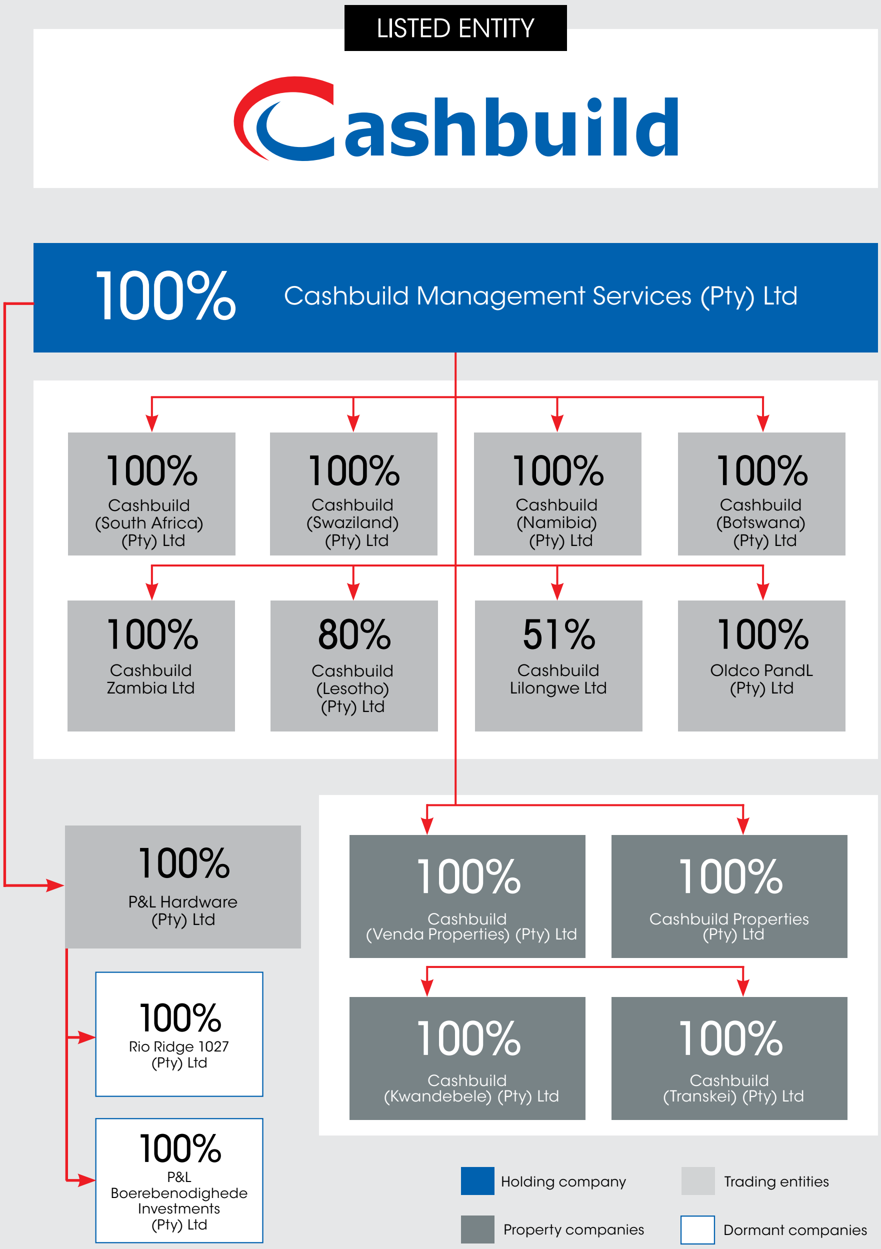
OPS 7 – Mark Scholes, *Operations Executive:* Western Cape, Eastern Cape, North West and Northern Cape

P&L Hardware

Anton Hattingh, *Managing Director*

OPS A – Nico Hanekom, *Trainee Operations Executive:* Mpumalanga, Limpopo

OPS B – Ryno van Staden, *Trainee Operations Executive:* Gauteng, Limpopo, KwaZulu-Natal, Mpumalanga and Eastern Cape



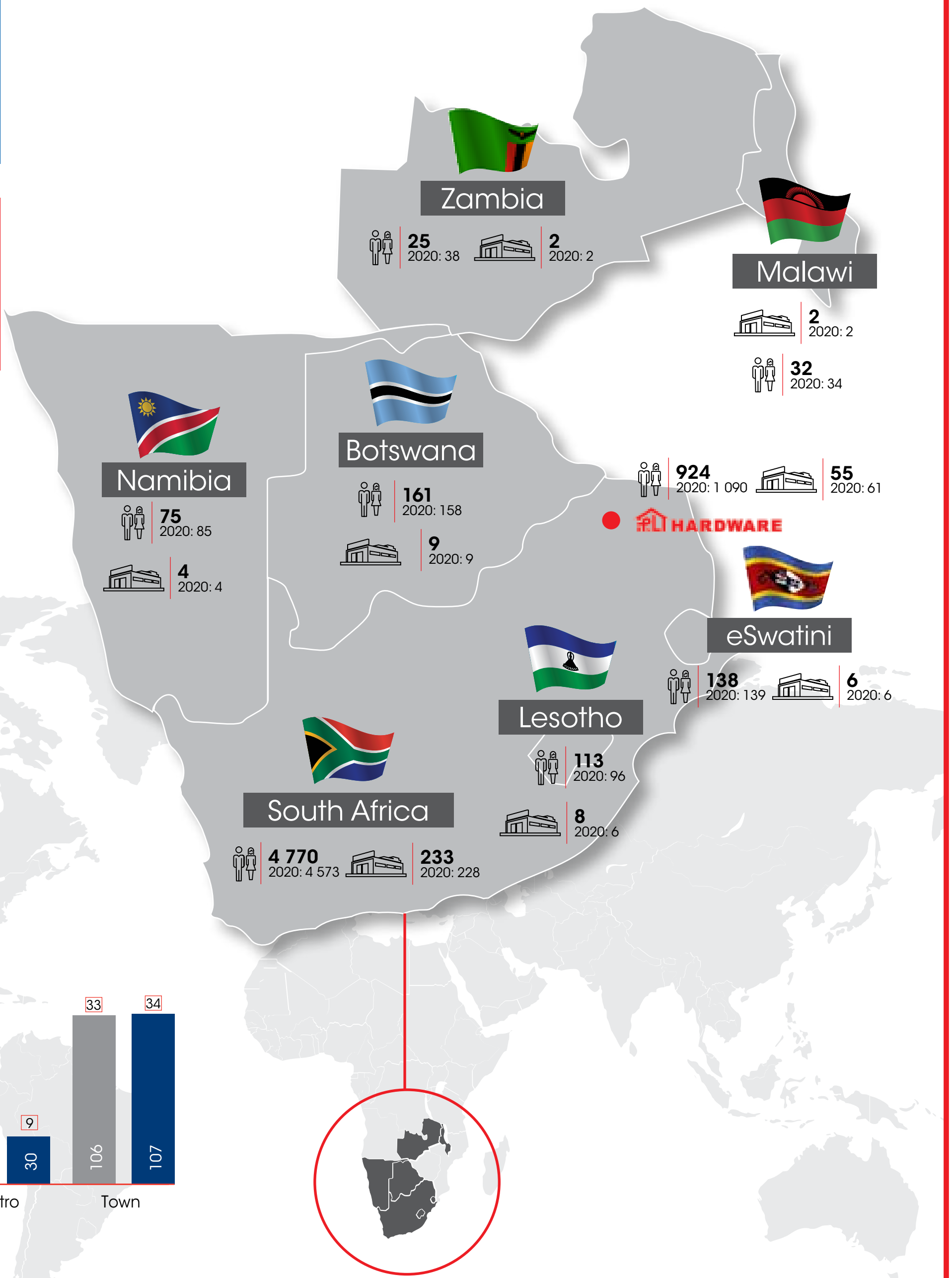
Our Geographical Footprint

Cashbuild positions its stores to bring quality building materials at best value to 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 engagements. We will, for the foreseeable future, continue our strategy of store expansion, relocation and refurbishment, applying the same rigorous analysis and decision-making processes.

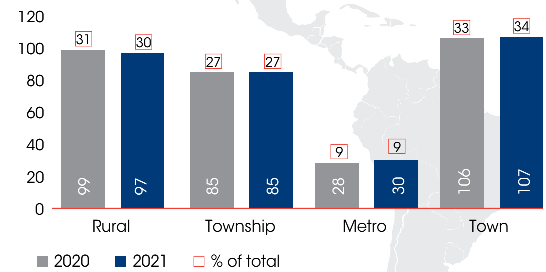
319
(2020: 318)
TOTAL NUMBER OF STORES

6 238
(2020: 6 213)
TOTAL NUMBER OF EMPLOYEES

7
(2020: 7)
TOTAL NUMBER OF COUNTRIES



LOCATION OF STORES



Our Stakeholders

ENGAGING WITH OUR STAKEHOLDERS

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

Our 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.

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 our website.

Cashbuild

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
- Customer care and feedback mechanisms

EMPLOYEES, LEARNERS, CONTRACTORS AND SUB-CONTRACTORS

Form of interaction

- Employee forums
- Informal social meetings
- Employee surveys
- Executive Management store visits
- Health, safety and wellness forums
- Learnerships and bursaries

LOCAL AND PROVINCIAL GOVERNMENTS AND REGULATORY BODIES
(Labour, Health, SARS, etc.)

Form of interaction

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

JSE AND OTHER LOCAL AND INTERNATIONAL REGULATORY BODIES

Form of interaction

- Business associations
- Written communications and presentations
- Sponsor presentations

SHAREHOLDERS, INVESTORS, ANALYSTS AND MEDIA

Form of interaction

- Final and interim results presentations
- Investor roadshows
- Media interviews
- Annual General Meeting
- Investor relations consultants

GENERAL

Form of interaction

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

UN SDGs impacted:

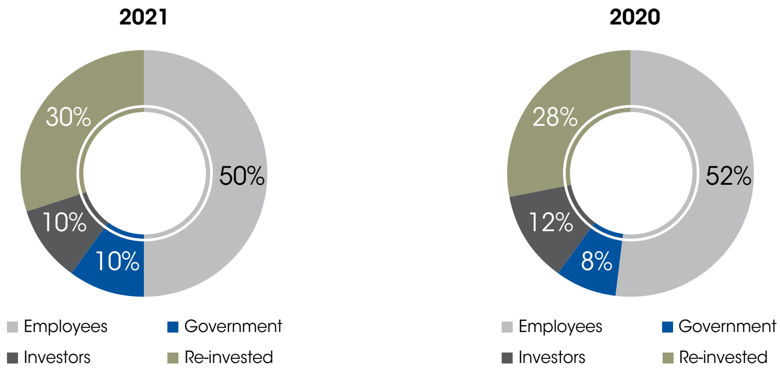
VALUE-ADDED STATEMENT

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	27 June 2021	%	28 June 2020	%
Revenue	**12 615 629**		10 090 910	
Less: Cost of merchandise and expenses	**(10 361 704)**		(8 404 764)	
Value-added from trading operations	**2 253 925**		1 686 146	
Interest received from investments	**91 327**		65 182	
Total wealth created	**2 345 252**	**100.0**	1 751 328	100.0
Allocated as follows:				
To employees – salaries and benefits	**1 168 588**	**49.8**	907 820	51.8
To government – company taxation	**239 643**	**10.2**	135 748	7.8
To providers of capital:	**235 345**	**10.1**	204 304	11.7
– Dividend to shareholders	**229 916**	**9.9**	196 977	11.3
– Interest on borrowings	**24**	**0.0**	2 028	0.1
– Minorities' interest	**5 405**	**0.2**	5 299	0.3
Wealth distributed	**1 643 576**	**70.1**	1 247 872	71.3
Retained for re-investment in the Group	**701 676**	**29.9**	503 456	28.7
– Depreciation, amortisation and impairment of property	**368 352**	**15.7**	369 770	21.1
– Income retained in the business	**333 324**	**14.2**	133 686	7.6
Total wealth distributed and reinvested	**2 345 252**	**100.0**	1 751 328	100.0

		27 June 2021	Change %	28 June 2020
Statistics				
Number of employees		**6 238**	**–**	6 213
Wealth created per employee	(R'000)	**376**	**33**	282
Wealth distributed per employee	(R'000)	**263**	**31**	201
Revenue per employee	(R'000)	**2 022**	**24**	1 624

Wealth distributed and reinvested



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. As a result and impact of the effects of the Covid-19 pandemic, Cashbuild re-assessed its short- and medium-term strategy.

KEY STRATEGIC BUSINESS IMPERATIVES

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

OUR STRATEGIC BUSINESS IMPERATIVES

(derived from business strategy, risks and opportunities)

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

UN SDGs impacted:

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
- Growth of total shareholder returns
- Local employment opportunities
- Development and growth opportunities
- Economic empowerment and transformation
- Free local delivery

Naturally, no organisation operates in isolation and these strategic imperatives are therefore influenced directly and indirectly by the broader macroeconomic environments in which the Group operates. The Group invests significant time and effort to understand the complexities and potential impacts of these environments in order to place itself in the best possible position 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 into 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 extends to 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 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 into the future.

The broader external environment in which the Group operates, including the various macroeconomic and geo-political factors identified elsewhere in this Report, will of course influence the Group's attempts to create value for its stakeholders.

In response, Cashbuild will continue to proactively monitor these factors and take the required action, where necessary.

In developing any sustainability-related initiatives, the Board and Executive Management are required to adopt a prudent approach. We ensure that the interests of Cashbuild and any of its key stakeholder groups are carefully considered in the decisions taken or strategies implemented by the Group.

Our Material Risks

UN SDGs impacted:

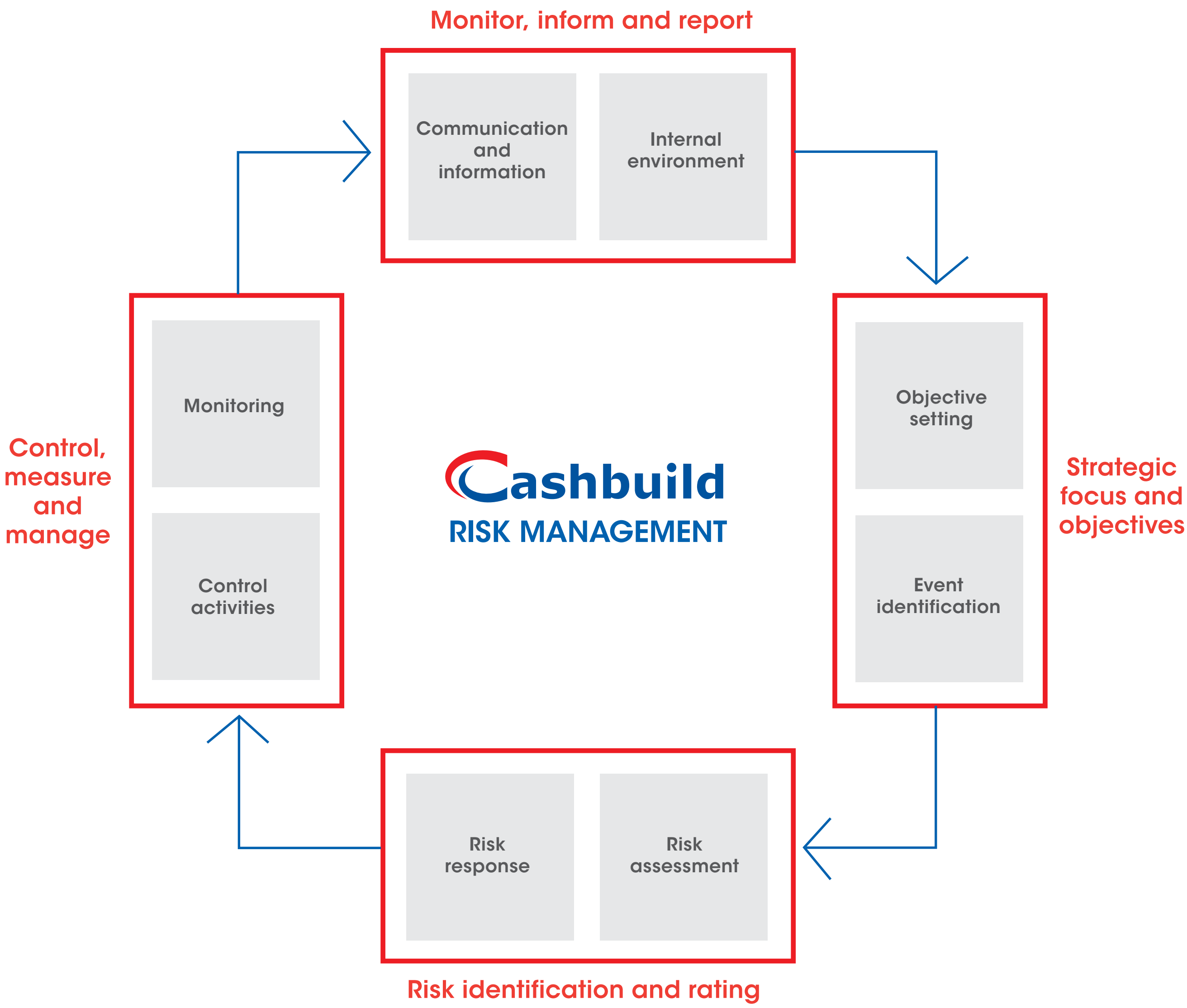
RISK MANAGEMENT

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. The Group has adopted an approach to risk management that is in line with its risk appetite. 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 through quarterly Audit and Risk Committee meetings.

Risk management is discussed in the Audit and Risk Committee Report on pages 89 to 93 of this Integrated Report.



MATERIAL 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 27 June 2021 are ranked in order of risk level, and are categorised as Finance (one risk), Strategic (one risk), Operational (four risks) and IT (four risks).

Key Finance Risk ranked as high (prioritised as Number 1 risk) is:

	Risk description	Mitigation plan
1	Delayed or short payment of suppliers due to the Covid-19 pandemic affecting the opening and functioning of back offices for processing.	• Increased meetings (interaction) between Cashbuild's creditors department and supplier processing staff to address exceptions and reconciling items. • Re-instituting follow-up meetings between creditors and procurement addressing identified exceptions and overdue payments. • Timely escalation and actioning of exceptions giving rise to reconciling items and overdue payments taking place.

Key Strategic Risk ranked as medium (prioritised as Number 3 risk) is:

	Risk description	Mitigation plan
3	Macroeconomic challenges placing strain on the achievement of business objectives.	• Continued monitoring of the macroeconomic indicators and trends and adapting business plans to take cognisance of the changing environment. • Focus on core strengths and execution of business model.

Key Operational Risks with all four of these ranked as medium (prioritised as Numbers 2, 5, 8 and 10, respectively), are:

	Risk description	Mitigation plan
2	Impact of Covid-19 on Cashbuild's business.	• A Covid-19 Crisis Committee, consisting of Executive Management Team members, ensures that the business impact of Covid-19 regulations are: – timely identified, clearly understood, and consistently applied; – the health and safety of staff members, customers and suppliers are optimally attended to; – the business continuity and post-Covid-19 business resumption is attended to; and – the client and supplier base and staff are kept informed of business arrangements impacted by the virus. • Focus on working with suppliers to secure supply of products and economic survival of our supplier base.
5	Ineffective supplier deliveries as a result of the impact of Covid-19.	• Coordinate with key suppliers to prioritise deliveries to ensure stock availability, during the Covid-19 manufacturing restriction periods. • Improve coordinated supplier follow up between both the Procurement and Operations functions. • Increase accountability and performance measurement of suppliers if agreed supply targets are not met.
8	Inadequate customer service.	• Company-wide customer service improvement drive focusing on increased awareness, training and execution. • Ensuring delivery services meet customer expectations. • Weekly review of customer complaints by Executive Management, identifying specific reasons for the complaints and ensuring the immediate implementation of the required remedial action.
10	Compliance to OHASA.	• Increased awareness being created through weekly internal publication and reporting of incidents and reminders of due process to be followed. • Increased monitoring of incidents and addressing root causes as part of management process. • Executive review and follow up on status of incidents and corrective action taken.

Our Material Risks continued

MATERIAL RISKS RELEVANT TO CASHBUILD CONTINUED

Key IT Risks with all four of these ranked as medium (prioritised as Numbers 4, 6, 7 and 9, respectively), are:

	Risk description	Mitigation plan
4	Vulnerability caused by exposure to single IT Service Provider with no alternative providers identified.	• Exposure to this risk to be minimised by continuous engagement with alternate service providers as considered appropriate. • Identified lack of service delivery to be addressed as matter of urgency and priority (as and when required) with the executive management of applicable Service Provider(s).
6	IT problem management relating to timely detection, escalation and resolution of reporting IT problems impacting optimal business performance.	• Effective IT operations structure which ensures IT operational delivery is tracked and is reported on weekly during Focus Meeting. • Adherence to processes and controls put in place to mitigate this risk to be continued with.
7	Capacity and or ability of primary IT Service Provider to successfully move Cashbuild to alternative technology without failure.	• Continued monitoring of service delivery with timely action taken on any potential irregularities identified. • Continued identification and assessment of alternative and or back-up service providers.
9	Exposure to cyber security events.	• Regular review of Information System Management Systems (SMS), processes and controls based on the International Standard ISO/IEC 27001, including an incident response plan. • Maintaining a comprehensive security posture that includes a combination of technologies such as firewalls, endpoint protection, intrusion prevention, access controls and cyber threat and vulnerability monitoring. • Update and maintain settings, processes and controls on a continuous basis. • Continuous programme of increased cyber security awareness and training. • Cyber security insurance put in place.

MACROECONOMIC CHALLENGES AND CONCERNS

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

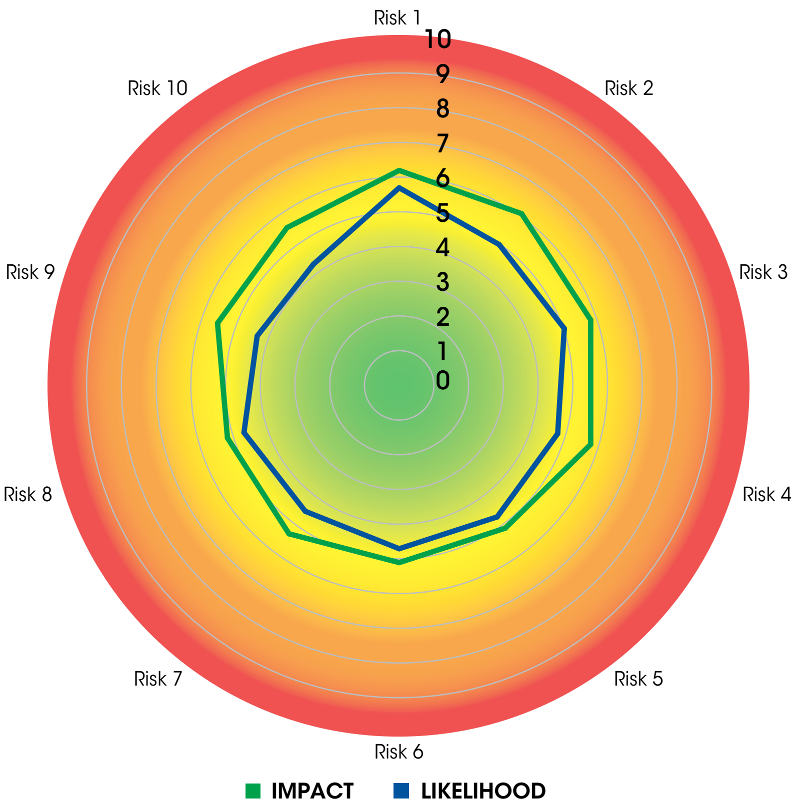
Challenges/concerns	Potential impact	Probability	Response	Outcome
Current constrained economic conditions in the areas we trade.			Protect market share with competitive pricing and stringent cost control.	10 new stores opened (Cashbuild 9 and P&L Hardware 1) 9 stores closed (Cashbuild 2 and P&L Hardware 7) Gross profit margin increased to 26.9% Reduced loss-making stores in the Group.
High unemployment in the areas we trade.			By opening new stores, Cashbuild employs between 14 and 20 employees per new store.	1 016 new employees were employed in the current year
Macroeconomic developments such as exchange rate volatility, credit rating fluctuations and global economic slowdown.			Monitoring purchase price inflation and imported cement prices.	Purchase price inflation was at levels deemed to be acceptable. Only import cement from reputable suppliers 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 and qualifications.	During the current financial year: 5 348 employees attended training courses Learners employed: 92 NQF Level 2 learners 62 NQF Level 3 learners 115 NQF Level 4 learners 25 NQF Level 5 learners 110 Yes-4-Youth learners
Water and electricity interruptions, as well as political instability.			Water and electricity service interruptions continue to hamper trading conditions. The number of incidents of civil unrest reduced, mainly as a result of the Covid-19 lockdown. Subsequent to year end, this risk increased exponentially with the violent unrests in KwaZulu-Natal and Gauteng.	Water tanks, solar panels and generators have been installed to counter water outages and electricity load shedding. The year under review: 120 incidents compared to 162 in the previous year. 177 retail days lost compared to 491 in the previous year. R11.8 million in estimated potential lost sales compared to R38.8 million in the previous year. Subsequent to year end: 36 Stores were looted and damaged.


LOW


MEDIUM


HIGH

Our Material Risks continued



Ranking	Risk Title	Category	RI	RL	RR
1	Delayed or short payment of suppliers due to the Covid-19 pandemic affecting the opening and functioning of back offices for processing.	Finance	6,1	5,6	33,8
2	Impact of Covid-19 on Cashbuild's business	Operational	6,0	4,9	29,5
3	Macroeconomic challenges placing strain on the achievement of business objectives	Strategic	5,8	5,0	28,8
4	Vulnerability caused by exposure to single IT Service Provider with no alternative providers identified	IT	5,8	4,8	27,8
5	Ineffective supplier deliveries as a result of the impact of Covid-19	Operational	5,2	4,8	24,5
6	IT problem management relating to timely detection, escalation and resolution of reporting IT problems impacting optimal business performance	IT	5,2	4,8	24,5
7	Capacity and or ability of primary IT Service Provider to successfully move Cashbuild to alternative technology without failure	IT	5,4	4,6	24,4
8	Inadequate customer service	Operational	5,2	4,7	24,1
9	Exposure to cyber security events	IT	5,5	4,3	23,4
10	Compliance to OHASA	Operational	5,5	4,2	22,9

RI: Risk Impact
RL: Risk Likelihood
RR: Residual Risk

Our Opportunities

UN SDGs impacted:

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

Our Opportunities
continued

STORE EXPANSION, RELOCATION AND REFURBISHMENT

A critical element in the achievement of our strategic 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 new 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 new locations.

The Cashbuild store base is reviewed and critically analysed on an ongoing basis, particularly as and when leases are due for renewal, at which time a decision is made on whether to extend the lease, or relocate to a site with greater potential, or when deemed not viable to continue operating from a particular store, not extend the lease and close the store.

With regard to store refurbishments, Cashbuild's strategy is to refurbish and/or upgrade all stores on a rolling six-year basis. During the 2021 financial year 29 stores (28 Cashbuild and one P&L Hardware) (2020: 15 stores) were refurbished.

With regard to store relocations, during the 2021 financial year, five stores (three Cashbuild and two P&L Hardware) were relocated (2020: one store). As in the case of new store openings, store relocations are approved on meeting strict financial and operational criteria.

The decision taken in previous years to discontinue the Cashbuild DIY store project (mainly due to non-viability) and to rather expand on the P&L Hardware store concept is still in force. One DIY store remains trading. During the 2021 financial year, nine stores (two Cashbuild/seven P&L Hardware) (2020: eight stores) were closed.

E-COMMERCE

Cashbuild is in the process of implementing a new store-specific online channel. All the Gauteng stores are operational and the expansion to the rest of South Africa started in July 2021. A further enhancement to the digital customer experience is a SMS2order system. This was successfully tested in a number of stores and will be expanded to all stores in South Africa during the second half of 2021. During the period under review, sales on the two platforms have doubled.

REST OF AFRICA EXPANSION STRATEGY

Although Cashbuild has an Africa expansion strategy, the process of opening a store cross border is onerous and time-consuming. The Group currently has 33 stores outside of South Africa. Opportunities to expand further into the rest of Africa will continue to be carefully considered and their viability assessed, as and when they become evident.

The Cashbuild Zambia operations are currently not performing as expected due to various factors which have been identified and addressed or are in the process of being resolved. The cost of getting stock into Zambia from South Africa remains excessive and negatively contributes to our competitiveness in that country. A key focus of management is to progressively increase procurement through local suppliers with a view to improving competitiveness.

In addition, the medium of marketing has been revisited and a new strategy, more applicable to the local environment, has been put in place, which includes increasing brand awareness.

Excessive stock levels and slow-moving stock have also been addressed with effective reduction plans in place and being monitored on an ongoing basis.

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 methods are continually being refined and will continue into the future, with particular emphasis being placed on attracting new customers to Cashbuild, and encouraging and supporting customers to carry out their own home building and improvements.

The "Be Great" customer service programme, introduced in 2018, aims to improve customer service through positive "word-of-mouth" advertising. This programme enables the Group to improve its service throughout our stores and increase its customer base and continues to provide a delightful experience to our customers.

Our Intellectual Capital

Investment in the Group's Intellectual Capital is intended to ensure that we continue to grow the Group's market share across all regions.

OUR BRANDS AND TRADEMARKS

Our aim is to ensure that our brands are synonymous with quality service and product delivery. Thus enabling us to be the preferred DIY and building materials retailer in southern Africa whilst growing our customer base.

We own two main brands namely:

Cashbuild

P&L HARDWARE

IT SYSTEMS

Information technology is critical to the strategic transformation and organisational performance of Cashbuild. The Group strives to ensure that the IT application systems are bespoke, well suited and maintained to adequately support and enhance the Group's operating, reporting and management requirements. The project that was initiated to upgrade the P&L Hardware IT systems has been successfully completed and we can already see a marked difference in their reporting and monitoring of stock levels.

The knowledge and systems that we employ in order to generate returns for our shareholders are key to our business.

E-COMMERCE INITIATIVES

In getting to know our customers better and improve direct communication, Cashbuild launched the Cashbuild Shopper customer loyalty programme in October 2018. This requires customers to provide their cell phone number at point of sale which has allowed us to analyse transactions and conduct focused marketing campaigns.

The Group has close to four million unique cell phone numbers in our Cashbuild Shopper database. This platform is used to reward our loyal customers. Each registered Cashbuild shopper has a chance to win their share of R50 000 on a monthly basis each time they shop at a Cashbuild store. To date, we have rewarded almost 3 000 shoppers to a value of R1 million. Reward prizes are increased during December months to further reward our customers.

Product-focused campaigns have also proven extremely successful in this regard.

The Group continues to enhance the Cashbuild Shopper to better reward our loyal customers with various value-added services and rewards, that are in line with the latest technology and product trends.

UN SDGs impacted: 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 10 REDUCED INEQUALITIES, 11 SUSTAINABLE CITIES AND COMMUNITIES


Cashbuild
QUALITY BUILDING MATERIALS
AT THE LOWEST PRICES


THE CHAMPION
HAS ARRIVED
CHAMPION
32,5
CEMENT
42,5
CEMENT
Exclusive to Cashbuild


HARDWARE

Our 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 act unethically or irresponsibly.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

Cashbuild's association with key suppliers has developed over a significant period of time, and is 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 ESG strategy.

PRODUCT RESPONSIBILITY

Cashbuild is not involved in the production or manufacturing process of the products it retails.
The Group is committed to sourcing 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. The production of the Champion branded products 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, 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, customers or our community members.

Cashbuild remains committed to offering the victims of such crimes appropriate counselling at both an individual and a Group basis, through an external service provider. The majority of crimes committed at the Group's stores during the 2021 financial year included 163 (2020: 142) burglaries and 22 (2020: 33) armed robberies.

Cashbuild subscribes to an anonymous tip-off service line where employees can report incidents of theft, fraud, mismanagement or unauthorised expenditure.

All tip-offs are investigated to identify their root causes and address the issues reported. The status of tip-offs logged is administered by Cashbuild's Group Risk Management department with regular updates provided to the Executive Management Team and quarterly reporting to the Social and Ethics Committee. During the past financial year, 116 (2020: 93) such incidents were reported, with each of these being directly addressed by the Group and the appropriate disciplinary action being implemented where warranted.

This issue is also linked to the rate of employee turnover within Cashbuild. In the reporting period, a total of 569 (2020: 463) employees were dismissed across Cashbuild's operations, with the majority of these dismissals related to incidents of theft or corruption.

The Group outsources security personnel where needed and is not aware of any human rights violations committed by security personnel in the execution of their responsibilities.

During the 2021 financial year, Cashbuild had 120 (2020: 162) incidents of community unrest, which resulted in some of our stores being closed for a total of 177 (2020: 491) trading days throughout the course of the year. Trading days affected resulted in an estimated loss in sales and damages of R11.8 million (2020: R38.8 million).

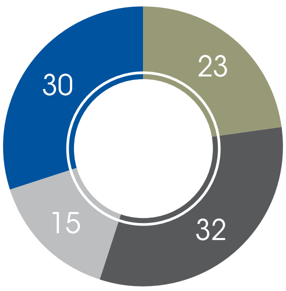
CUSTOMER COMPLAINTS

The effect of Covid-19 had an adverse impact on staff and store operations, suppliers and customers resulting in an increase in customer complaints. This was mainly driven by the higher demand of products while some of Cashbuild's suppliers were unable to manufacture and supply at full capacity due to the various lockdown restrictions. This resulted in occasional stock shortages which added to the frustration of customers.

In addition to formal complaints raised by customers, Cashbuild receives informal feedback in-store. The Divisional Manager's details are displayed in-store to allow customers to contact them directly with service- and customer-related issues.

	2021	2020	2019	2018
Formal customer complaints	**771**	502	400	410
Complaints as a percentage of total sales transactions (%)	**0.004**	0.003	0.002	0.002

NATURE OF THE COMPLAINTS (%)



Delivery issues
Service standards
Stock availability
Other

UN SDGs impacted:

Chief Executive's Report

Werner de Jager

This year has definitely been one for the records. Despite the ongoing uncertainty created by the Covid-19 pandemic, as well as product shortages in some of our major product categories, Cashbuild reported a fantastic set of results. The dedication and hard work of our whole team were major contributors to the success of the Group and we are thankful for each one's valuable role.

THE YEAR AT A GLANCE

Cashbuild reported a solid set of results for the financial year ended 27 June 2021, despite the devastating impact of the Covid-19 pandemic, as well as industry shortages in some of our major product ranges such as cement, timber and steel. The first half of the year set the tone for the second half with strong sales through our Cashbuild stores, with sales through our P&L Hardware stores trailing behind due to various challenges experienced.

The primary drivers behind the growth seen by most DIY retailers are attributable to more DIY projects being undertaken, which are not only decorative, but involve building projects as well. Further contributing factors were the TERS grants that were paid out in the first half of the reporting period, along with people using early pension and retrenchment package payouts, and generally more disposable income being available as customers spent more time at home, spending less on travel, eating out and entertainment.

Another contributor to the results was the way our team executed during these trying times. The fact that we managed to have stock available in most product lines is a testament to this.

Cashbuild continues to serve a unique clientele who are primarily cash driven, including small builders working specifically in the DIY project space, and operates in a market that remains largely fragmented. We continue to improve our e-Commerce offering and the roll-out of our new national e-Commerce platform was completed at the end of August 2021.

The Group reported solid results for the year ended 27 June 2021:

- Revenue increased by 25% to R12.6 billion;
- Operating profit increased by 100% to R1 039 million; and
- Attributable earnings increased by 149% to R665 million.

Cashbuild, as at 27 June 2021, had 319 stores, made up of 263 Cashbuild stores, 55 P&L Hardware stores and 1 Cashbuild DIY outlet. During the 2021 financial year we added 10 stores, consisting of 9 new Cashbuild stores and 1 P&L Hardware store, refurbished 29 stores, relocated 5 stores, and closed 9 stores.

FINANCIAL REVIEW

Group revenue for the year increased by 25% to R12.6 billion from R10.1 billion. Revenue for stores in existence prior to July 2019 (pre-existing stores – 298 stores) increased by 23% and our 21 new stores contributed 2% growth. Transactions through the tills increased by 16% to that of the previous year.

Gross profit increased by 34% with gross profit margin percentage increasing from 25.0% to 26.9%. Selling price inflation was 7%.

Operating expenses, including new stores, were well controlled considering the revenue growth, increasing by 17% (existing stores 15% and new stores contributed 2% of the increase) resulting in the operating profit increasing by 100% to R1 039 million from R520 million in the prior year. The Group reported an operating profit margin of 8.2%, higher than the 5.2% reported in 2020. We must caution that we are expecting margins to normalise once trading returns to pre-Covid levels.

Basic earnings per share increased by 149% with headline earnings per share by 152% from 1 139 cents (June 2020) to 2 873 cents.

Cash and cash equivalents increased to R2 546 million mainly driven by increased profitability. Creditors' balances are higher due to supplier deliveries normalising from the low base a year ago post lockdown. Stock levels, including new stores have increased by 22% with stockholding at 74 days (June 2020: 60 days).

There was an increase in NAV per share of 21% from R84.70 (June 2020) to R102.12.

DIVIDENDS

The Cashbuild Board has declared a final dividend of 2 211 cents. This is a one-off declaration in recognition of the exceptional results reported for this year. As a result, the total dividend amounting to 2 935 cents per share equals basic earnings per share for the year under review. It, however, does not change the stated 2 times dividend cover policy of the Company.

STRATEGIC OVERVIEW AND INITIATIVES

Our strategy of being one of the leading southern African-based retailers of building materials and products, providing these materials and products at the best value, directly to the public, remains unchanged. Our strategy continues to be underpinned by our vision, mission and core values, which are set out on pages 8 and 9 of this Integrated Report.

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, set out in The Cashbuild Way. Every year, we endeavour to improve on our ESG initiatives and principles and this year we have restructured our Integrated Report to include an ESG Report, enhanced our ESG reporting as well as adopted the UN Sustainable Development Goals. Cashbuild's strategic ESG-related matters are set out in the ESG Report section of this Integrated Report, commencing on page 43.

Our people continue to be one of our most valuable assets and training and development of employees remain core priorities in order to ensure our ongoing sustainability. We are proud of the fact that Cashbuild is a Wholesale and Retail SETA-accredited training provider. Despite the impact of the pandemic, a total of 294 learnerships were offered to employed and unemployed individuals this year. In addition, 5 348 (2020: 4 772) employees were trained in their positions as well as back up roles to mitigate the risk of unforeseen absences by key staff. The total cost of training was R9.8 million (2020: R10.4 million).

Our response to the pandemic continues to be a large part of our safety, wellness and health programmes, with measurements still in place to safeguard the health and safety of our workforce. For the financial year ended 27 June 2021, we had 359 positive Covid cases with 1 related Covid death.

Our sympathies go out to the family, friends and colleagues of those in our employ who lost their loved ones or who have been severely affected by this devastating virus.

Chief Executive's Report continued

THE ACQUISITION OF THE BUILDING COMPANY (TBC)

As reported in the previous year's Integrated Report, Cashbuild announced on 4 August 2020 that it had entered into an agreement with Pepkor, subject to conditions precedent, to acquire 100% of the issued share capital of TBC, a wholly owned subsidiary of Pepkor, and the shareholder loan claims of Pepkor against TBC, for a purchase consideration of R1,075 million (the Transaction).

On Friday, 28 May 2021, shareholders were advised that the Competition Commission recommended that the Transaction be prohibited. The approval by the Competition Commission was a material suspensive condition which was required to be fulfilled in order to implement the Transaction. Consequently, given that not all the suspensive conditions would be met by the long-stop date of 16 August 2021, and the parties unable to agree on an extension of the long-stop date, it is with great regret that we had to announce on 12 August 2021 that the Transaction between Pepkor and ourselves has been terminated.

LOOKING AHEAD

We are disappointed with the termination of the acquisition of TBC as we firmly believe that this transaction would have aligned with Cashbuild's vision of being the preferred supplier of building material and associated products and services across all market segments. Cashbuild will however continue to pursue growth opportunities while still maintaining its commitment to its customers in the South African and neighbouring markets.

Covid-19 and the impact on the economy as well as the well-being of the people remain of grave concern. Despite the challenges of operating under "new" trading conditions, our staff have adapted and embraced our enhanced safety and health protocols to ensure that there has been minimum disruptions to Cashbuild's trading.

The senseless violent protests and looting in mid-July, mainly in Gauteng and KwaZulu-Natal negatively impacted Cashbuild with a total of 36 stores (32 Cashbuild and 4 P&L Hardware stores) being damaged and looted.

One affected store has already been repaired and is currently trading. Cashbuild has initiated the process of assessing the damages and working with insurers in obtaining approvals for the rebuilding, restoring and restocking of the affected stores. The situation is continuously monitored and preventative measures taken to ensure the safety of our staff.

Taking the above into consideration, for the first six weeks of the year ending 26 June 2022, total sales for the Group decreased by 10% over the prior comparative period.

APPRECIATION

To all my colleagues in management and all our staff, thank you for your extraordinary dedication, adaptability and loyalty during what has been another challenging year.

To our loyal customers and shareholders, thank you for your continued support this past year, and also to our industry partners, suppliers, contractors, formal and informal partners, thank you for collaborating with us to ensure we continue to enhance our product and service offering.

In conclusion, my appreciation and wholehearted thanks to every member of the Cashbuild Board, and especially our Chairman, for your support, commitment, advice and contributions during the year under review.

Werner de Jager
Chief Executive

31 August 2021


Cashbuild
GRENDIA


Cashbuild

03 ESG REPORT

Social and Ethics Committee Report

Dear stakeholders,

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.

CASHBUILD'S APPROACH TO SUSTAINABILITY

Cashbuild reports its corporate sustainability in terms of the Six Capitals as set out in the International <IR> Framework, as well as the UN SDGs.

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 influence 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 learnt over the Group's history, spanning over more than 40 years.

The sustainability policies and practices which have been adopted and implemented by the Group, of which our Executive 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. This has significantly assisted in risk mitigation during the establishment of Cashbuild's operations in new, unknown and often challenging environments.

Cashbuild's management approach for mutually beneficial sustainability initiatives can be summarised as follows:

- 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 with respect to all elements of ESG and influencing other organisations to do the same.

SOCIAL AND ETHICS COMMITTEE (SECOM)

Chairperson

Dr DSS Lushaba

Members

M Bosman (Ms) (effective 1 August 2021)
WF de Jager
AJ Mokgwatsane (effective 1 August 2021)
WP van Aswegen
HH Hickey (resigned with effect 31 May 2021)
GM Tapon Njamo (resigned effective 1 August 2021)

Independence

During the year under review, three SECOM members were independent Non-executive Directors. As social and ethics behavior are integral to The Cashbuild Way, the Group is comfortable with the composition of SECOM.

Meetings

Four times per annum.

Role and function

The SECOM is a committee of the Board and its role is governed by Terms of Reference approved by the Board. These Terms of Reference are subject to an annual review by the SECOM and approval by the Board.

The 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, the 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, labour and employment, the environment, health and public safety, and consumer relationships.

Responsibilities

The 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 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 the 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 27 June 2021. SECOM is satisfied that it has fulfilled all its duties during the year under review and has made progress in formalising all relevant policies and implementing identified plans.

ASSURANCES AND VERIFICATIONS OBTAINED

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

Compliance category	External assurance and verification provider
B-BBEE Scorecard	BEEVER Agency (accredited by SANA)
Finance	PricewaterhouseCoopers Inc. provides auditing, tax and advisory services. For the Independent Auditor's Report refer to page 100.
Carbon tax	COVA advisory
Health and safety	Health and safety is a key focus area on which verification is provided by Cashbuild Internal Audit. Additional, albeit limited, assurance together with advisory services is provided by SHE Consultants (Scott Safe).
IT	IT Internal Audit is outsourced to Ernst & Young Inc. (EY). Assurance is provided by EY on risk-based key focus areas included in a three-year rolling Internal Audit Plan. BCX provides IT support services.
JSE Listings Requirements	Nedbank CIB ensures that Cashbuild complies with the JSE Listings Requirements.
Legal	Webber Wentzel Incorporated and Van der Vyver Incorporated provide legal services for contractual agreements. Exclaim Innovations & Solutions provides software to perform internal legal reviews performed by the Compliance Officer on relevant pieces of legislation.
Payment Card Industry (PCI) Data Security Standard	Galix Networking (Pty) Ltd provides attestation of compliance for merchants.

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.

ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

During the year, the SECOM reviewed, confirmed and improved (where required) the Group's:

- Code of Business Conduct and Ethics;
- Transformation Strategy, including the submission of the Employment Equity Report;
- Equality and Diversity Policy;
- Stakeholder Engagement Policy;
- Security and Crime Prevention Policy;
- Fraud Prevention Policy, including guidelines on Gifts;
- Corporate Social Investment Policy;
- Occupational Health and Safety Policy;
- Public Relations and Investor Relations Policy; and
- Legislative Compliance.

Social and Ethics Committee Report continued

Policies and procedures were established to fulfil the requirements of POPIA which was enacted with effect from 1 July 2020.

The SECOM is also responsible for annually revising or determining, in conjunction with senior management, the Group's material sustainability issues.

In the execution of its statutory duties, the 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 17 principles as set out in the UN SDGs;
  - the OECD (Organisation for Economic Co-operation and Development) recommendations regarding corruption;
  - Skills Development Act;
  - 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, the SECOM has received and reviewed reports on:

Labour and employment practices

There have been no incidents of human rights abuses reported during the year under review.

The SECOM 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.

The three-year Employment Equity Plan, for the period 1 October 2018 to 30 September 2021, was reviewed and monitored by the SECOM on a quarterly basis.

Covid-19 impact on staff

With the outbreak of the Covid-19 pandemic at the start of 2020 and subsequent national lockdowns, Cashbuild implemented strict hygiene protocols throughout the business which include social distancing, the wearing of masks, regular washing of hands as well as temperature control. Where an employee test positive for Covid-19, detailed procedures take effect, which include the employee going into isolation for the prescribed time period. Risk assessments are also performed to identify other employees who may potentially have been exposed to the a Covid-positive person. Where required, they also have to go into isolation and monitor for any symptoms. A deep-clean is immediately commissioned to sanitise the store or work area to try and prevent the spread of the disease. The store is opened for trade as soon as practicably possible, with staff from neighbouring stores being utilised to fill roles of staff who are recovering.

Cashbuild took a view to, as far as possible, limit the financial impact of the various national lockdowns on its employees by, amongst others, not instituting salary cuts or retrenching staff. The leave policies have been updated to ensure that the minimum amount of unpaid leave that an employee is required to take when tested positive for Covid-19, is sufficient. The decision to implement the annual cost of living increases, usually implemented in July of each year, was deferred to October 2020 to conserve cash in the face of the uncertainty presented by Covid-19.

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.

Subsequent to year end, the violent unrests and looting in KwaZulu-Natal and Gauteng during mid-July 2021, necessitated the closure of many of our stores to ensure the safety of our staff.

TRANSFORMATION

The SECOM reviewed the Group's performance against the B-BBEE codes. Cashbuild is reviewed and measured under the Construction Sector as opposed to the generic codes.

During the year, the Group has formulated action plans and targets for the various elements of the B-BBEE score card with particular emphasis on Preferential Procurement and Enterprise & Supplier Development areas and as a result, Cashbuild met all the sub-minimum targets of the Construction Sector codes for the year under review.

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.

Cashbuild registered with the Youth Employment Services (Yes-4-Youth) initiative and employed 110 eligible persons in the 2020/2021 financial year of which 53 were offered full time employment subsequent to their one-year work contract expiring.

The Group will continue with this initiative in the 2021/2022 financial year. The Group remains committed to positively impacting the lives of people in communities in which it trades. In the current year, Cashbuild made various donations, both monetary and in time, through the Cashbuild Give-a-Brick Trust and directly to beneficiaries identified in the various communities where our business operates.

ANTI-CORRUPTION, ETHICS AND COMPLIANCE

During the year, the SECOM 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, the External Auditor provided feedback on how they ensure quality control within their operations and ensure that the highest ethical standards are achieved and maintained.

OHASA

Compliance and Incident Reports were reviewed at all meetings and occurring incidents were recorded and appropriately dealt with.

CUSTOMER RELATIONSHIPS

The SECOM 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 issues raised and implemented.

LEGISLATION

An update of legislative compliance is provided to the SECOM at quarterly meetings, incorporating relevant acts and legislation of neighbouring countries in which Cashbuild trades. The Cashbuild Compliance Officer conducts compliance adequacy assessments to ensure that all legislation affecting the Group is periodically monitored and remedial actions implemented where deemed necessary.

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

DIVERSITY, INCLUSION AND GENDER EQUALITY

Cashbuild's approach towards achieving gender equality is guided by the principle of fairness which incorporates acceptance of equal and inalienable rights of all women and men as defined in the Bill of Rights of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996). Gender equality concerns both women and men. It involves working with both to ensure equitable behaviours are practised at home and in the workplace. Genuine equality cannot be measured by parity in numbers, but rather by improving overall quality of life so that equality is achieved without sacrificing gains for males or females.

Our core values and fundamental principles of good governance as well as the rule of law, form the basis when assessing gender equality to ensure that we treat everyone with respect and understanding to ultimately motivate economic and social development.

In terms of diversity, the Group will continue to develop and promote HDSAs through its development programmes and on-the-job training. Cashbuild recognises that there is strength in diversity and that this will contribute towards a successful and sustainable organisation in the future.

ASSESSMENT

The 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.

Dr DSS Lushaba
Social and Ethics Committee Chair

31 August 2021

UN Sustainable Development Goals

During the financial year ended 27 June 2021, Cashbuild assessed its operational and sustainable development processes as well as its CSI initiatives against the 17 UN SDGs.

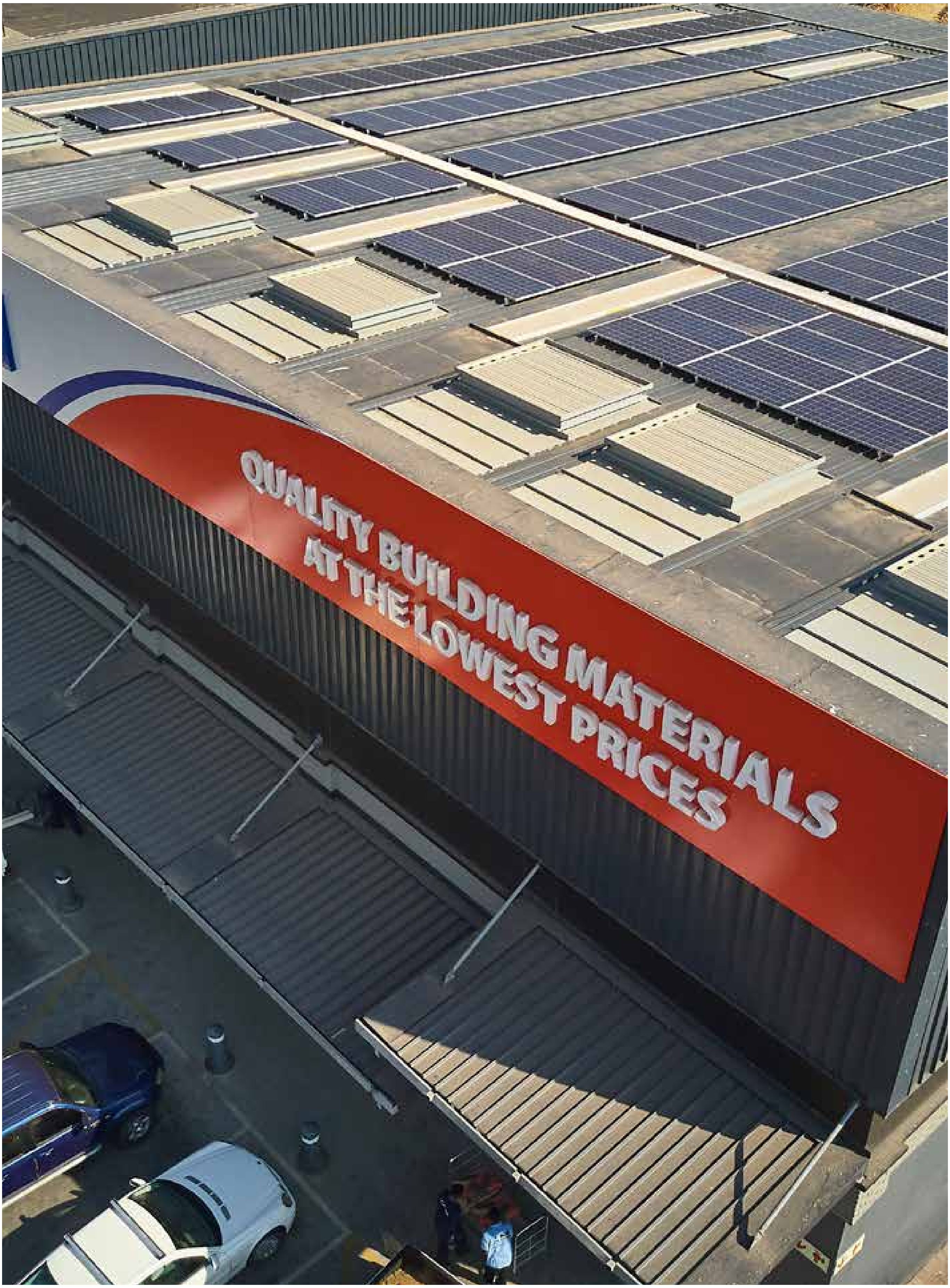
Cashbuild is committed to sustainable operational practices to ensure that our operations contribute to the upliftment of people and places.

Cashbuild believes that its operational and sustainable development processes as well as its CSI initiatives are aligned to the following UN SDGs:

CSI

OPERATIONS

SUSTAINABLE DEVELOPMENT PRACTICES


QUALITY BUILDING MATERIALS
AT THE LOWEST PRICES

Environmental Initiatives

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

The key driver for the implementation of environmental impact reduction initiatives is efficiency gains or cost savings that can be realised through such initiatives.

Cashbuild has identified energy consumption as its principal environmental issue. In 2014 the Group embarked on pilot projects with the aim of reducing 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 subject to electricity supply interruptions and price increases. To minimise disruptions in operations, each Cashbuild store is equipped with an auto start generator which is tested at least once a week.

In regard to Cashbuild's carbon footprint, the overwhelming bulk of the electricity supplied by the national power utility 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 accordance with its goal of improving energy efficiency, Cashbuild has rolled out energy efficient LED lighting to 28 existing stores (2020: 15) and three (2020: 1) relocated store during the financial year, with an average energy reduction in lighting of 50%.

In some Cashbuild stores and where possible, solar panels have been installed to ensure that the stores can operate during periods of electricity load shedding.

As at 27 June 2021, 231 stores (June 2020: 203 stores) had been retrofitted with energy saving Highbay luminaires.

The focus on store cost efficiency also encompasses an analysis of each store's utility billing and meter readings. The benefits of this focus are that:

- baseline consumption patterns have been established; and
- stores with high cost patterns have been identified and their conversion prioritised to align them to benchmark and reduce consumption.

The management of electricity consumption by Cashbuild has resulted in savings by way of both reduced monthly billings and lower registered kWh usage.

Over the period of this initiative and factoring in average municipal increases in utilities, monthly savings are being achieved.

These matters continue to be closely monitored to ensure that the savings are maintained.

The number of queries on municipal accounts is increasing with issues raised relating to exceptionally high billing, and back charges levied by councils.

CARBON FOOTPRINT ASSESSMENT

The Carbon Tax Act outlines the structure to determine the carbon tax liability of an entity which is based on activities which result in the release of GHG (Greenhouse Gas) emissions. The schedules in the Act outline the minimum thresholds for these activities according to the National Greenhouse Gas Emission Reporting Regulations (NGERS) (2017) as well as the total permissible tax-free allowances for these activities.

The threshold stipulated in the regulations for stationary combustion installations is 10 MWth. This means that if the combined energy input of the generators under the Group's control exceeds the 10 MWth, Cashbuild is required to register to report the emission from these installations to the Department of Environment, Forestry and Fisheries (DEFF).

Cashbuild's activities were reassessed in the year under review to determine whether Cashbuild still exceeds the threshold and whether the Group is required to maintain its registration for carbon tax. Cashbuild has a diesel generator installed at each of its stores across the country and at its Support Office, and makes use of 24 unique generator models throughout the country.

Cashbuild's total installed capacity was calculated to be 11.58 MWth (2020: 11.24MWth). Due to the Group exceeding the 10MWth threshold, Cashbuild continued to report its GHG emissions to the DEFF via the South African Greenhouse Gas Emissions Reporting System (SAGERS). GHG emissions were submitted by Cashbuild on 30 March 2021. The Group's total emissions were calculated to be 533.26 tonnes (2020: 291.93 tonnes) of CO_2e (carbon dioxide equivalent) due to a higher number of power outages experienced throughout the storebase and the corresponding increase in diesel consumption. Cashbuild will register and submit a DA180 environmental levy form with SARS and will renew its carbon tax licence by 21 November 2021. Cashbuild had a carbon tax liability of zero given that the only emissions generated are from diesel, which has already been taxed and included in the pump price of diesel.

UN SDGs impacted:

TRANSPORTATION

The distribution of products to the network of Cashbuild stores is the responsibility of the Group's suppliers, and is in most 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 efficiencies and therefore, minimising the respective carbon footprints of these suppliers.

P&L Hardware makes use of the same suppliers in 95% of the cases, smaller local suppliers are used such as brick suppliers to support local businesses and reduce the transport cost. This enables P&L Hardware to be more competitive in the market.

The services provided by delivery drivers subcontracted to deliver products to customers presents a minimal opportunity for the Group to introduce or apply improvement interventions. From a carbon footprint perspective, the fact that these delivery drivers are not employed by Cashbuild, means that their respective carbon footprints fall outside the scope of the Group's responsibility. At the same time, Cashbuild assists the drivers in minimising their emissions through effective route planning and scheduling of deliveries.

P&L Hardware has its own fleet of four-ton and eight-ton trucks as well as LDVs or bakkies that transport smaller loads. P&L Hardware has an internal fleet department that manages its fleet and strives to offer a 24-to-48-hour delivery service and combine loads where possible to reduce multiple deliveries in the same areas, thus reducing costs. The vehicles are well maintained and serviced at the appropriate and recommended service intervals, eliminating excess carbon emissions.

WATER CONSERVATION

Due to the nature of the business, Cashbuild does not consider water usage in its stores and Support Office to be a material issue or risk. Cashbuild has embarked on the following initiatives for cost saving and water conservation:

- for the stores that regularly experience water outages, water storage tanks are installed to ensure continuous supply to the stores; and
- installed a back-up 10 000 litre water supply tank at Support Office, to ensure that in the case of water interruptions, the bathroom facilities can be used.

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 are limited.

The failure by municipalities to timeously read water meters results in delays in identifying water leaks or losses. To safeguard against this, a pilot project for remote water metering has been instituted at the Greenstone store to monitor consumption and reduce losses. This initiative has resulted in a 50% reduction in water use/loss to date. The initiative will be rolled out to other high water usage stores over time.

WASTE GENERATION AND RECYCLING

Cashbuild has not measured the volume of waste generated in its operations. However, as a matter of policy, 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 our stores. Our stores in South Africa make use of biodegradable plastic shopping bags.

At the Support Office, used paper is confidentially shredded through outsource partners and pulped, and the proceeds from this process are donated to various charity organisations by the Group. Other recycling initiatives are in place, which at this stage are of immaterial impact due to the size of our business.

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 stewardship (in both manufacture and disposal); and
- biodiversity conservation.

Social Investment

UN SDGs impacted:

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 the Group's 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 HDSAs through a Bursary Programme, train local artisans, as well as a variety of other initiatives.

OUR COVID-19 HEALTH AND SAFETY GUIDELINES AND PROTOCOLS

With the outbreak of the Covid-19 pandemic at the start of 2020 and subsequent national lockdowns, Cashbuild implemented strict hygiene protocols throughout the business which include social distancing, the wearing of masks, regular washing of hands as well as temperature control. Where an employee test positive for Covid-19, detailed procedures take effect, which include the employee going into isolation for the prescribed time period. Risk assessments are also performed to identify other employees who may potentially have been exposed to the Covid-positive person. Where required, they also have to go into isolation and monitor for any symptoms. A deep-clean is immediately commissioned to sanitise the store or work area to try and prevent the spread of the disease. The store is opened for trade as soon as practicably possible, with staff from neighbouring stores being utilised to fill roles of staff who are recovering.

Risk assessments were implemented and all stores have a Compliance Officer that monitors Covid-positive cases as well as adhering to the Group's Covid health and safety protocols. As far as possible, the health and safety protocols for our employees, customers and suppliers are upheld.

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 Group. At store level, each manager identifies and recognises an "Employee of the Month". At the annual Cashbuild Hall of Fame awards event, employees are financially rewarded for extended length of service (in excess of 20, 30 and 40 years) as well as for exceptional performance by individuals and teams. At the awards ceremony, the Group recognises based on internal criteria covering growth in profits, expense management and controls, audited financial results and growth in new stores amongst others, the top five Store Managers and top three Divisional Managers.

Recruitment and succession planning is based on an 18-month view which considers internal development and planned store growth and is closely aligned to the Group's transformation objectives and short- to medium-term growth strategies. This ensures the necessary Human Capital to successfully execute its ongoing programme of store expansion and development.

The Group's HR policies can be summarised as follows:

- We employ directly and locally where each of our stores are located.
- 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 27 June 2021, Cashbuild employed, on a permanent basis, 6 238 (June 2020: 6 213) individuals across the Group. These individuals have clearly demonstrated that they constantly strive to understand and meet their customers' needs, and 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.

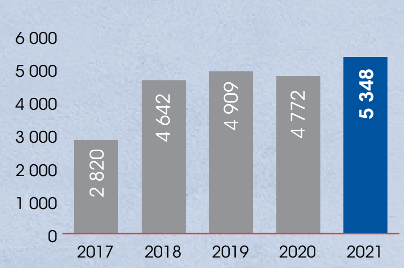
The Group has 19 (June 2020: 19) full-time HR employees who are responsible for supporting line managers in (and holding them accountable for) the ongoing training and development of all employees. We are extremely proud of the success that has been achieved by the growing wealth of enthusiastic, committed 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 employee productivity and retention.

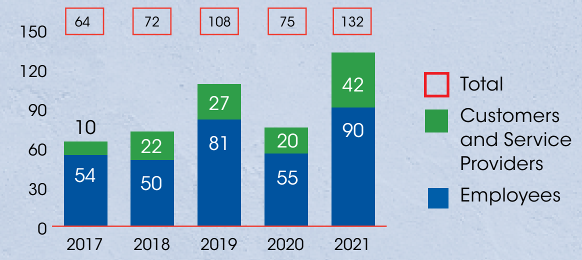
EMPLOYMENT STATISTICS

for the year ended 27 June 2021

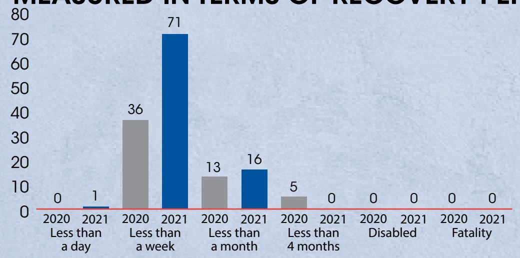
EMPLOYEES TRAINED



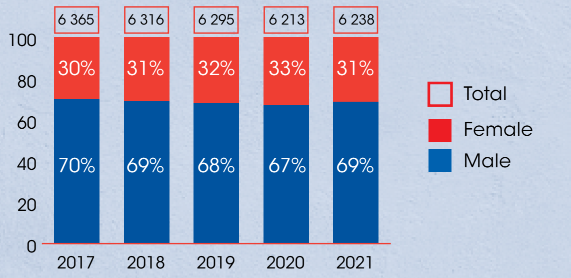
REPORTED INJURIES



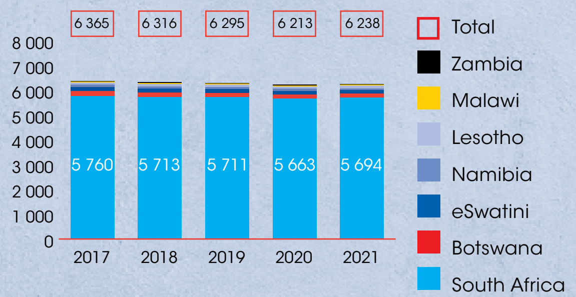
SERIOUSNESS OF EMPLOYEE INCIDENTS, MEASURED IN TERMS OF RECOVERY PERIOD



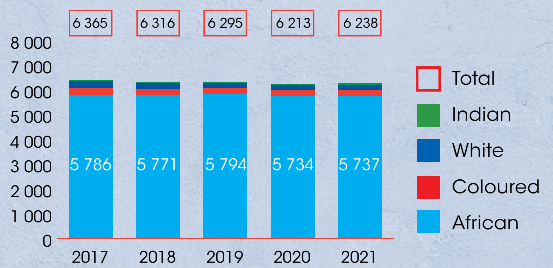
EMPLOYEES BY GENDER



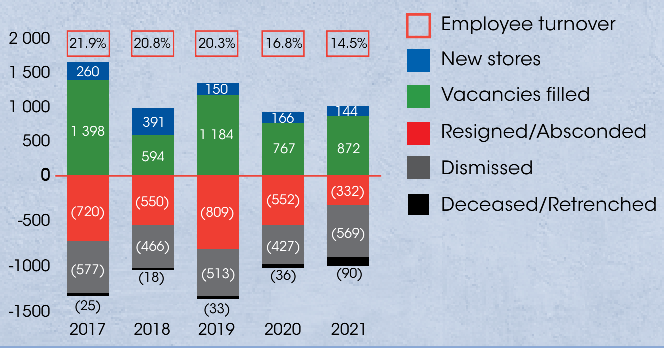
EMPLOYEES BY GEOGRAPHY



EMPLOYEES BY ETHNIC GROUP



EMPLOYEE TURNOVER



Social Investment continued

HUMAN CAPITAL CHALLENGES

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

Cashbuild's policy of promotion of staff 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 due to low staff turnover. 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 they arise over time.

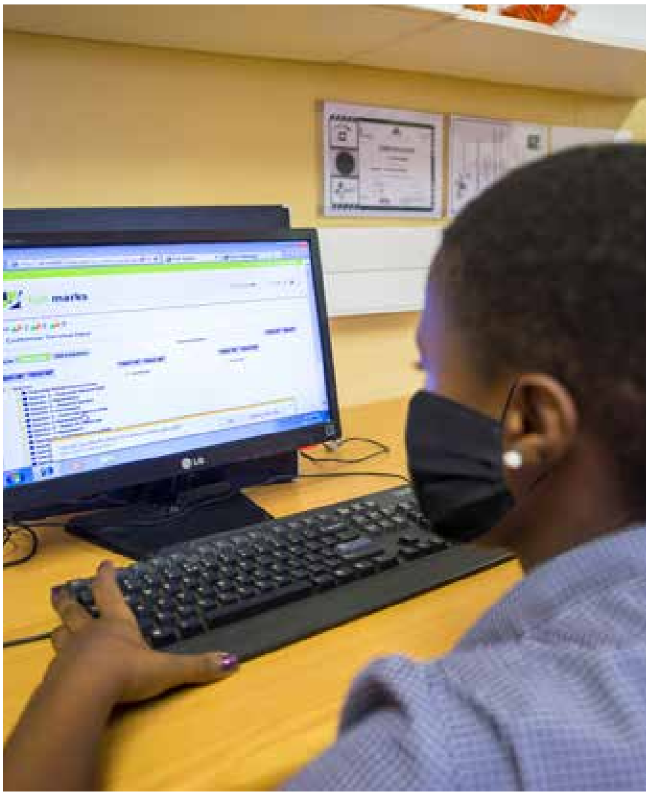
A detailed transformation and succession strategy relating to Executive Directors, Executive Management and key personnel has been developed. This strategy is reviewed and updated on a regular basis. All Executive Directors, Executive Management and key personnel have identified back-ups for any short-term or unforeseen absences.

Cashbuild's influence over suppliers regarding their respective transformation programmes is limited and considered adequate at these levels.

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.

Cashbuild is an accredited training provider with the Wholesale & Retail SETA. A total of 294 (2020: 352) learnerships were offered to employed and unemployed individuals across the Group. In addition, 5 348 (2020: 4 772) employees were trained in their positions as well as in back-up roles to mitigate the risk of unforeseen absences by key staff. The total cost of training was R9.8 million (2020: R10.4 million). The reduction in training expenditure was as a result of the Covid-19 pandemic and the inability to conduct traditional classroom training. However, training and development was not compromised with the introduction of a blended learning framework using a combination of e-learning, online discussion boards and on-the-job training and development.



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,1 556 learnerships have been successfully completed within the Group. As at the end of the 2021 financial year, 133 of these learners are still employed within the Group.

The table below illustrates the learnerships granted during the current year:

NQF	2021	2020
Level 2	**92**	96
Level 3	**62**	58
Level 4	**115**	173
Level 5	**25**	25
Total	**294**	352

The reduction in learnerships offered was as a result of the lockdowns implemented due to the Covid-19 pandemic and the resultant inability to maintain all training initiatives.

BURSARIES

During the 2014 financial year, Cashbuild established a Bursary Programme extended to the children of HDSAs. The bursary includes all tuition, books and accommodation, and where required, a monthly allowance. In addition, Cashbuild guarantees employment to its bursars on successful completion of their studies. Cashbuild will continue to spend approximately R1 million per annum on its bursary programme. Fourteen students have been put in programme since inception, 12 have passed, and two have failed to complete the course.

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 retaining an external service partner possessing specialist health and safety skills.

Health and safety representatives, with at least one appropriately trained and qualified first aid provider, are appointed for each store and nine representatives have been appointed to perform the function at the Support Office. 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.

Injuries in the year totaled 132 (2020: 75) and largely impacted our staff, mainly as a result of non-compliance to Cashbuild's OHASA policy. Appropriate disciplinary action was taken against these staff members. The increase in the incidents reported is driven by the Group encouraging awareness through weekly communication via the CB Mail, an increased drive and focus by the Executive Management Team to ensure that there is compliance with regards to reporting of such incidents and improved collaboration between our insurers and the Group Risk Management Department, ensuring that all incidents are logged with the insurers and recorded internally. No incidents were identified where the Group deviated from its legal or regulatory responsibilities.

The seriousness of employee incidents is measured by the recovery period. The injuries did not result in any disruption or any downtime to our operations and there were no permanent disabilities or fatalities as a result of these reported injuries.

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

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, and retain and further enhance Cashbuild's standing as an excellent and highly ethical organisation. With this in mind, an ethics awareness and a diversity management training programme is in place to increase support and enhance the ethics within the Group.

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

Social Investment continued

Any employee found behaving in a manner contrary to our ethical standards is subject to disciplinary proceedings, which may lead to dismissal from the Group.

Compliance with The Cashbuild Way is monitored through our Internal Audit function. Frequency of audits at stores is based on quarterly updated risk status associated with each store. High risk stores are audited four times per annum, medium risk stores three times per annum, and low risk stores twice per annum. A similar risk-based approach is applied at Support Office with high risk business support focus areas audited twice per annum, medium risk focus areas once per annum and low risk focus areas once during every eighteen to twenty four month period. Cashbuild has contracted Tip-offs Anonymous, which provides a secure system for the reporting of unethical or risky behaviour. All tip-offs logged are investigated and action taken to address any instances of non-compliance.

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

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

TRANSFORMATION AND B-BBEE

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

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

As at 27 June 2021, the Group had 541 (2020: 525) HDSAs in management level positions, which equates to 80.6% (2020: 81.9%) of management level employees.

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

Cashbuild's B-BBEE rating is a Level 6 (2020: level 8) on the Construction sector scorecard. P&L Hardware is rated as a non-compliant supplier. Strategies have been put in place to improve on this rating over the short term. The Group has put a supplier and enterprise development improvement strategy in place. The Group has also implemented a three-year skills development plan to increase learnerships, employed 100 (2020: 110) unemployed youth in line with the Yes-4-Youth programme and is implementing a B-BBEE aligned and targeted recruitment plan, particularly, at management level. Cashbuild is committed to economic empowerment, and plans to continually improve its transformation efforts.

INDUSTRIAL RELATIONS

Union membership within the Group is 3.1% (2020: 3.2%). 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 74 of this Report.

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

Cashbuild follows the principles of the International Labour Organisation protocol on decent work and working conditions. It involves opportunities for work that is productive and derives 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.

Communication with employees takes place through a number of channels, including the monthly Employee Forum meetings, weekly CB-mails, monthly P&L Hardware newspaper, and through the intranet, with all this being 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 and the UN SDGs, the Group 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 conducts business with.

GENDER EQUALITY

Cashbuild's policy and goal towards achieving gender equality is guided by a vision of fairness and acknowledges the principle that gender plays no part in merit and will actively manage its HR development to ensure women and men have equal opportunity to participate in management at all levels. Cashbuild's female:male ratio declined from 33.1%:66.9% in 2020 to 31.3%:68.7% in 2021.

Neither women nor men can be considered as a homogenous group and individual capabilities will drive advancement. Women and men have different skill sets whereby either or both can be developed for the advancement of the Group. However, our policy acknowledges that the means of developing various gender skills may require different emphasis and practices. Cashbuild rejects any form of unfair discrimination based on gender in the Group. Refer to the Group's website for the Gender Equality Policy.

OUR SOCIAL INVOLVEMENT

The Group is committed to a number of CSI, supplier development and entrepreneur support initiatives. These are mainly focused on the communities within which the Group trades to create tangible mutual benefits.

The growth in our Financial Capital allows us to invest more in our Social Capital. Our Human Capital is also affected by these CSI initiatives as it enhances the communities in which our employees live and where their children go to school. By investing in our delivery driver employment initiative, Social Capital is enhanced.

CSI

A major trigger point for many of these CSI initiatives is the opening of new, 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 the Group and the surrounding communities. Local community leaders are actively engaged by store management prior to and following the store opening.

Cashbuild's CSI strategy has been developed and is streamlined to focus on education, local enterprise assistance and small builder support programmes.

P&L Hardware has adopted a similar approach to its CSI initiative. All projects fall under the Helping Hearts umbrella. The project has also been designed around the opening and relocation of new stores, this initiative will become effective as from September 2021 with the opening of our new store in Kwa-Thema. Our initiative is focused on pre-primary schools and the upliftment thereof.

These three pillars, which anchor our strategy, are complemented by a focus on local skills development as well as structured and impactful community support initiatives that seek to leave a lasting legacy in communities where we trade. Given the Group's geographical footprint, our biggest opportunity is in stimulating the local economy through assistance of local enterprises and promoting sustainable livelihoods.

Social Investment continued

P&L Hardware will embark on projects such as Community Heroes in the new financial year with the assistance of our suppliers, focusing on active community members that strive to make a difference. We believe that ventures such as this will motivate and encourage others to play a vital role in their immediate areas.

Our programmes support glass cutters, delivery truck drivers, brick and block makers and building local enterprise hubs who are vital in expanding and growing local economies which creates more employment opportunities as we redraw the contours of the social landscape from ubiquitous poverty and chronic joblessness to hope, economic vitality and a montage of other opportunities. The creation of thriving local enterprises is a force for social good whose fruits are harvested not only by Cashbuild, but also by communities in close proximity to our stores.

Local enterprise assistance and supplier development have been embroidered into very successful programmes of investing in education through the Art@Heart. These programmes are complemented by a focus on local skills development and structured and impactful community support initiatives that seek to leave a lasting legacy in communities where our stores are located and trade.

Partnerships are one of the key principles guiding our CSI efforts. During this reporting period, a number of CSI projects have been implemented through a partnership model. In the Eastern Cape university town of Alice, the Group partnered with African Footprints of Hope, a well-established non-governmental organisation that has been working in this community for many years, to renovate a local school.

The organisation joined hands with Cashbuild to celebrate Nelson Mandela Day on 18 July 2020. Due to Covid-19 and its associated government lockdown regulations, Cashbuild's contribution was limited to building material donations and there was no employee involvement as is the norm with this day where the world gets to honour the international icon. The township of Botshabelo in Bloemfontein was hit by a thunderstorm in November 2020. In line with our strategy of partnering with a local organisation, we joined hands with Letsema La Sechaba Community Shield to assist those affected by the natural disaster. Again, in this instance our work was through the donation of building materials, which the organisation used to assist indigent members of the community hit hardest by the disaster.

Cashbuild partnerships are not only confined to communities, government and non-governmental sectors but also extends to other corporates. This is an important departure point as silo mentality blights the work of corporate South Africa in the social and community space.

The Group is proud to have finally concluded the renovations to five schools in the impoverished Sekhukhune area of Limpopo. Cashbuild, together with financial services firm Old Mutual, embarked on a renovations project of these schools to improve infrastructure in order to meet standards set by the Department of Education. The renovation of the five schools' infrastructure also included building new classrooms and ablution facilities. This project will benefit 4 287 children who will now be able to focus on learning unhindered by poor facilities.

The global pandemic which severely strains healthcare systems as well as negatively impacts economies, continues to affect communities where we trade. While the temptation is to give handouts during this period as unemployment and poverty levels rise, the Group's focus remains on giving people a leg-up and not hand-outs. Cashbuild believes that the programme of assisting local enterprise to thrive and prosper will provide more sustainable intervention. In this regard our efforts to assist local enterprise have been ramped up by partnering with Khona La Local Shops, a network of local spaza shops. This partnership with the organisation will see 15 pilot spaza shops being renovated in the township of Alexandra, north of Johannesburg. The Group hopes to continue with this partnership in the new financial year as progress was hindered by a number of challenges during this financial year.

Four years ago, Cashbuild developed and implemented a new streamlined CSI strategy, and this is now beginning to bear fruit. The newly-built Mabopane Local Enterprise Centre will be tenanted by seven small businesses drawn from the communities of Mabopane and Soshanguve. The center is located outside our store in Mabopane. This ground-breaking centre is constructed using disused shipping containers and has become one of the major landmarks in the community. These small businesses will benefit from Cashbuild's foot traffic and it is anticipated that they will also attract a new customer base to our store. This is a major milestone for Cashbuild in Mabopane as it is a fulfillment of the Group's stated mission to invest in communities where we trade. This investment demonstrates Cashbuild's commitment to achieving its stated mission. The local small business will pay reduced rent, and this is to inculcate good business practice whilst also ensuring the general upkeep of the centre is maintained to the highest standards.

The Group has also assisted an initiative started by local youths in the township of Tsakane. DoorStep Delivery is a groceries and pizza delivery service. These unemployed youths started this service to generate an income for themselves, but with only one delivery bicycle, their offering was limited. Their biggest customers are elderly people who are unable to leave their houses due to fears of contracting Covid-19 and they use the services of DoorStep Delivery to buy groceries. By donating three delivery bicycles, their delivery services will be able to reach more community members who need it.

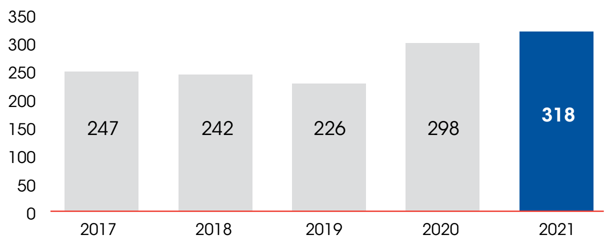
Cashbuild continues to place emphasis on the impact of these CSI programmes. Mechanisms and methodologies are constantly developed and applied to ensure that we do not get involved in CSI initiatives just to "tick the boxes", but to ensure that there is demonstrable impact, with real benefits accruing to the host communities. To this end and to demonstrate this intent, Cashbuild continues to assist the community of Soweto to maintain the soccer field donated two years ago. This involves maintenance and a stipend paid to the two groundsmen employed by the community to keep the facility in good order.

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.

Cashbuild has started with the roll out of a Brick and Block Makers Workshop. This is in preparation for the implementation of the Company's supplier development plans which will see eight brick and block makers assisted in the coming financial years.

Number of glass cutters



Social Investment continued

Store openings and relocations

In the year under review, 10 (June 2020: 11) new stores were opened, which is in line with store openings in the prior year. This growth was realised despite the harsh retail trading environment that persists in the geographies in which we trade and this number was slowed down by the effects of the Covid-19 pandemic.

These new stores created between 14 and 20 new local employment opportunities per store opening.

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

- new staff employed (144 people were employed in our 10 new stores during this financial year);
- local delivery drivers are formally provided with support by Cashbuild in the development of their own enterprises; and
- local artisans (glass cutters, brick makers etc.) are trained and supported in the establishment and development of their own enterprises, either on the Cashbuild premises, or in close proximity to stores.

P&L Hardware opened one store during the period under review in Mount Frere in the Eastern Cape. We employ an average of 16 staff members at each store. Unfortunately, our Helping Hearts initiative was not active at the time.

For every new, relocated and refurbished store opened Cashbuild:

- donates R120 000 worth of building materials to various schools in the neighbouring community;
- awards, through the Group's Art@Heart programme, prizes to local scholars. Their artwork is displayed in the store for a period of six years; and
- actively engages, through the store management team, the local community leaders prior to and following the store opening.

P&L Hardware will be donating R26 000 through store accounts to the pre-primary schools, with the actual events costing the Company more than R84 000 to host such an event. Other items making up the costs is packs for the children, school signage, and entertainment costs for the day.

The children's artwork by means of a colouring-in book provided to them will be displayed at the store for a period of three years.

Indigenous rights

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

We employed 1 016 new employees in our stores to fill vacancies due to staff turnover and the total number of staff is largely at similar levels to those reported last year, reflecting a marginal increase.

Delivery driver contractors

Cashbuild's policy of free local deliveries provides a value-added service to customers and directly supports local entrepreneurship and employment creation. As at the end of the financial year, 348 (2020: 383) delivery drivers were contracted across the Group's stores. For this service Cashbuild spent R172.5 million (2020: R165.8 million), an increase of 4%.

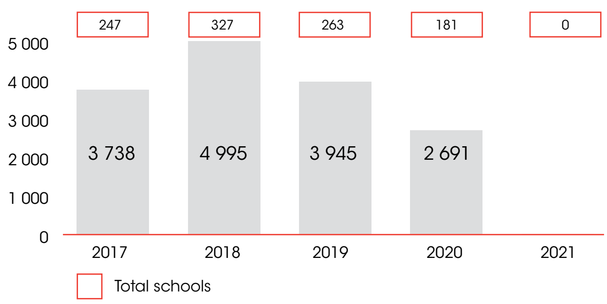
P&L Hardware offers a free local delivery service to its customers. These deliveries are done via our own fleet and drivers employed by the Company. We have an active drive to increase our delivery services to a Company benchmark of 25% deliveries to sales.

School donations

Cashbuild has, in conjunction with new store openings and/or re-openings, conducted a programme of donations of building materials to schools in each community in which such an opening or relaunch takes place. Access to these building materials is strictly controlled by the Cashbuild Store Manager, in order to ensure that they are used for the intended school improvement purpose. Since the inception of the programme, Cashbuild has donated building materials worth R45.2 million to 3 543 schools.

Due to the Covid pandemic and the associated lockdowns, the programme was suspended during the year under review, with Cashbuild aiming to reinstitute it as soon as conditions allow.

School contributions (R'000)




Cashbuild
EXIT

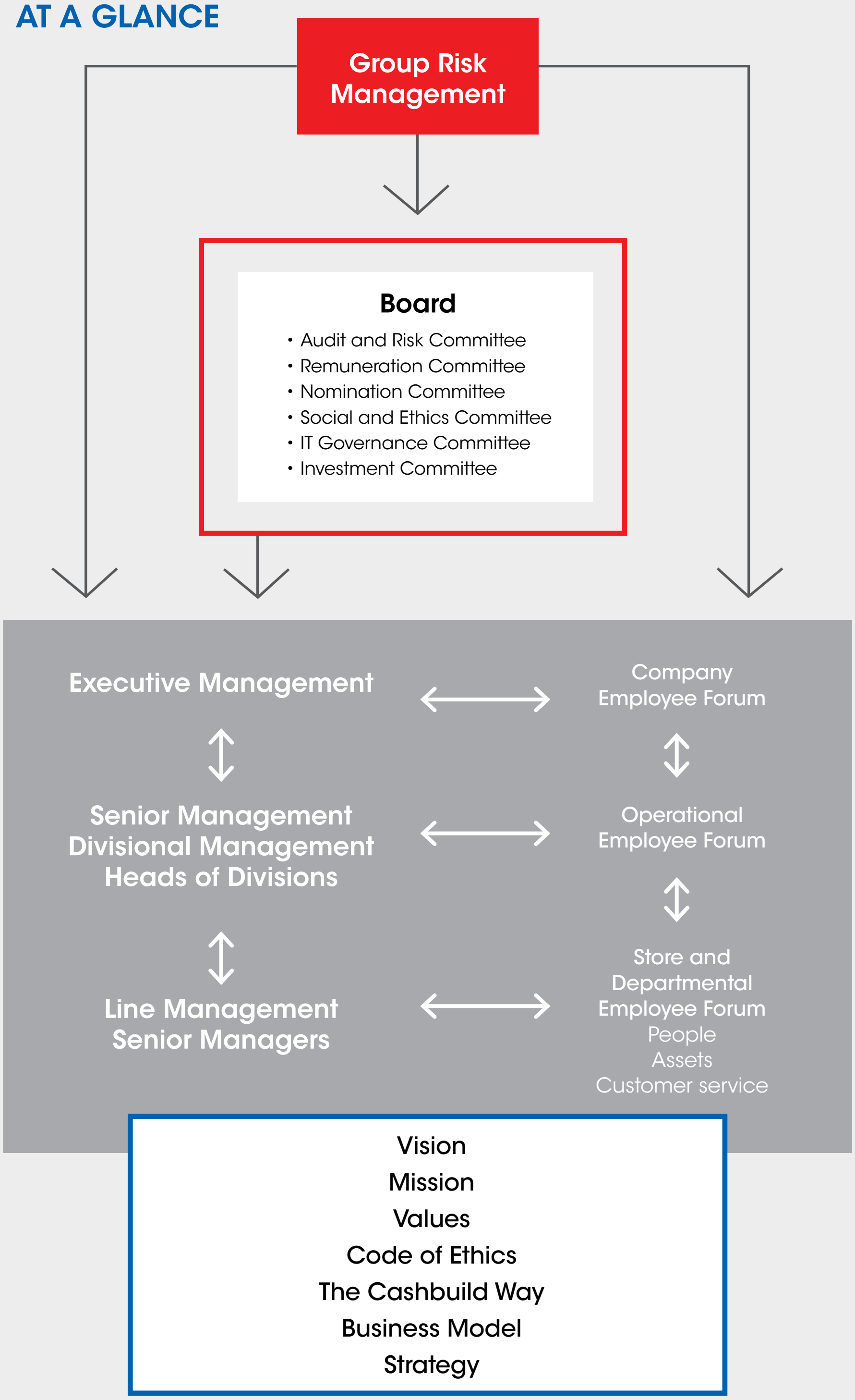

glass cutting service
Glazing service available.
Cashbuild
Glass Cutters

Governance

We believe that our governance practices are sound and comply with the JSE Listings Requirements, King IV™ as well as guidelines provided by the IIRC's International <IR> Framework in terms of reporting according to the Six Capitals.

There are no material changes to the contents of this Report compared to the 2020 Integrated Report other than enhancements made by creating an ESG Report and adopting the UN SDGs. Cashbuild endorses and continuously assesses the principles of King IV™ and, where applicable, tailors these as appropriate to the organisation.

GOVERNANCE FRAMEWORK AND STRUCTURE AT A GLANCE



UN SDGs impacted:

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, The Cashbuild Way (policies and procedures), Code of Ethics, Corporate Approvals Framework, the Board Charter, and Terms of Reference of the 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, are 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 subject.

The Board sets the values to which the Group adheres to and these are formulated in the Group's code of conduct. Cashbuild's vision, mission and core values as set by the Board, are documented and communicated throughout the Group and form the 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 auditors, 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 recruitment practices; employment and transformation (including B-BBEE targets), employee training and development, community investment (which includes donations to local schools); and energy and carbon footprint.

Monitoring 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 constructively challenges the strategy which results in 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 Committee meetings, and the 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 it 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, validity and integrity is highlighted for management action. The Board takes ultimate responsibility to ensure the integrity of the Integrated Report.

Governance continued

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 the Board Charter, and that of its committees in the relevant terms of reference which are reviewed annually. Non-executive Directors 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 its satisfaction regarding fulfilment of its responsibilities through reports of the Chairman, the Chief Executive and Board 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 four 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. The Chairman of the Board is an Independent Non-executive Director. Refer to the "Our Directorate" section of the Integrated Report for, amongst others, the qualifications and experience, period of service, age, and other professional positions held by the directors.

The Nomination Committee considers appointments of Board members and makes recommendations to the Board for approval.

The Board (via the Nomination Committee) participates in the review of succession and emergency planning for key senior executive positions. The directors periodically discuss succession planning and evaluate that, in the event of any executive and senior management changes, plans are in place to ensure a smooth transition.

Provisions of the Companies Act with regards to appointment, removal, evaluation and duties of the Company Secretary as outlined in the Board Charter is adhered to. The office of the Company Secretary is duly empowered and carries the necessary authority to discharge its duties.

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 the balance of power and the effective discharge of its duties.

Roles and responsibilities of Board members and Board Committees are clearly defined in the Board Charter and committees' terms of reference. Delegation is also appropriately dealt with within the governance structure in accordance with legal requirements. Refer to the "Board" and "Board Committees" sections of the Integrated Report for further information on the role of the Board and each of its committees.

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

An annual evaluation of directors (which includes their independence) is performed by the Nomination Committee and confirmed by the Board. The 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.

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 terms of reference. Risk governance encompasses both opportunities and associated risks for consideration when developing strategy.

Risk responses focus to a large extent on actions taken to mitigate risks at hand. Consideration is always given to exploration of opportunities to improve the performance of the Group when preparing action plans to mitigate risks. These are recorded in the risk register which is made available to the Board quarterly via 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 IT Governance Committee takes responsibility for the governance of IT in the Group. Cashbuild's IT Governance Committee performs the oversight role that ensures integration of people, technologies, information and processes 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 an 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 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. The 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 for ensuring that the Remuneration Policy is kept current and remuneration is in line with industry norms, and that it addresses the governance objective of remunerating fairly, responsibly, and transparently in the promotion of the 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 effectively cover 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 the approval of the Internal Audit Charter. 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.

Governance continued

BOARD OF DIRECTORS

Board responsibilities

The Board is accountable and responsible for the performance and affairs of the Group. The terms of reference outlining its responsibilities are contained in the Board Charter. The Board takes responsibility for guiding and monitoring compliance with all applicable laws, regulations and codes of business practice, maintains oversight over compliance and risk management, but delegates operational control to management.

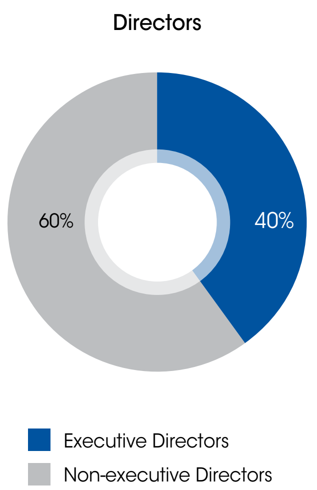
The Board has delegated relevant matters to the Executive Directors and senior management based on detailed authority levels and believes it has full and effective control over the Group and oversight of management activities. The Board meets on a quarterly basis. All directors are encouraged to attend each meeting.

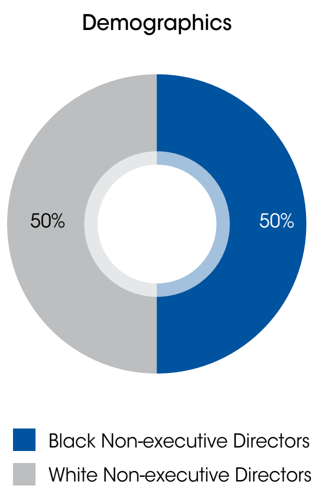
The directors are bound by, and comply with, the JSE Listings Requirements.

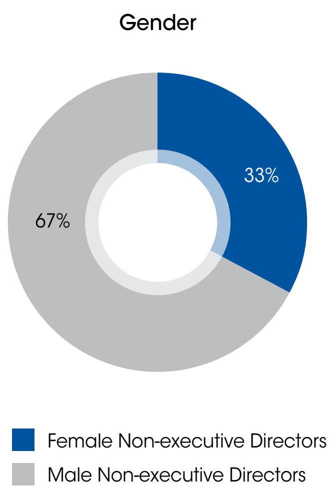
Board composition

The Board operates a unitary board structure comprising four Executive and six Independent Non-executive Directors. The Chairman of the Board 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 the King IV™ recommendations and it considers the number of directors, and 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. Cashbuild strives for a diversified Board that is not dominated by any one grouping, be it race, gender or age, with due consideration of the Equity and Diversity Policy.







Non-executive Director tenures

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 strategy meeting that was scheduled for May 2021 was postponed to a later date as a result of the impacts of Covid-19. The Chairman of the Board and the Chief Executive, in consultation with the Company Secretary, takes responsibility for setting the agenda for 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 them to meet their objectives and make well-informed decisions.

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 candidates and conducting background verifications prior to nominations. Executive Director appointments are formalised through an agreed contract of service between the Company and the director.

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 an induction programme and are provided with all the necessary background and information to familiarise them with issues affecting the Board.

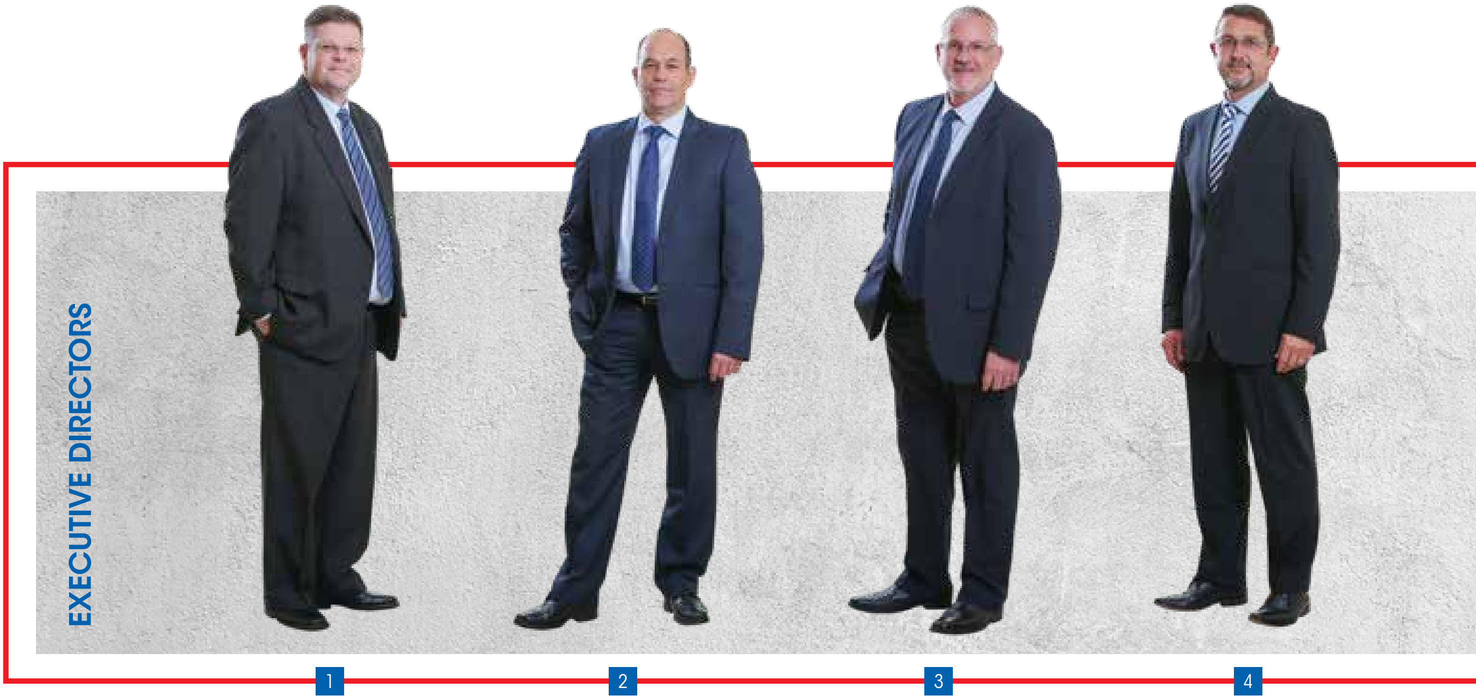
Board and Board Committee meetings attendance

	Board	Audit and Risk Committee	Remuneration Committee	Social and Ethics Committee	IT Governance Committee	Investment Committee	Nomination Committee
Non-executive							
AGW Knock	C – 4/4	–	M – 5/5	–	M – 4/4	M[1] – 1/1	M – 5/5
M Bosman (Mr)	M – 4/4	M – 4/4	–	–	–	M – 1/1 C[2] – 2/2	M – 5/5
HH Hickey[3]	M – 4/4	C – 4/4	–	M – 4/4	–	C – 1/1 M – 2/2	–
DSS Lushaba	M – 4/4	M – 4/4	C – 5/5	M[4] – 2/2 C – 2/2	–	–	–
GM Tapon Njamo	M – 4/4	M – 4/4	M – 5/5	M[5] – 2/2	C – 4/4	–	–
NV Simamane[6]	M – 1/1	–	–	C – 2/2	–	–	–
Executive							
WF de Jager	M – 4/4	I – 4/4	I – 5/5	M – 4/4	M – 4/4	M – 3/3	I – 5/5
A Hattingh[7]	M – 1/1 I – 3/3	I – 4/4	–	–	–	–	–
AE Prowse[8]	M – 4/4	I – 4/4	I – 4/4	M – 2/2	M – 4/4	M – 3/3	–
SA Thoresson	M – 4/4	I – 4/4	–	–	I – 4/4	–	–
WP van Aswegen[9]	M – 4/4	I – 4/4	–	M – 2/2	I – 4/4	–	–

1. *Co-opted as a member for a fixed period for the review and consideration of the TBC acquisition.*
2. *Appointed as Chairperson of the Investment Committee with effect from 30 November 2020.*
3. *Resigned as a Board member with effect from 31 May 2021. Resigned as Chairperson of the Investment Committee with effect from 30 November 2020 but remained a member of that Committee, until 31 May 2021.*
4. *Appointed as Chairperson of the Social and Ethics Committee with effect from 30 November 2020.*
5. *Appointed as a member of the Social and Ethics Committee with effect from 30 November 2020.*
6. *Retired as a Board member with effect from the conclusion of the Annual General Meeting on 30 November 2020.*
7. *Resigned as a Board member with effect from 16 November 2020.*
8. *Resigned as a member of the Social and Ethics Committee with effect from 30 November 2020.*
9. *Appointed as a member of the Social and Ethics Committee with effect from 30 November 2020.*

C Chairperson of the Board/Committee
M Member of the Board/Committee
I Attendance by invitation

OUR DIRECTORATE



	Position	Age	Appointed	Qualifications
1 WF de Jager	**Chief Executive**	**50**	**1 December 2004**	**CA(SA)**
	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 invaluable knowledge. On 1 March 2011, he was appointed Marketing and Procurement Director and on 1 March 2012, Chief Executive of the Group. Werner is a board member of the Global Home Improvement Network.			
2 AE Prowse	**Financial Director**	**57**	**1 March 2011**	**CA(SA)**
	Etienne obtained his CA(SA) qualification in 1990 and completed his articles at Deloitte & Touche. He gained experience in various industries and joined Cashbuild in June 2005 as Financial Controller. He was appointed as the Financial Director of Cashbuild on 1 March 2011.			
3 SA Thoresson	**Operations Director**	**58**	**27 March 2007**	
	Shane joined Cashbuild on 22 August 2005 and has over 30 years of operations experience in the retail sector, over 20 years of which was in sub-Saharan African countries. He has worked for well-respected retail companies such as Woolworths, Foschini and the Mr Price Group.			
4 WP van Aswegen	**Commercial and Marketing Director**	**54**	**2 April 2018**	**CA(SA)**
	Wimpie joined Cashbuild in April 2008 as General Manager Creditors. In 2010 he became Procurement Executive. He was appointed as the Commercial and Marketing Director of Cashbuild on 2 April 2018.			

INDEPENDENT NON-EXECUTIVE DIRECTORS

5 6 7 8 9 10

		Position	Age	Appointed	Qualifications
5	M Bosman (Mr)	**Chairperson of the Audit and Risk Committee and of the Investment Committee**	64	1 March 2019	B.ACC (Hons) (SU), CA(SA)
		Marius was with the Shoprite group for more than 25 years, serving on the boards of the material subsidiaries and served as Shoprite Holdings' Chief Financial Officer from 2014 until his retirement in July 2018. He currently serves on the board of Shoprite Insurance Company Limited.			
6	M Bosman (Ms)		50	1 August 2021	B.ACC (Hons) (UJ), CA(SA)
		Melanie runs a consulting practice focused on the financial services. She is also a non-executive director of Escap SOC Limited (a subsidiary of Eskom) and Land Bank Insurance Company and Land Bank Life Insurance Company SOC Limited. She is a former board member of Credit Guarantee Insurance Corporation of Africa.			
7	AGW Knock	**Chairperson of the Board and the Nomination Committee**	70	1 July 2011	Pr Eng (ret), BSc (Eng) (Wits), MSc (Eng) (Wits), MDP (Cape Town)
		Alistair is a former board member of the Mining SETA, Chairman of the SAP African User Group NPO and the Minerals and Mining Standards Generating Body as well as Council Member of the Association of Mine Managers. He was appointed as Chairman of the Board effective 3 September 2019.			
8	DSS Lushaba (Dr)	**Chairperson of the Social and Ethics Committee and of the Remuneration Committee**	55	1 July 2011	BSc (Hons) (Zululand), MBA (Wales), DBA (UKZN)
		Simo performs board assessments and director training for the Institute of Directors of South Africa. His other directorships include Harmony Gold Limited, GVSC (Pty) Ltd and South Africa Day NPC.			
9	AJ Mokgwatsane		43	1 August 2021	
		Managing Executive: Brand and Communications of the Vodacom Group. Previous roles include that of: CEO of Ogilvy South Africa, CEO of VWV Group, Group Marketing Manager of South African Breweries. Abey is also a member of the Vodacom Foundation Board.			
10	GM Tapon Njamo	**Chairperson of the IT Governance Committee**	43	2 April 2018	BCom (UCT), CA(SA)
		Gloria completed her articles with PwC in 2004. She has over 15 years' leadership experience with working knowledge of operations in over 10 African countries. She has worked for JP Morgan, Woolworths Financial Services, Sturrock Grindrod Maritime, and GE Transportation Africa. She is currently the Head of Investor Relations at Santam.			

Governance continued

Independence of directors

King IV™ requires the Board to holistically review the independence of Non-executive Directors. The Board conducted the review for the financial year and was satisfied that all of the Non-executive Directors are independent of the Company. The matter of independence of directors is addressed during the recruitment process and revisited annually when directors are required to declare any conflict of interests. No conflict of interest or any factor hampering independence of any director has been identified during the 2021 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 as follows:

- By the Chairpersons of the various Committees, using questionnaires completed by each member and attendee. The results of which were deliberated upon at each relevant committee, and presented to the Board for its consideration.
- By the Chairman of the Board using questionnaires completed by each member on the Board. The results of which were presented to the Board for its consideration.
- Through one-on-one discussions between the Chairman of the Board and each member of the Board. The results of which were reported on formally to the Board for consideration.
- By Board members (excluding the Chairman), evaluating the performance of the Chairman. The results of which were formally reported to the Board by the Chairman of the Remuneration Committee.

Each of the performance assessments indicated that the Board, its Committees, its members and its Chairman were performing their duties and responsibilities effectively and efficiently.

Directors' appointments and rotation

In terms of the MOI, one-third of the Non-executive Directors retire by rotation every year and, if eligible and available, offer themselves for re-election by the shareholders at the Annual General Meeting. Amongst other matters, the Board considers the performance of each director due for re-election at the Annual General Meeting. Directors appointed during the financial year are required to be ratified by the shareholders at the first Annual General Meeting after their appointment. The details of the directors due for re-election, and new directors appointed during the year, are as reflected in the Notice of Annual General Meeting to be held on 29 November 2021.

The Board applies its Gender and Diversity Policy in filling directorship positions with a view of ensuring a balance of gender, race and ethnic diversity on the Board. Cashbuild reviewed its Gender and Diversity Policy during the 2021 financial year. Voluntary targets in this regard will be disclosed in due course.

Conflicts of interest and other directorships

The directors declare actual, potential and perceived conflicts of interest to their fellow directors and ensure that the declarations are included in the minutes of Board meetings. They also recuse themselves from the relevant Board meeting while their fellow directors deliberate on the specific matter.

Executive Directors do not hold directorships outside the Group and participate in various industry bodies and associations in different capacities. 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 68 and 69 of this Report.

Share dealings

The Company has a share dealings policy requiring all directors, management, prescribed officers and the Company Secretary to obtain prior written clearance from the Chairman (or the respective delegated individual) 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 Chair 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 and compliance with applicable laws

The Board takes full responsibility for legislative and regulatory compliance in the Group. There were no cases of material legislative or regulatory non-compliance during the year and no penalty sanctions were imposed on the Group or any of its directors or officers during the year.

Cashbuild is:

- in compliance with the provisions of the Companies Act or laws of establishment, specifically relating to its incorporation; and
- operating in conformity with its MOI and/or relevant constitutional documents.

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 Group 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 ordinary course of the discharge of their responsibilities.

The Company Secretary is empowered to fulfil his 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 of the Company and maintains an arm's-length relationship with the Board.

The Company Secretary is Mr T Nengovhela. The Board considered his competence, qualifications and experience at its meeting held on 31 August 2021, and is satisfied that he is competent and has the appropriate qualifications and experience to serve as the Company Secretary.

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 committees, namely the:

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

All of the committees are chaired by an independent non-executive director and operate in accordance with their respective terms of reference which are approved by the Board. The committees operate independently and report to the Board. Each committee is evaluated annually by its Chairperson using questionnaires completed by each member of the committee and reports the outcomes thereof to the Board.

Audit and Risk Committee

Members: Mr M Bosman (Chair); Dr DSS Lushaba and Ms GM Tapon Njamo.

Ms HH Hickey resigned as Chair of the Audit and Risk Committee with effect from 31 May 2021 and Mr M Bosman was appointed in her stead with effect from 19 July 2021.

Ms M Bosman was appointed as a member of the Audit and Risk Committee subsequent to the financial year end, effective 1 August 2021 and will be recommended for appointment by shareholders at the Annual General Meeting on 29 November 2021.

In terms of the Companies Act, the members of the Audit and Risk Committee were individually elected at the Annual General Meeting on 30 November 2020. All members of the Committee are standing for election at the Annual General Meeting to be held on 29 November 2021.

The Audit and Risk Committee initiated a project during the 2020 financial year for the implementation of the Mandatory Audit Firm Rotation (MAFR) for the Group. In terms of the MAFR requirements, the Group must be compliant by 30 June 2024. The Committee has initiated requisite activities and has determined to make a recommendation at the Annual General Meeting to be held during 2022.

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 89 to 93 of this Integrated Report.

Remuneration Committee

Members: Dr DSS Lushaba (Chair); Mr AGW Knock and Ms GM Tapon Njamo

The Remuneration Committee is responsible for providing an overview and oversight of the Remuneration Policy and related processes in meeting the strategy of the business. The scope of this responsibility includes incentive schemes, the pension fund, and medical aids associated with Cashbuild.

Governance continued

Further details pertaining to the responsibilities and functions of the Remuneration Committee are set out in the Remuneration Report on page 75 of this Integrated Report.

Nomination Committee

Members: Mr AGW Knock (Chair) and Mr M Bosman

The Nomination Committee is responsible for developing selection criteria and identifying appropriate candidates for appointment to the Board.

Further details of the role, responsibility and functions of the Nomination Committee are set out in the Nomination Committee Report on page 84 of this Integrated Report.

Social and Ethics Committee

Members: Dr DSS Lushaba (Chair); Ms GM Tapon Njamo; Mr WF de Jager and Mr WP van Aswegen

Following the retirement of Ms NV Simamane and the resignation of Mr AE Prowse as members of the Social and Ethics Committee, both effective 30 November 2020. Dr DSS Lushaba was appointed as the Chairperson while Ms GM Tapon Njamo and Mr WP van Aswegen were appointed as members of the Committee effective 30 November 2020.

Subsequent to the financial year end Ms GM Tapon Njamo resigned as a member of the Social and Ethics Committee with effect from 1 August 2021, and Ms M Bosman and Mr AJ Mokgwatsane were appointed as members of the Committee with effect from 1 August 2021.

The Social and Ethics Committee operates in terms of section 72(8) of the Companies Act. The details pertaining to the Committee's duties, responsibilities and functions are set out in the Social and Ethics Committee Report on pages 44 to 47 of this Integrated Report.

IT Governance Committee

Members: Ms GM Tapon Njamo (Chairman); Mr AGW Knock; Mr AE Prowse and Mr WF de Jager

Mr M Mokgwatsane was appointed as a member of the IT Governance Committee subsequent to the financial year end, effective 1 August 2021.

The details pertaining to the responsibilities and functions of the IT Governance Committee are set out in the IT Governance Committee Report on page 83 of this Integrated Report.

Investment Committee

Members: Mr M Bosman (Chair); Mr WF de Jager and Mr AE Prowse

Ms HH Hickey resigned as a Board member with effect from 31 May 2021.

Ms GM Tapon Njamo was appointed as a member of the Investment Committee subsequent to the financial year end, effective 1 August 2021.

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

Executive Management responsibility

Authority has been granted by the Board to the Chief Executive, supported by the Executive Management Team, to determine and implement Group strategy. The Board is apprised of progress through Board meetings and communication with management.

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.

The Cashbuild Executive Management Team takes full responsibility for corporate governance within the Group and consists of Executive Directors and the Executive Management on the following page.

EXECUTIVE MANAGEMENT CASHBUILD

Samantha Bowen
Procurement Executive

Peter Champion
Human Resource Executive

Willie Dreyer
Operations Executive

Andre Havenga
Risk and Audit Executive

Disemelo Masala
Divisional Director

Zandile Matolo
Financial Controller

Ian McKay
Operations Executive

Tyron Myburgh
Operations Executive

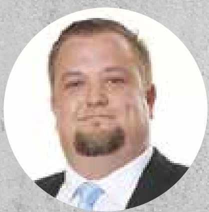
Attie Nel
Procurement Executive

Hennie Roos
Operations Executive

Mark Scholes
Operations Executive

Hennie Steenberg
IT Executive

EXECUTIVE MANAGEMENT P&L HARDWARE



Nico Hanekom
Trainee Operations Executive

Anthon Hattingh
Managing Director

Daniela Tatsis
Chief Financial Officer

Jacques van Deventer
Store Development and Marketing Manager

Ryno van Staden
Trainee Operations Executive

Governance continued

Succession/emergency planning and continuity of management

The Board regularly participates in the review of succession and/or emergency 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 a smooth transition.

The only change to the Executive Management Team was Mr A Hattingh who resigned as an Executive Director and was appointed as a prescribed officer with effect from 30 November 2020. No member of the Executive Management Team has given an indication of his/her intention to resign or retire between 27 June 2021 and the date of this Report.

Prescribed officers

Prescribed officers are defined as Cashbuild employees who:

- report to the Operations Director and/or are in charge of an operational business unit; and
- exercise general management control over members of Cashbuild senior management; or
- have general management control over a significant portion of Cashbuild's business defined; and
- are eligible for appointment as a director or prescribed officer in terms of section 69 of the Companies Act.

The prescribed officers during the period were Ms DS Masala and Mr A Hattingh (appointed as a prescribed officer with effect from 30 November 2020).

EMPLOYEE FORUM

Employee Forum structure

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

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.

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 members of the Board (particularly non-executive). The most direct of these is the Group's Annual General Meeting. In extraordinary circumstances, however, the possibility exists for stakeholders to engage directly with Non-executive Directors.

Remuneration Report

The Remuneration Committee (the Remco) strives to ensure that our Executive Directors through to our staff are fairly remunerated to ensure that we retain competent skills within the Group.

REMUNERATION COMMITTEE

Chairperson

Dr DSS Lushaba

Members

AGW Knock; GM Tapon Njamo

Independence

All Remco members are independent Non-executive Directors

Meetings

Three times per annum

Role and function

The Remco'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 norms; and
- criteria for performance measurement and remuneration packages for Cashbuild's Executive Management team is maintained and updated.

In addition, the Remco:

- 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; and
- ensures that executive compensation is linked to the achievement of both the organisation's financial and non-financial goals.

Responsibilities

The Remco's responsibilities include:

- that all positions are graded using the Patterson grading methodology;
- remuneration packages are benchmarked every three years by way of formal salary surveys using external remuneration specialists;
- Cashbuild's policy is to remunerate staff at the 50th percentile, with scarce skills being pitched at the 75th percentile; and
- 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.

Assurance

The Remco is governed by the 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 Report of this policy at the Annual General Meeting. 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 (if applicable).

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

The Company's Remuneration Policy and Implementation Report received support from the shareholders at the most recent and prior Annual General Meetings as follows:

Percentage of "For" votes	30 November 2020 %	26 November 2019 %
Endorsement of the Remuneration Policy	92.2	82.1
Endorsement of the implementation of the Remuneration Policy	92.3	81.9

For the year, the Company remains open to engaging on "votes against" resolutions, on the basis of publicly available information.

Remuneration Report continued

ACTIVITIES UNDERTAKEN BY THE REMCO DURING THE YEAR

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

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

The Remco also reviewed the remuneration packages and structure of executives to ensure that they are competitive in the market and are aligned with shareholders' interests 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, the cost-of-living increase was not implemented in July 2020 due to the uncertainty presented by the Covid-19 pandemic and its impact on the business. The decision to award cost-of-living increases was implemented in October 2020.

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 and is based on agreed performance parameters. This increase varies between 1% and 3% for those that qualify.

In addition, there are monthly and quarterly bonuses that employees at stores can earn based on store and divisional performance. An annual bonus is available to all store and divisional management, based on their areas' performance with Support Office staff and Executive Management qualifying for annual bonuses based on the Group's results and 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 of trade clauses in the ordinary course of business.

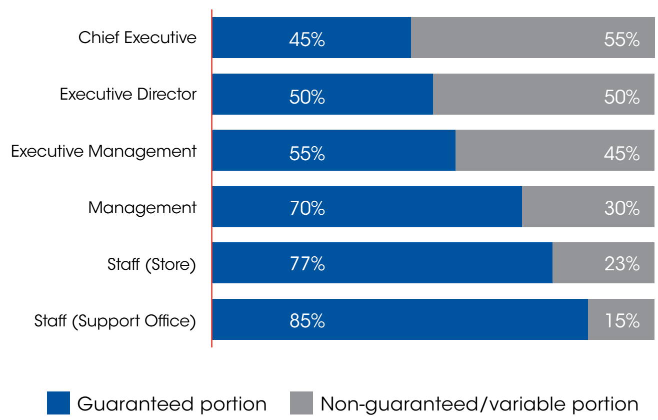
The Group supports the principle of *malus* and clawback clauses in Executive Management contracts as part of executive remuneration schemes. The Remuneration Committee implemented a clawback and *malus* policy during the 2020 financial year in accordance with best practice guidelines.

REMUNERATION STRUCTURE

Remuneration in the Group is structured between guaranteed and non-guaranteed or variable pay and the balance between these categories varies 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 a 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).

There are specific contract workers in the operations environment of the business whose remuneration structure consists of a base pay and performance-based commission.

The charts indicates the components of the remuneration structure for various roles of employees in the Group.



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 next survey is scheduled for the 2023 financial year.

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

The rationale behind this benchmarking exercise is the retention of key members of the Company's Executive Directors and senior management.

The 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 increased or undue risk taking.

Details of all executive and Non-executive Directors' remuneration are detailed on pages 80 and 81 of this report.

The set performance of the Chief Executive is assessed against pre-defined performance criteria by the Chairman and the Remuneration Committee, while the performance of Executive Directors and senior managers is evaluated against similar performance criteria set 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 employees. The retirement fund is part of the Alexander Forbes Umbrella Fund. The fund has performed well in comparison to 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 Board Chairman, Chief Executive and Finance Director are employer elected members of this Committee.

The P&L Hardware provident fund forms part of the Alexander Forbes Umbrella Fund, and benefits are aligned to those of the Group's.

MEDICAL AID

Membership of a medical aid scheme is voluntary. The medical aid schemes offered to the Group's employees are Discovery and Momentum. Approximately 2% of employees have elected to join these medical schemes and this level is consistent with that of the prior year.

The sourcing of affordable health care, and the promotion of membership in medical schemes by employees remains a focus area. However, most staff, particularly in South Africa, have opted to not belong to the medical schemes on offer unless subsidised by the Group.

SHORT-TERM INCENTIVE SCHEME

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. The Executive Directors' targets are set on the Group's performance. Management and staff targets are set on either Cashbuild or P&L Hardware performance depending on the area of responsibility. Once the criterion has been met and dependent on the occupational level, an incentive of between 9% and 50% of annual cost-to-company for employees is calculated, with stretch performance targets set allowing this to increase to 17% and 90%, respectively.

CASHBUILD EMPOWERMENT TRUST

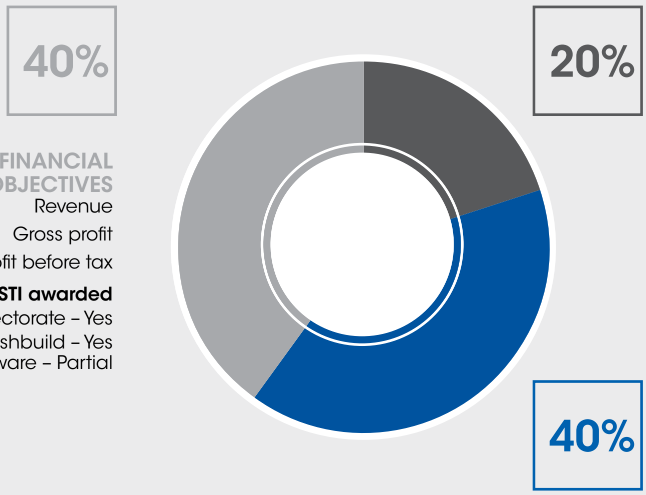
The philosophy of having all staff share in the success of the Group, and in so doing create a sense of belonging and ownership, is embodied in the Cashbuild Empowerment Trust to which all permanent staff, irrespective of seniority or length of service, belong. Additionally, it aligns the goals of staff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

This Trust owns 1 764 999 shares, 7.06% of the issued share capital at 27 June 2021, unchanged from 2020.

Dividends are paid twice per year to all members of the Trust on an equal basis. In the last financial year, a total of R17.2 million (2020: R12.0 million) was paid and shared between all permanent members of staff. Since inception in 2005, the Trust has disbursed a total of R285,2 million to staff.

Remuneration Report continued

COMPOSITION OF STI (%)



FINANCIAL OBJECTIVES
Revenue
Gross profit
Profit before tax
2021 STI awarded
Directorate – Yes
Cashbuild – Yes
P&L Hardware – Partial

PERSONAL OBJECTIVES
Personal objectives set for each individual
2021 STI awarded – Yes
This component is payable on individual achievement of agreed objectives irrespective of the Group's financial criteria set

NON-FINANCIAL OBJECTIVES
Project-based achievements predetermined for each individual during the year – provided Group meets the profit before tax target
2021 STI awarded – Yes

STORE OPERATIONS MANAGEMENT MEMBER TRUST

The Store Operations Management Member Trust was established in 2011. Its objectives 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 ethical mindset of ownership, responsibility and accountability within the Group; and
- promote Black Economic Empowerment and increase broad-based and effective participation in the Group by HDSAs.

This Trust pertains 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 awarded, on condition that the employee is still employed by Cashbuild at the time of vesting. Dividends accrue to the individual from date of award.

Since inception in 2011, a total of R70,4 million (R35.2 million in cash and R35.2 million in shares after qualification of the vesting period) has been paid to 324 store managers and divisional managers.

Scheme	Number of shares	Share and cash value	Employees qualified
2021	**64 691**	**R35.8 million**	**104**
2020	10 952	R3.7 million	40
2019	9 007	R5.1 million	27
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	**89 281**	**R70.4 million**	**324**

LONG-TERM INCENTIVE SCHEME

In line with local and global best practice, as approved by shareholders in 2015, Cashbuild implemented a new share incentive plan, namely the Cashbuild Forfeitable Share Plan (FSP) for Executive Directors, senior management and management at D2 Paterson grading and above.

Under the FSP, participants become owners of the performance shares and/or retention shares from the award date and 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 conditions 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 conditions.

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%	Cashbuild WACC	Cashbuild WACC +10% p.a.
Total	**100%**		

* *Based on the constituents of the INDI+25 as at the award 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 their 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 deems 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]	Shares vesting value	Expenses and travel allowance	Medical benefits	Company's pension scheme contributions	Total
Executive Directors								
WF de Jager	**2021**	**5 742**	**6 227**	**247**	**100**	**200**	**536**	**13 052**
	2020	5 147	884	426	121	174	481	7 233
AE Prowse	**2021**	**3 428**	**2 957**	**165**	**137**	**–**	**263**	**6 950**
	2020	3 299	386	282	138	–	254	4 359
SA Thoresson	**2021**	**3 071**	**2 688**	**151**	**146**	**–**	**273**	**6 329**
	2020	2 956	351	259	175	–	263	4 004
WP van Aswegen	**2021**	**2 603**	**2 266**	**97**	**180**	**–**	**249**	**5 395**
	2020	2 405	296	166	194	–	231	3 292
A Hattingh[2]	**2021**	**1 125**	**–**	**–**	**21**	**–**	**103**	**1 249**
	2020	2 650	303	170	75	–	242	3 440
Total	**2021**	**15 969**	**14 138**	**660**	**584**	**200**	**1 424**	**32 975**
	2020	16 457	2 220	1 303	703	174	1 471	22 328
Prescribed officers								
DS Masala	**2021**	**1 922**	**1 598**	**74**	**140**	**124**	**204**	**4 062**
	2020	1 849	171	126	177	119	196	2 638
A Hattingh[2]	**2021**	**1 622**	**1 357**	**99**	**30**	**–**	**148**	**3 256**
	2020	–	–	–	–	–	–	–
Total	**2021**	**3 544**	**2 955**	**173**	**170**	**124**	**352**	**7 318**
	2020	1 849	171	126	177	119	196	2 638

1. *Bonus accrued for the current year.*
2. *Resigned as a Director and appointed as a prescribed officer with effect from 30 November 2020.*

NON-EXECUTIVE DIRECTORS

Non-executive Director fees are recommended by the Remuneration Committee supported by the Board and approved at the Annual General Meeting. Non-executive Directors are remunerated based on an annual retainer; per Board and Board Committee meeting attendance; and per hour for *ad hoc* governance meetings, dependent on the seniority of the committee and their position as member or chairperson.

The fees paid to the Non-executive Directors who served during the year under review are as follows:

	2021 R'000	2020 R'000
Non-executive Directors		
M Bosman (Mr)	**475**	494
HH Hickey[1]	**580**	546
AGW Knock	**728**	777
Dr DSS Lushaba	**598**	519
GM Tapon Njamo	**541**	502
NV Simamane[2]	**199**	468
IS Fourie[3]	**–**	261
Total	**3 121**	**3 567**

1. *Resigned effective 31 May 2021.*
2. *Retired effective 30 November 2020.*
3. *Retired effective 25 November 2019.*

FSP SHARES AWARDED TO DIRECTORS AND PRESCRIBED OFFICERS

The table below sets out the FSP awards granted to the Executive Directors and prescribed officers since inception of the FSP:

Executive Director	Award date	Vesting date	Share price Rand	Awarded R'000	Vested R'000	Forfeited R'000	Balance at 27 June 2021 R'000	Number of shares at 27 June 2021
WF de Jager	27/09/2016	27/09/2019	408.37	3 467	693	2 774	-	-
	04/12/2017	04/12/2020	383.20	3 727	377	3 350	-	-
	01/10/2018	01/10/2021	285.06	4 579	-	-	**4 579**	**16 064**
	07/10/2019	07/10/2022	236.78	5 303	-	-	**5 303**	**22 395**
	09/10/2020	09/10/2023	219.44	6 114	-	-	**6 114**	**27 860**
Total				**23 190**	**1 070**	**6 124**	**15 996**	**66 319**
AE Prowse	27/09/2016	27/09/2019	408.37	2 311	462	1 849	-	-
	04/12/2017	04/12/2020	383.20	2 485	251	2 234	-	-
	01/10/2018	01/10/2021	285.06	3 148	-	-	**3 148**	**11 045**
	07/10/2019	07/10/2022	236.78	3 306	-	-	**3 306**	**13 960**
	09/10/2020	09/10/2023	219.44	3 471	-	-	**3 471**	**15 817**
Total				**14 721**	**713**	**4 083**	**9 925**	**40 822**
SA Thoresson	27/09/2016	27/09/2019	408.37	2 119	424	1 695	-	-
	04/12/2017	04/12/2020	383.20	2 277	230	2 047	-	-
	01/10/2018	01/10/2021	285.06	2 862	-	-	**2 862**	**10 040**
	07/10/2019	07/10/2022	236.78	3 005	-	-	**3 005**	**12 691**
	09/10/2020	09/10/2023	219.44	3 155	-	-	**3 155**	**14 379**
Total				**13 418**	**654**	**3 742**	**9 022**	**37 110**
WP van Aswegen	27/09/2016	27/09/2019	408.37	1 356	271	1 085	-	-
	04/12/2017	04/12/2020	383.20	1 458	148	1 310	-	-
	01/10/2018	01/10/2021	285.06	2 413	-	-	**2 413**	**8 467**
	07/10/2019	07/10/2022	236.78	2 534	-	-	**2 534**	**10 701**
	09/10/2020	09/10/2023	219.44	2 661	-	-	**2 661**	**12 124**
Total				**10 422**	**419**	**2 395**	**7 608**	**31 292**
Total Executive Directors				**61 751**	**2 856**	**16 344**	**42 551**	**175 543**
Prescribed officers								
A Hattingh[1]	27/09/2016	27/09/2019	408.37	1 391	278	1 113	-	-
	04/12/2017	04/12/2020	383.20	1 495	151	1 344	-	-
	01/10/2018	01/10/2021	285.06	2 477	-	-	**2 477**	**8 687**
	07/10/2019	07/10/2022	236.78	2 600	-	-	**2 600**	**10 981**
	09/10/2020	09/10/2023	219.44	2 730	-	-	**2 730**	**12 441**
Total				**10 693**	**429**	**2 457**	**7 807**	**32 109**
DS Masala	27/09/2016	27/09/2019	408.37	1 034	207	827	-	-
	04/12/2017	04/12/2020	383.20	1 111	112	999	-	-
	01/10/2018	01/10/2021	285.06	1 336	-	-	**1 336**	**4 686**
	07/10/2019	07/10/2022	236.78	1 484	-	-	**1 484**	**6 268**
	09/10/2020	09/10/2023	219.44	1 558	-	-	**1 558**	**7 102**
Total				**6 523**	**319**	**1 826**	**4 378**	**18 056**
Total prescribed officers				**17 216**	**748**	**4 283**	**12 185**	**50 165**
Grand total				**78 967**	**3 604**	**20 627**	**54 736**	**225 708**

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

1. *Resigned as a Director and appointed as a Prescribed Officer with effect from 30 November 2020.*

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 25 June 2021 and the date of approval of this report.

	Number of shares held			
	25 June 2021		28 June 2020	
	Direct	**Indirect**	Direct	Indirect
Beneficial				
WF de Jager	**3 681**	**–**	2 698	–
AE Prowse	**2 287**	**10 000**	1 632	10 000
SA Thoresson	**1 639**	**–**	1 038	–
WP van Aswegen	**1 049**	**–**	664	–
NV Simamane[1]	**–**	**–**	1 200	–
Total	**8 656**	**10 000**	7 232	10 000

1. *Retired effective 30 November 2020.*

There are no interests held by associates, and no non-beneficial shareholdings for the abovementioned directors.

Dr DSS Lushaba
Remuneration Committee Chair

31 August 2021

Information and Technology Governance Report

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 requirements.

ITGOV COMMITTEE

Chairperson

GM Tapon Njamo

Members

AGW Knock, WF de Jager, AE Prowse,
AJ Mokgwatsane (effective 1 August 2021)

Independence

Two of the ITGov members are independent Non-executive Directors. As this is a committee of the Board and integral to the day-to-day operations of the Group, the Board is comfortable with the composition of the ITGov.

Meetings

Four times per annum.

Role and function

The ITGov assists the Board in monitoring Cashbuild's governance and risk management of its responsibilities of the IT infrastructure.

Responsibilities

ITGov is responsible for the oversight of:

- governance of Cashbuild's IT projects;
- strategic alignment of IT with the business including collaboration of solutions to enable the business to achieve its objectives;
- 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 of the IT Service continuity process.

Assurance

This report is prepared in accordance with the requirements of the Companies Act and describes how the 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 27 June 2021. The ITGov is satisfied that it has fulfilled all its duties during the year under review and has made further progress in formalising all relevant policies and implementing identified plans.

ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

During the year under review, the ITGov:

- continued monitoring the achievement of the committee's objectives at the IT Governance meetings 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 continuing IT risk assessments conducted by the IT audit function, a service which is currently outsourced to Ernst & Young. The main areas addressed include among others, cyber security programme assessment review, IT Project Management (ITPMO) review, IT change management assessment and a follow-up on the IT Governance Review Report;
- continued to evaluate the best means of monitoring cyber-crime trends and the appropriate application of defences to mitigate risks and threats;
- monitored the performance of the ITPMO, to ensure that the IT projects deliver value to the business for the benefit of improved client experience and linked to the business strategy;
- continuously refined and improved Cashbuild's integrated Active Retail and SAP All-in-One solutions. Business imperative items received continued and focused attention including daily balancing of transactional data between Active Retail and SAP;
- monitored the execution of the IT Strategy and ensuring alignment to the Group's Business Strategy;
- monitored the performance of the IT project management office that serves to ensure effective management of IT project deliverables which are presented quarterly to the ITGov;
- continued monitoring of the requirements for PCI Compliance thereby ensuring that card holder data is effectively secured to prevent dissemination of information;
- continued monitoring of the consideration for further improvements of the required POPIA processes and controls in order to ensure compliance to the legislative act;
- monitored the execution of the annual Disaster Recovery fail-over tests and capabilities of Cashbuild's IT systems to ensure their long-term sustainability;
- monitored the implementation of SAP enhancement and service pack upgrades to ensure long-term sustainability of the SAP infrastructure;
- monitored the status of the SAP S4/HANA roadmap including a high-level scope and cost assessment;
- monitored the implementation of extensive toolsets and virtual applications which empowered personnel to be able to work efficiently remotely throughout the restrictions imposed as a result of the Covid-19 pandemic; and
- monitored the continued guidance of personnel in respect to data privacy and security awareness whilst working remotely.

GM Tapon Njamo

Information and Technology Governance Committee Chair
31 August 2021

Nomination Committee Report

The Nomination Committee (the Nomco) has an independent role and ensures that the Board has the appropriate composition; that directors are appointed through a formal process; that directors' induction and the ongoing training and development of directors takes place; and that formal succession (and emergency) plans for the Board, Chief Executive, Executive Directors and Executive Management are in place.

NOMCO

Chairperson

AGW Knock

Member

M Bosman (Mr)

Independence

All Committee members are independent Non-executive Directors.

Meetings

At least two per annum.

Responsibilities

The Nomco's responsibilities include:

- Recommendations to the Board on the appointment and re-appointment of Executive and Non-executive Directors; including the assessment of the appropriate balance between executive and Non-executive Directors.
- Ensuring the establishment of a formal process for the appointment of Non-executive Directors, the Chief Executive and the Financial Director.
- Annually reviewing the independence of non-executive directors, taking into account all applicable corporate governance requirements.
- Assessing succession planning at Executive and Senior Management levels. The Chief Executive, in consultation with the Committee, is responsible for ensuring that adequate succession (and emergency) plans are in place.
- From time-to-time, reviewing the Board structure, size and composition.
- Recommendation of the directors retiring by rotation for re-election at the Annual General Meeting.
- Overseeing the development of a formal induction programme for new directors and a continuous development programme for directors.

Assurance

The Nomco is governed by good corporate governance principles and the Group's value statement. The Members of the Nomco hereby confirm that they were diligent in exercising their duties of due care and skill and that they have taken reasonable steps to ensure that they performed their duties in accordance with the Committee's terms of reference.

ACTIVITIES UNDERTAKEN BY THE NOMCO DURING THE YEAR

The Nomco reviewed amongst others:

- Emergency plans for the positions of Chief Executive, Financial Director, Commercial and Marketing Director, Operations Directors, and
- Executive Management and satisfied itself, and the Board, that adequate plans were in place in this regard.
- The Board and Chairman succession plans and recommended them to the Board for adoption.
- The Group's policy on diversity and satisfied itself of its adequacy and relevance.

AGW Knock
Nomination Committee Chair

31 August 2021


HARDWARE
R993.37


Cashbuild
Admin


Cashbuild

04 ANNUAL FINANCIAL STATEMENTS

Five Year Performance Review

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.

Year ended June		2021	2020	2019	2018	2017
		52 weeks	52 weeks	53 weeks	52 weeks	52 weeks
Group Income Statement						
Revenue	R'm	**12 616**	10 091	10 821	10 207	9 730
Profit before tax	R'm	**968**	394	613	594	657
Earnings attributable to owners of the Company	R'm	**665**	267	427	421	465
Group Statement of Financial Position						
Total assets	R'm	**7 332**	6 346	3 995	4 300	3 740
Total equity	R'm	**2 588**	2 155	2 187	1 917	1 679
Total liabilities	R'm	**4 744**	4 191	1 807	2 383	2 061
Group Cash Flow						
Net cash from operations	R'm	**1 506**	2 108	(42)	609	451
Working capital movements	R'm	**106**	1 242	(532)	71	(119)
Capital investment	R'm	**(215)**	(171)	(196)	(302)	(193)
Key performance statistics						
Returns and profitability						
Revenue per employee	R'000	**2 022**	1 624	1 719	1 616	1 529
Operating profit margin	%	**8.2**	5.2	5.2	5.3	6.4
Profit before tax margin	%	**7.7**	3.9	5.7	5.8	6.8
Profit before tax per employee	R'000	**155**	63	97	94	103
Basic EPS	cents	**2 936**	1 177	1 881	1 852	2 048
Basic HEPS	cents	**2 873**	1 138	1 910	1 867	2 045
Total dividend per share	cents	**2 935**	707	855	842	930
NAV per share^	cents	**10 212**	8 470	8 636	7 561	6 642
Return on shareholders' funds	%	**20.4**	14.2	20.8	23.4	29.5
Return on average capital employed	%	**37.5**	15.0	24.1	23.7	29.9
Total asset turn	times	**1.7**	1.6	2.7	2.4	2.6
Total assets per employee	R'000	**1 175**	1 021	638	681	583
Solvency and liquidity						
Dividend payout ratio	%	**100**	50	50	50	50
Current ratio	times	**0.9**	1.2	1.2	1.2	1.2
Total liabilities to total shareholders' funds	times	**1.9**	2.0	0.8	1.3	1.2
Interest-free liabilities to total assets	times	**0.6**	0.7	0.5	0.6	0.5
Share performance						
Market value per share						
– At year end	cents	**27 700**	14 200	26 715	31 439	35 900
– Highest (year to June)	cents	**34 599**	28 200	30 900	50 477	44 295
– Lowest (year to June)	cents	**13 501**	10 101	24 500	31 000	32 100
PE ratio at year end	times	**9.4**	13.3	15.6	18.7	19.3
Market capitalisation – at year end	R'm	**6 922**	3 548	6 676	7 857	8 971
Volume traded (year to June)	'000	**9 551**	14 543	8 150	7 120	6 785
Weighted number of shares	'000	**22 642**	22 722	22 716	22 711	22 708
Issued shares at end of June	'000	**24 990**	24 990	24 990	24 990	24 990
Other statistics						
Number of employees		**6 238**	6 213	6 295	6 316	6 365
Number of stores		**319**	318	315	318	297

^ Based on ordinary number of shares in issue

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 South African Companies Act, No. 71 of 2008, 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 and the shareholders. It operates within a documented terms of reference and complies with all relevant legislation, regulations and governance codes and executes its duties in terms of the requirements of the King Report on Corporate Governance.

The performance of the Audit and Risk Committee is evaluated against its terms of reference on an annual basis and the Committee was deemed to be working satisfactory and effectively during the current year.

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

M Bosman (Mr) (Chairperson) – appointed as Chairperson 19 July 2021
M Bosman (Ms) – appointed 1 August 2021
Dr DSS Lushaba
GM Tapon Njamo

2. MEETINGS HELD BY THE AUDIT AND RISK COMMITTEE

The Committee held four meetings during the year under review. Attendance has been set out on page 11 of the Directors' Report.

The internal and external auditors also attended all of the Committee meetings during the year ending 27 June 2021 and reported their activities and findings at these meetings. The Chairman of the Board, Executive Directors and relevant Senior Managers attended these meetings.

Each Audit and Risk Committee meeting concludes with a confidential meeting between the Committee Members, the Internal and External auditors, as well as another confidential meeting held with the Chief Executive and Financial Director. The Committee chairman also meets separately with external and internal auditors between committee meetings.

3. FUNCTIONS OF THE COMMITTEE

Responsibilities and duties

The Audit and Risk Committee fulfils its responsibilities and duties as set out in its terms of reference.

The oversight role of the Audit and Risk Committee includes:

- reviewing the interim and year-end financial statements and Integrated Report and making recommendations to the Board;
- reviewing the external audit reports, after the audit of the interim and year-end financial statements;
- assessing the external auditor's independence and performance;
- approving the audit fees in respect of both the interim and year-end audits;
- specifying guidelines and authorising contract conditions for the award of non-audit services to the external auditors;
- reviewing the internal audit and risk management reports and making recommendations to the Board, where necessary;
- 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;
- dealing with concerns relating to accounting practices, internal audit, the audit or content of the Consolidated and Separate Annual Financial Statements and internal financial controls; and
- reviewing the solvency and liquidity tests and going-concern statements and recommended proposals to the Board in respect of interim and final dividends.

Audit and Risk Committee Report continued

3. FUNCTIONS OF THE COMMITTEE CONTINUED

External auditor

Independence

During the year under review, the Audit and Risk Committee reviewed the independence of the auditor.

PwC Incorporated is the Group's external auditor, with Mr AJ Rossouw as the independent individual registered auditor who will undertake the Group's audit for the ensuing year. The Committee satisfied itself of PwC's independence before recommending its re-election to the Shareholders with the prior support of the Board.

The independence assessment was made after considering the following:

- confirmation from the external auditor that all their partners, team members 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 for rendering permitted non-audit services, receive any remuneration or other benefits from Cashbuild;
- 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; and
- 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.

The re-appointment of PwC as external auditor and Mr AJ Rossouw as the independent individual registered auditor of the Company was confirmed by the shareholders at the Annual General Meeting. The Audit and Risk Committee initiated a project during the 2020 financial year to implement the Mandatory Audit Firm Rotation (MAFR) for the Group. In terms of the MAFR requirements, the Group must be compliant by 30 June 2024. The Committee has continued with requisite activities and has determined to make a recommendation to the shareholders at the Annual General Meeting to be held during 2022.

External audit fees

The Audit and Risk Committee:

- approved, in consultation with management, the audit fee and engagement terms for the external auditors for the June 2021 financial year;
- reviewed and approved the non-audit services fees for the year under review and ensured that the fees were within limits set and in line with the non-audit services 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 and Risk Committee:

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

The Audit and Risk Committee confirms that the external auditor has functioned in accordance with its terms of reference for the year ended 27 June 2021.

Key audit matters

The Audit and Risk Committee has considered the matters noted in the independent auditor's report and reviewed the process followed by the auditor. Discussions have taken place with management, and the Committee is satisfied that the procedures followed by management are appropriate to address the matters noted, being the accuracy of supplier rebates.

Financial statements

Responsibility

The Committee reviewed the Consolidated Financial Statements, including the public announcements of the Group's financial results for the year ended 27 June 2021, and made recommendations to the Board for their approval. During its review, the Committee:

- took appropriate steps to ensure that the financial statements were prepared in accordance with IFRS;
- considered all entities of the consolidated group and ensured that it has access to all financial information of Cashbuild;
- 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, Internal Audit, the content and audit of the financial statements, nor the internal financial controls and related matters.

Expertise and experience of Financial Director

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

Adequacy of finance function

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

Quality of earnings

The reconciliation between attributable earnings and headline earnings is set out in note 28 of the Consolidated Financial Statements.

Internal controls

The Cashbuild Way

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

Internal Audit team

The Internal Audit function within the Cashbuild Group consists of a team of 30 members, with three auditors and an internal audit manager dedicated to support-office based audits, and 21 auditors dedicated to the auditing of key processes at stores. Two internal audit managers and three senior internal auditors take responsibility for quality assurance within the Internal Audit function. A Senior Internal Auditor assists the Audit and Risk Executive with monitoring and reporting on Issues Management (e.g. tip-offs, burglaries and robberies, OHASA incidents etc.). Cashbuild's Audit and Risk Executive reports administratively to the Chief Executive with a functional 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 to key controls.

Internal Audit approach and methodology

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

In terms of the King Report on Corporate Governance, Internal Audit should provide a written assessment on the effectiveness of the Group's system of internal control and risk management. The principle further states that Internal Audit have provided an assessment regarding internal financial controls which should be reported specifically to the Audit and Risk Committee.

Audit and Risk Committee Report continued

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

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

The contents of the quarterly reports to the Audit and Risk Committee are 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 on the Group's system of internal control and risk management. The reports are aimed at providing the reader with enough information on the following topics:

- the scope of internal auditing activities, which includes the appropriate level and quality of work based on the Group's risks;
- the cycle on which audit plans are based;
- consideration of the control components and limitations of control;
- the status of follow-up activities;
- a discussion of serious problems and solutions; and
- the overall assessment statement for the year.

Risk management
The Board is responsible for risk governance within the Group. 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 Group risk management review workshops.

Integrated Report
The Committee fulfils an oversight role regarding Cashbuild's Integrated Report and the reporting process. Accordingly, it has considered and assessed the consistency with operational, financial and other information known to the Audit and Risk Committee members, as well as the Consolidated Financial Statements.

4. COMBINED ASSURANCE

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

Financial statements
The Directors' Report is set out in pages 96 to 99.

External audit
The Independent Auditor's Report is set out on pages 100 to 106.

4. COMBINED ASSURANCE CONTINUED

Quality

PwC submitted reports relating to quality assessment reviews undertaken internally and by the Independent Regulatory Board for Auditors (IRBA) and the Public Company Accounting Oversight Board, together with progress on any remedial actions necessary for the 2021 interim period and year-end.

The Audit and Risk Committee reviewed the following in terms of the Listings Requirements:

- A summary report of the most recent IRBA inspection policy report and decision letter from IRBA, the findings report and a copy of the proposed remedial action plan;
- A summary of the suitability pack on the designated auditor, Mr AJ Rossouw, the results of which were satisfactory;
- The JSE accreditation letter from the firm which included the designated auditor;
- The IRBA letters for the latest reviews of the firm (2020); and
- The PwC Commitment to Audit Quality document.

The Audit and Risk Committee concluded that there were no matters of concern that would prevent the appointment of PwC as the auditors of the Group.

Key audit matters

The Audit and Risk Committee has considered the matters noted in the independent auditor's report and reviewed the process followed by the auditor.

The Key audit matter is "accuracy of supplier rebates" which is a continuous focus for the Audit and Risk Committee. The Committee agrees that the processes followed by the external auditors are appropriate and that management have appropriately accounted for this.

The processes followed included discussions with management, understanding of the process, consideration of procedures followed and review of the final report. Confirmation of the appropriate reporting is then obtained from the external auditors as a final procedure.

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 2020 to June 2021) 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 the quarterly Audit and Risk Committee Reports".

On behalf of the Audit and Risk Committee

M Bosman (Mr)
Audit and Risk Committee Chairperson

Johannesburg
31 August 2021

Directors’ Responsibilities and Approval

The directors are required in terms of the Companies Act, No. 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the Group’s Consolidated and Separate Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Group’s Consolidated and Separate Annual Financial Statements fairly present the state of affairs of the Group as at the end of the reporting period and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS). The external auditors are engaged to express an independent opinion on the Group’s Consolidated and Separate Annual Financial Statements.

The Group’s Consolidated and Separate Annual Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) 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. The Group endeavours to minimise operating risk by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors have reviewed the Group’s cash flow forecast for the period up to 30 June 2022 and, in light of this review and the current financial position, they are satisfied that the Group had access to adequate resources to continue in operational existence for the foreseeable future.

The Group’s Consolidated and Separate Annual Financial Statements set out on page 107 to 161, which have been prepared on the going concern basis under the supervision of the Financial Director, Mr A E Prowse CA(SA), were approved by the Board of Directors on 31 August 2021 and were signed on their behalf by:

Alistair Knock
Chairman

Werner de Jager
Chief Executive

31 August 2021

Chief Executive and Financial Director's Responsibility Statement

The external auditors are responsible for independently auditing and reporting on the Group's Consolidated and Separate Annual Financial Statements. The Group's Consolidated and Separate Annual Financial Statements have been examined by the Group's external auditors and their report is presented on pages 100 to 106.

In terms of section 3.84(k) of the JSE Listings Requirements, the directors, whose names are stated below, hereby confirm that:

- the financial statements set out on pages 107 to 161, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Signed by the Chief Executive and the Financial Director on behalf of the Board of Directors by:

Werner de Jager
Chief Executive

Etienne Prowse
Financial Director

31 August 2021

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 Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Takalani Nengovhela
Company Secretary

31 August 2021

Directors' Report

The directors have pleasure in submitting their report on the Consolidated and Separate Annual Financial Statements of Cashbuild Limited for the year ended 27 June 2021.

1. NATURE OF THE BUSINESS

Cashbuild is southern Africa's leading retailer of quality building materials and associated products, selling direct to a cash-paying customer base through our chain of stores (319 at the end of this financial year which includes one DIY store and 55 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 25%. Revenue for stores in existence prior to July 2019 (pre-existing stores – 298 stores) increased by 23% and our 21 new stores contributed 2% growth. Gross profit increased by 34% with gross profit percentage increasing from 25.0% to 26.9%. Selling price inflation was 7% at end June 2021 when compared to June 2020.

Operating expenses, including new stores, were well controlled considering the revenue growth, increasing by 17% (existing stores 15% and new stores contributed 2% of the increase) resulting in the operating profit increasing by 100%. Basic earnings per share increased by 149% with headline earnings per share also increasing by 152% from the prior year.

The effective tax rate of 30.8% for the year is in line with the effective tax rate of the prior year.

Cash and cash equivalents increased to R2 546 million mainly driven by increased profitability. Creditors' balances are higher due to supplier deliveries normalising from the low base a year ago post lockdown. Stock levels, including new stores have increased by 22% with stockholding at 74 days (June 2020: 60 days). Net asset value per share increased by 21%, from 8 470 cents (June 2020) to 10 212 cents.

During the year, Cashbuild opened 10 stores (9 Cashbuild; 1 P&L Hardware), refurbished 29 stores (28 Cashbuild; 1 P&L Hardware) and relocated 5 stores (3 Cashbuild; 2 P&L Hardware). Furthermore, 2 Cashbuild and 7 P&L Hardware stores were closed at the expiration of their lease agreements. Cashbuild will continue its store expansion, relocation and refurbishment strategy in a controlled manner considering Covid-19 pandemic uncertainties, applying the same rigorous processes as in the past.

3. REPORTING PERIOD

The Group adopts the retail accounting calendar, which comprises the reporting year ending on the last Sunday of the month June 2021: 27 June 2021 (52 weeks); 28 June 2020 (52 weeks).

4. SHARE CAPITAL

There were no changes to the authorised or issued share capital during the period under review.

5. DIVIDENDS

The Board has declared a final dividend (No. 57), of 2 211 cents (June 2020: 272 cents) per ordinary share, out of income reserves to all shareholders of Cashbuild Limited. This is a once-off in recognition of the excellent results reported for this year. It however does not change the stated 2 times dividend cover policy. The dividend per share is calculated based on 24 989 811 (June 2020: 24 989 811) shares in issue at the date of the dividend declaration. The net local dividend amount is 1 768.8 cents per share for shareholders liable to pay Dividends Tax and 2 211 cents per share for shareholders exempt from paying Dividends Tax. The total dividend for the year amounts to 2 935 cents (June 2020: 707 cents), which is aligned with the total earnings for this exceptional year. Local Dividends Tax is 20%.

The relevant dates for the declaration are as follows: Date dividend declared: Tuesday, 31 August 2021; Last day to trade "CUM" the dividend: Monday, 20 September 2021; Date to commence trading "EX" the dividend: Tuesday, 21 September 2021; Record date: Thursday, 23 September 2021; Date of payment: Monday, 27 September 2021. Share certificates may not be dematerialised or rematerialised between Tuesday, 21 September 2021 and Thursday, 23 September 2021, both dates inclusive.

6. DIRECTORATE

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

WF de Jager (50)	Chief Executive, CA(SA)	Executive
AE Prowse (57)	Finance Director, CA(SA)	Executive
SA Thoresson (58)	Operations Director	Executive
WP van Aswegen (54)	Commercial and Marketing Director, CA(SA)	Executive
M Bosman (Mr) (64)	CA(SA)	Independent non-executive
M Bosman (Ms) (50)*	CA(SA)	Independent non-executive
AGW Knock (70)	Chairman, BSc Eng (Hons); MSc (Engineering); MDP	Independent non-executive
Dr DSS Lushaba (55)	BSc Advanced Biochemistry (Hons), MBA, DBA, CD(SA)	Independent non-executive
AJ Mokgwatsane (43)*	Diploma in Integrated Marketing and Communication	Independent non-executive
GM Tapon Njamo (43)	CA(SA)	Independent non-executive

* *Appointed as a director on 1 August 2021.*

Details of the directors' remuneration are set out under note 39 of the financial statements.

7. BOARD COMMITTEES AND ATTENDANCE

Name	Notes	Board	Audit and Risk Committee	Remuneration Committee	Social and Ethics Committee	IT Governance Committee	Investment Committee	Nomination Committee
Non-executive								
AGW Knock	1	C – 4/4	–	M – 5/5	–	M – 4/4	M – 1/1	C – 5/5
M Bosman (Mr)	2	M – 4/4	M – 4/4	–	–	–	M – 1/1 C – 2/2	M – 5/5
HH Hickey	3	M – 4/4	C – 4/4	–	M – 4/4	–	C – 1/1 M – 2/2	–
DSS Lushaba	4	M – 4/4	M – 4/4	C – 5/5	M – 2/2 C – 2/2	–	–	–
GM Tapon Njamo	5	M – 4/4	M – 4/4	M – 5/5	M – 2/2	C – 4/4	–	–
NV Simamane	6	M – 1/1	–	–	C – 2/2	–	–	–
Executive								
WF de Jager		M – 4/4	I – 4/4	I – 5/5	M – 4/4	M – 4/4	M – 3/3	I – 5/5
A Hattingh	7	M – 1/1 I – 3/3	I – 4/4	–	–	–	–	–
AE Prowse	8	M – 4/4	I – 4/4	I – 4/4	M – 2/2	M – 4/4	M – 3/3	–
SA Thoresson		M – 4/4	I – 4/4	–	–	I – 4/4	–	–
WP van Aswegen	9	M – 4/4	I – 4/4	–	M – 2/2	I – 4/4	–	–

Legend
C Chairperson of the Board/Committee
M Member of the Board/Committee
I Attendance by invitation

1 *Co-opted as a member of the Investment Committee for a fixed period for the review and consideration of the TBC acquisition.*
2 *Appointed as chairperson of the Investment Committee with effect from 30 November 2020.*
3 *Resigned as a Board member with effect from 31 May 2021. Resigned as chairperson of the Investment Committee with effect from 30 November 2020, but remained a member of that Committee.*
4 *Appointed as chairperson of the Social and Ethics Committee with effect from 30 November 2020.*
5 *Appointed as a member of the Social and Ethics Committee with effect from 30 November 2020.*
6 *Retired as a Board member with effect from the conclusion of the Annual General Meeting on 30 November 2020.*
7 *Resigned as a Board member with effect from 16 November 2020.*
8 *Resigned as a member of the Social and Ethics Committee with effect from 30 November 2020.*
9 *Appointed as a member of the Social and Ethics Committee with effect from 30 November 2020.*

Directors' Report continued

8. INTERESTS IN SUBSIDIARIES AND OTHER INVESTMENTS

Details of material interests in subsidiary companies, associates and joint arrangements are presented in the Consolidated Annual Financial Statements in notes 7 and 10.

9. DIRECTORS' INTERESTS IN CONTRACTS

During the financial year, no contracts were entered into whereby directors or officers of the Group had an interest and which significantly affected the business of the Group.

10. BORROWING POWERS

In terms of the Memorandum of Incorporation of Cashbuild Limited, borrowing powers are unrestricted. Flexible term general banking facilities available are R480 million (June 2020: R644 million).

11. THE BUILDING COMPANY PROPRIETARY LIMITED ACQUISITION

Shareholders are reminded that Cashbuild entered into a definitive sale and purchase agreement ("SPA") on 3 August 2020 with Pepkor Holdings Limited ("Pepkor"), subject to conditions, to acquire 100% of the issued share capital of The Building Company Proprietary Limited ("TBC"), a wholly owned subsidiary of Pepkor, and the shareholder loan claims of Pepkor against TBC, for a purchase consideration of R1,074,700,000 (the "Transaction").

Competition Commission recommendations
On 28 May 2021, the Competition Commission announced their recommendation that the Transaction be prohibited as, in their view, the merger would result in a substantial prevention or lessening of competition in the market for building materials, hardware and related products in South Africa. This was only a recommendation at that stage and the Competition Tribunal would still hear arguments from all parties before determining a ruling.

Termination of agreement
On 12 August 2021, the Group announced that the agreement would be terminated as it was determined that all the suspensive conditions would not have been met by the long stop date of 16 August 2021 and the parties were unable to agree on an extension to the long stop date.

12. EVENTS AFTER THE REPORTING PERIOD

During the second week of July 2021, violent protests and looting occurred in South Africa, particularly in Gauteng and KwaZulu-Natal, which negatively impacted Cashbuild. A total number of 36 stores (32 Cashbuild and 4 P&L Hardware stores) were damaged, looted and were unable to trade. Cashbuild has insurance cover in place for such events to minimise losses to the Group. Cashbuild initiated a process of rebuilding, restoring and restocking the affected stores in order to resume trading as soon as practicably possible.

Cashbuild is in the process of determining the impact of the looting and losses incurred. The table below contains a summary of the financial information of the affected stores for the current reporting period. The revenue and operating profit represent the performance of the affected stores for this financial year from 29 June 2020 to 27 June 2021. The property, plant and equipment and inventory value represents the balance as at 27 June 2021.

R'000	2021
Income statement extract	
Revenue	**1 401 919**
Operating profit	**142 217**
Financial position extract	
Property, plant and equipment	**60 026**
Inventory	**187 608**

The value of the insurance claim will be determined in conjunction with our insurers and their loss adjusters. The Group is insured for replacement value of its assets as well as loss of profits due to business interruption.

13. PROSPECTS

Group revenue for the first six weeks after year end has declined by 10% when compared to the comparable six weeks of the prior year. Management expects trading conditions to remain uncertain due to the ongoing Covid-19 pandemic and its economic impact. This information has not been reviewed nor audited by the company's auditor.

14. Covid-19 IMPACT ON FINANCIAL RESULTS

The World Health Organization declared the novel Coronavirus (Covid-19) outbreak a public health emergency on 11 March 2020. There have been various levels of lockdown during the 2021 financial year, which has not materially affected the Group's operational results. No stores were closed due to these lockdown adjustments.

The Group's suppliers struggled to secure raw materials locally and also had challenges with importing products. Raw material shortages included steel, timber, cement, PVC and copper and to date there are still shortages in steel, timber and copper product lines. However, we were able to secure stock due to the strong relationships with our suppliers, early identification of issues, stock prioritisation and stock forecasting. This contributed to the increase in sales and there are currently no stores out of these stock items.

15. GOING CONCERN

The directors have assessed the cash flow forecast for the period up to 30 June 2022 and conclude that the Group will be able to continue as a going concern. As part of the going-concern assessment for the financial year, the potential implications of Covid-19 were assessed and it was concluded that it will not have a significant adverse effect on Cashbuild's business. All proposed financing arrangements and capital expenditures are evaluated and monitored to assess the impact on the Group's ability to meet their obligations. Detailed solvency and liquidity analysis are performed when entering into new financial arrangements and when dividends are declared to ensure the capital base of the Group is not adversely impacted.

16. AUDITOR

PricewaterhouseCoopers Inc. were the auditors for the Company and its subsidiaries for the year ended 27 June 2021.

17. SECRETARY

The Company Secretary is Mr Takalani Nengovhela.

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 27 June 2021, 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 107 to 161 comprise:

- the consolidated and separate statements of financial position as at 27 June 2021;
- the consolidated and separate income statement 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

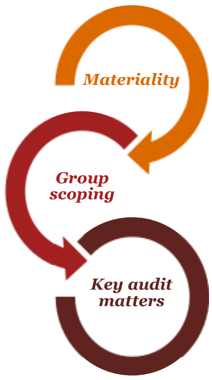
We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other 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 corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Our audit approach

Overview



Overall group materiality

- *Overall group materiality: R128,8 million, which represents 1% of consolidated revenue.*

Group audit scope

- Our audit included a full scope audit of the Cashbuild South Africa and the P&L Hardware operating segments, based on their respective financial significance to the Group. A combination of analytical review procedures and specific procedures were performed over the remaining components.

Key audit matters

- Accuracy of the supplier rebate adjustment and debtors.

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	*R128,8 million*
How we determined it	*1% of consolidated revenue*
Rationale for the materiality benchmark applied	We chose consolidated revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users of the consolidated financial statements, as it is the key driver of the Group's business. We chose 1% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue as a benchmark in calculating materiality.

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.

The consolidated financial statements comprise a consolidation of 22 components, which include the Group's retail business, joint arrangements, property companies and trusts.

Our audit included full scope audits of the Cashbuild South Africa and the P&L Hardware operating segments, based on their respective financial significance to the Group. A combination of analytical review procedures and specific procedures were performed over the remaining components. All testing was performed centrally by the group audit team. By performing the procedures outlined above, we obtained sufficient appropriate audit evidence regarding the consolidated financial statements of the Group to provide a basis of our opinion.

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.

Key audit matter	*How our audit addressed the key audit matter*
Accuracy of supplier rebate adjustment and debtors The Group has trade agreements with suppliers whereby rebates are provided and advertising income is earned based on purchases made from the suppliers and are calculated either as a percentage of purchases or on volume (collectively referred to as supplier rebates).	We obtained a detailed understanding of the supplier rebate process through discussion with management and inspection of the underlying transaction documents. We evaluated the design and implementation of controls that the Group has established over supplier rebates.

Refer to note 13: 'Trade and other Receivables', to the consolidated financial statements. Supplier rebates are accounted for as a reduction in the cost of inventories and result in a reduction of cost of sales when inventories are sold. Refer to accounting policy note 1.18: 'Cost of sales' to the consolidated financial statements. Supplier arrangements contain contract specific considerations in relation to the calculation of supplier rebates. These may include: • Volumes and/or value of purchases; • Specified items which are excluded from the purchases on which the rebate adjustment is calculated; • Period covered; and • Contractual supplier rebate percentage applied to purchases from each supplier. The calculation of the value of supplier rebates will include the determination of the apportionment thereof between inventories sold and those that remain on hand at period end as unrealised. We considered the accuracy of the supplier rebate adjustment and debtors to be a matter of most significance to the current period audit because the calculation thereof includes a number of contract specific considerations and a potential error in the calculation could result in a material misstatement of the consolidated financial statements.	We agreed the rebate adjustment calculated by the rebate system to the rebate adjustment recognised in Enterprise Resource Planning system ("ERP") and noted no material differences. We recalculated the supplier rebate adjustment recognised in ERP by using computer assisted audit techniques. As part of our recalculation, we agreed the volume and/or value of purchases as appropriate, the specified items which are excluded from the purchases on which rebate adjustment is calculated, the period in which the rebate adjustment was recognised, and the contractual supplier rebate percentage applied to purchases from each supplier to the rebate agreements. We noted no material differences. On a sample basis, we performed the following procedures, with no material differences noted, to test the inputs used in the calculation of supplier rebates: • Agreed cash receipts of supplier rebates earned per the bank statements to the supplier rebates recognised in ERP in the current period; • Agreed deductions of supplier rebates from payments to suppliers per the creditor statements to the supplier rebates recognised in ERP in the current period; • Obtained confirmation from suppliers of the total supplier rebates earned by the Group for the period and the underlying supplier rebate calculation data, including volumes and/or value of purchases during the period, as well as the supplier rebate percentage applicable, and compared all details on the confirmations to the accounting records on ERP; and • Agreed the supplier rebate percentages as obtained from the supplier master files from ERP to signed contracts with suppliers.

	Supplier rebates included as a reduction in the cost of inventories were tested by recalculating management's unrealised supplier rebate calculation. We also tested the accuracy of the underlying inputs into this calculation, such as the opening and closing balances of inventory, cost of sales and the rebate adjustment, by agreeing these amounts to the underlying accounting records. No material differences were noted.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Cashbuild Limited annual consolidated and separate financial statements for the financial period ended 27 June 2021", which includes the Directors' Report, the Audit and Risk Committee Report and the Company Secretary's Certification 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 document titled "Cashbuild Integrated Report 2021", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

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 23 years.

PricewaterhouseCoopers Inc.

Director: A.J. Rossouw

Registered Auditor

Johannesburg

31 August 2021

Consolidated and Separate Statements of Financial Position

as at 27 June 2021

R'000	Note(s)	Group 2021	Group 2020	Company 2021	Company 2020
Assets					
Non-current assets					
Property, plant and equipment	4	**2 464 385**	2 394 577	**–**	–
Investment property	6	**43 007**	57 924	**–**	–
Intangible assets	8	**423 464**	423 101	**–**	–
Investment in associate	7	**30 000**	–	**–**	–
Deferred tax	9	**129 976**	99 178	**–**	–
Investments in subsidiaries	10	**–**	–	**120 908**	95 262
Loan to subsidiary	10	**–**	–	**39 633**	37 258
		3 090 832	2 974 780	**160 541**	132 520
Current assets					
Prepayments	11	**19 664**	40 319	**–**	–
Inventories	12	**1 545 878**	1 266 587	**–**	–
Trade and other receivables	13	**129 179**	103 677	**–**	–
Cash and cash equivalents	14	**2 546 380**	1 951 582	**10 070**	9 206
Non-current assets held for sale	15	**–**	8 703	**–**	–
		4 241 101	3 370 868	**10 070**	9 206
Total assets		**7 331 933**	6 345 648	**170 611**	141 726
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	16	**(287 778)**	(274 187)	**1 274**	1 274
Reserves		**133 702**	119 634	**120 908**	95 262
Retained income		**2 705 936**	2 271 169	**39 068**	36 381
		2 551 860	2 116 616	**161 250**	132 917
Non-controlling interest		**36 094**	38 399	**–**	–
		2 587 954	2 155 015	**161 250**	132 917
Liabilities					
Non-current liabilities					
Joint investment loan payable	7	**16 783**	–	**–**	–
Deferred tax	9	**33 018**	35 138	**–**	–
Lease liabilities	19	**1 467 717**	1 432 590	**–**	–
		1 517 518	1 467 728	**–**	–
Current liabilities					
Trade and other payables	20	**2 914 923**	2 521 681	**9 240**	8 809
Lease liabilities	19	**202 092**	182 610	**–**	–
Current tax payable	30	**109 446**	18 614	**121**	–
		3 226 461	2 722 905	**9 361**	8 809
Total liabilities		**4 743 979**	4 190 633	**9 361**	8 809
Total equity and liabilities		**7 331 933**	6 345 648	**170 611**	141 726

The accounting policies on pages 113 to 124 and the notes on pages 125 to 161 form an integral part of the Consolidated and Separate Annual Financial Statements.

Consolidated and Separate Income Statements

for the year ended 27 June 2021

R'000	Note(s)	Group 2021	Group 2020	Company 2021	Company 2020
Revenue	21	**12 615 629**	10 090 910	**256 251**	223 353
Cost of sales	22	**(9 226 014)**	(7 565 860)	**–**	–
Gross profit		**3 389 615**	2 525 050	**256 251**	223 353
Other income	23	**33 984**	47 192	**–**	–
Selling and marketing expenses	24	**(1 995 881)**	(1 765 022)	**–**	–
Administrative expenses	24	**(385 536)**	(282 531)	**(4 978)**	(6 050)
Other operating expenses	24	**(3 363)**	(4 377)	**–**	–
Operating profit		**1 038 819**	520 312	**251 273**	217 303
Finance income	25	**91 327**	65 182	**434**	–
Finance costs	26	**(162 502)**	(191 518)	**–**	–
Profit before taxation		**967 644**	393 976	**251 707**	217 303
Tax expense	27	**(297 557)**	(121 306)	**(121)**	–
Profit for the year		**670 087**	272 670	**251 586**	217 303
Profit attributable to:					
Owners of the parent		**664 682**	267 371	**251 586**	217 303
Non-controlling interest		**5 405**	5 299	**–**	–
		670 087	272 670	**251 586**	217 303
Earnings per share for profit attributable to the ordinary equity holders of the Company					
per share information					
Basic earnings per share (cents)	28	**2 935.7**	1 176.7	**1 006.7**	869.6
Diluted earnings per share (cents)	28	**2 932.6**	1 176.1	**1 006.3**	757.5

The accounting policies on pages 113 to 124 and the notes on pages 125 to 161 form an integral part of the Consolidated and Separate Annual Financial Statements.

Consolidated and Separate Statements of Comprehensive Income

for the year ended 27 June 2021

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Profit for the year	**670 087**	272 670	**251 586**	217 303
Other comprehensive income:				
Items that may be reclassified to profit or loss:				
Exchange differences on translation of foreign operations attributable to:				
Owners of the parent (Note 18)	**(11 578)**	22 223	**–**	–
Non-controlling interests	**(5 730)**	3 659	**–**	–
Total movement in foreign currency translation reserve (FCTR)	**(17 308)**	25 882	**–**	–
Other comprehensive income for the year net of taxation	**(17 308)**	25 882	**–**	–
Total comprehensive income	**652 779**	298 552	**251 586**	217 303
Total comprehensive income attributable to:				
Owners of the parent	**653 104**	289 594	**251 586**	217 303
Non-controlling interest	**(325)**	8 958	**–**	–
	652 779	298 552	**251 586**	217 303

The accounting policies on pages 113 to 124 and the notes on pages 125 to 161 form an integral part of the Consolidated and Separate Annual Financial Statements.

Consolidated and Separate Statements of Changes in Equity

for the year ended 27 June 2021

R'000	Share capital	Share premium	Total share capital
Balance at 30 June 2019	**227**	**(274 414)**	**(274 187)**
Total comprehensive income for the year	–	–	–
Recognition of share-based payments	–	–	–
Dividends	–	–	–
Balance at 28 June 2020	**227**	**(274 414)**	**(274 187)**
Total comprehensive income for the year	–	–	–
Recognition of share-based payments	–	–	–
Shares purchased by Cashbuild South Africa for the Forfeitable Share Plan	–	(13 591)	(13 591)
Dividends	–	–	–
Balance at 27 June 2021	**227**	**(288 005)**	**(287 778)**
Note(s)	16	16	16

Refer to note 28 for more information on dividend per share.

R'000	Share capital	Share premium	Total share capital
Balance at 30 June 2019	**250**	**1 024**	**1 274**
Total comprehensive income for the year	–	–	–
Share-based payments expense	–	–	–
Dividends	–	–	–
Unwind of SIT trust*	–	–	–
Balance at 28 June 2020	**250**	**1 024**	**1 274**
Total comprehensive income for the year	–	–	–
Share-based payments expense	–	–	–
Dividends	–	–	–
Balance at 27 June 2021	**250**	**1 024**	**1 274**
Note(s)	16	16	16

* The nature of the share incentive trust was no longer useful to the Company and thus management made the decision to unwind the Trust.

Group					
FCTR	Share-based payments reserve	Total reserves	Retained (loss)/income	Non-controlling interest	Total equity
2 149	**79 137**	**81 286**	**2 200 776**	**30 699**	**2 038 574**
22 223	–	22 223	267 371	8 958	298 552
–	16 125	16 125	–	–	16 125
–	–	–	(196 978)	(1 258)	(198 236)
24 372	**95 262**	**119 634**	**2 271 169**	**38 399**	**2 155 015**
(11 578)	–	(11 578)	664 682	(325)	652 779
–	25 646	25 646	–	–	25 646
–	–	–	–	–	(13 591)
–	–	–	(229 915)	(1 980)	(231 895)
12 794	**120 908**	**133 702**	**2 705 936**	**36 094**	**2 587 954**
18	17				

Company			
Share-based payments reserve	Total reserves	Retained (loss)/income	Total equity
79 137	**79 137**	**(9 690)**	**70 721**
–	–	217 303	217 303
16 125	16 125	–	16 125
–	–	(213 663)	(213 663)
–	–	42 431	42 431
95 262	**95 262**	**36 381**	**132 917**
–	–	251 586	251 586
25 646	25 646	–	25 646
–	–	(248 899)	(248 899)
120 908	**120 908**	**39 068**	**161 250**
17			

Consolidated and Separate Statements of Cash Flows

for the year ended 27 June 2021

R'000	Note(s)	Group 2021	Group 2020	Company 2021	Company 2020
Cash flows from operating activities					
Cash generated from operations	29	**1 507 716**	2 108 499	**(4 548)**	381
Finance income – non-investing	25	**11**	800	**–**	–
Dividends received	21	**–**	–	**256 251**	223 353
Finance costs	26	**(162 502)**	(191 518)	**–**	–
Tax paid	30	**(239 643)**	(135 748)	**–**	–
Net cash generated from operating activities		**1 105 582**	**1 782 033**	**251 703**	**223 734**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	**(191 361)**	(168 649)	**–**	–
Proceeds on disposal of non-current asset held for sale	32	**12 101**	1 962	**–**	–
Proceeds on disposal of property, plant and equipment	33	**10 762**	32 359	**–**	–
Finance income	25	**91 316**	64 382	**434**	–
Purchase of intangible assets	8	**(4 735)**	(1 444)	**–**	–
Loan advanced to Group companies	10	**–**	–	**(2 374)**	(3 641)
Additions to investment property	6	**–**	(29 766)	**–**	–
Net cash utilised in investing activities		**(81 917)**	**(101 156)**	**(1 940)**	**(3 641)**
Cash flows from financing activities					
Shares purchased by Cashbuild South Africa for the Forfeitable Share Plan	16	**(13 591)**	–	**–**	–
Payment on lease liabilities	19	**(180 149)**	(135 717)	**–**	–
Dividends paid	31	**(229 915)**	(196 978)	**(248 899)**	(213 663)
Dividends paid to non-controlling interests	31	**(1 980)**	(1 258)	**–**	–
Net cash utilised in financing activities		**(425 635)**	**(333 953)**	**(248 899)**	**(213 663)**
Total cash and cash equivalents movement for the year		**598 030**	**1 346 924**	**864**	**6 430**
Cash and cash equivalents at the beginning of the year		**1 951 582**	590 150	**9 206**	2 776
Effect of exchange rate movement on cash and cash equivalents balances		**(3 232)**	14 508	**–**	–
Total cash and cash equivalents at the end of the year	14	**2 546 380**	**1 951 582**	**10 070**	**9 206**

Accounting Policies

for the year ended 27 June 2021

CORPORATE INFORMATION

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

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Annual Consolidated and Separate Financial Statements are set out below.

1.1 BASIS OF PREPARATION

The Annual Consolidated and Separate 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 Consolidated and Separate Financial Statements and the Companies Act 71 of 2008 of South Africa, as amended.

These Annual Consolidated and Separate 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 Consolidated and Separate 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's functional currency.

These accounting policies are consistent with the prior year.

1.2 CONSOLIDATION

Basis of consolidation

The Consolidated Annual Financial Statements incorporate the Annual Financial Statements of the Company and all subsidiaries. Subsidiaries are 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 using its power over the entity.

The results of subsidiaries are included in the Consolidated Annual Financial Statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made where necessary to the Consolidated 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. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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 Group's proportionate share of assets and liabilities from investments in joint operators are included in the Consolidated Annual Financial Statements from the effective date of acquisition.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Consolidated Statement of Changes in Equity.

1.3 INVESTMENT PROPERTY

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation less any accumulated impairment losses.

Accounting Policies continued

for the year ended 27 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are assets which the Group holds for its own use or for rental to others and which are expected to be used for more than one year.

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 relating to ongoing projects are capitalised as work in progress until the project is completed. Upon completion, the work in progress assets are transferred to the relevant asset categories.

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. Residual values are allocated to assets which are expected to have a material disposal value. These assets are depreciated up to their residual values. Land is not depreciated. The useful lives and residual values are re-assessed annually, and adjusted accordingly, where appropriate.

The details including the useful lives of items of property, plant and equipment have been disclosed in note 4.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount. Impairment losses reversals are limited to what the carrying amount of the asset would have been, should no impairment have been recognised.

An item of property, plant and equipment is derecognised upon 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 disposal proceeds, if any, and the carrying amount of the item, is included in the Consolidated Income Statement when the item is derecognised.

1.5 INTANGIBLE ASSETS

Goodwill

Goodwill arises on a business combination, and is the amount by which the fair value of consideration transferred and the amount of any non-controlling interest recognised, exceeds the identifiable assets and liabilities recognised in accordance with IFRS 3.

Goodwill is carried at cost less accumulated impairment losses.

Trademarks

Trademarks which have a finite useful life are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over its 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. This position is assessed on an annual basis. Amortisation is not provided for these intangible assets, however, these assets are tested for impairment annually and when there is an indication that the asset may be impaired. No impairment will arise if the present value of the expected net cash inflows into perpetuity support the fair value of the intangible asset acquired.

Critical estimates and judgements considered in determining the indefinite useful life of trademarks are disclosed in note 2.

Computer software

Computer software is capitalised on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortised on a straight-line basis over its estimated useful lives of three to five years.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

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.

Computer software is carried at cost less accumulated amortisation and accumulated impairment losses.

Refer to note 8 for details of the Group's intangible assets.

1.6 FINANCIAL INSTRUMENTS

Classification

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

- Financial assets measured at amortised cost
- Financial liabilities measured at amortised cost

Financial assets at amortised cost

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore, are all classified as current assets.

Trade receivables and cash and cash equivalents have been classified at amortised cost as its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest and the Group's business model is to collect the contractual cash flows on these financial instruments.

Financial liabilities measured at amortised cost

Trade payables are financial liabilities measured at amortised cost. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. Borrowings consists 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.

Recognition and measurement

Financial assets at amortised cost

Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group has made use of the practical expedient where the Group presumes that a trade receivable does not have a significant financing component as the expected term is less than one year. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore, measures them subsequently at amortised cost using the effective interest rate method.

Cash and cash equivalents are initially recognised at fair value. Subsequently, cash and cash equivalents are measured at amortised cost.

Financial liabilities measured at amortised cost

Trade payables are initially measured at fair value plus transaction costs, if any, 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 Consolidated Income Statement over the period of the borrowings using the effective interest rate method.

Accounting Policies continued

for the year ended 27 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.6 FINANCIAL INSTRUMENTS CONTINUED

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As a practical expedient, the Group uses a provision matrix based on the Group's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. Refer to note 13 for the impact of the expected credit loss.

Cash and cash equivalents

Cash and cash equivalents include cash-on-hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

These amounts are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Foreign currency bank accounts are translated to the functional currency using the exchange rates prevailing at the Consolidated Statement of Financial Position date. Foreign exchange gains and losses resulting from the revaluation of these balances are recognised in the Consolidated Income Statement.

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 all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to its present location and condition. Unrealised trade, settlement and other discounts as well as unrealised rebates are netted off against the inventory balance.

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 year 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 year 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 year in which the reversal occurs.

Inventories includes a "right-to-return-goods asset" which represents the Group's right to recover products from customers where customers exercise their right of return under the Group's returns policy. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected-value method. A corresponding adjustment is recognised against cost of sales.

Refer to note 12 for disclosures of inventory and related values.

1.8 IMPAIRMENT OF ASSETS

The Group assesses at the end of each 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 year.
- tests goodwill acquired in a business combination for impairment on an annual basis.

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

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

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

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. Refer to note 5 for details thereof.

Indefinite useful lived trademarks are assessed for impairment annually or more frequently if indicators of impairment exist.

The significant assets considered for impairment for the 12 months ended 27 June 2021 are the goodwill and trademark acquired from the P&L Hardware business combination. Refer to note 5 for details thereof.

1.9 SHARE CAPITAL AND EQUITY

Ordinary shares are classified as equity. Where Group companies purchase Cashbuild Limited's share capital, the consideration paid including attributable transaction costs (net of income taxes), is deducted from equity attributable to the Group'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 Consolidated Income Statement.

Details of share capital and share premium including the impact of treasury shares is disclosed in note 16.

1.10 EMPLOYEE BENEFITS

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave, which are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

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 the Consolidated Income Statement upon valuation. Gains and losses are recognised immediately in full.

Accounting Policies continued

for the year ended 27 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.10 EMPLOYEE BENEFITS CONTINUED

Bonuses

The Group's bonus structure allows monthly and quarterly bonuses that employees at stores can earn based on store and divisional performance. An annual bonus is available to all store and divisional management, based on their areas' performance. Support Office staff and Executive Management qualify for annual bonuses which is dependent on the Group's results and performance. Annual bonuses are calculated with reference to a formula that takes into consideration the revenue and profit before tax. The Group recognises a liability and an expense for bonuses. 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 making 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 years.

1.11 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 its initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

1.12 JOINT ARRANGEMENTS AND ASSOCIATES

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either classified as a joint operation or a joint venture.

Joint operations

The Group 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 share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

Associates

An associate is an entity that the Group has significant influence over. The Group has significant influence over an entity if it holds 20% or more of the voting rights and there is no joint control. The Group accounts for its interests in associates using the equity method. Investment in associates are accounted for at cost and is subsequently increased with the Group's share of profit when applicable.

1.13 PREPAYMENTS

Prepayments comprise of general prepayments for goods or services to be provided after year end. Current prepayments relate to general prepayments that will realise within 12 months after year end.

1.14 TAX

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

At each reporting period, the Group assesses the recoverability of deferred tax assets. Measurement adjustments are recognised when the Group expects that the deferred tax assets will not result in future tax benefits.

For details of deferred tax assets and liabilities for the year refer to note 9.

Tax expenses

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

- a transaction or event which is recognised, in the same or a different year, 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 year, 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 year, directly in equity.

Components of the tax expense and effective tax rate is disclosed in note 27.

1.15 LEASES

The Group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantive right of substitution throughout the period of use. Once management have concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

Accounting Policies continued

for the year ended 27 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.15 LEASES CONTINUED

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgements and sources of estimation uncertainty section of these accounting policies. Critical estimates and judgements considered with regard to right-of-use assets are disclosed in note 2.

Group as lessee

The Group has entered into various leases in respect of premises. Leases for premises are on average contracted for periods between 5 and 15 years with renewal options for a further 5 to 10-year period.

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee, except for short-term leases of 12 months or less. For these leases, the Group recognises the lease payments as an operating expense (note 24) on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The probability of utilising extension and termination options are considered when determining the lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments which are based on an index or rate are included in the lease liability. In the event of a modification which does not result in a separate lease, the lease liability is remeasured with a corresponding adjustment to the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Refer to note 4 for details relating to the right-of-use asset.

The lease payments are discounted using the incremental borrowing rate. The incremental borrowing rate is determined by using the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the Group's business planning cycle, significance of related leasehold improvements and past history of terminating/not renewing leases. The lease term is reassessed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when the following modifications occur:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the change in lease payments are due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; and
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in the Consolidated Income Statement if the carrying amount of the right-of-use asset has been reduced to zero.

Rental reductions were received from the landlords as a result of the Covid-19 lockdown period. Cashbuild made use of the IFRS 16 amendment for all the rental concessions, by accounting for the rental concessions as variable lease payments, applying paragraph 38 of IFRS 16, in the year in which the rental concessions were granted.

Details of leasing arrangements are presented in note 19 Leases (Group as lessee).

1.16 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 forfeitable share award scheme to executive directors and selected management. The scheme has a vesting period of three years. The impact is recognised directly in the Consolidated 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 and headline earnings per share.

The fair value determined at the award date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and is adjusted for the effect of non-market-based vesting conditions. 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. A vested share option is exercised when the Group delivers the share to the director or employee. The shares are sold at the current market price and the difference between the sales price and the option price is paid to the employee after the tax liability is settled.

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.

Accounting Policies continued

for the year ended 27 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.16 SHARE-BASED PLANS AND RELATED PAYMENTS CONTINUED

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 Consolidated Income Statement. The amounts paid out by the members are 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.

1.17 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it satisfies the performance obligation. The performance obligation would be the sale of goods and this would be satisfied at the point of sale.

The following is a description of principal activities where the Group generates revenue. The Group has disclosed the nature, timing of satisfaction of performance obligations and significant payment terms.

Sale of goods – retail

The Group is required to disclose the revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the financial year.

The Group operates a chain of retail stores selling building materials. Revenue from the sale of goods is recognised when the Group sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the building materials and takes delivery in store. It is the Group's policy to sell its products to the end customer with a right of return. Therefore, a refund liability (included in trade and other payables) is recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

1.18 COST OF SALES

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year 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 year 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 year in which the reversal occurs.

The related settlement discounts and rebates received on inventories are deducted from cost of sales.

Cost of sales is reduced by the amount recognised in inventory as a "right-to-return-goods asset" which represents the Group's right to recover products from customers where customers exercise their right of return under the Group's returns policy.

1.19 TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions and Group translation

Stores which trade in foreign countries trade in foreign currencies being Botswana Pula, Malawian Kwacha, Zambian Kwacha and US Dollar. These are translated to the presentation currency (Rands) at year-end.

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

On consolidation exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. If a foreign entity were to be sold, such exchange differences would be recognised in the Consolidated 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.

1.20 BUSINESS COMBINATIONS

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at its fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the below items are recognised as Goodwill:

- consideration transferred; and
- amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded.

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase gain.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to its present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate.

A business combination in which all of the combining businesses are ultimately controlled by the same party before and after the business combination is classified as a business combination under common control. For all business combinations under common control the Group elects to transfer all assets, liabilities and equity to the acquiring entity. All assets, liabilities and equity are transferred at the carrying value of the acquiree. Any related consideration is recognised for the disposal of assets and a corresponding gain or loss is recognised in the Income Statement of the acquiree. The acquirer shall recognise the difference between the financial items assumed and the consideration as an equity reserve.

2. CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of the Annual Consolidated and Separate Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying the Group's accounting policies. These are 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 Annual Consolidated and Separate 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 year in which the estimate is revised and any affected future periods. The impact of the Covid-19 pandemic lockdown and post lockdown experience was considered on all estimates with adjustments where required.

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

- 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 estimated with reference to an inventory age analysis, stock turnover and margin which have an element of estimation uncertainty. Refer to note 12 for more information. There were no abnormal inventory losses and Inventory turnover was also not negatively affected by Covid-19.
- Indefinite useful life of trademarks – Judgement is used in determining that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Management has no plans to discontinue the P&L Hardware store brand. Management have continued expanding both the Cashbuild and P&L brands as they focus on different income groups, and therefore, there are no plans to rebrand the P&L Hardware stores. The P&L Hardware business has now been under the full control of Cashbuild Group management for over five years, and management has continued to open new stores and plan to continue in this manner. With this considered, it is therefore appropriate to classify this as an indefinite useful life asset. Refer to note 8 for more information.
- Right-of-use asset impairment assessment – The impairment assessment is performed at a store level. When a loss-making store has been identified, a cash flow forecast is performed for the remaining lease term in order to determine the value in use of the store. The discount rate applied is derived from the Group weighted average cost of capital (WACC), adjusted for tax and specific risks relating to the country of operation. Estimation of the expected future sales and cost of sales for the store requires judgement. The Group received rent reductions which have been recognised as variable payments. Impairments related to store closures for shops that reached the end of its lease term and are not due to adverse economic conditions as a result of Covid-19. No other lease implications have been noted as a result of Covid-19. Refer to note 24 for more information.
- IFRS 16 lease term – In determining the lease term, the Group must assess whether it is reasonably certain to exercise extension or early termination options. Renewal options have only been included where a decision to renew the lease has been made, which is when it is reasonably certain that the lease will be renewed. The Group considers various factors in the decision to renew or not, which include profitability, location of the stores as well as overall business strategy. This judgement is important as it affects the amount recorded for the lease obligation and related right-of-use asset. Refer to note 19 for more information.
- Incremental borrowing rate – The incremental borrowing rate is estimated with reference to country-specific borrowing rates (linked to prime) that the Group is subject to, inflated by a margin derived from government bond yields that is linked to the term of the lease contract from inception. Refer to accounting policy 1.15 for more information.

Notes to the Consolidated and Separate Annual Financial Statements

for the year ended 27 June 2021

3. SEGMENTAL INFORMATION

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

The Group's operating segments include the Cashbuild model stores (based in South Africa, Botswana, eSwatini, Lesotho, Namibia, Malawi and Zambia) and the P&L Hardware model stores (based only in South Africa).

The Group's operating segments are also considered to be reportable segments.

The Group's reportable segments are as follows:

- Cashbuild South Africa (based in South Africa)
- P&L Hardware model stores (based in South Africa)
- Cashbuild common monetary operations (Eswatini, Lesotho and Namibia)
- Cashbuild non-common monetary operations (Botswana, Malawi and Zambia)

The Group's common monetary operations consists of the countries that form part of the Rand common monetary area.

The Group's non-common monetary operations consists of the other countries which the Group trades in. These other countries have foreign exchange differences when compared to the Rand.

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

The Group evaluates the performance of its operating segments based on revenue and operating profit. Operating profit is the earnings before interest and tax.

	Separately disclosable items					
R'000	Revenue	Operating profit	Depreciation and amortisation	Interest income	Interest expense	Taxation
June 2021						
Cashbuild South African operations	**10 154 307**	**872 124**	**(300 335)**	**63 406**	**(144 164)**	**(343 633)**
P&L Hardware operations	**1 158 633**	**28 907**	**(36 211)**	**4 843**	**(5 223)**	**(6 958)**
Cashbuild common monetary operations	**732 188**	**80 278**	**(14 760)**	**15 381**	**(7 607)**	**82 192**
Cashbuild non-common monetary operations	**570 501**	**57 510**	**(17 046)**	**7 697**	**(5 508)**	**(29 158)**
Total	**12 615 629**	**1 038 819**	**(368 352)**	**91 327**	**(162 502)**	**(297 557)**
June 2020						
Cashbuild South African operations	7 919 278	443 444	(284 355)	39 097	(165 572)	(105 828)
P&L Hardware operations	1 125 009	17 108	(33 098)	1 566	(8 926)	207
Cashbuild common monetary operations	579 031	31 213	(16 177)	20 135	(10 259)	(11 294)
Cashbuild non-common monetary operations	467 592	28 547	(21 190)	4 384	(6 761)	(4 391)
Total	10 090 910	520 312	(354 820)	65 182	(191 518)	(121 306)

Revenue contribution, as disclosed in note 21, is materially similar throughout the operating segments.

Notes to the Consolidated and Separate Annual Financial Statements continued

for the year ended 27 June 2021

3. SEGMENTAL INFORMATION CONTINUED

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 Consolidated Statement of Financial Position.

R'000	Capital investment*	Total assets	Total liabilities
June 2021			
Cashbuild South African operations	**161 533**	**5 397 017**	**(3 491 978)**
P&L Hardware operations	**18 421**	**824 852**	**(777 623)**
Cashbuild common monetary operations	**881**	**704 450**	**(243 514)**
Cashbuild non-common monetary operations	**15 261**	**405 614**	**(230 864)**
Total	**196 096**	**7 331 933**	**(4 743 979)**
June 2020			
Cashbuild South African operations	135 079	4 416 716	(2 857 876)
P&L Hardware operations	6 387	864 073	(829 040)
Cashbuild common monetary operations	9 722	652 373	(251 049)
Cashbuild non-common monetary operations	18 905	412 486	(252 668)
Total	170 093	6 345 648	(4 190 633)

** Capital investment relates to total additions during the year of property, plant and equipment (note 4) and intangible assets (note 8).*

4. PROPERTY, PLANT AND EQUIPMENT

Group

	June 2021			June 2020		
R'000	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and buildings	**710 242**	**(66 016)**	**644 226**	649 963	(60 729)	589 234
Leasehold improvements	**208 551**	**(124 615)**	**83 936**	203 634	(105 835)	97 799
Furniture and equipment	**1 335 221**	**(912 421)**	**422 800**	1 229 528	(813 742)	415 786
Vehicles	**36 374**	**(20 573)**	**15 801**	38 621	(17 191)	21 430
Right-of-use asset	**2 337 740**	**(1 040 118)**	**1 297 622**	2 089 264	(818 936)	1 270 328
Total	**4 628 128**	**(2 163 743)**	**2 464 385**	4 211 010	(1 816 433)	2 394 577

4. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Reconciliation of property plant and equipment – Group – 27 June 2021

R'000	Opening balance	Additions	Dis-posals~	Transfers	Lease Modi-fication+	Foreign ex-change move-ments	De-preciation	Im-pairment Reversal^	Closing balance
Land and buildings	589 234	–	(1 570)	69 761	–	(7 912)	(5 287)	–	644 226
Leasehold improvements	97 799	–	(963)	6 405	–	(524)	(18 781)	–	83 936
Furniture and equipment	415 786	–	(6 944)	117 238	–	(4 601)	(99 331)	652	422 800
Vehicles	21 430	–	(165)	(2 082)	–	–	(3 382)	–	15 801
Right-of-use asset	1 270 328	195 098	(6 306)	39	67 443	(7 797)	(237 263)	16 080	1 297 622
Capital work in progress*	–	191 361	–	(191 361)	–	–	–	–	–
Total	**2 394 577**	**386 459**	**(15 948)**	**–**	**67 443**	**(20 834)**	**(364 044)**	**16 732**	**2 464 385**

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

^ *The impairment reversal relates to previously loss-making stores. The performance and expected performance over the useful life (owned assets) or the remaining lease term (right-of-use assets), of these stores have improved significantly and as a result an impairment reversal has been recognised. Impairment reversals are limited to the carrying value of the right-of-use asset or furniture and equipment that would have been should an impairment loss not have been recognised.*

~ *Disposal of right-of-use of assets relates to the early termination of lease agreements. The right-of-use asset and lease liability, net of the early termination payment, is derecognised and any gain or loss is recognised in the Consolidated Income Statement.*

\+ *The lease modification relates to the renegotiation of lease payments which did not result in a separate lease renewal and extension of existing leases. The lease liability was remeasured with corresponding adjustments to the right-of-use asset for this modification.*

Reconciliation of property, plant and equipment – Group – 28 June 2020

R'000	Opening balance	Additions	Dis-posals~	Classi-fied as held for sale^	Transfers	Lease Modifica-tion+	Foreign exchange movements	De-preciation	Im-pairment	Closing balance
Land and buildings	589 587	–	(846)	(5 039)	8 787	–	1 747	(5 002)	–	589 234
Leasehold improvements	87 960	77	(2 751)	–	29 479	–	119	(17 085)	–	97 799
Furniture and equipment	422 784	1 402	(31 630)	–	127 225	–	1 045	(100 354)	(4 686)	415 786
Vehicles	23 675	1 679	(625)	–	–	–	–	(3 299)	–	21 430
Aircraft	5 277	–	–	(2 050)	–	–	–	(4)	(3 223)	–
Right-of-use asset	1 224 547	289 224	(46 668)	–	–	26 882	7 185	(223 801)	(7 041)	1 270 328
Capital work in progress*	–	165 491	–	–	(165 491)	–	–	–	–	–
Total	2 353 830	457 873	(82 520)	(7 089)	–	26 882	10 096	(349 545)	(14 950)	2 394 577

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

^ *Refer to note 15 for details of buildings classified as held for sale.*

~ *Disposal of right-of-use of assets relates to the early termination of lease agreements. The right-of-use asset and lease liability, net of the early termination payment, is derecognised and any gain or loss is recognised in the Consolidated Income Statement.*

\+ *The lease modification relates to the renegotiation of lease payments which did not result in a separate lease renewal and extension of existing leases. The lease liability was remeasured with corresponding adjustments to the right-of-use asset for this modification.*

Notes to the Consolidated and Separate Annual Financial Statements continued

for the year ended 27 June 2021

4. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Depreciation rates

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

• Buildings	Straight-line basis	50 years
• Leasehold improvements	Straight-line basis	10 years (limited to lease term)
• Furniture and equipment	Straight-line basis	3 to 15 years
• Vehicles	Straight-line basis	5 to 6 years
• Right-of-use asset^	Straight-line basis	lease term
• Forklifts*	Running hours	14 000

* *Forklifts are included in the furniture and equipment asset class within the property, plant and equipment reconciliation.*

^ *Right-of-use assets relate to leased store properties.*

	Group		Company	
Figures in Rand thousand	**2021**	2020	**2021**	2020
Amounts recognised in profit and loss for the year:				
Profit/(loss) on disposal of property, plant and equipment	**1 070**	(3 528)	**–**	–
Profit on disposal of non-current assets held for sale	**3 398**	1 494	**–**	–
Profit on disposal of right-of-use asset	**1 193**	29 891	**–**	–
Repairs and maintenance expenditure	**49 947**	42 315	**–**	–

5. IMPAIRMENT OF ASSETS

Goodwill impairment assessment

The below impairment assessment consideration was performed over the goodwill arising on acquisition of P&L Hardware and indefinite lived intangible assets relating to the P&L Hardware trademark.

P&L Hardware and Cashbuild South Africa have performed in line with expectations and as a result, based on the value-in-use as calculated for these operating segments, no impairment has been identified or recognised as at year-end.

Key assumptions used to determine value in use and sensitivity thereof

The recoverable amount of the P&L Hardware operating segment has been determined based on a value in use calculation for the forecast period. This forecast period covers the five-year period up to June 2026, after which a terminal value has been determined.

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 before there is an impairment. The growth rate and terminal growth rate can decrease by 12% and 23%, respectively, before there is an impairment and the discount rate can increase by 10.3% before resulting in an impairment.

	June 2021 Assumptions applied	June 2020 Assumptions applied	**June 2021 Sensitivity**	June 2020 Sensitivity
P&L Hardware operating segment:				
Growth rate	**8.0%**	8.0%	**12%**	3.3%
Terminal growth rate^	**4.5%**	4.5%	**23%**	6%
Discount rate*	**10.57% – 11.57%**	16.58% – 17.58%	**10.3%**	3.4%

^ *Terminal growth rate did not change from prior year, as there were minimal movements in the observed inflation rate*

* *The discount rate decreased due to the change in cost of financing and a change in the capital structure*

5. IMPAIRMENT OF ASSETS CONTINUED

	June 2021 Assumptions applied	June 2020 Assumptions applied
Cashbuild South Africa operating segment:		
Growth rate	**4.5%**	3.0%
Terminal growth rate	**4.5%**	3.0%
Discount rate	**11.13% – 12.13%**	11.3% – 12.3%

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

Based on the value in use calculation as performed, Cashbuild South Africa has significant headroom and will not be in an impairment position, even when inputs and assumptions are stress tested to take into account a worst-case scenario.

	Group	
R'000	2021	2020
Goodwill allocation		
P&L Hardware	**196 302**	196 302
Cashbuild (South Africa) (Pty) Ltd	**112 833**	112 833
Total Goodwill as per intangible assets note 8	**309 135**	309 135
P&L Hardware indefinite lived trademark as per intangible assets note 8	**96 409**	96 409
Impairment losses/(reversals) recognised on property, plant and equipment		
Furniture and equipment	**(652)**	4 686
Right of use assets	**(16 080)**	7 041
Aircraft	**–**	3 223
	(16 732)	14 950

The impairment losses/(reversals) recognised are included in the administrative expenses line of the Consolidated Income Statement. As a result of the increase in current year profitability and the expected improved performance over the remainder of the useful life (owned assets) or the remaining lease term (right-of-use assets), previously recognised impairments were reversed. Impairment losses/(reversals) were recognised in the Cashbuild South Africa Segment of R(13.7) million, P&L Hardware segment of R(2.4) million and Non-Common Monetary operations segment of R(0.6) million. When a store is closed, any historical accumulated impairment recognised is written off to profit and loss of disposal, which amounted to R1.5 million. The impairment reversals are limited to the carrying value of the right-of-use asset or furniture and equipment that would have been should an impairment loss not have been recognised.

	Group	
R'000	2021	2020
Reconciliation of the impairment provision		
Opening balance	**29 860**	14 910
Impairment loss for the year	**–**	14 950
Impairment loss reversals for the year	**(16 732)**	–
Disposal of closed stores	**(1 546)**	–
Closing balance	**11 582**	29 860

Value-in-use – Loss-making stores (owned and leased)
In 2021, the Group's performance improved as evidenced by the reduction in loss-making stores. The operating conditions of one store in the Cashbuild South Africa operating segment improved, which resulted in the historical accumulated impairment recognised being reversed. Two stores were loss-making but also noted an improvement in performance and therefore, a portion of the accumulated impairment was reversed.

The operating conditions of one store in the P&L operating segment improved, resulting in the historical accumulated impairment recognised being reversed. One store was loss-making and an impairment provision was raised. Six stores were identified as loss-making and closed during the year. The total impairment movements have been disclosed on a net basis in the table above.

Notes to the Consolidated and Separate Annual Financial Statements continued

for the year ended 27 June 2021

5. IMPAIRMENT OF ASSETS CONTINUED

The operating conditions of one store in the non-common monetary Cashbuild operating segment improved, resulting in the historical accumulated impairment recognised being reversed. One store was loss-making but also noted an improvement in performance and therefore, a portion of the accumulated impairment was reversed.

Based on past experience, when a store is closed, 60% of the assets are sold for proceeds below the carrying amount. Therefore, loss-making stores are identified for possible impairment of the assets held by these stores. For each loss-making store that leases premises, the value in use is calculated as the lower of the net present value of the monthly forecast cash flows per store (calculated to the end of the lease term). For each store that is owned, the value in use is determined by calculating the forecast cash flows in perpetuity as it is assumed that there will be an intercompany rental in perpetuity. The discount rate applied to the cash flow projections is derived from the group WACC rate.

6. INVESTMENT PROPERTY

	Group		Company	
R'000	**2021**	2020	**2021**	2020
Reconciliation of investment property				
Kranskop Unit 4, Stand 1237, Monument Park Ext 2, Tshwane, South Africa	**950**	950	**–**	–
Investment in Nasrec Corner – joint operation	**42 057**	26 974	**–**	–
Investment in Ekhaya Mall – joint operation	**–**	30 000	**–**	–
	43 007	57 924	**–**	–
Reconciliation of investment property				
Opening balance	**57 924**	27 924	**–**	–
Investment in Ekhaya Mall	**–**	30 000	**–**	–
Investment in Nasrec Corner	**15 083**	–	**–**	–
Transfer to interest in associate:				
– Associate: Ekhaya Mall*	**(30 000)**	–	**–**	–
	43 007	57 924	**–**	**–**

* *The transfer relates to the fact that Ekhaya Mall became operational during April 2021 in terms of the consortium agreement. Control was assessed in terms of the consortium agreement which resulted in the company having significant influence, as opposed to joint control. Refer to note 7 for more information relating to this.*

Investment property is carried at cost. No depreciation or impairment has been recognised on this investment property as the residual value exceeds the carrying amount.

No movements occurred during the year which influenced the closing balance of the Kranskop property. The fair value of the property could not reliably be determined at year-end. This is due to the fact that the buyers market in the geographical area is not active enough to determine a fair value. Based on Cashbuild's past experience of the property market in the area, the carrying value of the property should approximate its fair value.

7. INTERESTS IN ASSOCIATE AND JOINT OPERATIONS

Joint operations – Nasrec

During the 2014 financial year, Cashbuild entered into a joint operation agreement for the Nasrec Corner Shopping Centre in Johannesburg, South Africa. This consortium comprises a right to extend and develop a shopping centre. Cashbuild has 50% participation and control in the owner consortium with the other 50% participant being S-Identity Holdings (Pty) Ltd. Decisions relating to the operations of the consortium requires unanimous consent.

S-Identity Holdings (Pty) Ltd has, in its own capacity, raised finance from a third party and funded the remaining construction of the shopping centre. Profits of the joint operation will only be shared when the financed amounts are fully repaid to the third party.

The fair value of Cashbuild's share in the investment property is R59 million based on the external valuation obtained in 2018. Sections 4 and 5 of the property are still to be developed. Due to the property not being fully developed at year-end, a valuation has not been performed to determine an updated fair value of the property. Once the development of these sections are completed, Cashbuild will obtain an updated valuation to determine the fair value of the property. Management believe that the current valuation is representative of the current fair value.

7. INTERESTS IN ASSOCIATE AND JOINT OPERATIONS CONTINUED

Cashbuild is entitled to its share of the net assets of the agreement and have classified the investment as a joint operation.

The information presented below is the standalone financial information of the Nasrec Corner joint operation at 100% and therefore, does not represent Cashbuild's share.

The table below summarises the financial position of Nasrec Corner as at 27 June 2021:

R'000	Summarised financial information
Investment property	84 114
Current assets	4 453
Total assets	**88 567**
Joint operator loan	87 514
Current liabilities	1 053
Total liabilities	**88 567**

The table below summarises the Income Statement of Nasrec Corner for the year ended 27 June 2021:

R'000	Summarised financial information
Rental income	8 416
Operating expenses	(8 416)
Net profit for the period	**–**

Loan to joint operator

The movement from a loan receivable to loan payable for Nasrec Corner relates to the other parties of the joint operation contributing more assets to the joint operation than Cashbuild did in the current year, resulting in the loan payable. In the prior years, Cashbuild contributed more assets than the other parties of the joint operation resulting in a receivable being recognised.

Below is a reconciliation of the movement for the current year:

R'000	2021	2020
Opening balance (included as part of Investment Property – Note 6)	**26 974**	26 974
Movement due to change in joint operators contributions	**(43 757)**	–
Closing balance	**(16 783)**	26 974

Associate – Ekhaya Mall

During the 2019 financial year, Cashbuild entered into a consortium agreement for the Ekhaya mall in Mpumalanga, South Africa. The Ekhaya Mall started trading in the current financial year. This consortium comprises a right to extend and develop a shopping centre. Cashbuild has 20% participation and control in the owner consortium. S-Identity Holdings (Pty) Ltd holds 60% of the participation and control in the owner consortium and Nomatiki Trading Enterprise (Pty) Ltd holds the remaining balance of 20%. Cashbuild holds significant influence as their voting right is equal to their shareholding percentage. The investment in Ekhaya Mall is classified as an associate in terms of the consortium agreement. Control was assessed in terms of the agreement which resulted in the company having significant influence, as opposed to joint control.

Cashbuild has contributed R30 million (excluding related VAT costs) in cash towards the development costs during the year ended 28 June 2020. No further contributions have been made subsequently.

Notes to the Consolidated and Separate Annual Financial Statements continued

for the year ended 27 June 2021

7. INTERESTS IN ASSOCIATE AND JOINT OPERATIONS CONTINUED

Below is a reconciliation of the investment in the associate:

R'000	2021	2020
Opening balance	–	–
Transfer from investment property	30 000	–
Closing balance	**30 000**	–

VAT advance to associate

The VAT advance is *in lieu* of a VAT claim from SARS and has a remaining balance of R3.6 million. The amount is repayable once the refunds from SARS have been received. The VAT refunds are based on expenditure incurred and the risk of default is considered low.

The below movements relate to the VAT facility granted and the balance is included in other receivables:

Figures in Rand thousand	2021	2020
Opening balance	4 320	–
Payment received	(750)	–
VAT advance	–	4 320
Closing balance	**3 570**	4 320

No provision for credit losses have been raised on this financial instrument. No profits will be distributed to the participants of the agreement until the loan secured has been repaid. The shopping centre started trading in April 2021.

A valuation was performed by an external valuator. The fair value of the shopping centre is R162 million as at the end of the financial year.

8. INTANGIBLE ASSETS

	Group					
	June 2021			June 2020		
R'000	Cost	Accumulated amortisation/ impairment	Carrying value	Cost	Accumulated amortisation/ impairment	Carrying value
Trademarks^	99 403	(2 964)	96 439	99 403	(2 952)	96 451
Computer software	99 696	(81 806)	17 890	95 025	(77 510)	17 515
Goodwill	309 135	–	309 135	309 135	–	309 135
Total	**508 234**	**(84 770)**	**423 464**	503 563	(80 462)	423 101

Reconciliation of intangible assets – Group – 27 June 2021

	Group					
R'000	Opening balance	Additions	Disposals	Foreign exchange movements	Amortisation	Closing balance
Trademarks^	96 451	–	–	–	(12)	96 439
Computer software	17 515	4 735	(15)	(49)	(4 296)	17 890
Goodwill	309 135	–	–	–	–	309 135
Total	**423 101**	**4 735**	**(15)**	**(49)**	**(4 308)**	**423 464**

Reconciliation of intangible assets – Group – 28 June 2020

	Group					
R'000	Opening balance	Additions	Disposals	Foreign exchange movements	Amortisation	Closing balance
Trademarks^	96 463	–	–	–	(12)	96 451
Computer software	20 800	1 444	(35)	569	(5 263)	17 515
Goodwill	309 135	–	–	–	–	309 135
Total	426 398	1 444	(35)	569	(5 275)	423 101

^ *Includes indefinite lived trademarks of R96.4 million (refer to note 5 for the impairment testing).*

8. INTANGIBLE ASSETS CONTINUED

Amortisation rates

– Trademarks (Excluding indefinite lived)	Straight-line basis	10 years
– Computer software	Straight-line basis	5 years

R'000	Group 2021	Group 2020	Company 2021	Company 2020
9. DEFERRED TAX				
Deferred tax liability:				
Property, plant and equipment	**(51 595)**	(52 782)	**–**	–
Prepayments	**(4 322)**	(4 144)	**–**	–
Intangible assets	**(26 617)**	(26 335)	**–**	–
Unrealised foreign exchange differences	**(478)**	–	**–**	–
IFRS 16 Right of use of asset & lease liability	**–**	–	**–**	–
Total deferred tax liability	**(83 012)**	(83 261)	**–**	–
Deferred tax asset:				
Provisions and accruals	**62 793**	21 840	**–**	–
Deferred lease incentive	**2 117**	2 109	**–**	–
Assessed losses*	**10 990**	25 422	**–**	–
Unrealised foreign exchange differences	**–**	1 100	**–**	–
IFRS 16 lease liability^	**102 387**	94 870	**–**	–
IFRS 15 sales return provision	**1 683**	1 960	**–**	–
Total deferred tax asset	**179 970**	147 301	**–**	–

* *The deferred tax asset recognised on assessed losses represents the future tax benefit that the Group expects to realise when utilising the assessed losses. It is probable that sufficient taxable income will be generated in future for the Group to utilise these benefits. The total assessed loss for the Group is R78 million, P&L operating segment being R38 million and non-common monetary operating segment being R40 million.*

^ *The Group considers the lease as a single transaction in which the right-of-use asset and lease liability are integrally linked. This resulted in there being no net temporary difference at inception date. Subsequently, as differences arise on the settlement of the lease liability and the depreciation as recognised on the right-of-use asset, there is a net temporary difference on which deferred tax is recognised.*

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

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Deferred tax liability	**(33 018)**	(35 138)	**–**	–
Deferred tax asset	**129 976**	99 178	**–**	–
Total net deferred tax asset	**96 958**	64 040	**–**	–

The deferred tax asset/(liability) balances presented above are the aggregated net positions of each individual company within the Group.

Deferred tax assets are supported by the expected taxable income generated by the applicable operating entities in the Group.
Amounts expected to be recovered or settled are as follows:

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Deferred tax to be recovered after more than 12 months	**26 292**	17 865	**–**	–
Deferred tax to be recovered within 12 months	**70 666**	46 175	**–**	–
Total net deferred tax asset	**96 958**	64 040	**–**	–

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10. INVESTMENTS IN SUBSIDIARIES AND RELATED TRANSACTIONS

The following Trusts were created for the purpose of facilitating employee benefit schemes:

- Cashbuild Empowerment Trust
- Cashbuild Store Operations Management Member Trust

The above Trusts are controlled by the Group. Refer to note 17 for further details.

The Give-a-Brick trust was established for corporate social initiatives.

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

Group

	Issued share capital 2021	Issued share capital 2020	Nature of business	% holding June 2021	% holding June 2020
Cashbuild (Botswana) (Pty) Ltd	**P1 500 000**	**P1 500 000**	**A**	**100**	100
Cashbuild (Kanye) (Pty) Ltd	**P2**	**P2**	**B**	**100**	100
Cashbuild (Lesotho) (Pty) Ltd	**M100 000**	**M100 000**	**A**	**80**	80
Cashbuild (Lilongwe) Ltd	**MWK100 000**	**MWK100 000**	**A**	**51**	51
Cashbuild (Namibia) (Pty) Ltd	**N$1**	**N$1**	**A**	**100**	100
Cashbuild (South Africa) (Pty) Ltd	**R54 000**	**R54 000**	**A**	**100**	100
Cashbuild (Eswatini) (Pty) Ltd	**E500**	**E500**	**A**	**100**	100
P and L Hardware (Pty) Ltd*	**R101**	**R100**	**A**	**100**	100
Cashbuild Zambia (Pty) Ltd	**ZMK 2**	**ZMK 2**	**A**	**100**	100
Oldco PandL (Pty) Ltd^	**R100**	**R 100**	**B**	**100**	100
P&L Boerebenodighede Investments (Pty) Ltd	**R1 000**	**R1 000**	**B**	**100**	100
Rio Ridge 1027 (Pty) Ltd	**R100**	**R100**	**B**	**100**	100
Cashbuild (Kwandebele) (Pty) Ltd	**R200 000**	**R200 000**	**C**	**100**	100
Cashbuild (Transkei) (Pty) Ltd	**R250 000**	**R250 000**	**C**	**100**	100
Cashbuild (Properties) (Pty) Ltd	**R1**	**R1**	**C**	**100**	100
Cashbuild (Venda Properties) (Pty) Ltd	**R0.1**	**R0.1**	**C**	**100**	100
Cashbuild (Properties Holdings) (Pty) Ltd	**R1**	**R1**	**C**	**100**	100
Cashbuild Management Services (Pty) Ltd	**R1**	**R1**	**D**	**100**	100

A – Trading company
B – Dormant company
C – Property holding company
D – Intermediate holding company of subsidiaries

* *Oldco PandL (Pty) Ltd (formerly P and L Hardware (Pty) Ltd) transferred their shareholding of P&L Boerebenodighede Investments (Pty) Ltd and Rio Ridge 1027 (Pty) Ltd to P and L Hardware (Pty) Ltd (formerly Roofbuild Trusses (Pty) Ltd) in the 2021 financial year in anticipation of deregistration of the aforementioned companies. The business operations of Oldco PandL (Pty) Ltd was transferred to P and L Hardware (Pty) Ltd. Refer to note 42 for further information of the restructuring transaction.*

^ *Oldco PandL (Pty) Ltd was formerly known as P and L Hardware (Pty) Ltd.*

The subsidiary carrying amounts 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 17 for details of the share option schemes.

	Group		Company	
R'000	2021	2020	2021	2020
Share-based payment capital contribution	**–**	–	**120 908**	95 262
Loan to subsidiary	**–**	–	**39 633**	37 258
Total	**–**	–	**160 541**	132 520

10. INVESTMENTS IN SUBSIDIARIES AND RELATED TRANSACTIONS CONTINUED

The loan advanced to Cashbuild Management Services is recoverable as Cashbuild Management Services is a wholly owned subsidiary of Cashbuild Limited, and therefore, if Cashbuild Management Services does not have sufficient liquid assets to pay the loan, Cashbuild Management Services would utilise some of the dividends received from the subsidiary trading entities to repay the loan before declaring dividends to Cashbuild Limited. The net liquid assets of Cashbuild Management Services exceeds the loan by more than three times the value of the loan. The expected credit loss and credit exposure is therefore immaterial.

Credit risk of loans to subsidiaries
The loans to subsidiaries relate to loans within the Cashbuild Group. Since there are letters of support between Group companies and adequate cash balances are available to settle the loans, the risk of default on loans to subsidiaries are considered low. Due to the low credit risk, the Group assumes that there was no increase in the credit risk associated with these instruments in the current year. Additionally, there were no factors noted which raises concern about the recoverability of the loans.

Non-controlling interests
The loans to subsidiaries relate to loans within the Cashbuild Group. Since there are letters of support between group companies and adequate cash balances are available to settle the loans, the risk of default on loans to subsidiaries are considered low. Due to the low credit risk, the Group assumes that there was no increase in the credit risk associated with these instruments in the current year. There are also no factors noted which raises concern about the recoverability of the loans.

11. PREPAYMENTS

	Group		Company	
R'000	2021	2020	2021	2020
Other current prepayments*	**19 664**	40 319	**–**	–
Total current prepayments	**19 664**	40 319	**–**	–

* *Prepayments relate mostly to prepaid advertising, IT expenses, SAMRO licences and Workman's Compensation.*

12. INVENTORIES

	Group 2021	Group 2020	Company 2021	Company 2020
Merchandise	**1 545 878**	1 266 587	**–**	–

Cost of inventories recognised as an expense and included in cost of sales amounted to R10.3 billion (June 2020: R8.2 billion).

The provision for the net realisable value of inventory at year-end is R64.8 million (June 2020: R70.5 million). The value of inventories carried at net realisable value is R254 million (June 2020: R315 million).

The right of return relating to the sales returns provision included in the amount above is R24.7 million (June 2020: R28.6 million).

Cost of inventories written off and included in cost of sales amounted to R30.5 million (June 2020: R23.0 million).

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
R'000	2021	2020	2021	2020
Financial instruments:				
Trade receivables	**133 535**	121 540	**–**	–
Loss allowance	**(26 812)**	(32 334)	**–**	–
Trade receivables at amortised cost	**106 723**	89 206	**–**	–
Other receivables	**20 003**	12 629	**–**	–
Total financial instruments	**126 726**	101 835	**–**	–
Non-financial instruments:				
VAT	**2 453**	1 842	**–**	–
Total trade and other receivables	**129 179**	103 677	**–**	–

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13. TRADE AND OTHER RECEIVABLES CONTINUED

Credit risk of trade and other receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected credit losses for trade receivables have been grouped based on balances with shared credit risk and the days by which the balances are past due. The status of the current nature of the client as well as trade experience are also considered.

The expected loss rates are based on the payment profiles of receivables over a period of 24 months before year-end and the corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the balances.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. Refer to note 23 for the related impairment losses.

The historical loss rate is determined by considering the repayment history of debtors and historical bad debt write-offs. The Group receives notifications should the circumstances of debtors change. This includes information about whether they are defaulting on repayments or start losing credit with other creditors. The Group reassesses the credit exposure and adjusts the expected credit loss provision accordingly. Unused credit facilities are removed regularly, and debtors are required to reapply. The Group's exposure to credit risk is reassessed on a continuous basis. The factors mentioned previously are used to inform the historical loss rate.

The Group considered the impact of forward-looking information relating to the risk of default of trade and other receivables. Due to the nature of the Group's operations, there are no significant correlations between general economic conditions and the risk of default occurring. This is evidenced through a reduction in the bad debt write-offs. In addition, bad debts recovered have increased in the current year and the Group experienced an increase in sales even when adverse economic conditions were experienced due to the Covid-19 pandemic. Considering all information available at the Group's disposal, without undue costs or efforts, the estimated impact of forward-looking information on the calculation of expected credit losses is deemed to be immaterial.

Trade receivables are written off when there is no reasonable expectation of recovery and there has been no movement on the debtors account for three years. Once a debtor account has gone bad, the account is blocked and the debtor can make no further purchases.

Credit risk of other receivables

Other receivables primarily consist of deposits held and staff loans. The risk of impairment on these financial instruments are considered to be immaterial.

Impact of Covid-19

It was expected that the impact of Covid-19 lockdown would manifest in cash constraints for our credit customers. As a result, we were more cautious in awarding credit and reacted sooner when payment terms were not complied to. Other than less credit being issued, no other consideration was applied to the provisions for the charge cards estimates. We based our estimates on the year-end numbers and have not agreed to any payment holidays. Due to the positive experience from improved performance by the Group during Covid-19 lockdown, no changes were made to assumptions and estimates. The impact is immaterial to the Group.

Charge cards

Cashbuild is predominantly a cash business, however, credit is offered at all Cashbuild Stores in the form of charge cards. Developers and contractors doing specific contracts with/for Cashbuild can apply for this form of credit. Credit checks are performed and credit limits are set by retrieving credit ratings. A memo is compiled with the information received which is then reviewed and approved by management based on the credit limit applied for.

The expected credit losses (ECL) are a probability-weighted estimate of credit losses. A credit loss is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive discounted at the original effective interest rate. As ECL takes into consideration the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

13. TRADE AND OTHER RECEIVABLES CONTINUED

Legal debtors

Charge cards are classified as legal debtors once amounts owed are handed over for collections.

Rebate debtors

The amount owing on rebate debtors relate to suppliers who owe the Group money for rebate and advertising contributions as per the trade agreements. The contribution is based on purchases made and is calculated on either a percentage of purchases or volume.

Rebate debtors are immaterially affected by the IFRS 9 expected credit loss calculation due to these amounts being highly recoverable as the Group have the ability to deduct it from payments due to suppliers. The expected credit loss amount relates to debtors where the Group do not have set-off rights.

Expected credit loss allowance

The loss allowance as at 27 June 2021 for the trade receivables for which the provision has been applied is determined as follows:

	Group			
	2021		2020	
R'000	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss				
Sundry debtors				
Current	**2 973**	**(4)**	17 749	(3 695)
30 days past due	**4**	**(0)**	165	–
60 days past due	**–**	**–**	–	–
90 days past due	**–**	**–**	416	(304)
120 days past due	**–**	**–**	312	(102)
150 days past due	**2 008**	**(470)**	717	(493)
Total	**4 985**	**(474)**	19 359	(4 594)
Legal debtors				
Current	**2 157**	**(857)**	1 215	(8)
30 days past due	**534**	**(297)**	119	(12)
60 days past due	**300**	**(284)**	–	–
90 days past due	**336**	**(246)**	436	(131)
120 days past due	**4 894**	**(4 052)**	2 333	(521)
150 days past due	**21 546**	**(17 749)**	22 660	(20 598)
Total	**29 767**	**(23 485)**	26 763	(21 270)
Charge cards				
Current	**13 905**	**(124)**	16 634	(222)
30 days past due	**8 961**	**(115)**	6 344	(125)
60 days past due	**3 077**	**(230)**	215	(16)
90 days past due	**1 555**	**(661)**	2 790	(1 314)
120 days past due	**1 737**	**(768)**	2 162	(1 254)
150 days past due	**5 006**	**(801)**	5 121	(3 342)
Total	**34 241**	**(2 699)**	33 266	(6 273)
Rebate debtors				
Current	**64 542**	**(154)**	42 152	(197)
Total	**133 535**	**(26 812)**	121 540	(32 334)

13. TRADE AND OTHER RECEIVABLES CONTINUED

Expected credit loss allowance continued

The below table indicates the loss allowances rates applied across different debtor classes.

June 2021

	Sundry debtors	Charge cards	Legal debtors	Rebate debtors
Current	**1%**	**1%**	No specific percentage. Assessed on an individual basis	No specific percentage. Assessed on an individual basis
30 days past due	**2%**	**2%**		
60 days past due	**15%**	**10%**		
90 days past due	**54%**	**53%**		
120 days past due	**60%**	**58%**		
150 days past due	**75%**	**65%**		

June 2020

	Sundry debtors	Charge cards	Legal debtors	Rebate debtors
Current	1%	1%	No specific percentage. Assessed on an individual basis	No specific percentage. Assessed on an individual basis
30 days past due	2%	2%		
60 days past due	15%	10%		
90 days past due	54%	53%		
120 days past due	60%	58%		
150 days past due	75%	65%		

Below is a reconciliation between the opening and closing balance of the provision for expected credit loss recognised.

	2021	2020
Opening balance	**32 334**	20 272
Additional provision	**2 562**	12 062
Provision reversal	**(8 084)**	–
Closing balance	**26 812**	32 334

14. CASH AND CASH EQUIVALENTS

	Group		Company	
R'000	2021	2020	2021	2020
Cash and cash equivalents consist of:				
Cash on hand	**1 689**	1 615	**–**	–
Bank balances	**2 544 691**	1 949 967	**10 070**	9 206
Total cash and cash equivalents	**2 546 380**	1 951 582	**10 070**	9 206

For more information regarding facilities and financial management risks please refer to note 38.

15. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets that were held for sale in the 2020 financial year have been sold during the 2021 financial year.

	Group		Company	
R'000	2021	2020	2021	2020
Land and buildings held for sale				
Cashbuild South Africa				
– Remaining extent of portion 6 (a portion of portion 5) of the farm De Rust #12, Hazyview, South Africa	**–**	1 570	**–**	–
Cashbuild common monetary operations				
– Lot 273 portion 2-Piggs Peak	**–**	5 083	**–**	–
P&L Hardware				
– 2005 Piper (aircraft) Satatoga PA32R ZS-STW Rio Ridge	**–**	2 050	**–**	–
	–	8 703	**–**	–

The Hazyview property was classified as held for sale in the 2017 financial year. The property was sold during the 2021 financial year and a gain of R0.83 million was recognised on sale of the property.

The Piggs Peak property was classified as held for sale in the 2020 financial year. The property was sold during the 2021 financial year and a gain of R2.4 million was recognised on sale of the property.

The Rio Ridge aircraft was classified as held for sale in the 2020 financial year. The aircraft was sold during the 2021 financial year and a gain of R0.15 million was recognised on sale of the aircraft.

For more information regarding the proceeds on disposal of non-current assets held for sale refer to note 32.

16. SHARE CAPITAL

	Group		Company	
R'000	2021	2020	2021	2020
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 reporting period.

	Group 2021	Group 2020	Company 2021	Company 2020
Reconciliation of shares issued:				
Total shares issued	**250**	250	**250**	250
Treasury shares held	**(23)**	(23)	**–**	–
Total share capital	**227**	227	**250**	250

The total number of shares in issue as at 27 June 2021 was 24 989 811 (June 2020: 24 989 811). The total number of treasury shares held as at 27 June 2021 is 2 323 315 (June 2020: 2 275 448).

	Group 2021	Group 2020	Company 2021	Company 2020
Share premium				
Opening balance	**(274 414)**	(274 414)	**1 024**	1 024
Purchase by Cashbuild SA for the Forfeitable Share Plan	**(13 591)**	–	**–**	–
Total share premium	**(288 005)**	(274 414)	**1 024**	1 024
Consisting of:				
Share premium	**3 935**	3 935	**1 024**	1 024
Treasury share premium	**(291 940)**	(278 349)	**–**	–
Total share premium	**(288 005)**	(274 414)	**1 024**	1 024
Total share capital and premium	**(287 778)**	(274 187)	**1 274**	1 274

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17. SHARE-BASED PAYMENTS

Forfeitable Share Plan

The Group adopted and implemented a 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 current year's annual salary and grade.

Details of the share awards under this scheme are as follows:

	Group		Company	
R'000	**2021**	2020	**2021**	2020
Opening balance	**345 107**	239 323	**345 107**	239 323
Share movement	**189 568**	105 784	**189 568**	105 784
Total performance shares awarded	**534 675**	345 107	**534 675**	345 107

Share awards	3rd Award	4th Award	5th Award
Issue date	1 Oct 2018	7 Oct 2019	9 Oct 2020
Vesting date	1 Oct 2021	6 Oct 2022	9 Oct 2023
Exercise price	Nil	Nil	Nil
Expected option lifetime	3 years	3 years	3 years
Share price at grant date	R285.06	236.78	219.44
Expected share price volatility	10%	10%	10%

Vesting conditions consist of Group performance conditions (refer to detail below) and a retention condition that the employees remain in the employ of the Group for a minimum period of 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	CB WACC	CB WACC +10% p.a.

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

17. SHARE-BASED PAYMENTS CONTINUED

R'000	Number of shares as at 27 June 2021^	Award face value*
Executive directors		
WF de Jager	**66 319**	**15 996**
AE Prowse	**40 822**	**9 925**
SA Thoresson	**37 110**	**9 022**
WP van Aswegen	**31 292**	**7 608**
Total	**175 543**	**42 551**
Key management:		
S Bowen		
PA Champion	**19 655**	**4 779**
W Dreyer	**19 011**	**4 622**
A Hattingh	**32 109**	**7 807**
AHS Havenga	**17 470**	**4 247**
DS Masala	**18 056**	**4 378**
ZB Matolo	**12 911**	**2 938**
I McKay	**17 956**	**4 357**
T Myburg	**3 347**	**809**
A Nel		
H Roos	**12 734**	**2 945**
H Steenberg	**16 807**	**4 086**
Total	**170 056**	**40 968**

^ *These shares are subject to forfeiture restrictions.*
* *Face value of awards calculated as a percentage (65% to 90%) of total annual cost to company, before adjusting for any probability of vesting or attrition.*

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 year 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 year 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 to seventh schemes (2012 to 2018 schemes respectively) have fully vested. The eighth 2019 scheme provisionally qualified for 9 007 shares, the ninth 2020 scheme provisionally qualified for 1 592 and the tenth 2021 scheme provisionally qualified for 94 792 shares at the end of June 2021.

Summary of share-based payments for all schemes
The Group's expense and related movement in the share-based payment reserve is R25.6 million (June 2020: R16.3 million).

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

	Group		Company	
R'000	**2021**	2020	**2021**	2020
Share-based payments reserve				
Opening balance	**95 262**	79 137	**95 262**	79 137
– Forfeitable Share Scheme: 1st award	**–**	776	**–**	776
– Forfeitable Share Scheme: 2nd award	**1 862**	4 396	**1 862**	4 396
– Forfeitable Share Scheme: 3rd award	**5 340**	5 471	**5 340**	5 471
– Forfeitable Share Scheme: 4th award	**6 484**	4 861	**6 484**	4 861
– Forfeitable Share Scheme: 5th award	**5 212**	–	**5 212**	–
– Operations Management Member Trust Schemes	**6 748**	621	**6 748**	621
Total	**120 908**	95 262	**120 908**	95 262

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18. FOREIGN CURRENCY TRANSLATION RESERVE (FCTR)

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries.

	Group		Company	
R'000	**2021**	2020	**2021**	2020
Opening balance	**24 372**	2 149	**–**	–
Currency translation differences	**(11 578)**	22 223	**–**	–
Closing balance	**12 794**	24 372	**–**	–

19. LEASES

The Group has entered into various leases in respect of premises. Leases for premises are on average contracted for periods between 5 and 15 years with renewal options for further 5 to 10-year periods.

Details pertaining to leasing arrangements, where the Group is the lessee are presented below:

	Group		Company	
R'000	**2021**	2020	**2021**	2020
Net carrying amounts of right-of-use assets				
Buildings subject to lease arrangements	**1 297 622**	1 270 328	**–**	–
Depreciation recognised on right-of-use assets				
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss.				
Leased buildings	**237 263**	223 801	**–**	–
Other disclosures				
Interest expense on lease liabilities	**161 738**	188 226	**–**	–
Variable lease payments	**5 407**	13 675	**–**	–

The Group entered into lease agreements where the lease term is less than 12 months. The practical expedient for short-term leases have been applied by the Group. Refer to note 24 for the value of short-term lease expenses.

No other practical expedients have been applied in the current financial year.

Lease liabilities

Lease liabilities have been included in the lease liabilities line item on the Consolidated Statement of Financial Position.

The undiscounted payment maturity analysis of lease liabilities are as follows:

	Group		Company	
R'000	**2021**	2020	**2021**	2020
Within one year	**311 238**	326 787	**–**	–
Lease liability current portion, including finance costs	**311 238**	326 787	**–**	–
Two to five years	**1 344 793**	1 268 212	**–**	–
More than five years	**622 663**	797 089	**–**	–
Lease liability non-current portion, including finance costs	**1 967 456**	2 065 301	**–**	–
Total amount repayable	**2 278 694**	2 392 088	**–**	–

Refer to note 24 for the detail relating to short-term lease expenses.

19. LEASES CONTINUED

R'000	Group 2021	Group 2020	Company 2021	Company 2020
The discounted capital repayments of lease liabilities are as follows:				
Within one year	**202 092**	182 610	**–**	–
Lease liability current portion	**202 092**	182 610	**–**	–
Two to five years	**915 000**	806 706	**–**	–
More than five years	**552 717**	625 884	**–**	–
Lease liability non-current portion	**1 467 717**	1 432 590	**–**	–
Total lease liability	**1 669 809**	1 615 200	**–**	–
IFRS 16 lease liability reconciliation				
Opening balance	**1 615 200**	1 518 267	**–**	–
Payments	**(343 587)**	(325 330)		
Rental reduction*	**(5 011)**	(13 628)	**–**	–
Interest	**161 738**	188 226	**–**	–
Additional leases	**195 098**	292 044	**–**	–
Modifications^	**67 443**	27 447	**–**	–
Disposals~	**(7 499)**	(75 489)		
Foreign exchange movement#	**(13 573)**	3 663	**–**	–
Total lease liability	**1 669 809**	1 615 200	**–**	–

* *Rental reductions were received from the landlords during the lockdown period. Cashbuild made use of the IFRS 16 amendment for all the rental concessions by accounting for the rental concessions as variable lease payments, applying paragraph 38 of IFRS 16, in the year in which the rental concessions were granted.*

^ *Lease modifications represent the change in scope of an existing lease. Modifications relate to the extension of the lease term and renegotiation of the lease payments. The lease liability is remeasured with reference to the revised lease payments and is discounted over the remaining lease term using a revised incremental borrowing rate. The revised discount rate is used to determine the effective interest on the lease liability. A corresponding adjustment is made to the right-of-use asset to account for any changes in the remeasurement of the lease liability.*

~ *Lease disposals relate to early lease terminations. Termination options are evaluated and where a penalty lump sum needs to be paid this is considered a disposal.*

\# *Foreign exchange movements relate to the conversion of leases denominated in foreign currency. The stores located in Zambia, Botswana and Malawi have lease agreements which are denominated in US Dollar (USD) and Botswana in (BWP).*

20. TRADE AND OTHER PAYABLES

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Financial instruments:				
Trade payables	**1 784 822**	1 600 322	**–**	–
Employee-related accruals	**216 695**	73 944	**–**	–
Accruals	**156 279**	164 456	**9 240**	8 809
Retirement awards and gifts	**7 470**	7 536	**–**	–
Non-financial instruments:				
Refundable customer accounts*	**641 496**	515 018	**–**	**–**
VAT	**108 161**	160 405	**–**	–
Total trade and other payables	**2 914 923**	2 521 681	**9 240**	8 809

* *Refundable customer accounts are made up of amounts received from customers in respect of future purchases. These amounts are refundable to the customer on demand.*

Notes to the Consolidated and Separate Annual Financial Statements continued

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21. REVENUE

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Revenue from contracts with customers				
Sale of goods (recognised at a point in time)	**12 615 629**	10 090 910	**–**	–
Revenue				
Dividends received (trading)	**–**	–	**256 251**	223 353
	12 615 629	10 090 910	**256 251**	223 353

Disaggregation of revenue from contracts with customers

The Group's revenue is derived from the sale of building materials. The nature of the Group's operations is that goods are sold in retail stores and customers pay for related goods upon exiting the store. Control transfers to the customer at a point in time when goods are sold. Customers are entitled to volume rebates. Rebate adjustments are recognised at the end of every six-month cycle based on the actual volume rebate achieved. A corresponding reduction in revenue is recognised to account for rebates achieved. The breakdown below illustrates the contribution to revenue (net of volume rebates) recognised by category.

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Revenue categories				
Cement 24% (June 2020: 22%)	**2 992 481**	2 217 453	**–**	–
Decorative 13% (June 2020: 13%)	**1 582 263**	1 310 285	**–**	–
Roofing - Covering 9% (June 2020: 9%)	**1 086 555**	903 635	**–**	–
Timber 8% (June 2020: 8%)	**978 597**	768 965	**–**	–
Openings 8% (June 2020: 8%)	**950 271**	829 147	**–**	–
Bricks 7% (June 2020: 7%)	**825 405**	673 789	**–**	–
Other 31% (June 2020: 33%)	**4 200 057**	3 387 636	**–**	–
Dividends 100% (June 2020: 100%)	**–**	–	**256 251**	223 353
Total	**12 615 629**	10 090 910	**256 251**	223 353

Other revenue represents sales from products that are similar in nature, timing, amount and uncertainty and therefore, no further disaggregation has been disclosed.

R'000	Group 2021	Group 2020	Company 2021	Company 2020
22. COST OF SALES				
Sale of goods	**9 226 014**	7 565 860	**–**	–

23. OTHER INCOME

	Group 2021	Group 2020	Company 2021	Company 2020
Sundry income	**561**	5 804	**–**	–
Rental related income	**5 508**	15 026	**–**	–
Impairment reversal in accordance with IAS 36^	**16 732**	–	**–**	–
Reversal of provision for impaired receivables	**5 522**	–	**–**	–
Profit on sale of non-current assets	**5 661**	26 362	**–**	–
Total	**33 984**	47 192	**–**	–

^ *Refer to note 5 for the facts and circumstances related to the impairment reversal.*

24. OPERATING PROFIT

	Group		Company	
R'000	**2021**	2020	**2021**	2020
Operating profit for the year includes the following significant items:				
Expenses by nature:				
Employee costs	**1 168 588**	907 820	**–**	–
Depreciation and amortisation	**368 352**	354 820	**–**	–
Delivery charges/(income)	**133 709**	129 006	**–**	–
Advertising expenses	**124 391**	140 844	**–**	–
Impairment loss in accordance with IAS 36	**–**	14 950	**–**	–
Loss on sale of non-current assets	**–**	3 528	**–**	–
Bank and speed point charges	**94 481**	75 322	**–**	–
Municipal utility charges	**72 960**	64 731	**–**	–
Consumables	**5 328**	5 553	**–**	–
Creation of provision for impaired receivables	**–**	12 062	**–**	–
Repairs and maintenance	**49 947**	42 315	**–**	–
Telephone and fax	**16 459**	13 642	**–**	–
Security	**32 831**	30 849	**–**	–
Printing and stationery	**13 963**	13 806	**–**	–
Net foreign exchange differences	**44 615**	10 115	**–**	–
Software licences	**20 564**	16 563	**–**	–
Fuel and oil	**20 934**	19 854	**–**	–
Insurance	**9 629**	9 962	**–**	–
Legal expenses	**2 703**	7 047	**–**	–
Staff recruitment	**2 352**	3 357	**–**	–
Short-term lease expense*	**3 309**	2 142	**–**	–
Subscriptions	**6 459**	6 746	**–**	–
Travel	**16 454**	21 275	**–**	–
Other expenses	**54 673**	36 206	**4 978**	6 050
Total	**2 262 701**	1 942 515	**4 978**	6 050

* *The practical expedient noted in accounting policy 1.15 has been applied to all short-term leases. These leases have been expensed in the Consolidated Income Statement over the lease term.*

Notes to the Consolidated and Separate Annual Financial Statements continued

for the year ended 27 June 2021

24. OPERATING PROFIT CONTINUED

		Group		Company	
R'000	Notes	2021	2020	2021	2020
Auditor remuneration		**10 844**	9 868	**–**	–
Non-audit services		**32**	4 125	**–**	–
Non-audit services – PwC		**114**	4 070	**–**	–
Total		**10 990**	18 063	**–**	–
Remuneration paid for outsourced services:					
Information technology		**82 626**	72 779	**–**	–
Administrative		**24 584**	16 386	**–**	–
Secretarial		**359**	358	**–**	–
Technical		**1 919**	732	**–**	–
Taxation services		**1 601**	1 097	**–**	–
Total		**111 089**	91 352	**–**	–
Total operating expenses		**2 384 780**	2 051 930	**4 978**	6 050
Classified on Income Statement as:					
Selling and marketing expenses		**(1 995 881)**	(1 765 022)	**–**	–
Administrative expenses		**(385 536)**	(282 531)	**4 978**	6 050
Other operating expenses		**(3 363)**	(4 377)	**–**	–
Other income	23	**33 984**	47 192	**–**	–
Total		**(2 350 796)**	(2 004 738)	**4 978**	6 050
Employee costs:					
Salary cost (including bonuses)		**1 015 644**	770 841	**–**	–
Pension fund contributions – defined contribution fund		**112 479**	108 012	**–**	–
Employee benefits – long service awards		**855**	869	**–**	–
Share-based payments		**25 646**	16 125	**–**	–
Dividends paid to participants of The Cashbuild Empowerment Trust		**13 964**	11 973	**–**	–
Total		**1 168 588**	907 820	**–**	–

25. FINANCE INCOME

Earned on bank balances		**91 316**	64 382	**434**	–
Received from revenue authorities		**11**	800	**–**	–
Total		**91 327**	65 182	**434**	–

26. FINANCE COSTS

Bank overdraft		**24**	2 028	**–**	–
Lease liability interest		**161 738**	188 226	**–**	–
Interest on loan		**636**	881	**–**	–
Revenue authorities		**104**	383	**–**	–
Total		**162 502**	191 518	**–**	–

27. TAX EXPENSE

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Major components of the tax expense:				
Normal taxation				
Current	**288 353**	112 687	**121**	–
Underprovision in prior years	**4 195**	4 305	**–**	–
Prior year adjustment – reverse to retained earnings	**–**	833	**–**	–
Withholding tax	**519**	383	**–**	–
Foreign income tax – current year	**37 408**	21 604	**–**	–
	330 475	139 812	**121**	–
Deferred				
Current year temporary differences	**(36 915)**	(8 454)	**–**	–
Under/(over) provision in prior years	**1 689**	(4 305)	**–**	–
Foreign – Current year temporary differences	**1 106**	(5 068)	**–**	–
Foreign – prior period	**1 202**	–	**–**	–
Derecognition of previously recognised deferred tax assets*	**–**	(679)	**–**	–
	(32 918)	(18 506)	**–**	–
	297 557	121 306	**121**	–
Reconciliation of effective tax rate:				
Applicable tax rate	**28%**	28%	**28%**	28%
Exempt/non-taxable income	**(0.4)%**	(1.4)%	**(28)%**	(28)%
Prior year adjustments – income tax*	**0.5%**	(1.5)%	**–**	–
Foreign tax rate differences	**(0.5)%**	(0.7)%	**–**	–
Disallowable charges^	**2%**	4.0%	**–**	–
Deferred tax asset not recognised	**0.5%**	–	**–**	–
Withholding tax on dividends	**0.4%**	0.9%	**–**	–
Prior year adjustments – deferred tax*	**0.3%**	1.5%	**–**	–
	30.8%	30.8%	**0.0%**	0.0%

^ *Disallowable charges relates to IFRS 2 adjustments relating to the Forfeitable Share Plan share-based payments.*
* *Prior year adjustments are due to the Zambia deferred tax assessed loss write-off.*

28. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is determined by dividing profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average number of shares in issue is calculated net of treasury shares acquired/sold during the year. Shares held by The Cashbuild Operations Management Member Trust and Cashbuild (South Africa) (Pty) Ltd 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	
R'000	2021	2020	2021	2020
Attributable earnings	**664 682**	267 371	**251 586**	217 303
Weighted number of shares in issue ('000)	**22 642**	22 722	**24 990**	24 990
Basic earnings per share (cents)	**2 935.7**	1 176.7	**1 006.7**	869.6
Weighted average number of ordinary shares in issue ('000)				
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 Empowerment Trust	**(1 765)**	(1 765)	**–**	–
– The Cashbuild Operations Management Member Trust	**(24)**	(19)	**–**	–
– Cashbuild (South Africa) (Pty) Ltd*	**(559)**	(484)	**–**	–
Total	**22 642**	22 722	**24 990**	24 990

* *Shares held for Cashbuild Forfeitable Share Purchases share scheme current and future share allocations. For more details refer to the share-based payments note 17.*

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.

	Group		Company	
R'000	2021	2020	2021	2020
Attributable earnings	**664 682**	267 371	**251 586**	217 303
Diluted number of ordinary shares in issue ('000)	**22 665**	22 734	**25 000**	25 000
Diluted earnings per share (cents)	**2 932.6**	1 176.1	**1 006.3**	869.2
Fully diluted weighted average number of ordinary shares in issue ('000)				
Weighted number of shares in issue	**22 642**	22 722	**24 990**	24 990
Dilutive effect of the following:				
– Future potential issue of shares	**23**	12	**10**	10
Total	**22 665**	22 734	**25 000**	25 000

Headline earnings and diluted headline earnings per share

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

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

28. EARNINGS PER SHARE CONTINUED

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Reconciliation between earnings and headline earnings:				
Basic earnings	**664 682**	267 371	**251 586**	217 303
Adjusted for:				
Net (profit)/loss on disposal of property, plant and equipment	**(2 268)**	1 405	**–**	–
Gross (profit)/loss on disposal of property, plant and equipment	**(4 468)**	3 528	**–**	–
Tax effect*	**2 200**	(2 123)	**–**	–
Net impairment reversal	**(11 999)**	(10 094)	**–**	–
Gross impairment reversal	**(16 732)**	(14 941)	**–**	–
Tax effect	**4 733**	4 847	**–**	–
Headline earnings	**650 415**	258 682	**251 586**	217 303
Weighted average number of shares in issue ('000)	**22 642**	22 722	**24 990**	24 990
Headline earnings per share (cents)	**2 872.6**	1 138.5	**1 006.8**	869.6
Headline earnings	**650 415**	258 682	**251 586**	217 303
Fully diluted weighted average number of shares in issue ('000)	**22 665**	22 734	**25 000**	25 000
Fully diluted headline earnings per share (cents)	**2 869.7**	1 137.9	**1 006.3**	869.2
Dividends per share				
Interim (cents)	**724**	435	**724**	435
Final (cents)	**2 211**	272	**2 211**	272

** The tax effect is high in relation to the profit/(loss) recognised on disposal due to the high recoupment of wear and tear allowances on assets disposed of.*

In the current financial year, the Group applied the rules for calculating headline earnings in accordance with Circular 1/2021, effective for financial reporting periods ending on or after 31 May 2021. An update to the Circular 4/2018 was issued in December 2019 for a correction to the rules pertaining to IFRS 16 Leases. The rules relating to IFRS 16 Leases in Section C of Circular 4/2018, indicated the "Remaining amount of the remeasurement of the lease liability to reflect changes to the lease payments recognised in profit or loss" in headline earnings and the "Net gain or loss arising from partial or full termination of lease" out of headline earnings. However, in light of the change in rules it was concluded that these two items are not separately identifiable re-measurements as defined as they are not explicitly required by IFRS 16 to be separately disclosed and therefore should not have appeared in the detailed rules table. Headline earnings for the comparative period was correctly calculated using the rules as set out in Circular 4/2018. A transitional relief period was provided by SAICA, whereby the changes in the rules should be applied retrospectively for financial reporting periods ending on or after 31 August 2020. The Group made use of the transitional relief period provided. In line with the amendments, the Group retrospectively adjusted the 28 June 2020 treatment relating to the profits on disposal of IFRS 16 right-of-use assets.

29. CASH GENERATED FROM OPERATIONS

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Profit before taxation	**967 644**	393 976	**251 707**	217 303
Adjustments for:				
Depreciation and amortisation	**368 352**	354 820	**–**	–
Impairment (reversal)/expense of assets	**(16 732)**	14 950	**–**	–
Rental reductions	**(5 011)**	(13 628)	**–**	–
Profit on disposal of assets held for sale	**(3 398)**	–	**–**	–
(Profit)/loss on sale of non-current assets	**(1 070)**	3 528	**–**	–
Profit on disposal of right-of-use asset	**(1 193)**	(29 891)	**–**	–
Dividends received (trading)	**–**	–	**(256 251)**	(223 353)
Finance income	**(91 327)**	(65 182)	**(434)**	–
Finance costs	**162 502**	191 518	**–**	–
Movements in share-based payments reserve	**25 646**	16 125	**–**	–
Changes in working capital:				
(Increase)/decrease in inventories	**(279 291)**	283 364	**–**	–
(Increase)/decrease in trade and other receivables	**(28 902)**	14 628	**–**	–
Decrease/(increase) in prepayments	**20 655**	(19 111)	**–**	–
Increase in trade and other payables	**389 841**	963 402	**430**	6 431
Total cash generated from operations	**1 507 716**	2 108 499	**(4 548)**	381

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30. TAX PAID

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Balance at the beginning of the year	**(18 614)**	(28 413)	**–**	–
Current tax for the year recognised in profit or loss	**(297 557)**	(121 306)	**(121)**	–
Movement in deferred tax	**(32 918)**	(4 643)	**–**	–
Balance at the end of the year	**109 446**	18 614	**121**	–
Tax paid	**(239 643)**	(135 748)	**–**	–

31. DIVIDENDS PAID

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Final dividend – prior year (Div. 55)	**(167 548)**	(96 437)	**(67 973)**	(104 957)
Interim dividend – current year (Div. 56)	**(62 367)**	(100 541)	**(180 926)**	(108 706)
Amounts paid to non-controlling shareholders	**(1 980)**	(1 258)	**–**	–
Dividends paid	**(231 895)**	(198 236)	**(248 899)**	(213 663)

Dividends are paid out of income reserves.

32. PROCEEDS ON DISPOSAL OF NON-CURRENT ASSETS HELD FOR SALE

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Net book value	**8 703**	468	**–**	–
Profit on sale of assets	**3 398**	1 494	**–**	–
Proceeds on disposal	**12 101**	1 962	**–**	–

33. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Net book value	**9 692**	35 887	**–**	–
Profit/(loss) on sale of assets	**1 070**	(3 528)	**–**	–
Proceeds on disposal	**10 762**	32 359	**–**	–

34. COMMITMENTS

Authorised capital expenditure:

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

R'000	Group 2021	Group 2020	Company 2021	Company 2020
*Authorised and contracted	**203 864**	149 339	**–**	–
*Authorised but not contracted for	**74 502**	158 344	**–**	–

The capital commitments are for buildings and infrastructure for new stores, store refurbishments or relocations.

Precautionary measures have been put in place to prevent the spread of Covid-19. We remain committed to our store expansion plan and the refurbishment of our stores.

35. 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.

	Group		Company	
R'000	**2021**	2020	**2021**	2020
Bank guarantees	**8 524**	6 794	**–**	–

Refer to note 14 for the detail relating to cash and cash equivalents.

R'000	Group 2021	Group 2020	Company 2021	Company 2020

36. RELATED PARTIES

Relationships

Ultimate holding company	Cashbuild Limited
Intermediate holding company	Cashbuild Management Services Proprietary Limited

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Loan accounts – Owing (to)/by related parties				
– Kier and Kawder (Pty) Ltd*	**(1 960)**	(1 960)	**–**	–
– UBM P and L (Pty) Ltd: Related party of Oldco PandL (Pty) Ltd	**–**	311	**–**	–
– Cashbuild Management Services Proprietary Limited	**–**	–	**39 512**	37 258

* *The loan is unsecured, interest free and is payable at the discretion of Cashbuild.*

R'000	Group 2021	Group 2020	Company 2021	Company 2020
– S-Identity Holdings (Pty) Ltd^	**11 139**	–	**–**	–

^ *The loan is a VAT facility which will be repaid through VAT refunds receivable from SARS and bears interest at the prime overdraft rate per annum charged by Nedbank Limited.*

The below movements relate to the VAT facility granted:

	2021	2020
Opening balance	**–**	–
Interest charged	**389**	–
Loan advanced	**10 750**	–
Closing balance	**11 139**	–

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Amounts included in Trade receivable regarding related parties				
– The Cashbuild Empowerment Trust	**–**	–	**174**	174
Related party transactions				
No related party transactions occurred throughout the year				
Dividends received				
– Cashbuild Management Services Proprietary Limited	**–**	–	**(256 251)**	(223 353)

Refer to note 7 for detail related to loans and advances to joint operators and associates.

37. THE CASHBUILD EMPOWERMENT TRUST

In terms of the B-BBEE 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 27 June 2021 Cashbuild Limited had 24 989 811 (June 2020: 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 that 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 of R61.89 million to the beneficiaries of the Trust, which excluded transaction costs associated with the transaction of R1.62 million. As at 27 June 2021, The Cashbuild Empowerment Trust held 1 764 999 (June 2020: 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.

Notes to the Consolidated and Separate Annual Financial Statements continued

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37. THE CASHBUILD EMPOWERMENT TRUST CONTINUED

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

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Dividends paid to the Trust and distributed to employees as follows:				
– Final 2020 (2019)	**4 801**	7 413	**–**	–
– Interim 2021 (2020)	**12 779**	7 678	**–**	–
Total dividends paid	**17 580**	15 091	**–**	–

38. RISK MANAGEMENT

R'000	Group 2021	Group 2020	Company 2021	Company 2020
Financial risk management				
Categories of financial instruments				
Financial assets at amortised cost				
Trade and other receivables	**126 726**	101 835	**–**	–
Cash and cash equivalents	**2 546 380**	1 951 582	**10 070**	9 206
Loan to subsidiary	**–**	–	**39 633**	37 258
Total	**2 673 106**	2 053 417	**49 703**	46 464
Financial liabilities at amortised cost				
Trade and other payables	**2 165 266**	1 846 258	**9 240**	8 809
Total	**2 165 266**	1 846 258	**9 240**	8 809

Overview

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 for managing the risk and the methods used to measure the risk, and the Group's management of capital. All financial assets and financial liabilities referred to in this note are classified as amortised cost financial instruments. Further quantitative disclosures are included throughout these Annual Consolidated and Separate Financial Statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's 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 and Risk 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 Audit and Risk 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 and Risk Committee.

The Group's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The capital structure of the Group consists of debt, (which includes lease liabilities as disclosed in note 19 and trade and other payables) and equity as disclosed in the Annual Consolidated and Separate Statement of Financial Position.

38. RISK MANAGEMENT CONTINUED

Overview continued

The Group monitors capital using a gearing ratio. The ratio is calculated as debt (interest-bearing borrowings and trade and other payables) divided by capital. Total capital is calculated as the sum of 'equity' and 'debt' as shown in the Annual Consolidated and Separate Statement of Financial Position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt. The Group's target is to maintain a dividend cover of two times annual result. The Group has achieved an actual dividend cover of two times annual result in the current year.

The capital structure and gearing ratio of the Group and Company at the reporting date was as follows:

	Group		Company	
R'000	**2021**	2020	**2021**	2020
Lease liabilities	**1 669 809**	1 615 200	**–**	–
Trade and other payables	**2 914 923**	2 521 681	**9 240**	8 809
Debt	**4 584 732**	4 136 881	**9 240**	8 809
Equity	**2 587 954**	2 155 015	**161 250**	132 917
Total capital	**7 172 686**	6 291 896	**170 490**	141 726
Gearing ratio	**0.64**	0.66	**0.05**	0.06

Credit risk

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

Exposure to credit risk mainly relates to cash equivalents and trade receivables. The Group 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.

Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings.

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

Refer to note 13 for detail relating to the expected credit loss allowance.

Trade receivables are not insured. The carrying amount of all financial assets represents the maximum exposure to credit risk. The carrying amount is equivalent to fair value for trade receivables, cash and cash equivalents and trade payables. A credit policy has been established where each new credit customer is analysed individually for creditworthiness before the companies standard payment and delivery terms are offered.

38. RISK MANAGEMENT CONTINUED

Credit quality of cash at bank, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash-on-hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

		Group		Company	
R'000		**2021**	2020	**2021**	2020
External credit rating as at 27 June 2021					
Moderate	BB+	**2 371 312**	1 828 928	**10 070**	9 206
High	AAA	**173 379**	121 039	**–**	–
Total cash held at financial institutions		**2 544 691**	1 949 967	**10 070**	9 206

The Group review includes external ratings, bank references and obtaining credit reports. Purchase limits are established for each customer. For smaller customers, surety from directors are 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 13.

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 R480 million (June 2020: R644 million).

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

	Group				
R'000	30 days or less	More than 30 days but less than one year	One to five years	Over five years	Total
June 2021					
Non-derivative financial liabilities					
Lease liabilities	**(31 204)**	**(280 034)**	**(1 344 793)**	**(622 663)**	**(2 278 694)**
Trade liabilities	**(966 182)**	**(818 640)**	**–**	**–**	**(1 784 822)**
June 2020					
Non-derivative financial liabilities					
Lease liabilities	(26 278)	(300 509)	(1 268 212)	(797 089)	(2 392 088)
Trade liabilities	(639 177)	(961 146)	–	–	(1 600 323)

We expect that trade liabilities and accruals will be settled by cash resources and changes in working capital. At year-end, the Group held cash of R2 546 million (2020: R1 952 million) which will be used to manage any liquidity risk.

38. RISK MANAGEMENT CONTINUED

R'000	Company 30 days or less	More than 30 days but less than one year	One to five years	Total
June 2021				
Non-derivative financial liabilities				
Trade liabilities	**–**	**(9 240)**	**–**	**(9 240)**
June 2020				
Non-derivative financial liabilities				
Trade liabilities	–	(8 809)	–	(8 809)

Foreign currency risk

The Group operates throughout Southern Africa and is exposed to foreign exchange risk arising from various currencies, primarily the Botswana Pula, Malawi Kwacha, Kwacha and USD 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 year-end

	Group		Company	
R'000	**2021**	2020	**2021**	2020
Botswana Pula exposed to Rand				
Trade receivables	**2 385**	3 533	**–**	–
Cash and cash equivalents	**187 232**	132 076	**–**	–
Trade payables	**(9 530)**	(4 359)	**–**	–
Malawi Kwacha exposed to Rand				
Trade receivables	**19 204**	360	**–**	–
Cash and cash equivalents	**28 909**	39 577	**–**	–
Trade payables	**(1 661)**	(829)	**–**	–
Zambia Kwacha exposed to Rand				
Trade receivables	**12**	–	**–**	–
Cash and cash equivalents	**1 866**	1 488	**–**	–
Trade payables	**(1 141)**	(4 359)	**–**	–
US Dollar exposed to Rand (Zambia)				
Cash and cash equivalents	**(573)**	(705)	**–**	–
Exchange rates used for conversion were:				
Botswana Pula – Reporting date rate	**1.31**	1.48	**–**	–
Botswana Pula – Average rate	**1.38**	1.41	**–**	–
Malawi Kwacha – Reporting date rate	**0.016**	0.023	**–**	–
Malawi Kwacha – Average rate	**0.018**	0.022	**–**	–
Zambia Kwacha – Reporting date rate	**0.62**	0.93	**–**	–
Zambia Kwacha – Average rate	**0.72**	1.02	**–**	–
US Dollar – Reporting date rate	**14.11**	17.19	**–**	–

Notes to the Consolidated and Separate Annual Financial Statements continued

for the year ended 27 June 2021

38. RISK MANAGEMENT CONTINUED

Foreign currency exposure at year-end continued

A sensitivity analysis was performed to evaluate the impact of exchange rate fluctuations on the exchange rate risk. This considers the impact if currency had weakened/strengthened by 10% and all other variables remained constant. The below table illustrates the impact on the foreign denominated trade receivables, cash and cash equivalents and trade payables.

	Group		Company	
R'000	**2021**	2020	**2021**	2020
Botswana Pula exposed to Rand	**2 500**	2 300	**–**	–
Malawi Kwacha exposed to Rand	**16 300**	5 200	**–**	–
Zambia Kwacha exposed to Rand	**100**	8 600	**–**	–
US Dollar exposed to Rand (Zambia)	**500**	200	**–**	–

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 Group is exposed to interest rate risk that relates to bank borrowings, deposits and lease liabilities. The incremental borrowing rate on lease liabilities are linked to the prime interest rate. Refer to note 19 for detail relating to the lease liabilities.

Price risk

The Group is not exposed to significant commodity price risk.

Covid-19 risk

The Group supports the measures the South African Government and Governments of the other countries in which it trades have outlined to contain the spread of the Covid-19 virus and complies with the required regulations in regard to protection of staff and customers at its stores and support office. Cashbuild has appropriate response mechanisms in place to deal with any positive Covid-19 cases reported at its stores, resulting in deep cleaning and self-isolation of staff while the stores continue trading utilising staff from nearby stores or towns.

39. DIRECTORS', KEY STAFF'S AND PRESCRIBED OFFICER'S EMOLUMENTS

Executive

R'000	Basic salary	Expenses and travel allowance	Medical benefits	Company's pension scheme contributions	Bonus~	Shares vesting value	Total
June 2021							
WF de Jager	**5 742**	**100**	**200**	**536**	**6 227**	**247**	**13 052**
AE Prowse	**3 428**	**137**	**–**	**263**	**2 957**	**165**	**6 950**
SA Thoresson	**3 071**	**146**	**–**	**273**	**2 688**	**151**	**6 329**
WP van Aswegen	**2 603**	**180**	**–**	**249**	**2 266**	**97**	**5 395**
A Hattingh*	**1 125**	**21**	**–**	**103**	**–**	**–**	**1 249**
Total	**15 969**	**584**	**200**	**1 424**	**14 138**	**660**	**32 975**

~ *Bonus accrued for the current year.*

R'000	Basic salary	Expenses and travel allowance	Medical benefits	Company's pension scheme contributions	Bonus+	Shares vesting value	Total
June 2020							
WF de Jager	5 147	121	174	481	884	426	7 233
AE Prowse	3 299	138	–	254	386	282	4 359
SA Thoresson	2 956	175	–	263	351	259	4 004
W van Aswegen	2 405	194	–	231	296	166	3 292
A Hattingh*	2 650	75	–	242	303	170	3 440
Total	16 457	703	174	1 471	2 220	1 303	22 328

+ Paid in the current financial year.
** A Hattingh was regarded as a key staff member of the Group subsequent to his resignation as a director on 16 November 2020. His bonus was earned throughout the year and was included as part of the key staff remuneration disclosure as the bonus accrual occurred in June 2021 while he was key staff member.*

Share options granted to directors

Refer to note 17 for details of share incentive schemes of which directors are beneficiaries of at year end.

Non-executive

R'000	Directors' fees	Total
June 2021		
M Bosman (Mr)	**475**	**475**
HH Hickey (resigned 31/05/2021)	**580**	**580**
AGW Knock	**728**	**728**
Dr DSS Lushaba	**598**	**598**
NV Simamane (resigned 30/11/2020)	**199**	**199**
GM Tapon Njamo	**541**	**541**
Total	**3 121**	**3 121**
June 2020		
M Bosman (Mr)	494	494
IS Fourie^	261	261
HH Hickey	546	546
AGW Knock	777	777
Dr DSS Lushaba	519	519
NV Simamane	468	468
GM Tapon Njamo	502	502
Total	3 567	3 567

^ Resigned on 3 September 2019.

Notes to the Consolidated and Separate Annual Financial Statements continued

for the year ended 27 June 2021

39. DIRECTORS', KEY STAFF'S AND PRESCRIBED OFFICER'S EMOLUMENTS CONTINUED

Prescribed Officers and key staff are paid by the subsidiary company Cashbuild (South Africa) (Proprietary) Limited.

R'000	Basic Salary	Expenses and travel allowance	Medical benefits	Company pension scheme contributions	Bonus~	Shares vesting value	Total
June 2021							
P Champion	**2 105**	**144**	**140**	**197**	**1 714**	**87**	**4 387**
W Dreyer	**2 125**	**76**	**119**	**213**	**1 658**	**92**	**4 283**
A Hattingh^	**1 622**	**30**	**–**	**148**	**1 357**	**99**	**3 256**
A Havenga	**2 058**	**49**	**–**	**193**	**1 523**	**84**	**3 907**
DS Masala*	**1 922**	**140**	**124**	**204**	**1 598**	**74**	**4 062**
Z Matolo	**1 846**	**156**	**87**	**212**	**1 544**	**–**	**3 845**
I Mckay	**2 006**	**174**	**75**	**177**	**1 584**	**84**	**4 100**
T Myburg	**1 560**	**316**	**142**	**154**	**1 357**	**13**	**3 542**
H Roos	**1 864**	**125**	**–**	**193**	**1 425**	**15**	**3 622**
M Scholes	**1 730**	**253**	**–**	**161**	**1 357**	**15**	**3 516**
H Steenberg	**1 877**	**120**	**–**	**175**	**1 466**	**81**	**3 719**
Total	**20 715**	**1 583**	**687**	**2 027**	**16 583**	**644**	**42 239**

~ *Bonus accrued for the current year.*
^ *Resigned as a Director and appointed as a prescribed officer with effect from 30 November 2020. His bonus was earned throughout the year and was included as part of the key staff remuneration disclosure as the bonus accrual occurred in June 2021 while he was a Prescribed Officer.*

R'000	Basic salary	Expenses and travel allowance	Medical benefits	Company pension scheme contributions	Bonus+	Shares vesting value	Total
June 2020							
P Champion	2 022	151	96	186	184	149	2 788
W Dreyer	2 052	92	112	205	178	157	2 796
A Havenga	1 946	69	–	183	163	144	2 505
DS Masala*	1 849	177	119	196	171	126	2 638
Z Matolo	1 867	51	83	205	165	–	2 371
I Mckay	1 930	226	72	170	170	126	2 694
T Myburg	1 446	317	131	143	145	22	2 204
H Roos	1 795	101	–	186	153	59	2 294
M Scholes	1 612	150	–	150	145	25	2 082
H Steenberg	1 805	142	–	169	157	–	2 273
Total	18 324	1 476	613	1 793	1 631	808	24 645

* *Prescribed Officer.*
\+ *Paid in the current financial year.*

40. EVENTS AFTER THE REPORTING PERIOD

During the second week of July 2021, violent protests and looting occurred in South Africa, particularly in Gauteng and KwaZulu-Natal, which negatively impacted Cashbuild. A total number of 36 stores (32 Cashbuild and 4 P&L Hardware stores) were damaged and looted and were unable to trade. Cashbuild has insurance cover in place for such events to minimise losses to the Group. Cashbuild initiated a process of rebuilding, restoring and restocking the affected stores in order to resume trading as soon as practicably possible.

Cashbuild is in the process of determining the impact of the looting and losses incurred. The table below contains a summary of the financial information of the affected stores for the current reporting period. The revenue and operating profit represents the performance of the affected stores for this financial year from 29 June 2020 to 27 June 2021. The property, plant and equipment and inventory value represents the balance as at 27 June 2021.

R'000	2021
Income statement extract	
Revenue	**1 401 919**
Operating profit	**142 217**
Financial position extract	
Property, plant and equipment	**60 026**
Inventory	**187 608**

The value of the insurance claim will be determined in conjunction with our insurers and their loss adjusters. The Group is insured for replacement value of its assets as well as loss of profits.

41. THE BUILDING COMPANY PROPRIETARY LIMITED ACQUISITION

Shareholders are reminded that Cashbuild entered into a definitive sale and purchase agreement ("SPA") on 3 August 2020 with Pepkor Holdings Limited ("Pepkor"), subject to conditions, to acquire 100% of the issued share capital of The Building Company Proprietary Limited ("TBC"), a wholly-owned subsidiary of Pepkor, and the shareholder loan claims of Pepkor against TBC, for a purchase consideration of R1 074 700 000 (the "Transaction"). All the conditions stated below have not yet been met as at 27 June 2021 or at the time of this report.

Competition Commission recommendations

On 28 May 2021, the Competition Commission announced their recommendation that the Transaction be prohibited as, in their view, the merger will result in a substantial prevention or lessening of competition in the market for building materials, hardware and related products in South Africa. This is only a recommendation at this stage and the Competition Tribunal must still hear arguments from all parties before determining a ruling.

Termination of agreement

On 12 August 2021, the company announced that the agreement would be terminated as it was determined that all the suspensive conditions would not have been met by the long stop date of 16 August 2021 and the parties were unable to agree on an extension to the long stop date.

Notes to the Consolidated and Separate Annual Financial Statements continued

for the year ended 27 June 2021

42. BUSINESS COMBINATION UNDER COMMON CONTROL

During the current financial year, it was resolved that the business operations of Oldco PandL (Pty) Ltd (formerly P and L Hardware (Pty) Ltd), P&L Boerebenodighede and Rio Ridge will be transferred to P and L Hardware (Pty) Ltd (formerly Roofbuild Trusses (Pty) Ltd) in anticipation of the planned deregistration of the aforementioned companies. Cashbuild Limited is the ultimate holding company of all of the above companies and the ultimate parent did not change as a result of the above transactions. The transaction was classified as a business combination under common control.

The book value method was applied whereby all assets and liabilities were transferred at the carrying value. No goodwill arose from this transaction.

Refer to the below table for the detail relating to the transaction.

Company	P&L Hardware (Pty) Ltd	P&L Boerebenodighede Investments (Pty) Ltd	Rio Ridge 1027 (Pty) Ltd
Immediate holding company before transaction	Cashbuild Management Services (Pty) Ltd	Oldco PandL (Pty) Ltd (formerly P and L Hardware (Pty) Ltd)	Oldco PandL (Pty) Ltd (formerly P and L Hardware (Pty) Ltd)
Ultimate holding company before transaction	Cashbuild Limited	Cashbuild Limited	Cashbuild Limited
Percentage shareholding before transaction (%)	100	100	100
Immediate holding company after transaction	Cashbuild Management Services (Pty) Ltd	P and L Hardware (Pty) Ltd (formerly Roofbuild Trussess (Pty) Ltd)	P and L Hardware (Pty) Ltd (formerly Roofbuild Trussess (Pty) Ltd)
Ultimate holding company after transaction	Cashbuild Limited	Cashbuild Limited	Cashbuild Limited
Percentage shareholding after transaction (%)	100	100	100
Effective date of transaction	28 June 2020	27 December 2020	27 December 2020

43. NEW STANDARDS AND INTERPRETATIONS

43.1 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE OR RELEVANT

Standard/Interpretation:	Effective date: Years beginning on or after	Expected date of implementation	Expected impact
Effective for year end 30 June 2021			
IFRS 3 Business Combinations – changes to the definition of a business	1 January 2020	1 July 2020	Did not impact results or disclosures
IFRS 16 - Covid-19-Related Rent Concessions: Amendment providing lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification. Refer to note 19 and 24 for further information.	1 June 2020 (The exemption was extended by one year with effect from 1 April 2021)	1 July 2020	Increased other income disclosed in the Consolidated Income Statement
IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – The amendments clarify and align the definition of 'material'	1 January 2020	1 July 2020	Did not impact results or disclosures
Headline earnings Circular 1/2021 – Correction to the rules pertaining to IFRS 16 Leases treatment. Refer to note 28 for further information.	31 May 2021	27 June 2021	Did not impact results, however, amended the disclosure accordingly
Issued but not yet effective for year end 30 June 2021			
IFRS 3 Business Combinations – The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	1 January 2022	1 July 2022	Not expected to impact results or disclosures
IAS 37 Provisions, Contingent Liabilities and Contingent Assets – amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making.	1 January 2022	1 July 2022	Not expected to impact results or disclosures
IAS 16 Property, Plant and Equipment – Clarification on how selling costs should be recognised.	1 January 2022	1 July 2022	Not expected to impact results or disclosures
IAS 1 Presentation of Financial Statements – current and non-current liability classification and material accounting policies disclosure.	1 January 2023	1 July 2022	Not expected to impact results or disclosures
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Accounting Estimates: Clarification on how companies should distinguish changes in accounting policies from changes in accounting estimates.	1 January 2023	1 July 2022	Not expected to impact results or disclosures
IAS 12 Income Taxes – The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items.	1 January 2023	1 July 2022	Not expected to impact results or disclosures




Cashbuild™


05 GENERAL INFORMATION

Shareholders' Analysis

Shareholder spread	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000	2 797	82.31	444 809	1.78
1 001 – 10,000	423	12.45	1 505 406	6.02
10 001 – 100,000	145	4.27	4 464 509	17.87
100 001 – 1 000 000	28	0.82	10 109 538	40.45
Over 1 000 000	5	0.15	8 465 549	33.88
Total	**3 398**	**100.00%**	**24 989 811**	**100.00%**

Distribution of shareholders	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Assurance Companies	29	0.85	464 104	1.86
Close Corporations	35	1.03	23 394	0.09
Collective Investment Schemes	154	4.53	6 318 795	25.29
Custodians	46	1.35	1 817 345	7.27
Foundations and Charitable Funds	19	0.56	117 931	0.47
Hedge Funds	17	0.50	1 064 988	4.26
Insurance Companies	3	0.09	35 616	0.14
Investment Partnerships	12	0.35	5 298	0.02
Managed Funds	5	0.15	17 654	0.07
Medical Aid Funds	10	0.29	156 743	0.63
Organs of State	6	0.18	1 593 871	6.38
Private Companies	72	2.12	4 591 916	18.38
Public Companies	6	0.18	41 648	0.17
Public Entities	1	0.03	15 831	0.06
Retail Shareholders	2 651	78.02	3 438 102	13.76
Retirement Benefit Funds	152	4.47	2 443 738	9.78
Scrip Lending	7	0.21	198 832	0.80
Share Schemes	3	0.09	2 257 377	9.03
Stockbrokers & Nominees	13	0.38	162 552	0.65
Trusts	156	4.59	224 029	0.90
Unclaimed Scrip	1	0.03	47	0.00
Total	**3 398**	**100.00%**	**24 989 811**	**100.00%**

Shareholder type	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	**9**	**0.26**	**2 341 971**	**9.37**
Directors and Associates (Excl. Employee Share Schemes)	4	0.15	18 656	0.07
Cashbuild Empowerment Trust	1	0.03	1 764 999	7.06
Cashbuild Share Plan	1	0.03	468 737	1.88
Cashbuild Store Operations Management Trust	1	0.03	23 641	0.09
Cashbuild (South Africa) (Pty) Ltd	1	0.03	65 938	0.26
Public Shareholders	**3 389**	**99.74**	**22 647 840**	**90.63**
Total	**3 398**	**100.00**	**24 989 811**	**100.00**

Beneficial shareholders with a holding greater than 5% of the issued shares	Number of shares	% of issued capital
Clients of Allan Gray	3 399 201	13.60
Mr Patrick Kieran Goldrick	2 321 812	9.29
Cashbuild Empowerment Trust	1 764 999	7.06
SRA Investments (Pty) Ltd	1 500 000	6.00
Government Employees Pension Fund	1 466 825	5.87
Total	**10 452 837**	**41.83**

Shareholders' Diary

Final results published	1 September 2021
Final dividend paid	27 September 2021
2021 Integrated Report posted to shareholders	29 October 2021
Annual General Meeting	29 November 2021
Interim results for the six months ending 26 December 2021	March 2022
Annual results for the year ending 26 June 2022	August 2022

Notice of Annual General Meeting

CASHBUILD LIMITED

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

Notice is hereby given that the 35th Annual General Meeting of shareholders of Cashbuild will be held entirely by way of electronic communication (in accordance with section 63(2) of the Companies Act) on Monday, 29 November 2021 at 10:00.

RECEIPT OF ANNUAL FINANCIAL STATEMENTS, AUDIT COMMITTEE REPORT AND SOCIAL AND ETHICS COMMITTEE REPORT

- To receive the audited Annual Financial Statements of the Company and of the Group (being Cashbuild and its subsidiaries) for the year ended 27 June 2021, together with the reports of the directors, the Audit Committee and the Independent Auditor. The Annual Financial Statements can be obtained from the Cashbuild website at www.cashbuild.co.za/report_2021.php or can be requested from the Company Secretary.
- To receive the report of the Social and Ethics Committee for the year ended 27 June 2021, as required in terms of Regulation 43 of the Companies Regulations, 2011 (the Regulations), as set out in the Integrated Report.

ORDINARY RESOLUTIONS

To consider and, if deemed fit, to approve, with or without modification, the ordinary resolutions set out below, in the manner required by the Memorandum of Incorporation (MOI) and the Companies Act, 2008, as amended (the Act), as read with the JSE Listings Requirements (Listings Requirements):

1. Ordinary resolution number one: Election of M Bosman (Ms) as a director

To RESOLVE to elect M Bosman (Ms) as a director. Ms Bosman was appointed by the Board in terms of clause 13.2.7.1 of the Company's MOI following the previous Annual General Meeting with effect from 1 August 2021. Ms Bosman offers herself for election by the shareholders.

The Board made the appointment to supplement its accounting, financial and risk management skills as well as experience. A brief biography of M Bosman (Ms) is contained on page 69 of the Integrated Report.

2. Ordinary resolution number two: Election of AJ Mokgwatsane as a director

To RESOLVE to elect AJ Mokgwatsane as a director. Mr Mokgwatsane was appointed by the Board in terms of clause 13.2.7.1 of the Company's MOI following the previous Annual General Meeting with effect from 1 August 2021. Mr Mokgwatsane offers himself for election by the shareholders.

The Board made the appointment to broaden its marketing, advertising and communications experience. A brief biography of AJ Mokgwatsane is contained on page 69 of the Integrated Report.

3. Ordinary resolution number three: Re-election of GM Tapon Njamo as a director

To RESOLVE to re-elect GM Tapon Njamo in terms of clause 13.4 of the MOI, who became a director on 2 April 2018, and who retires by rotation but, being eligible, offers herself for re-election. The Board supports the re-election.

A brief biography of GM Tapon Njamo is contained on page 69 of the Integrated Report.

4. Ordinary resolution number four: Re-appointment of Independent Auditor

To RESOLVE to appoint PricewaterhouseCoopers Incorporated (PwC) to act as the Independent Auditor of the Company for the financial year ending 26 June 2022 until the end of the next Annual General Meeting in November 2022. The individual registered auditor responsible for the audit is Mr Andries Rossouw.

The Audit Committee has concluded that the appointment of PwC will comply with the requirements of section 90 of the Companies Act and the Regulations, and accordingly nominates PwC for re-appointment as auditor of the Company.

The Audit and Risk Committee initiated a project during the 2020 financial year for the implementation of the Mandatory Audit Firm Rotation (MAFR) for the Group. In terms of the MAFR requirements, the Group must be compliant by 30 June 2024. The Audit and Risk Committee has initiated activities and has determined to make a recommendation at the Annual General Meeting to be held during 2022.

5. Ordinary resolution number five: Appointment of M Bosman (Mr) as an Audit Committee member

To APPOINT M Bosman (Mr) as Chairperson and member of the Audit Committee.

A brief biography of M Bosman (Mr) is contained on page 69 of the Integrated Report.

6. Ordinary resolution number six: Appointment of M Bosman (Ms) as an Audit Committee member

To APPOINT M Bosman (Ms) as a member of the Audit Committee (subject to her election as a director in terms of ordinary resolution number one).

A brief biography of M Bosman (Ms) is contained on page 69 of the Integrated Report.

7. Ordinary resolution number seven: Appointment of DSS Lushaba as an Audit Committee member

To APPOINT DSS Lushaba as a member of the Audit Committee.

A brief biography of DSS Lushaba is contained on page 69 of the Integrated Report.

8. Ordinary resolution number eight: Appointment of GM Tapon Njamo as an Audit Committee member

To APPOINT GM Tapon Njamo as a member of the Audit Committee (subject to her re-election as a director in terms ordinary resolution number three).

A brief biography of GM Tapon Njamo is contained on page 69 of the Integrated Report.

NON-BINDING ADVISORY VOTES

To consider and vote on the resolutions set out below, in the manner required by King IV™, as read with the JSE Listings Requirements.

Should more than 25% of the total votes cast be against either non-binding advisory votes, 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 will be as outlined in a SENS announcement issued subsequent to the Annual General Meeting.

9. Ordinary resolution number nine: Endorsement of the Company's Remuneration Policy

To ENDORSE, on a non-binding advisory basis, the Company's Remuneration Policy as set out in Section A of the Remuneration Report contained in the Integrated Report.

Motivation for advisory endorsement

In terms of King IV™ and the JSE Listings Requirements, a non-binding advisory vote should be obtained from the shareholders on the Company's Remuneration Policy. The vote allows shareholders to express their views on the Remuneration Policy, but will not be binding on the Company.

10. Ordinary resolution number ten: Endorsement of the implementation of the Company's Remuneration Policy

To ENDORSE, on a non-binding advisory basis, the implementation of the Company's Remuneration Policy as set out in Section B of the Remuneration Report contained in the Integrated Report.

Motivation for advisory endorsement

In terms of King IV™ and the JSE Listings Requirements, a non-binding advisory vote should be obtained from shareholders on the implementation report of the Company's Remuneration Policy. The vote allows shareholders to express their views on the extent of the implementation of the Company's Remuneration Policy but will not be binding on the Company.

Notice of Annual General Meeting
continued

SPECIAL RESOLUTIONS

To consider and, if deemed fit, to approve, with or without modification, the special resolutions set out below, in the manner required by the MOI and the Companies Act, as read with the JSE Listings Requirements.

11. Special resolution number one: Remuneration of Non-executive Directors

To APPROVE the remuneration of the Non-executive Directors of the Company for the period 1 July 2021 to 30 June 2022, as set out below:

		Excluding VAT	Payable
Annual retainer	Chairman	370 000	Annually
	Director	200 000	Annually
Board and Strategy meetings	Chairman	70 000	Per meeting
	Director	35 000	Per meeting
Audit and Risk Committee meetings	Chairman	60 000	Per meeting
	Member	30 000	Per meeting
All other meetings	Chairman	40 000	Per meeting
	Member	20 000	Per meeting
Ad hoc governance meetings	Chairman	8 000	Per hour
	Director	4 000	Per hour

Explanatory note in respect of special resolution number one

The Board conducts salary surveys to ensure that fees are market related. A salary survey for the Non-executive Directors has not been conducted for a number of years and the Board is of the view that as a result of, amongst others, increased responsibilities and regulatory requirements, and the need to attract and retain high calibre Non-executive Directors, it has become necessary to review the Non-executive Directors' fees and align them to the market.

In terms of section 65(11)(h) of the Companies Act, read with sections 66(8) and 66(9) of the Companies Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous two years, and only if it is not prohibited in terms of the Company's MOI.

75% of voting rights exercised will be required for this special resolution to be adopted.

12. Special resolution number two: Financial assistance to associated or Group companies

To AUTHORISE, to the extent required in terms of section 45 of the Companies Act, the Board, as it in its discretion thinks fit, but subject to compliance with the requirements of the MOI, the Companies Act and JSE Listings Requirements applicable to the Company, to grant authority to the Company to provide direct or indirect financial assistance as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation as contemplated in the Companies Act, for any purpose in the ordinary course of business of the Group at any time during a period of two years following the date on which this resolution is passed.

The Board will, before making any such financial assistance, satisfy itself that:

- immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test as set out in the Companies Act; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

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 interrelated 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.

13. Special resolution number three: General repurchase of shares

To RESOLVE that the Company or any of its subsidiaries be and is hereby authorised, by way of a general approval, to acquire ordinary shares issued by the Company, in terms of sections 46 and 48 of the Companies Act, and in terms of the JSE Listings Requirements, being that:

- any acquisition of shares shall be implemented through the order book of the JSE and without prior arrangement between the Company and the counter party;
- this general authority shall be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 months from the date of passing this special resolution;
- the Company (or any of its subsidiaries) is duly authorised by its MOI to do so;
- acquisition of shares in the aggregate in any one financial year may not exceed 5% of the Company's issued ordinary share capital as at the date of passing this special resolution;
- in determining the price at which shares issued by the Company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired will be 10% of the weighted average of the market value on the JSE over the five trading days immediately preceding the repurchase of such shares;
- at any point in time the Company (or any of its subsidiaries) may appoint only one agent to effect repurchase on its behalf;
- repurchase may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless a repurchase programme is in place (where dates and quantities of shares to be repurchased during the prohibited period are fixed) and has been submitted to the JSE in writing prior to the commencement of the prohibited period;
- an announcement will be published as soon as the Company or any of its subsidiaries have repurchased shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the repurchase pursuant to which the aforesaid threshold is reached, and for each 3% in aggregate repurchased thereafter, containing full details of such repurchases; and
- the Board must resolve that the repurchase is authorised, the Company and its subsidiaries have passed the solvency and liquidity test, as set out in section 4 of the Companies Act, and since that test was performed, there have been no material changes to the financial position of the Group.

In accordance with the JSE Listings Requirements the directors record that although there is no immediate intention to effect a repurchase of the shares of the Company, the directors will utilise this general authority to repurchase shares as and when suitable opportunities present themselves, which may require expeditious and immediate action.

The directors understand that, after considering the maximum number of shares that may be repurchased and the price at which the repurchases may take place pursuant to the repurchase general authority, for a period of 12 months after the date of notice of this Annual General Meeting:

- the Company and the Group will, in the ordinary course of business, be able to pay its debts;
- the consolidated assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will exceed the consolidated liabilities of the Company and the Group, fairly valued in accordance with IFRS; and
- the Company and Group's share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, some of which may appear elsewhere in the Integrated Report of which this notice forms part, is provided in terms of paragraph 11.26 of the JSE Listings Requirements for purposes of this general authority:

Major beneficial shareholders	Page 165 of the Integrated Report
Capital structure of the Company	Page 139 of the Integrated Report

Explanatory note in respect of special resolution number three

The reason for special resolution number 3 is to permit the Company or any of its subsidiaries, by way of a general approval to repurchase ordinary shares by the Company as and when suitable opportunities to do so arise.

Notice of Annual General Meeting
continued

SPECIAL RESOLUTIONS continued

13. Special resolution number three: General repurchase of shares continued

Directors' responsibility statement as it pertains to this special resolution

The directors whose names appear on pages 68 and 69 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the Companies Act and the JSE Listings Requirements.

Material change as it pertains to this special resolution

Other than the facts and developments reported on in the Integrated Report of which this notice forms part, there have been no material changes in the affairs of or financial position of the Company and its subsidiaries since the date of signature of the Independent Auditor's Report for the financial year ended 27 June 2021 and up to the date of this 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 physically 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, 19 November 2021, with the last day to trade in order to be able to participate and vote at the Annual General Meeting being Tuesday, 16 November 2021.

ELECTRONIC PARTICIPATION

Should any shareholder (or any proxy of a shareholder) wish to participate in the Annual General Meeting by way of electronic participation, that shareholder should make application in writing using the Electronic Participation Form attached to this Notice of Annual General Meeting (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the Transfer Secretaries, JSE Investor Services (Pty) Ltd, at its address below, to be received by the Transfer Secretaries at least 24 hours 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; and
- in terms of section 63(1) of the Companies Act, any person attending or participating in a meeting of shareholders must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.

For the convenience of certificated shareholders and dematerialised shareholders with "own-name" registration, a Form of Proxy is attached hereto. Duly completed Forms of Proxy must be lodged with the Transfer 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

T Nengovhela
Company Secretary

31 August 2021

Notes

Form of Proxy

CASHBUILD LIMITED

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

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

ANNUAL GENERAL MEETING TO BE HELD ENTIRELY BY WAY OF ELECTRONIC COMMUNICATION (IN ACCORDANCE WITH SECTION 63(2) OF THE COMPANIES ACT), ON MONDAY, 29 NOVEMBER 2021 AT 10:00

I/We (name)

of (address)

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 entirely by way of electronic communication (in accordance with section 63(2) of the Companies Act) on Monday, 29 November 2021 at 10:00 and at any adjournment thereof, 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: Election of M Bosman (Ms) as a director.			
2.	Ordinary resolution number two: Election of AJ Mokgwatsane as a director.			
3.	Ordinary resolution number three: Re-election of GM Tapon Njamo as a director.			
4.	Ordinary resolution number four: Re-appointment of Independent Auditor.			
5.	Ordinary resolution number five: Appointment of M Bosman (Mr) as an Audit Committee member.			
6.	Ordinary resolution number six: Appointment of M Bosman (Ms) (subject to ordinary resolution number one being passed) as an Audit Committee member.			
7.	Ordinary resolution number seven: Appointment of DSS Lushaba as an Audit Committee member.			
8.	Ordinary resolution number eight: Appointment of GM Tapon Njamo (subject to ordinary resolution number three being passed) as an Audit Committee member.			
9.	Ordinary resolution number nine: Endorsement, on a non-binding advisory basis, of the Company's Remuneration Policy.			
10.	Ordinary resolution number ten: Endorsement, on a non-binding advisory basis, of the implementation of the Company's Remuneration Policy.			
11.	Special resolution number one: Remuneration of Non-executive Directors.			
12.	Special resolution number two: Financial assistance to associated or Group companies.			
13.	Special resolution number three: General repurchase of shares.			

Signed at on 2021

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 Form of Proxy.
2. Each such shareholder is entitled to appoint one or more proxy holders (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 proxy holder 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 proxy holder, 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 Forms of Proxy with the Transfer Secretaries:

   JSE Investor Services (Pty) Ltd

   Hand deliveries:

   19 Ameshoff Street, Braamfontein, Johannesburg, 2001

   OR postal deliveries:

   PO Box 4844
   Johannesburg 2000

   OR email:

   meetfax@jseinvestorservices.co.za

   by no later than 24 hours before the Annual General Meeting, being Friday, 26 November 2021 at 10:00, 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 member with a letter of representation in terms of the custody agreement. Such letter of representation must be lodged with the Transfer Secretaries before the closing time set out in 8 above or presented at the Annual General Meeting.

Electronic Participation Form

PARTICIPATION IN THE AGM VIA ELECTRONIC COMMUNICATION

CAPITALISED TERMS USED IN THIS FORM SHALL BEAR THE MEANINGS ASCRIBED THERETO IN THE NOTICE OF AGM TO WHICH THIS PARTICIPATION FORM IS ATTACHED

Shareholders or their duly appointed proxy(ies) that wish to participate in the AGM via electronic communication (Participants), must apply to JSE Investor Services (Pty) Ltd, by delivering the duly completed Form to: 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 or posting it to PO Box 4844, Johannesburg 2000 (at the risk of the Participant), or by email to meetfax@jseinvestorservices.co.za so as to be received by JSE Investor Services (Pty) Ltd by no later than 09:00 on Monday, 29 November 2021. JSE Investor Services (Pty) Ltd will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided.

IMPORTANT NOTICE

The Company shall, by no later than 24 hours prior to the meeting at 10:00 on Monday, 29 November 2021, notify Participants that have delivered valid notices in the form of this Form, by email of the relevant details through which Participants can participate electronically.

Application form

Full name of Participant:		
ID number:		
Email address:		
Cell number:		
Telephone number: (code)	(number)	
Name of CSDP or broker:		(if shares are held in dematerialised form)
Contact number of CSDP/broker:		
Contact person of CSDP/broker:		
Number of shares certificate:		(if applicable)
Signature:		
Date:		

Terms and conditions for participation in the AGM via electronic communication

1. The cost of electronic participation in the AGM is for the expense of the Participant and will be billed separately by the Participant's own service provider.
2. The Participant acknowledges that the electronic communication services are provided by third parties and indemnifies Cashbuild against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against the Company, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the participants via the electronic services to the AGM.
3. The application to participate in the AGM electronically will only be deemed successful if this application form has been completed and signed by the Participant.
4. Cashbuild cannot guarantee there will not be a break in electronic communication that is beyond the control of the Company.

Participant's name:	Signature:	Date:

Abbreviations and Definitions

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

"AGM"	Annual General Meeting
"Basic EPS"	Earnings for the year attributable to equity holders of Cashbuild divided by the weighted average number of ordinary shares in issue during the year
"B-BBEE"	Broad-Based Black Economic Empowerment
"BCM"	Business Continuity Management
"Cashbuild" or "the Group"	Cashbuild Limited and its subsidiaries
"CB"	Cashbuild
"CO_2e"	Carbon dioxide equivalent
"CPI"	Consumer Price Index
"Closing PE ratio"	Market value per share at June divided by HEPS
"Companies Act"	Companies Act No 71 of 2008, as amended
"CSDP"	Central Securities Depositary Participants
"CSI"	Corporate Social Investment
"Dividend cover"	EPS divided by dividend per share
"Earnings yield"	HEPS as a percentage of market value per share
"ECL"	Expected Credit Losses
"EPS"	Earnings per share
"ERP"	Enterprise Resource Planning system
"ESG"	Environmental, Social and Governance
"FSP"	Forfeitable Share Plan
"HDSAs"	Historically Disadvantaged South Africans
"HEPS"	Headline earnings divided by the weighted average number of ordinary shares in issue during the year
"HR"	Human Resources
"IFRIC"	International Financial Reporting Interpretations Committee
"IFRS"	International Financial Reporting Standards
"IIRC"	International Integrated Reporting Council
"IR"	Integrated Report
"IRBA"	Independent Regulatory Board for Auditors
"ISA"	International Standards on Auditing
"IT"	Information Technology
"ITPMO"	IT Project Management
"JSE"	JSE Limited
"King IV™"	King Report on Corporate Governance for South Africa 2016
"kWh"	Kilowatt per hour
"LDVs"	Light Delivery Vehicles
"Listings Requirements"	Listings Requirements of the JSE
"Ltd"	Limited
"LTI"	Long-Term Incentive
"MAFR"	Mandatory Audit Firm Rotation
"MOI"	Memorandum of Incorporation
"MWth"	Megawatts thermal
"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
"OHASA"	Occupational Health and Safety Act
"Operating profit margin"	Operating profit as a percentage of revenue
"P&L Hardware"	P&L Hardware (Pty) Ltd
"PCI"	Payment Card Industry
"PE"	Price earnings, market value per share divided by HEPS
"POPIA"	Protection of Personal Information Act
"Pty"	Proprietary
"PwC"	PricewaterhouseCoopers Inc.
"ROCE"	Return on Capital Employed
"SABS"	South African Bureau of Standards
"SARS"	South African Revenue Services
"SDGs"	Sustainable Development Goals
"SECOM"	Social and Ethics Committee
"SENS"	Stock Exchange News Service
"SETA"	Sector Education and Training Authority
"SHE"	Safety, Health and Environment
"STI"	Short-Term Incentive
"the Board"	The Board of Directors of Cashbuild
"the Company"	Cashbuild Limited
"the current year"	The financial year ended 27 June 2021
"the next year"	The financial year ending 26 June 2022
"the previous year"	The financial year ended 28 June 2020
"TSR"	Total Shareholder Return
"UN"	United Nations
"VAT"	Value Added Tax
"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	T Nengovhela
Sponsor	Nedbank CIB, a division of Nedbank 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	JSE Investor Services (Pty) Ltd (Registration number 2000/007239/07) 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 (PO Box 4844, Johannesburg 2000)
Investor Relations	Keyter Rech Investor Solutions CC (Registration number 2008/156985/23 Fountain Grove Office Park, 5 2nd Road Hyde Park, 2195 (PO Box 653078, Benmore, 2010)
Transactional Bankers	Nedcor Bank, a division of Nedbank Limited The Standard Bank of South Africa Limited First National Bank, a division of FirstRand Limited

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

Belinda Rabé
Group Financial Manager
E-mail: brabe@cashbuild.co.za

Zandile Matolo
Financial Controller
E-mail: zmatolo@cashbuild.co.za
Tel: +27 11 248 1500

Any queries regarding Cashbuild's Investor Relations should be addressed to:

Marlize Keyter
Investor Relations Consultant
Keyter Rech Investor Solutions CC
E-mail: mkeyter@kris.co.za
Tel: +27 83 701 2021

Cashbuild

www.cashbuild.co.za