Cashbuild

Cashbuild

2021 Annual Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 27 JUNE

Annual Consolidated and Separate Financial Statements

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 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 Officer 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.

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.

Audit and Risk Committee Report continued

3. FUNCTIONS OF THE COMMITTEE CONTINUED

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 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, OHSA incidents etc.). Cashbuild's Audit and Risk Executive reports administratively to the Chief Executive Officer 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.

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 10 to 13.

External audit
The Independent Auditor's Report is set out on pages 14 to 20.

Audit and Risk Committee Report continued

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 21 to 75, 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 Officer 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 14 to 20.

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 21 to 75, 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 CEO 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.

Figures in Rand thousand	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 groups 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 21 to 75 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).*

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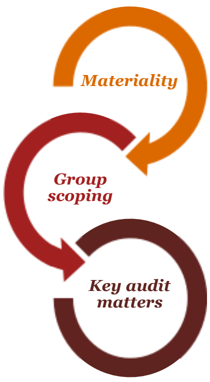
Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Our audit approach

Overview

<table>
<tr><td rowspan="3">
</td><td>Overall group materiality
Overall group materiality:R128,8 million, which represents 1% of consolidated revenue.</td></tr>
<tr><td>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.</td></tr>
<tr><td>Key audit matters
Accuracy of the supplier rebate adjustment and debtors.</td></tr>
</table>

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

Figures in Rand thousand	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 27 to 37 and the notes on pages 38 to 75 form an integral part of the Consolidated and Separate Annual Financial Statements.

Consolidated and Separate Income Statements

for the year ended 27 June 2021

Figures in Rand thousand	Note(s)	Group		Company	
		2021	2020	**2021**	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 27 to 37 and the notes on pages 38 to 75 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

	Group		Company	
Figures in Rand thousand	**2021**	2020	**2021**	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 27 to 37 and the notes on pages 38 to 75 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

Figures in Rand thousand	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.

Figures in Rand thousand	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

Figures in Rand thousand	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.

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.

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.

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.

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.

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.

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				
Figures in Rand thousand	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.

Figures in Rand thousand	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		
Figures in Rand thousand	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

Figures in Rand thousand	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

Figures in Rand thousand	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.*

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	
Figures in Rand thousand	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	
Figures in Rand thousand	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.

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	
Figures in Rand thousand	**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:

Figures in Rand thousand	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:

Figures in Rand thousand	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:

Figures in Rand thousand	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 27 June 2020. No further contributions have been made subsequently.

7. INTERESTS IN ASSOCIATE AND JOINT OPERATIONS CONTINUED

Below is a reconciliation of the investment in the associate:

Figures in Rand thousand	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		
Figures in Rand thousand	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					
Figures in Rand thousand	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					
Figures in Rand thousand	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

Figures in Rand thousand	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:

	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:

	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	**–**	–

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	
Figures in Rand thousand	**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	
Figures in Rand thousand	**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

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	
Figures in Rand thousand	**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	**–**	–

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	
Figures in Rand thousand	**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)

Notes to the Consolidated and Separate Annual Financial Statements continued

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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	
Figures in Rand thousand	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	
Figures in Rand thousand	**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	
Figures in Rand thousand	**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		Company	
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 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		Company	
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

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	
Figures in Rand thousand	**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

Figures in Rand thousand	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:		
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**
H Roos	**12 734**	**2 945**
H Steenberg	**16 807**	**4 086**
	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	
Figures in Rand thousand	**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

18. FOREIGN CURRENCY TRANSLATION RESERVE (FCTR)

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries.

	Group		Company	
Figures in Rand thousand	**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	
Figures in Rand thousand	**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.

	Group 2021	Group 2020	Company 2021	Company 2020
The undiscounted payment maturity analysis of lease liabilities are as follows:				
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

Figures in Rand thousand	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

Figures in Rand thousand	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.*

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21. REVENUE

Figures in Rand thousand	Group 2021	Group 2020	Company 2021	Company 2020
Revenue from contracts with customers				
Sale of goods (recognised at 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.

Figures in Rand thousand	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.

Figures in Rand thousand	Group 2021	Group 2020	Company 2021	Company 2020

22. COST OF SALES

Sale of goods	**9 226 014**	7 565 860	**-**	–

23. OTHER INCOME

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

Figures in Rand thousand	Group 2021	Group 2020	Company 2021	Company 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**	1942 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

Figures in Rand thousand	Notes	Group 2021	Group 2020	Company 2021	Company 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

Figures in Rand thousand	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.*

Notes to the Consolidated and Separate Annual Financial Statements continued

for the year ended 27 June 2021

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	
Figures in Rand thousand	**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	
Figures in Rand thousand	**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

Figures in Rand thousand	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	**606**	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

	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

30. TAX PAID

Figures in Rand thousand	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

Figures in Rand thousand	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

Figures in Rand thousand	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

Figures in Rand thousand	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:

Figures in Rand thousand	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.

Figures in Rand thousand	Group 2021	Group 2020	Company 2021	Company 2020
Bank guarantees	**8 524**	6 794	**–**	–

Refer to note 14 for the detail relating to cash and cash equivalents.

Figures in Rand thousand	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

	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.*

	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**	–

	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

for the year ended 27 June 2021

37. THE CASHBUILD EMPOWERMENT TRUST CONTINUED

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

	Group		Company	
Figures in Rand thousand	**2021**	2020	**2021**	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

	Group		Company	
Figures in Rand thousand	**2021**	2020	**2021**	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	
Figures in Rand thousand	**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	
Figures in Rand thousand		**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				
Figures in Rand thousand	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

Figures in Rand thousand	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

Figures in Rand thousand	Group		Company	
	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	**-**	–

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	
Figures in Rand thousand	**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

Figures in Rand thousand	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.*

Figures in Rand thousand	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

Figures in Rand thousand	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.

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.

Figures in Rand thousand	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.*
^ *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.*

Figures in Rand thousand	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
MS 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.

Figures in Rand thousand	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	Cashbuild Management Services (Pty) Ltd	Cashbuild Management Services (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

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