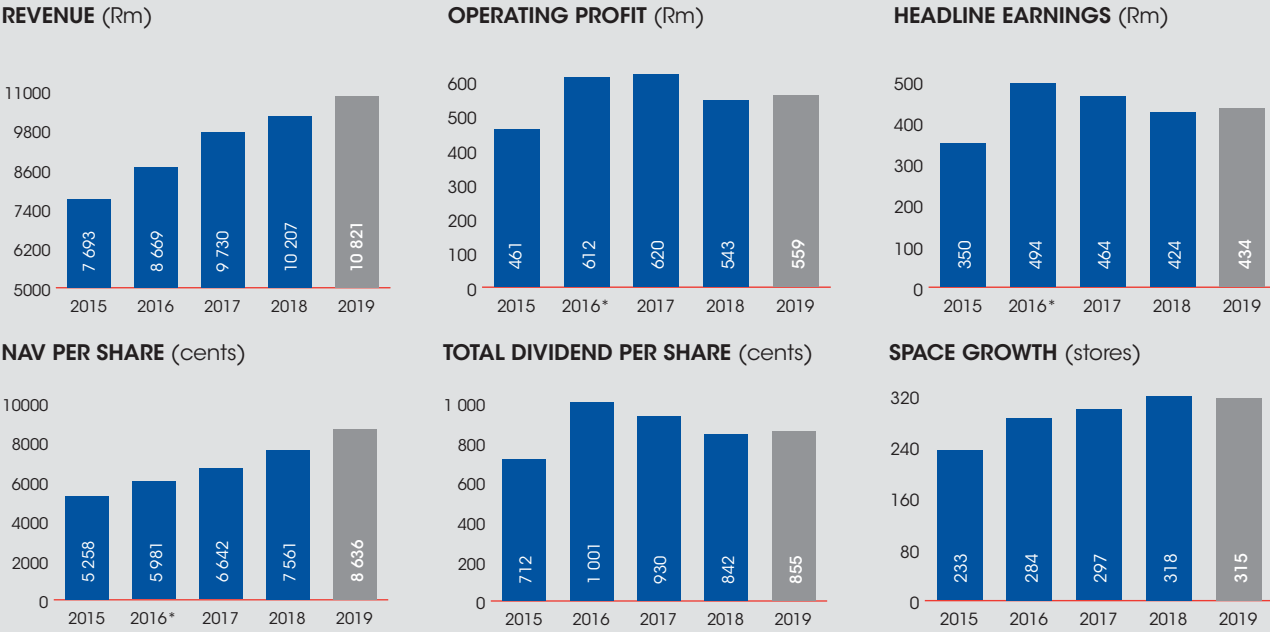




COMMENTARY

Nature of business
Cashbuild is southern Africa's largest retailer of quality building materials and associated products, selling direct to a cash-paying customer base through our chain of stores (315 at the end of this financial year which includes one DIY store and 59 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.

International Financial Reporting Standards
The Group is reporting its annual audited results in accordance with International Financial Reporting Standards ("IFRS").

Financial highlights
The Group adopts the retail accounting calendar, this financial year had 53 weeks and the prior year had 52 weeks. Refer to note 3.

Revenue for the year increased by 6%. Revenue for stores in existence prior to July 2017 (pre-existing stores – 281 stores) increased with 3% and our 34 new stores provided 3% increase. Gross profit increased by 6% with gross profit percentage slightly decreasing from 25.2% to 25.1%. This was achieved in tough trading conditions with selling price inflation of 3%.

Operating expenses, including new stores, remained well controlled and increased by only 7% (existing stores 3% and new stores 4%) resulting in operating profit increasing by 3%. Basic earnings per share increased by 2% with headline earnings per share also increasing by 2% from the prior year.

The effective tax rate of 29.4% for the period is higher than that of the previous period due to a decrease in exempt income and an increase in disallowable charges relating to share-based payments.

Cash and cash equivalents decreased by 38% to R590 million as a result of payments to suppliers effected prior to year-end close resulting from the 53rd week (note 3). Stock levels, including new stores, have increased by 2% with overall stockholding at 84 days (2018: 88 days) at year end. Net asset value per share has increased by 14%, from 7 561 cents (June 2018) to 8 636 cents.

During the year, Cashbuild opened 11 new stores (nine Cashbuild stores and two P&L Hardware stores), refurbished 26 stores and relocated four Cashbuild stores. Cashbuild closed five Cashbuild stores, three P&L Hardware stores and six DIY stores. Cashbuild will continue its store expansion, relocation and refurbishment strategy in a controlled manner, applying the same rigorous process as in the past.

Prospects
Group revenue for the six weeks after year end has increased by 1% on the comparable six week period. Management believe trading conditions will remain extremely challenging in the year ahead. This information has neither been reviewed nor audited by the company's auditor.

SUMMARY CONSOLIDATED INCOME STATEMENT – AUDITED

	Year ended 30 June 2019 (53 weeks)	Year ended 30 June 2018 *Restated (52 weeks)	% change
R'000			
Revenue	10 821 235	10 206 730	6
Cost of sales	(8 101 229)	(7 638 277)	6
Gross profit	2 720 006	2 568 453	6
Selling and marketing expenses	(1 884 034)	(1 778 355)	6
Administrative expenses	(279 056)	(267 566)	4
Other operating expenses	(13 288)	(10 263)	29
Other income	15 397	30 926	(50)
Operating profit	559 025	543 195	3
Finance cost	(4 190)	(3 143)	33
Finance income	57 878	54 128	7
Profit before income tax	612 713	594 180	3
Income tax expense	(180 294)	(169 027)	7
Profit for the year	432 419	425 153	2
Attributable to:			
– Owners of the company	427 357	420 514	2
– Non-controlling interests	5 062	4 639	9
	432 419	425 153	2
Earnings per share (cents)	1 881.3	1 851.6	2
Diluted earnings per share (cents)	1 880.6	1 850.9	2

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – AUDITED

	Year ended 30 June 2019 (53 weeks)	Year ended 30 June 2018 *Restated (52 weeks)
R'000		
Profit for the year	432 419	425 153
Other comprehensive income reclassifiable to profit or loss:		
Total movement in foreign currency translation reserve (FCTR)	4 708	6 317
Attributable to:		
– Owners of the company	5 083	5 395
– Non-controlling interests	(375)	922
Total comprehensive income for the year	437 127	431 470
Total comprehensive income attributable to:		
– Owners of the company	432 440	425 909
– Non-controlling interests	4 687	5 561
	437 127	431 470

ADDITIONAL INFORMATION – AUDITED

	Year ended 30 June 2019	Year ended 30 June 2018 *Restated
R'000		
Net asset value per share (cents) – unaudited	8 636	7 561
Net asset value per share (excluding treasury shares) – unaudited	9 500	8 320
Ordinary shares ('000s):		
– In issue	24 990	24 990
– Weighted-average	22 716	22 711
– Diluted weighted-average	22 725	22 720
Capital investment	203 556	243 999
Depreciation of property, plant and equipment	131 380	130 356
Amortisation of intangible assets	6 517	7 631
Capital commitments	142 854	231 083
Property operating lease commitments	1 988 949	1 948 239

SUMMARY CONSOLIDATED SEGMENTAL ANALYSIS – AUDITED

R'000	Group		South Africa				Other members of common monetary area*		Botswana, Malawi and Zambia	
	Year ended 30 June 2019	Year ended 30 June 2018 *Restated	Cashbuild business		P&L Hardware business		Year ended 30 June 2019	Year ended 30 June 2018 *Restated	Year ended 30 June 2019	Year ended 30 June 2018 *Restated
			Year ended 30 June 2019	Year ended 30 June 2018 *Restated	Year ended 30 June 2019	Year ended 30 June 2018 *Restated				
Income statement										
Revenue	10 821 235	10 206 730	8 475 594	8 043 313	1 258 394	1 136 053	613 587	606 637	473 660	420 727
Operating profit	559 025	543 195	524 629	478 776	(8 493)	21 388	35 074	36 266	7 815	6 765
Statement of financial position										
Segment assets	3 994 665	4 299 997	2 435 673	2 787 079	768 877	719 003	529 141	528 377	260 974	265 538
Segment liabilities	1 807 265	2 382 678	795 192	1 418 988	737 174	635 375	127 073	172 615	147 826	155 700
Other segment items										
Number of stores	315	318	224	225	59	60	18	18	14	15
Depreciation	131 380	130 356	103 674	107 108	11 575	8 388	8 073	7 496	8 058	7 364
Amortisation	6 517	7 631	6 253	7 377	8	–	162	103	94	151
Capital investment	203 556	243 999	166 203	119 772	12 037	81 638	19 642	23 954	5 674	18 635

* Includes Namibia, Swaziland and Lesotho.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

1. **Basis of preparation.** The summary consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting as required by the JSE Limited Listings Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa applicable to summary annual financial statements. The accounting policies applied in the preparation of the consolidated annual financial statements from which these summary consolidated annual financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements. There are two significant new accounting standards adopted which impacted the results and effective for reporting periods commencing on or after 1 July 2018:
- IFRS 15 Revenue from Contracts with Customers
 - IFRS 9 Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers replaces IAS 18 – Revenue, and provides a single comprehensive model for revenue recognition based on the satisfaction of performance obligations and additional disclosures in respect of revenue. The adoption relates to the expected sale returns and the impact has been applied to the comparative figures to create fair presentation for each period.
- IFRS 9 – Financial Instruments replaces IAS 39 Financial Instruments. The adjustments have taken into account the impairment allowance of receivables which were estimated on the incurred loss model and now estimated on an expected credit loss model. No restatement has been done for prior periods as there is no material impact.
- The table below summarises the impact of the adoption of IFRS 15 on the results of the comparative reporting periods:
- | | Previously
Reported
R'000 | Adjustment
IFRS 15
R'000 | Restated
R'000 |
|----------------------------|---------------------------------|--------------------------------|-------------------|
| IFRS 15 | | | |
| June 2018 | | | |
| Profit and loss | | | |
| Revenue | 10 207 603 | 873 | 10 206 730 |
| Gross profit | 2 568 584 | 131 | 2 568 453 |
| Profit for the period | 425 248 | 95 | 425 153 |
| Non-current assets | | | |
| Deferred tax assets | 44 090 | 1 605 | 45 695 |
| Current assets | | | |
| Inventories | 1 512 823 | 25 885 | 1 538 708 |
| Current liabilities | | | |
| Trade and other payables | 2 070 688 | 31 655 | 2 102 343 |
| Retained earnings | 2 105 371 | (4 165) | 2 101 206 |
- The annual financial statements have been prepared under the supervision of the Finance Director, Mr AE Prowse CA(SA), and approved by the board on 2 September 2019.

2. **Independent audit by the auditor.** These summary financial statements were derived from the consolidated financial statements for the year ended 30 June 2019. The consolidated financial statements have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. A copy of their unaudited audit report is available for inspection at the registered office of the company.
3. **Unaudited pro-forma information illustrating the impact of the 53rd week on the annual results for the year ended 30 June 2019.** The group adopts the retail accounting calendar, which comprises the reporting period ending on the last Sunday of the month (2019: 30 June (53 weeks); 2018: 24 June (52 weeks)). Although Cashbuild has reported financial results for the 53 weeks to 30 June 2019, it is appropriate and good practice to illustrate pro-forma information of the comparative 52 week period for the user of these financial statements. The unaudited pro-forma information presented below has been prepared for illustrative purposes only, to indicate how such information compares to the audited results of the group for the prior 52-week period ended 24 June 2018. The directors of the company are responsible for the compilation, contents and preparation of the unaudited pro-forma financial information below.

	Audited June 2019 (53 wks)	53rd wk	Unaudited June 2019 (52 wks)	Audited June 2018 (52 wks)	% Change
R'000					
Revenue	10 821 235	199 097	10 622 138	10 206 730	4
Operating profit	559 025	51 721	507 304	543 195	(7)
Net profit attributable to owners of the company	427 357	36 289	391 068	420 514	(7)
Headline earnings	433 957	36 289	397 668	423 971	(6)
Earnings per share (cents)	1 881.3		1 721.6	1 851.6	(7)
Headline earnings per share (cents)	1 910.4		1 750.6	1 866.8	(6)
Net asset value per share (cents)	8 636		8 491	7 561	12

Notes:

1. The accounting policies adopted in the latest audited annual financial statements, which have been prepared in accordance with IFRS, have been used in preparing the unaudited pro-forma information.
2. The "53rd wk" column represents the actual sales of product for the 53rd week less directly related costs, net of taxation. Cost of sales and directly related variable operating expenses are calculated based on the actual percentages achieved during the current financial year. The cost of sales of the 53rd week also includes an additional month's settlement discount relating to the trade suppliers' payment at the year-end.

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS – AUDITED

	Year ended 30 June 2019 (53 weeks)	Year ended 30 June 2018 (52 weeks)
R'000		
Cash flows from operating activities		
Cash generated from operations	213 079	781 720
Interest paid	(3 853)	(3 143)
Taxation paid	(251 414)	(169 775)
Net cash/(utilised) generated from operating activities	(42 188)	608 802
Cash flows from investing activities		
Net investment in assets	(195 503)	(241 231)
Business combinations	–	(72 573)
Interest received	57 541	54 128
Net cash used in investing activities	(137 962)	(259 676)
Cash flows from financing activities		
Shares purchased by Cashbuild Trusts or subsidiary companies for share incentive schemes	–	(605)
Shares sold by Cashbuild Trusts	–	1 610
Finance lease payments	(1 051)	(1 192)
Dividends paid:		
– Own equity	(178 960)	(201 210)
– Non-controlling interests	(1 713)	(1 044)
Net cash used in financing activities	(181 724)	(202 441)
Net (decrease)/increase in cash and cash equivalents	(361 874)	146 685
Cash and cash equivalents at beginning of year	952 929	801 420
Effect of exchange rate movements on cash and cash equivalents	(905)	4 824
Cash and cash equivalents at end of year	590 150	952 929

Attributable to owners of the company						
Share capital	Share premium	Share-based payments reserve	FCTR	Retained earnings	Non-controlling interests	Total equity
227	(275 384)	52 985	10 645	1 651 042	21 948	1 461 463
–	–	–	(18 974)	464 882	2 636	448 544
–	(2 561)	–	–	–	–	(2 561)
–	2 526	–	–	–	–	2 526
–	–	–	–	(234 023)	(1 376)	(235 399)
–	–	4 332	–	–	–	4 332
227	(275 419)	57 317	(8 329)	1 881 901	23 208	1 678 905
–	–	–	5 395	420 514	5 561	431 470
–	(605)	–	–	–	–	(605)
–	1 610	–	–	–	–	1 610
–	–	–	–	(201 210)	(1 044)	(202 254)
–	–	8 192	–	–	–	8 192
227	(274 414)	65 509	(2 934)	2 101 205	27 725	1 917 318
–	–	–	5 083	427 357	4 687	437 127
–	–	–	–	(178 960)	(1 713)	(180 673)
–	–	13 628	–	–	–	13 628
227	(274 414)	79 137	2 149	2 349 602	30 699	2 187 400

South Africa		P&L Hardware business		Other members of common monetary area*		Botswana, Malawi and Zambia	
Year ended 30 June 2019	Year ended 30 June 2018 *Restated	Year ended 30 June 2019	Year ended 30 June 2018 *Restated	Year ended 30 June 2019	Year ended 30 June 2018 *Restated	Year ended 30 June 2019	Year ended 30 June 2018 *Restated
Revenue	8 475 594	8 043 313	1 258 394	1 136 053	613 587	473 660	420 727
Operating profit	524 629	478 776	(8 493)	21 388	35 074	7 815	6 765
Segment assets	2 435 673	2 787 079	768 877	719 003	529 141	260 974	265 538
Segment liabilities	795 192	1 418 988	737 174	635 375	127 073	147 826	155 700
Number of stores	224	225	59	60	18	14	15
Depreciation	103 674	107 108	11 575	8 388	8 073	7 496	7 364
Amortisation	6 253	7 377	8	–	162	103	151
Capital investment	166 203	119 772	12 037	81 638	19 642	23 954	18 635

4. **Declaration of dividend.** The board has declared a final dividend (No. 53), of 420 cents (June 2018: 346 cents) per ordinary share out of income reserves to all shareholders of Cashbuild Limited. The dividend per share is calculated based on 24 989 811 (June 2018: 24 989 811) shares in issue at date of dividend declaration. Net local dividend amount is 336 cents per share for shareholders liable to pay Dividends Tax and 420 cents per share for shareholders exempt from paying Dividends Tax. The total dividend for the year amounts to 855 cents (June 2018: 842 cents) a 2% increase on the prior year. Local Dividends Tax is 20%.
- Cashbuild Limited's tax reference number is 9575168712.
- Date dividend declared: Monday, 2 September 2019
- Last day to trade "CUM" the dividend: Monday, 23 September 2019
- Date to commence trading "EX" the dividend: Wednesday, 25 September 2019
- Record date: Friday, 27 September 2019
- Date of payment: Monday, 30 September 2019
- Share certificates may not be dematerialised or rematerialised between Wednesday, 25 September 2019 and Friday, 27 September 2019, both dates inclusive.
5. **Earnings per share.** Earnings per share is calculated by dividing the earnings attributable to owners of the company for the year by the weighted average number of 22 715 551 ordinary shares in issue at year end (June 2018: 22 710 768 shares).
6. **Headline earnings per ordinary share.** The calculations of headline earnings and diluted headline earnings per ordinary share are based on headline earnings of R434.0 million (June 2018: R424.0 million) and a weighted average of 22 715 551 (June 2018: 22 710 768) shares and fully diluted of 22 725 551 (June 2018: 22 719 842) ordinary shares in issue.
- Reconciliation between net profit attributable to the equity holders of the company and headline earnings:
- | R'000 | June 2019 | June 2018 | % change |
|--|----------------|----------------|----------|
| Net profit attributable to the owners of the company | 427 357 | 420 514 | 2 |
| Profit on sale of assets after taxation | 3 964 | 3 457 | |
| Impairment on intangible assets | 2 636 | – | |
| Headline earnings | 433 957 | 423 971 | 2 |
| Headline earnings per share (cents) | 1 910.4 | 1 866.8 | 2 |
| Diluted headline earnings per share (cents) | 1 909.5 | 1 866.1 | 2 |

On behalf of the board

Profit on sale of assets after taxation	3 964	3 457	
Impairment on intangible assets	2 636	-	
Headline earnings	433 957	423 971	2
Headline earnings per share (cents)	1 910.4	1 866.8	2
Diluted headline earnings per share (cents)	1 909.5	1 866.1	2

On behalf of the board

Stefan Fourie <i>Chairman</i>	Werner de Jager <i>Chief Executive</i>
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Johannesburg
2 September 2019