



Interim Results and Dividend Declaration

for the six months ended 25 December 2022

2023



Contents

The reports and statements set out below comprise the Condensed Consolidated Interim Financial Statements presented to the shareholders:

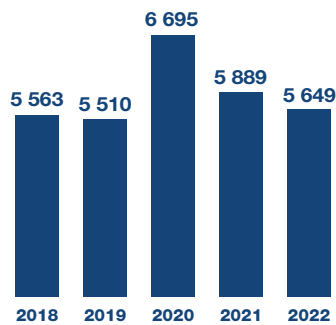
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QUALITY BUILDING MATERIALS
AT THE LOWEST PRICE

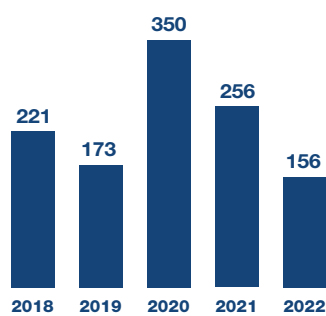


Financial highlights

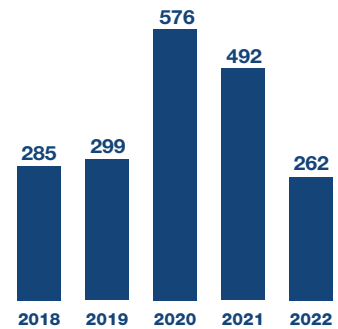
Revenue (Rm)



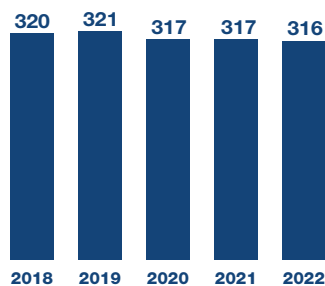
Headline earnings (Rm)



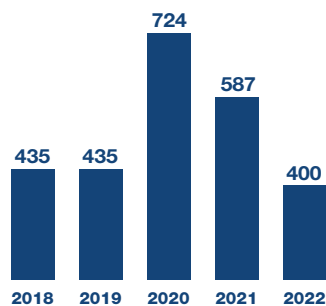
Operating profit (Rm)



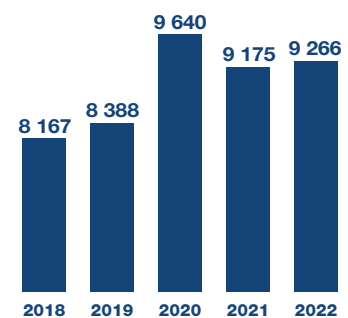
Number of stores



Dividends (cents)



Net asset value per share (cents)



All years stated in graphs are for the six months ended December.

Commentary

The directors have pleasure in submitting their report on the Condensed Consolidated Interim Financial Statements of Cashbuild Limited for the six months ended 25 December 2022.

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 (316 at the end of this reporting period which includes 53 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 SUMMARY

Revenue for the period decreased by 4%. Revenue for stores in existence prior to July 2021 (pre-existing stores – 309 stores) decreased by 5% and our seven new stores contributed 1% growth. Gross profit decreased by 9% with gross profit margin percentage decreasing from 26.6% to 25.3%. Selling price inflation was 4.5% at the end of December 2022 when compared to December 2021.

Operating expenses, including new stores, increased by 9% (existing stores increasing by 7% and new stores contributed a 2% increase) resulting in the operating profit decreasing by 47%. Basic earnings per share decreased by 50% with headline earnings per share also decreasing by 39% from the prior period.

The effective tax rate of 32% for the reporting period is lower than the prior year, due to the deferred withholding tax on dividends and a lower tax rate.

Cash and cash equivalents decreased by 8% to R1 722 million with stock levels, including new stores, increasing 2% and stockholding at 89 days (December 2021: 79 days | June 2022: 81 days) at period-end. Net asset value per share increased by 1%, from 9 175 cents (December 2021) to 9 266 cents.

During the period, Cashbuild opened three new Cashbuild stores, refurbished 12 Cashbuild stores and two P&L Hardware stores. Four Cashbuild stores and one P&L Hardware store was closed during the period. The closures relate to one looted store, one as a result of a relocation and the remainder due to non-performance which included the last two Zambian stores. Cashbuild will continue its store expansion, relocation, and refurbishment strategy in a controlled manner, after considering its continuously evolving feasibility process.

3. REPORTING PERIOD

The Group adopts the retail accounting calendar, which comprises the reporting period ending on the last Sunday of the month (25 December 2022 (26 weeks) | 26 December 2021 (26 weeks) | 26 June 2022 (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 an interim dividend (No. 60) of 400 cents (December 2021: 587 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 (December 2021: 24 989 811) shares in issue at the date of the dividend declaration. The net local dividend amount is 320 cents per share for shareholders liable to pay Dividends Tax and 400 cents per share for shareholders exempt from paying Dividends Tax. Local Dividends Tax is 20%.

The relevant dates for the declaration are as follows: Date dividend declared: Tuesday, 28 February 2023; Last day to trade "CUM" the dividend: Monday, 20 March 2023; Date to commence trading "EX" the dividend: Wednesday, 22 March 2023; Record date: Friday, 24 March 2023; Date of payment: Monday, 27 March 2023. Share certificates may not be dematerialised or rematerialised between Wednesday, 22 March 2023 and Friday, 24 March 2023, both dates inclusive.

Commentary (continued)

6. DIRECTORATE

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

WF de Jager (52)	Chief Executive, CA(SA)	Executive
AE Prowse (59)	Chief Finance Officer, CA(SA)	Executive
SA Thoresson (59)	Operations Director	Executive
WP van Aswegen (55)	Commercial and Marketing Director, CA(SA)	Executive
M Bosman (Mr) (65)	CA(SA)	Independent Non-Executive
M Bosman (Ms) (51)	CA(SA)	Independent Non-Executive
AGW Knock (72)	Chairman, BSc Eng (Hons); MSc (Engineering); MDP	Independent Non-Executive
Dr DSS Lushaba (57)	BSc Advanced Biochemistry (Hons), MBA, DBA, CD(SA)	Independent Non-Executive
AJ Mokgwatsane (44)	Diploma in Integrated Marketing and Communication	Independent Non-Executive
GM Tapon Njamo (45)	CA(SA)	Independent Non-Executive

Details of the directors' remuneration are set out under note 21 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
Non-Executive							
AGW Knock		C – 2/2	I – 2/2	M – 2/2	I – 2/2	M – 2/2	–
M Bosman (Ms)		M – 2/2	M – 2/2	–	M – 2/2	–	–
M Bosman (Mr)		M – 2/2	C – 2/2	–	–	–	C – 1/1
DSS Lushaba		M – 2/2	M – 2/2	C – 2/2	C – 2/2	–	–
AJ Mokgwatsane		M – 2/2	I – 1/1	–	M – 2/2	M – 2/2	–
GM Tapon Njamo		M – 2/2	M – 2/2	M – 2/2	–	C – 2/2	M – 1/1
Executive							
WF de Jager		M – 2/2	I – 2/2	I – 2/2	M – 2/2	M – 2/2	M – 1/1
AE Prowse		M – 2/2	I – 2/2	I – 2/2	–	M – 2/2	M – 1/1
SA Thoresson		M – 2/2	I – 2/2	–	–	I – 2/2	–
WP van Aswegen		M – 2/2	I – 2/2	–	M – 2/2	I – 2/2	–

Legend

C Chairperson of the Board/Committee.

M Member of the Board/Committee.

I Attendance by invitation.

8. DIRECTORS' INTERESTS IN CONTRACTS

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

9. BORROWING POWERS

In terms of the Memorandum of Incorporation of Cashbuild, borrowing powers are unrestricted. Flexible term general banking facilities available are R270 million (December 2021: R515 million | June 2022: R515 million) with various banks.

10. EVENTS AFTER THE REPORTING PERIOD

Following approval by shareholders at the AGM in November 2022, directors have mandated Nedbank Corporate and Investment Banking, a division of Nedbank Limited, to embark on a general repurchase of shares to the value of R49 million.

Cashbuild has also concluded an agreement with Mr Patrick Kieran Goldrick in terms of which Cashbuild will repurchase 1 000 000 Cashbuild ordinary shares for an aggregate cash consideration of R194 321 000. The Company has also initiated a process to conclude a buyback of shares from Odd-lot holders. A circular on the specific repurchase and odd-lot offer was posted to shareholders on 6 February 2023 and will be put to a shareholders' vote at a general meeting to be held on 6 March 2023.

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

11. PROSPECTS

Group revenue for the six-weeks subsequent to period end is 8% lower than the prior year's comparative six-week period. Management expects trading conditions to remain challenging. This information has not been reviewed nor audited by the Company's auditor.

12. GOING CONCERN

The directors have assessed the cash flow forecast for the period up to 24 December 2023 and conclude that the Group will be able to continue as a going concern. All proposed financing arrangements and capital expenditures are evaluated and monitored to assess the impact on the Group's ability to meet its 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.

During the period under review, 11 loss-making stores were identified and impairments were raised against the carrying value of the assets, the remainder of the stores were profitable.

13. INDEPENDENT REVIEWER

Deloitte was the independent reviewer for the Group for the period ended 25 December 2022.

14. SECRETARY

The Company Secretary is Mr Takalani Nengovhela.

For and on behalf of the Board

Alistair Knock
Chairman

Werner de Jager
Chief Executive

28 February 2023

Independent auditor's review report on interim financial statements

TO THE SHAREHOLDERS OF CASHBUILD LIMITED

We have reviewed the condensed financial statements of Cashbuild Limited, contained in the accompanying interim report, which comprise the condensed statement of financial position as at 25 December 2022 and the condensed statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with International Financial Reporting Standard (IAS) 34, Interim Financial Reporting, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council 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 interim financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY


Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and other within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed financial statements of Cashbuild Limited for the six months ended 25 December 2022 are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

DocuSigned by:
 Deloitte & Touche
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Deloitte & Touche
Registered Auditor
Per: James Welch
28 February 2023

5 Magwa Crescent
Waterfall City
2090
Johannesburg
South Africa

Condensed Consolidated Interim Statement of Financial Position

as at 25 December 2022

		Group		
Figures in Rand thousand	Note(s)	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Assets				
Non-current assets				
Property, plant and equipment	4	2 416 740	2 449 511	2 442 951
Investment property	6	39 953	39 960	39 953
Investment in associate		30 000	30 000	30 000
Intangible assets	7	426 289	424 467	424 994
Deferred tax		96 144	117 768	80 332
		3 009 126	3 061 706	3 018 230
Current assets				
Prepayments		25 292	33 360	22 596
Inventories		1 860 394	1 819 437	1 520 302
Trade and other receivables		106 044	219 614	135 797
Cash and cash equivalents		1 721 489	1 876 936	1 938 639
		3 713 219	3 949 347	3 617 334
Non-current assets held for sale	8	8 749	950	950
		3 721 968	3 950 297	3 618 284
Total assets		6 731 094	7 012 003	6 636 514
Equity and liabilities				
Equity				
Equity attributable to equity holders of parent				
Share capital		(362 187)	(324 424)	(324 424)
Reserves		156 428	131 443	133 152
Retained income		2 521 347	2 485 905	2 527 829
		2 315 588	2 292 924	2 336 557
Non-controlling interest		28 338	36 064	28 449
		2 343 926	2 328 988	2 365 006
Liabilities				
Non-current liabilities				
Joint operation loan payable		18 619	15 369	18 619
Deferred tax		43 364	38 813	45 911
Lease liabilities	9	1 345 141	1 431 740	1 379 734
Cash-settled share-based payments	10	809	-	-
		1 407 933	1 485 922	1 444 264
Current liabilities				
Lease liabilities	9	248 169	217 354	233 162
Trade and other payables		2 677 719	2 895 374	2 536 064
Current tax payable	15	53 347	84 365	58 018
		2 979 235	3 197 093	2 827 244
Total liabilities		4 387 168	4 683 015	4 271 508
Total equity and liabilities		6 731 094	7 012 003	6 636 514

The accounting policies on pages 10 to 11 and the notes on pages 12 to 30 form an integral part of the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Income Statement

for the six months ended 25 December 2022

		Group		
Figures in Rand thousand	Note(s)	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Revenue	11	5 648 579	5 888 708	11 145 107
Cost of sales		(4 217 969)	(4 324 404)	(8 216 677)
Gross profit		1 430 610	1 564 304	2 928 430
Other income		11 032	104 726	213 971
Selling and marketing expenses		(982 332)	(1 017 278)	(1 912 972)
Administrative expenses		(195 177)	(136 286)	(325 713)
Other operating expenses		(1 945)	(23 140)	(27 995)
Operating profit		262 188	492 326	875 721
Finance income		49 090	37 920	72 672
Finance cost		(83 979)	(82 763)	(161 602)
Profit before taxation		227 299	447 483	786 791
Tax expense	12	(72 671)	(151 116)	(307 835)
Profit for the period		154 628	296 367	478 956
Profit attributable to:				
Owners of the parent		149 960	293 141	473 849
Non-controlling interests		4 668	3 226	5 107
		154 628	296 367	478 956
Earnings per share for profit attributable to the ordinary equity holders of the Company				
Per share information				
Basic earnings per share (cents)	13	652.8	1 294.8	2 094.7
Diluted earnings per share (cents)	13	651.2	1 292.7	2 089.4

The accounting policies on pages 10 to 11 and the notes on pages 12 to 30 form an integral part of the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statement of Comprehensive Income

for the six months ended 25 December 2022

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
Profit for the year	154 628	296 367	478 956
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	9 810	(15 637)	(26 498)
Non-controlling interests	(2 999)	747	2 033
Total movement in foreign currency translation reserve ("FCTR")	6 811	(14 890)	(24 465)
Other comprehensive income for the year net of taxation	6 811	(14 890)	(24 465)
Total comprehensive income	161 439	281 477	454 491
Total comprehensive income attributable to:			
Owners of the parent	159 770	277 504	447 351
Non-controlling interests	1 669	3 973	7 140
	161 439	281 477	454 491

The accounting policies on pages 10 to 11 and the notes on pages 12 to 30 form an integral part of the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statement of Changes in Equity

for the six months ended 25 December 2022

Group									
Figures in Rand thousand	Share capital	Share premium	Total share capital	FCTR	Share-based payments reserve	Total reserves	Retained income	Non-controlling interest	Total equity
Balance as at 27 June 2021	227	(288 005)	(287 778)	12 794	120 908	133 702	2 705 936	36 094	2 587 954
Total comprehensive income for the year	-	-	-	(15 637)	-	(15 637)	293 141	3 973	281 477
Recognition of share-based payments	-	-	-	-	13 378	13 378	-	-	13 378
Shares purchased by Cashbuild South Africa for the Forfeitable Share Plan	-	(36 646)	(36 646)	-	-	-	-	-	(36 646)
Dividends	-	-	-	-	-	-	(513 172)	(4 003)	(517 175)
Balance at 26 December 2021	227	(324 651)	(324 424)	(2 843)	134 286	131 443	2 485 905	36 064	2 328 988
Total comprehensive income for the year	-	-	-	(10 861)	-	(10 861)	180 708	3 167	173 014
Recognition of share-based payments	-	-	-	-	12 570	12 570	-	-	-
Dividends	-	-	-	-	-	-	(138 784)	(10 782)	(149 566)
Balance at 26 June 2022	227	(324 651)	(324 424)	(13 704)	146 856	133 152	2 527 829	28 449	2 365 006
Total comprehensive income for the year	-	-	-	9 810	-	9 810	149 960	1 669	161 439
Recognition of share-based payments	-	-	-	-	13 466	13 466	-	-	13 466
Shares purchased by Cashbuild South Africa for the Forfeitable Share Plan	-	(37 763)	(37 763)	-	-	-	-	-	(37 763)
Dividends	-	-	-	-	-	-	(156 442)	(1 780)	(158 222)
Balance at 25 December 2022	227	(362 414)	(362 187)	(3 894)	160 322	156 428	2 521 347	28 338	2 343 926

Refer to note 13 for more information on dividend per share.

Condensed Consolidated Interim Statement of Cash Flows

for the six months ended 25 December 2022

		Group		
Figures in Rand thousand	Note(s)	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Cash flows from operating activities				
Cash generated from operations	14	312 740	289 910	845 540
Finance income received – non-investing		1	132	132
Finance cost paid		(83 979)	(82 763)	(161 602)
Tax paid	15	(95 701)	(158 194)	(296 726)
Net cash generated from operating activities		133 061	49 085	387 344
Cash flows from investing activities				
Purchase of property, plant and equipment	4	(105 766)	(140 267)	(257 653)
Purchase of investment properties	6	–	–	(452)
Proceeds on disposal of non-current asset held for sale	17	1 030	–	–
Proceeds on disposal of property, plant and equipment and intangible assets	18	8 135	3 805	3 299
Insurance income relating to property, plant and equipment		–	–	71 514
Finance income received		49 089	37 788	72 540
Purchase of intangible assets	7	(3 848)	(2 972)	(5 570)
Net cash utilised in investing activities		(51 360)	(101 646)	(116 322)
Cash flows from financing activities				
Shares purchased by Cashbuild South Africa for the Forfeitable Share Plan		(37 763)	(36 646)	(36 646)
Lease liability payments	9	(106 522)	(74 630)	(179 921)
Dividends paid	16	(156 442)	(513 172)	(651 956)
Dividends paid to non-controlling interests	16	(1 780)	(4 003)	(14 785)
Net cash utilised in financing activities		(302 507)	(628 451)	(883 308)
Total cash and cash equivalents movement for the year				
Cash and cash equivalents at the beginning of the year		1 938 639	2 546 380	2 546 380
Effect of exchange rate movement on cash and cash equivalents balances		3 656	11 568	4 545
Total cash and cash equivalents at the end of the year		1 721 489	1 876 936	1 938 639

Accounting Policies

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 Condensed Consolidated Interim Financial Statements are set out below.

1.1 Basis of preparation

The Condensed Consolidated Interim Financial Statements for the period ended 25 December 2022 have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) IAS 34: *Interim Financial Reporting*, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and in accordance with the requirements of the JSE Limited Listings Requirements for interim reports as well as the requirements of the Companies Act of South Africa.

These Condensed Consolidated Interim 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 Condensed Consolidated Interim 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 Rand, which is the Group’s functional currency.

The independent reviewer’s conclusion does not necessarily report on all of the information contained in this announcement. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group’s independent reviewers. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor’s engagement they should read the auditor’s conclusion together with the accompanying financial information contained in this announcement.

1.2 Accounting policies

The accounting policies and methods of computation applied in the preparation of the Condensed Consolidated Interim Financial Statements are in terms of IFRS and are consistent with those applied in the previous Consolidated Annual Financial Statements except for the policies noted below.

1.2.1 Cash-settled share-based payments

Cash-settled share-based payment liabilities are initially measured at fair value and subsequently remeasured to fair value at each reporting date as well as at the date of settlement, with any changes in fair value recognised in profit or loss. The expense is recognised on a straight-line basis over the vesting period, with a corresponding increase in the liability. The fair value of the shares represents the liability that will ultimately be paid to the employee, as derived from the ruling share price at date of settlement.

2. ESTIMATES AND JUDGEMENTS

The preparation of the Condensed Consolidated Interim 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 Condensed Consolidated Interim Financial Statements.

All estimates and underlying assumptions are based on historical experience and various other factors that management believes 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 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:

Judgemental

- ▶ 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.
- ▶ Indefinite useful life of trademarks – Judgements 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 expects to continue expanding the brands as they focus on different income groups, and therefore, there are no plans to rebrand the P&L Hardware stores. With this considered, it is, therefore, appropriate to classify this as an indefinite useful life asset.
- ▶ 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. Impairments related to store closures for stores that reached the end of its lease term.
- ▶ 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. Cashbuild 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.
- ▶ Incremental borrowing rate – The incremental borrowing rate is estimated with reference to country-specific borrowing rates (linked to prime) that Cashbuild is subject to, inflated by a margin derived from government bond yields that is linked to the term of the lease contract from inception.

Critical estimates

- ▶ Goodwill impairment assessment – The impairment assessment used the value-in-use method. The discount rate applied is derived from the entity specific weighted average cost of capital ("WACC"), adjusted for tax and specific risks relating to the operation. Estimation of the expected future sales and cost of sales for the store requires judgement. This forecast period covers a five-year period, after which a terminal value has been determined. The modelling of the future cash flows and consideration to Capital structures being the debt and right of use asset utilisation is continuously being re-assessed.

Notes to the Condensed Consolidated Interim Financial Statements

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 Zambian stores were closed due to continued losses being made after various attempts to make the operations profitable.

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 consist of the countries that form part of the Rand common monetary area.

The Group's non-common monetary operations consist of the other countries which Cashbuild 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.

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 Condensed Consolidated Interim Statement of Financial Position.

Figures in Rand thousand	Capital investment*	Total assets	Total liabilities
December 2022			
Cashbuild South African operations	98 270	5 239 837	(3 140 750)
P&L Hardware operations	5 360	800 550	(771 061)
Cashbuild common monetary operations	5 459	432 571	(236 025)
Cashbuild non-common monetary operations	525	258 136	(239 332)
Total	109 614	6 731 094	(4 387 168)
December 2021			
Cashbuild South African operations	138 627	5 043 142	(3 335 640)
P&L Hardware operations	4 071	845 398	(794 634)
Cashbuild common monetary operations	484	691 936	(251 754)
Cashbuild non-common monetary operations	57	431 527	(300 987)
Total	143 239	7 012 003	(4 683 015)
June 2022			
Cashbuild South African operations	254 299	5 103 933	(3 010 974)
P&L Hardware operations	7 036	802 611	(757 688)
Cashbuild common monetary operations	1 198	458 859	(251 417)
Cashbuild non-common monetary operations	690	271 111	(251 429)
Total	263 223	6 636 514	(4 271 508)

* Capital investment relates to total additions during the year of property, plant and equipment (note 4) and intangible assets (note 7).

Separately disclosable items

Figures in Rand thousand	Revenue	Operating profit	Depreciation and amortisation	Interest income	Interest expense	Taxation
December 2022						
Cashbuild South African operations	4 581 128	221 016	(169 313)	42 408	(73 163)	(62 396)
P&L Hardware operations	444 418	(10 970)	(14 733)	1 628	(4 676)	4 017
Cashbuild common monetary operations	367 960	23 543	(8 475)	3 447	(4 530)	(6 307)
Cashbuild non-common monetary operations	255 073	28 599	(5 338)	1 607	(1 610)	(7 985)
Total	5 648 579	262 188	(197 859)	49 090	(83 979)	(72 671)
December 2021						
Cashbuild South African operations	4 717 373	412 406	(154 289)	24 764	(73 149)	(190 750)
P&L Hardware operations	494 818	15 703	(15 103)	919	(5 116)	2 133
Cashbuild common monetary operations	398 568	41 183	(8 547)	7 676	(3 857)	45 002
Cashbuild non-common monetary operations	277 949	23 034	(7 888)	4 561	(641)	(7 501)
Total	5 888 708	492 326	(185 827)	37 920	(82 763)	(151 116)
June 2022						
Cashbuild South African operations	8 984 025	765 368	(321 269)	48 744	(141 732)	(277 392)
P&L Hardware operations	922 337	12 275	(25 256)	1 997	(10 187)	2 782
Cashbuild common monetary operations	724 830	68 018	(17 840)	13 854	(7 182)	(19 951)
Cashbuild non-common monetary operations	513 915	30 060	(13 984)	8 077	(2 501)	(13 274)
Total	11 145 107	875 721	(378 349)	72 672	(161 602)	(307 835)

Notes to the Condensed Consolidated Interim Financial Statements (continued)

4. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand thousand	Group		
	Reviewed December 2022		
	Cost	Accumulated depreciation	Carrying value
Land and buildings	785 398	(79 331)	706 067
Leasehold improvements	232 093	(145 912)	86 181
Furniture and equipment	1 565 960	(1 086 229)	479 731
Vehicles	35 793	(23 302)	12 491
Right-of-use asset	2 546 623	(1 414 353)	1 132 270
Total	5 165 867	(2 749 127)	2 416 740

Reconciliation of property, plant and equipment

Figures in Rand thousand	Group			
	Opening balance	Additions	Disposals [~]	Classified as held for sale [^]
December 2022				
Land and buildings	704 897	–	(1 148)	(8 749)
Leasehold improvements	87 256	–	(200)	–
Furniture and equipment	460 474	–	(3 578)	–
Vehicles	12 939	–	–	–
Right-of-use asset	1 177 385	47 461	(7 049)	–
Capital work in progress [*]	–	105 766	–	–
Total	2 442 951	153 227	(11 975)	(8 749)

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

~ 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 Condensed Consolidated Interim Statement of Profit and Loss.

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

^ Refer to note 8 for details of buildings classified as held for sale.

The impairment on land and buildings relates to the impairment of the Kafue Road property in Zambia. The remaining impairment relates to the provision recognised on loss-making stores. Refer to note 5 for further detail.

Group					
Reviewed December 2021			Audited June 2022		
Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
739 646	(69 000)	670 646	777 431	(72 534)	704 897
207 730	(131 995)	75 735	224 433	(137 177)	87 256
1 428 384	(964 171)	464 213	1 486 397	(1 025 923)	460 474
35 910	(21 896)	14 014	35 742	(22 803)	12 939
2 389 442	(1 164 539)	1 224 903	2 458 795	(1 281 410)	1 177 385
4 801 112	(2 351 601)	2 449 511	4 982 798	(2 539 847)	2 442 951

Group					
Transfers	Lease modification⁺	Foreign exchange movements	Depreciation	Impairment provision[#]	Closing balance
15 567	-	2 297	(3 935)	(2 862)	706 067
7 702	-	158	(8 735)	-	86 181
82 446	-	696	(56 987)	(3 320)	479 731
51	-	-	(499)	-	12 491
-	45 909	1 506	(125 447)	(7 495)	1 132 270
(105 766)	-	-	-	-	-
-	45 909	4 657	(195 603)	(13 677)	2 416 740

Notes to the Condensed Consolidated Interim Financial Statements (continued)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment

	Group		
Figures in Rand thousand	Opening balance	Additions	Disposals~
December 2021			
Land and buildings	644 226	–	–
Leasehold improvements	83 936	–	(3 867)
Furniture and equipment	422 800	–	(455)
Vehicles	15 801	–	(465)
Right-of-use asset	1 297 622	43 745	(6 043)
Capital work in progress*	–	140 267	–
Total	2 464 385	184 012	(10 830)
June 2022			
Land and buildings	644 226	–	–
Leasehold improvements	83 936	–	(3 886)
Furniture and equipment	422 800	–	(3 088)
Vehicles	15 801	–	(632)
Right-of-use asset	1 297 622	59 522	(21 864)
Capital work in progress*	–	257 653	–
Total	2 464 385	317 175	(29 470)

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

~ 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 Condensed 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.

Group					
Transfers	Lease modification ⁺	Foreign exchange movements	Depreciation	Impairment provision	Closing balance
24 885	–	4 519	(2 984)	–	670 646
2 916	–	130	(7 380)	–	75 735
112 466	–	1 536	(49 620)	(22 514)	464 213
–	–	–	(1 322)	–	14 014
–	10 892	3 108	(120 340)	(4 081)	1 224 903
(140 267)	–	–	–	–	–
–	10 892	9 293	(181 646)	(26 595)	2 449 511
64 114	–	3 075	(6 518)	–	704 897
19 773	–	(5)	(12 562)	–	87 256
173 766	–	884	(111 170)	(22 718)	460 474
–	–	–	(2 230)	–	12 939
–	81 575	1 821	(239 257)	(2 034)	1 177 385
(257 653)	–	–	–	–	–
–	81 575	5 775	(371 737)	(24 752)	2 442 951

Notes to the Condensed Consolidated Interim Financial Statements (continued)

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		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
Amounts recognised in profit and loss for the year:			
Profit/(loss) on disposal of property, plant and equipment	2 977	(994)	(4 319)
Profit on disposal of non-current assets held for sale	80	–	–
Profit on disposal of right-of-use asset	822	–	2 939
Repairs and maintenance expenditure	26 542	24 731	51 237

5. IMPAIRMENT OF ASSETS

Goodwill impairment assessment

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

The value-in-use of P&L Hardware at 25 December 2022 was determined using assumptions regarding company profitability, growth rates, discount rates and target net working capital days. An impairment assessment was conducted and it was noted that the headroom on the P&L Hardware segment has declined significantly. The decline in headroom is ascribed to the increase in the discount rate from increased interest rates and lower performance of the segment due to challenging economic conditions which further reduced the available headroom.

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
Goodwill allocation			
P&L Hardware	196 302	196 302	196 302
Cashbuild (South Africa)	112 833	112 833	112 833
Total goodwill	309 135	309 135	309 135
P&L Hardware indefinite lived trademark	96 409	96 409	96 409

Key assumptions used to determine value-in-use

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 December 2027, 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 can decrease to 6.2% before there is an impairment or the terminal growth rate can decrease to 2.2% before there is an impairment or the discount rate can increase with 1.7% before there is an impairment.

The discount rate has increased from previously reported, due to interest rate increases locally and worldwide. Management has also been more conservative in the future cash flows due to current economic trading conditions and not meeting previous expected cash flows. P&L Hardware's working capital cycle has improved resulting in more favourable cash flow expectations together with reduced replacement capital investment.

	December 2022 Assumptions applied	December 2021 Assumptions applied	June 2022 Assumptions applied
P&L Hardware operating segment:			
Growth rate*	8.0%	8.0%	8.0%
Terminal growth rate [^]	4.5%	4.5%	4.5%
Discount rate – pre-tax	13.5%–14.5%	10.3%–11.3%	11.3%–12.3%

* Even though the performance of P&L Hardware has decreased, we still believe this is reflective of the short to medium-term growth rate. The rate is supported by internal budgets and operational analysis and management expects that future performance of P&L Hardware should stabilise in line with the terminal growth rate used.

[^] Whilst the South African inflation rate increased year-on-year, we still believe that our terminal growth rate is still reflective of the long-term growth prospect of the segment. Inflationary increases are to be transferred to the customer base to maintain a constant gross profit margin.

Cashbuild South Africa operating segment:

No impairment indicators on the Cashbuild (South Africa) goodwill were identified.

Value-in-use – loss-making stores

Based on past experience, when a store is closed, 59% of the assets are sold for proceeds below book value. 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 net present value of the monthly forecasted cash flows per store (calculated to the end of the lease term). The discount rate applied to the cash flow projections is derived from the Group pre-tax WACC rate.

If at period end, a store is no longer loss-making and management believes that it will continue on this trend, any previous impairments raised are reversed.

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
Impairment losses recognised on property, plant and equipment			
Land and buildings	2 862	–	–
Furniture and equipment	3 320	22 514	22 718
Right-of-use assets	7 495	4 081	2 034
	13 677	26 595	24 752

During the year, one Cashbuild South Africa and seven P&L Hardware stores were impaired. The impairment losses recognised are included in the selling and marketing line of the Condensed Consolidated Income Statement. Impairment losses were recognised in the Cashbuild South Africa segment of R6.1 million (December 2021: R4.8 million | June 2022: R2.4 million), P&L Hardware segment of R4.7 million (December 2021: R1.3 million | June 2022: R1.9 million) and Non-Common Monetary operations segment of R2.8 million (December 2021: R0.1 million | June 2022: R0.1 million). The disposal of accumulated impairment in the Non-Common Monetary operations segment relates to the closure of the Zambian stores of R5 million.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
5. IMPAIRMENT OF ASSETS (continued)			
Reconciliation of the provision for impairment			
Opening balance	37 843	11 582	11 582
Total impairment recognised	13 677	26 595	24 752
Impairment for the year relating to loss-making stores	12 384	26 595	24 752
Impairment reversal relating to loss-making stores	(1 569)	–	–
Impairment relating to non-current assets held for sale [^]	2 862	–	–
Disposal of accumulated impairment due to sale of assets	(5 041)	–	–
Disposal of accumulated impairment on looted furniture and equipment [~]	(20 384)	–	–
Foreign exchange movements	366	–	1 509
Closing balance	26 461	38 177	37 843

[^] Refer to note 4 for more information.

[~] This disposal of accumulated impairment relates to the furniture and equipment that was impaired as a result of the July 2021 unrest. The assets have been disposed.

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
6. INVESTMENT PROPERTY			
Reconciliation of investment property			
Investment in Nasrec Corner – joint operation	39 953	39 960	39 953
Reconciliation of investment property			
Opening balance	39 953	43 007	43 007
Investment in Nasrec Corner	–	(2 097)	(2 104)
– Additions	–	97	452
– Depreciation [~]	–	(2 194)	(2 556)
Transfer to non-current assets held for sale:			
– Kranskop property [^]	–	(950)	(950)
	39 953	39 960	39 953

[~] The residual value exceeds the carrying value, consequently depreciation was ceased. The fair value of Cashbuild's share in the investment property is R62 million based on the external valuation obtained in 2021. The Directors believe that the assumptions underlining the valuation are still appropriate in the context of the current market conditions.

[^] The Kranskop property was classified as held for sale in the previous financial period. Refer to note 8 for further information.

Investment property is carried at cost and depreciated on a straight-line basis over 50 years. Where the residual value of investment property exceeds the carrying value, no depreciation is recognised.

7. INTANGIBLE ASSETS

Figures in Rand thousand	Group								
	Reviewed December 2022			Reviewed December 2021			Audited June 2022		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Trademarks [^]	99 403	(2 982)	96 421	99 402	(2 970)	96 432	99 403	(2 976)	96 427
Computer software	108 833	(88 100)	20 733	102 686	(83 786)	18 900	105 282	(85 850)	19 432
Goodwill	309 135	-	309 135	309 135	-	309 135	309 135	-	309 135
Total	517 371	(91 082)	426 289	511 223	(86 756)	424 467	513 820	(88 826)	424 994

Reconciliation of intangible assets

Figures in Rand thousand	Group					
	Opening balance	Additions	Disposals	Foreign exchange movements	Amortisation	Closing balance
December 2022						
Trademarks [^]	96 427	-	-	-	(6)	96 421
Computer software	19 432	3 848	(232)	(65)	(2 250)	20 733
Goodwill	309 135	-	-	-	-	309 135
Total	424 994	3 848	(232)	(65)	(2 256)	426 289
December 2021						
Trademarks [^]	96 439	-	-	-	(7)	96 432
Computer software	17 890	2 972	(12)	30	(1 980)	18 900
Goodwill	309 135	-	-	-	-	309 135
Total	423 464	2 972	(12)	30	(1 987)	424 467
June 2022						
Trademarks [^]	96 439	-	-	-	(12)	96 427
Computer software	17 890	5 570	(12)	28	(4 044)	19 432
Goodwill	309 135	-	-	-	-	309 135
Total	423 464	5 570	(12)	28	(4 056)	424 994

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

Amortisation rates

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
8. NON-CURRENT ASSETS HELD FOR SALE			
The following assets were classified as held for sale during the current financial year:			
Land and buildings held for sale			
Cashbuild South African operations			
– Erf 214 Thohoyandou	1 083	–	–
Cashbuild non-common monetary operations			
– Kafue Road – Zambia	7 665	–	–
P&L Hardware operations			
– Kranskop property	–	950	950
	8 749	950	950

Erf 214 Thohoyandou was classified as held for sale in the 2023 financial period. The sale agreement was signed and the process of transferring the property has started. The selling price for this property is R1.08 million.

Kafue Road – Zambia was classified as held for sale in the 2023 financial period with the closure of the Zambian stores. A sale agreement was signed and it is expected that the transferring process will be finalised within the next 12 months. The selling price for this property is R7.7 million.

The Kranskop property was classified as held for sale in the 2022 financial year. The property was sold during the 2023 financial period and a gain of R0.08 million was recognised on sale of the property.

For more information regarding the proceeds on disposal of non-current assets held for sale refer to note 17.

9. LEASES

The Group has entered into various leases in respect of premises. Leases for premises are on average contracted for periods between five and 15 years with renewal options.

Details pertaining to leasing arrangements, where the Group is the lessee are presented below:

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
Net carrying amounts of right-of-use assets			
Buildings subject to lease arrangements	1 132 270	1 224 903	1 177 385
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	125 447	120 340	239 257
Other disclosures			
Interest expense on lease liabilities	83 319	82 457	161 009
Variable lease payments	763	51	1 021

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. No other practical expedients have been applied in the current financial period.

The undiscounted payment maturity analysis of lease liabilities are as follows:

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
Within one year	376 127	373 103	501 934
Lease liability current portion, including finance costs	376 127	373 103	501 934
Two to five years	1 335 967	1 570 266	1 319 559
More than five years	407 362	357 057	462 670
Lease liability non-current portion, including finance costs	1 743 329	1 927 323	1 782 229
Total amount repayable	2 119 456	2 300 426	2 284 163
IFRS 16 lease liability reconciliation			
Opening balance	1 612 896	1 669 809	1 669 809
Payments	(189 841)	(157 087)	(340 930)
– Capital repayments	(106 522)	(74 630)	(179 921)
– Interest repayments	(83 319)	(82 457)	(161 009)
Interest	83 319	82 457	161 009
Additions	47 461	43 745	59 522
Modifications [^]	45 909	10 892	81 575
Disposals [~]	(7 871)	(9 032)	(25 234)
Foreign exchange movement [#]	1 437	8 310	7 145
Total lease liability	1 593 310	1 649 094	1 612 896

[^] 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 Botswana and Malawi have lease agreements in US Dollar (USD) and Botswana in Pula (BWP).

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
Current	248 169	217 354	233 162
Non-current	1 345 141	1 431 740	1 379 734
Total lease liability	1 593 310	1 649 094	1 612 896

Notes to the Condensed Consolidated Interim Financial Statements (continued)

10. CASH-SETTLED SHARE-BASED PAYMENTS

Cash-settled scheme

During the period under review, Cashbuild implemented a cash-settled scheme for middle management whereby participants would become entitled to a cash payment at the end of the vesting period. The payment is determined with reference to the ruling share price at date of vesting, subject to the achievement of performance conditions. The fair value of shares is the closing share price at the reporting date.

The cash-settled scheme is subject to the achievement of the following performance conditions and continued employment.

Performance conditions:

	Threshold	Target
EPS	CPI p.a.	CPI +5% p.a. (i.e. 5% real growth p.a.)
Relative TSR	Median of peers*	Upper quartile of peers*
ROCE	CB WACC	CB WACC +5% p.a

The cash-settled scheme key features are as follow:

	1st award
Award date	3 Oct 2022
Vesting date	3 Oct 2025
Fair value per share at reporting date	R184
Vesting period	3 years

Summary of cash-settled share-based payments

The Group's expense and related liability is R0.8 million for the current reporting period with no comparable expense in prior periods as this was only implemented in October 2022.

The movement in the cash-settled share-based payments liability can be summarised as follows:

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
Cash-settled share-based payment liability:			
Opening balance	–	–	–
– Cash-settled scheme: 1st award	809	–	–
	809	–	–

11. REVENUE

Revenue from contracts with customers

Sale of goods (recognised at point in time)	5 648 579	5 888 708	11 145 107
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Disaggregation of revenue from contracts with customers

Cashbuild's revenue is derived from the sale of building materials. The nature of Cashbuild'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.

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
Revenue categories per segment			
Cement 23% (December 2021: 23% June 2022: 23%)	1 274 387	1 357 338	2 543 791
Decorative 14% (December 2021: 13% June 2022: 13%)	808 061	781 226	1 477 152
Roofing – Covering 9% (December 2021: 9% June 2022: 9%)	505 141	527 170	986 858
Timber 7% (December 2021: 8% June 2022: 7%)	404 215	451 185	828 117
Openings 7% (December 2021: 7% June 2022: 7%)	404 685	440 056	833 310
Bricks 7% (December 2021: 6% June 2022: 7%)	385 898	377 450	730 094
Other 33% (December 2021: 34% June 2022: 34%)	1 866 192	1 954 283	3 745 785
	5 648 579	5 888 708	11 145 107

12. TAX EXPENSE

Major components of the tax expense:

Normal taxation

Current	68 001	98 192	152 889
(Over)/underprovision in prior years	(83)	3 661	4 840
Withholding tax	8 284	10 672	54 401
Foreign income tax – current year	14 828	20 588	33 168
	91 030	133 113	245 298

Deferred

Current year temporary differences	(14 161)	21 624	57 387
Overprovision in prior years	(22)	(660)	(1 141)
Foreign – current year temporary differences	(784)	(325)	5
Foreign – overprovision prior period	–	(2 636)	(2 223)
Corporate tax rate adjustment [~]	–	–	1 852
Withholding tax	(3 392)	–	6 657
	(18 359)	18 003	62 537
	72 671	151 116	307 835

Reconciliation of effective tax rate:

Applicable tax rate	27.0%	28.0%	28.0%
Exempt income	(1.1%)	(0.8%)	(0.6%)
Prior year adjustment [*]	–	(0.6%)	(0.2%)
Deferred tax rate adjustment [~]	–	–	0.2%
Foreign tax rate differences	–	(0.4%)	(0.1%)
Disallowable charges [^]	3.5%	2.9%	2.4%
Deferred tax asset not recognised	0.3%	0.5%	0.8%
Withholding tax on dividends [#]	3.8%	4.2%	7.7%
Deferred withholding tax on dividends [◇]	(1.5%)	–	0.8%
	32.0%	33.8%	39.0%

[^] Disallowable charges relate to equity-settled IFRS 2 adjustments, donations, disallowed legal fees, and the dividends distributed to employees through the Cashbuild Empowerment Trust.

^{*} Prior year tax adjustments relate to overprovision of prior year taxes.

[#] Withholding tax on dividends relate to the dividend declared during the period.

[~] On 23 February 2022, the South African Minister of Finance announced a change in the corporate tax rate from 28% to 27% in the Budget speech. The rate change is effective for years of assessment ending on or after 31 March 2023, resulting in the remeasurement of the deferred tax balances. The measurement of current tax remained at 28% for the current year.

[◇] Deferred withholding tax on dividends relates to withholding tax payable on future dividend distributions by foreign subsidiaries. The movement from June 2022 is due to the release of deferred tax on the declaration of dividends by foreign subsidiaries during the period.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

13. 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		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
Attributable earnings	149 960	293 141	473 849
Less: Dividends distributed to participants of the share incentive schemes on unvested shares	(2 754)	–	–
Adjusted attributable earnings	147 206	293 141	473 849
Weighted number of shares in issue ('000)	22 551	22 639	22 621
Basic earnings per share (cents)	652.8	1 294.8	2 094.7
Weighted average number of ordinary shares in issue ('000)			
Ordinary shares in issue beginning of the year	24 990	24 990	24 990
Less: Weighted average number of treasury shares:			
– The Cashbuild Empowerment Trust	(1 765)	(1 765)	(1 765)
– The Cashbuild Operations Management Member Trust	(67)	(23)	(28)
– Cashbuild (South Africa) (Pty) Ltd*	(607)	(563)	(576)
	22 551	22 639	22 621

* Shares held for Cashbuild Forfeitable Share Purchases share scheme current and future share allocations.

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		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
Adjusted attributable earnings	147 206	293 141	473 849
Diluted number of ordinary shares in issue ('000)	22 607	22 676	22 679
Diluted earnings per share (cents)	651.2	1 292.7	2 089.4
Fully diluted weighted average number of ordinary shares in issue ('000)			
Weighted number of shares in issue ('000)	22 551	22 639	22 621
Dilutive effect of the following:			
– Future potential issue of shares	56	38	58
	22 607	22 677	22 679

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 the period ended.

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.

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
Reconciliation between earnings and headline earnings:			
Adjusted attributable earnings	147 206	293 141	473 849
Adjusted for:			
Net (profit)/loss on disposal of property, plant and equipment	(456)	455	1 914
Gross (profit)/loss on disposal of property, plant and equipment	(3 057)	994	4 319
Tax effect*	2 601	(539)	(2 405)
Net impairment	9 647	4 463	3 136
Gross impairment	13 677	6 211	4 368
Tax effect	(4 030)	(1 748)	(1 232)
Net profit effect of property, plant and equipment from insurance income	–	(42 150)	(42 448)
Insurance income for property, plant and equipment	–	(71 488)	(71 501)
Impairment on looted stores property, plant and equipment	–	20 384	20 384
Tax effect	–	8 954	8 669
Headline earnings	156 397	255 909	436 451
Add: Dividends distributed to participants of the share incentive schemes on unvested shares	2 754	–	–
Diluted headline earnings	159 151	255 909	436 541
Headline earnings	156 397	255 909	436 451
Weighted average number of shares in issue ('000)	22 551	22 639	22 621
Headline earnings per share (cents)	693.5	1 130.4	1 929.4
Diluted headline earnings	159 151	255 909	436 451
Fully diluted weighted average number of shares in issue ('000)	22 607	22 676	22 679
Fully diluted headline earnings per share (cents)	704.0	1 128.5	1 924.5
Dividends per share			
Interim (c)^	400	587	587
Final (c)	–	–	677

* 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.

^ The dividend is based on a cover ratio of 1.5 times earnings.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
14. CASH GENERATED FROM OPERATIONS			
Profit before taxation	227 299	447 483	786 791
Adjustments for:			
Depreciation and amortisation	197 859	185 827	378 349
Impairment of assets	13 677	26 595	24 752
Profit on disposal of assets held for sale	(80)	–	–
(Profit)/loss on sale of non-current assets	(2 977)	994	4 319
Profit on disposal of right-of-use asset	(822)	(2 990)	(2 939)
Insurance income relating to fixed assets	–	(71 488)	(71 514)
Finance income	(49 090)	(37 920)	(72 672)
Finance costs	83 979	82 763	161 602
Movements in equity-settled share-based payments reserve	13 466	13 378	25 948
Movements in cash-settled share-based payments balance	809	–	–
Changes in working capital:			
(Increase)/decrease in inventories	(340 092)	(268 372)	25 189
Decrease/(increase) in trade and other receivables	29 753	(18 811)	(6 637)
Decrease in prepayments	(2 696)	(13 696)	(2 932)
Increase/(decrease) in trade and other payables	141 655	(53 853)	(404 716)
	312 740	289 910	845 540
15. TAX PAID			
Balance at the beginning of the year	(58 018)	(109 446)	(109 446)
Current tax for the year recognised in profit or loss	(72 671)	(151 116)	(307 835)
Movement in deferred tax	(18 359)	18 003	62 537
Balance at the end of the year	53 347	84 365	58 018
	(95 701)	(158 194)	(296 726)
16. DIVIDENDS PAID			
Final dividend – prior period (Div. 57)	–	(513 172)	(513 172)
Interim dividend – current period (Div. 58)	–	–	(138 784)
Final dividend – prior period (Div. 59)	(156 442)	–	–
Amounts paid to non-controlling shareholders	(1 780)	(4 003)	(14 785)
	(158 222)	(517 175)	(666 741)

Dividends are paid out of income reserves.

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
17. PROCEEDS ON DISPOSAL OF NON-CURRENT ASSETS HELD FOR SALE			
Net book value	950	–	–
Profit on sale of assets	80	–	–
	1 030	–	–
18. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS			
Net book value	5 158	4 799	7 618
Profit/(loss) on sale of assets	2 977	(994)	(4 319)
	8 135	3 805	3 299
19. COMMITMENTS			
Authorised capital expenditure: Capital expenditure to be funded from internal resources as approved by the directors:			
* Authorised, contracted	142 486	174 204	148 069
* Authorised but not contracted for	32 402	65 326	24 657

The capital commitments are for building and infrastructure for new stores, store refurbishments or relocations.

20. CONTINGENCIES

The Group has contingent liabilities in respect of bank and other guarantees in the ordinary course of business from which it is anticipated that no material liabilities will arise. These guarantees consist of amounts held in the interests of suppliers, landlords and revenue authorities.

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
Bank guarantees	3 278	19 923	9 458

21. RELATED PARTIES

Relationships

Ultimate holding company	Cashbuild Limited
Intermediate holding company	Cashbuild Management Services Proprietary Limited

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
Loan accounts – owing (to)/by related parties			
– Kier and Kawder (Pty) Ltd*	(1 960)	(1 960)	(1 960)

* The loan is unsecured, interest free and is payable at the discretion of Cashbuild.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

	Group		
	Reviewed 26 weeks ended December 2022	Reviewed 26 weeks ended December 2021	Audited year ended June 2022
Figures in Rand thousand			
21. RELATED PARTIES (continued)			
Related party transactions			
Management compensation			
– Directors	18 159	22 765	26 994
Long-term incentives	6 088	7 160	7 145
Remuneration and short-term incentives	12 071	15 605	19 849
– Prescribed officers and key staff[^]	9 812	9 813	15 803
Long-term incentives	3 076	3 113	4 175
Remuneration and short-term incentives	6 736	6 700	11 628

[^] Prescribed officers and top three earning key staff.

22. EVENTS AFTER THE REPORTING PERIOD

Following approval by shareholders at the AGM in November 2022, directors have mandated Nedbank Corporate and Investment Banking, a division of Nedbank Limited, to embark on a general repurchase of shares to the value of R49 million.

Cashbuild has also concluded an agreement with Mr Patrick Kieran Goldrick in terms of which Cashbuild will repurchase 1 000 000 Cashbuild ordinary shares for an aggregate cash consideration of R194 321 000. The company has also initiated a process to conclude a buyback of shares from Odd-lot holders. A circular on the specific repurchase and odd-lot offer was posted to shareholders on February 2023 and will be put to a shareholders' vote at a general meeting to be held on 6 March 2023.

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

Corporate information

Cashbuild Limited

(Incorporated in the Republic of South Africa)

Registration number: 1986/001503/06

ISIN: ZAE000028320

Cashbuild JSE code: CSB

Directors

AGW Knock* (British) (Chairman)

W de Jager (Chief Executive Officer)

M Bosman (Mr)*

M Bosman (Ms)*

Dr DSS Lushaba*

AJ Mokgwatsane*

AE Prowse (Chief Financial Officer)

GM Tapon Njamo*

SA Thoesson

WP van Aswegen

* *Non-Executive Directors*

Company Secretary

Takie Nengovhela

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Auditor

Deloitte

Sponsor

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Investor Relations

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