CHIEF EXECUTIVE'S REPORT

"As at 30 June 2015, Cashbuild was one of the Top 20 Performers on the JSE. During this year we grew headline earnings by 33% to R352 million and over a five-year period have achieved an exceptional compound annual growth rate in HEPS of 16%."

THE YEAR AT A GLANCE

I am pleased to report that Cashbuild posted a solid set of results for the year ended 30 June 2015 despite facing challenges on many fronts. It is the first time in Cashbuild's recent history that we experienced a consistent first and second half performance during the year. I believe that this is commendable given the strained South African economic conditions such as high unemployment rates, fuel hikes and electricity price increases.

Although we managed to open nine new Cashbuild stores, one store below our intended target, we refurbished 24 stores, relocated six stores and closed two stores due to their proximity to other Cashbuild stores during the reporting period.

As an executive team we continued to focus on the following key areas during the year under review:

- Grow top line revenue – achieved 13.4% growth;
- Grow gross profit (Rands banked) – achieved 15% growth;
- Contain operating expenses in existing stores – increase of 5% in line with inflation;
- Increase our bottom line – achieved R352 million headline earnings, 33% up from 2014; and
- Expand our geographical footprint into Africa.

FINANCIAL REVIEW

Revenue for the year increased by 13% from R6.8 billion (June 2014) to R7.7 billion and gross profit increased with a pleasing 15% from R1.6 billion (June 2014) to R1.84 billion. Stores in existence prior to 1 July 2013 (pre-existing stores – 198 stores) increased their revenue by 9% and the 24 new stores contributed 4% of the increase in Group revenue. This increase for the year has been achieved in tough trading conditions with selling price inflation of 2%. Due to a continued focus on margins within the competitive environment, gross profit percentage margin increased to 24% from the 23.7% of the prior year.

Operating expenses increased by 11% from R1.25 billion (June 2014) to R1.39 billion. Our operational expenses for the year remained well controlled with existing stores accounting for 5% of the increase and new stores 6%. The main contributor to the increase on existing stores is the people cost component in order to maintain and improve customer service standards.

The effective tax rate for the year of 28% is 1% lower than that of the previous year, mainly due to an increase in exempt income from the sale of property in a neighbouring country and an increase in deductible expenditure as a result of the Group share incentive scheme.

Basic EPS increased by 36% from 1 148 cents (June 2014) to 1 557 cents and HEPS increased by 34% from 1 145 cents (June 2014) to 1 528 cents.

Cashbuild's statement of financial position remains solid. NAV per share has shown a 10% increase, from 4 858 cents (June 2014) to 5 329 cents. Stock levels have increased by 15% in line with increased sales. Overall stockholding at 74 days (June 2014: 75 days) and trade receivables remain well controlled.

Cash and cash equivalents increased to R939 million (June 2014: R704 million) mainly due to cash generated by operating profits.

DIVIDENDS

The Board declared a total dividend for the year ended 30 June 2015 of 712 cents, an increase of 35% on the total dividend for 2014 of 528 cents per share. The dividend policy of two times cover has been applied as the Board recognises the importance of rewarding its shareholders.

STRATEGIC OVERVIEW

Our strategic initiatives remain in place and are set out on page 13 of this Integrated Report.

The success of Cashbuild continues to be based on the opening, refurbishing and relocation of stores as well as growing the Group's geographical footprint across southern Africa. At year end, we were trading from a total of 233 stores (2014: 221 stores), consisting of 222 Cashbuild stores (2014: 215 Cashbuild stores) and 11 Cashbuild DIY stores (2014: six Cashbuild DIY stores). We continue to make progress with expanding into Africa with one additional store in Blantyre Malawi, one additional store in Namibia expected within the next half year and good progress made in setting up our corporate structure in Zambia.

LOOKING AHEAD

We expect macro-economic conditions to remain challenging with the competitive environment placing pressure on margins across all product categories. Home ownership and home improvement are seen as a consumer spend barometer, and although home ownership growth numbers are sluggish, home improvement statistics remain robust.

Cashbuild is however confident that its business model positions the Group to grow its local market share, expand its geographical footprint, increase profitability and unlock stakeholder value. Risks and opportunities are monitored and evaluated on a daily basis and the executive team understands the challenges faced going forward.

Our investment in the communities we operate, through our various CSI initiatives, are important and through our support and development of local opportunities we are able to create wealth for those less fortunate. We are also aware of the importance of caring for the environment and the impact Cashbuild, although not material, has on the environment and our improvements in this regard are set out in the Sustainability Report.

ACKNOWLEDGEMENT

Our strong stakeholder relationships contributed to the success of the Group and I would like to start by thanking our Cashbuild family. A big thank you for your hard work and dedication making the Company into one of the leading hardware and building retailers in South Africa.

To our industry partners, suppliers, contractors, formal and informal partners, thank you for the excellent service you offer and enhancing our product and service offering.

A heartfelt thank you to our customers and shareholders for your continued loyalty and confidence in us as a Group. We endeavour to continue to unlock stakeholder value by doing it the "Cashbuild Way".

To my executive team, thank you for your continued guidance, support and friendship, especially given the challenging market conditions faced by the Group. To the Board members, thank you for your valued contribution during the year which, is as always, much appreciated.

A special thank you to Donald Masson who served as Chairman for over 20 years. Donald, you have led the Group with integrity and valuable insight. We appreciate your willingness to remain on the board as a non-executive director.

Stefan Fourie has been appointed as Chairman of the Board effective 1 December 2015 and we would like to wish him well in his new role.

Werner de Jager
Chief Executive

31 August 2015