



strength in numbers

MASSMART

Dedicated to Value

Reviewed consolidated results for the 52 weeks ended June 2006

Massmart is a managed portfolio of ten wholesale and retail chains, each focused on high volume, low margin, low cost distribution of mainly branded consumer goods for cash, through 228 outlets, and one buying association serving 478 independent retailers and wholesalers, in 11 countries in sub-Saharan Africa. The Group is the third largest distributor of consumer goods in Africa, the leading retailer of general merchandise, liquor and home improvement equipment and supplies, and the leading wholesaler of basic foods.

Sales increase	Trading profit increases	Headline earnings increase	Headline earnings before acquisitions increase	Headline EPS increases	Cash flow from operations increases	Dividend increases
15%	37%	28%	20%	28%	45%	15%
to R30 286 million	to R1 341 million	to R837 million	to R780 million	to 419,3 cents	to R1 807 million	to 210 cents per share

Overview

We are delighted to report on a year of remarkable strategic, structural and operational progress which culminated in record sales, profits, cash flow and profitability. This is Massmart's 35th consecutive half year of real sales growth over 8% and our 16th consecutive half year of headline earnings per share growth, which has compounded at 31,1% over the past five years.

The highlights of the year were:

- Record sales of R30,3 billion, 5,4% of which was from 21 foreign stores.
- Comparable store sales grew 5,5% and sales before acquisitions grew 8,3%.
- Consumer credit sales comprised 1,2% of Group sales.
- Trading profit grew 36,7% to R1,3 billion.
- Pre- and post-interest operating profit margins increased to 4,4% and 4,3% respectively.
- Full year cash flow from operations rose 44,9% to exceed R1,8 billion.
- Rolling twelve-month return on equity increased from 41,8% to 43,5%.
- The store network was increased to 228 (922 855 square metres) with the opening of 17 new stores and the acquisition of two stores with combined estimated annual sales of R1,8 billion.

Strategic overview and progress

The management of Massmart remains devoted to the strategy which has ensured the Group's progress for 18 years: aggressive organic and acquisitive growth; value-adding collaboration between focussed trading entities; and incentivisation for alignment.

Medium-term performance is guided by our "Vision for Growth," a rolling three-year internal financial target resulting from implementation of the above strategies, given effect through specific plans and objectives for the growth of sales, cash flows profits and profitability. Latterly, these activities have been underpinned by the imperative to reduce operating expenses, leverage management capabilities and facilitate shareholder understanding, by simplifying the structures and processes of the Group.

It is clear that the importance of acquisition as the primary driver of Massmart's sales and profit growth is declining. Having achieved the requisite critical mass, Massmart's exciting three-year growth plans are not reliant on acquisitions.

Increasingly, sales growth is being driven by expeditious new store development, innovative merchandising and marketing, and the refinement of the positioning of the retail proposition to customers. This trend is reflected in the fact that 46% of last year's growth was organic, compared to 33% of Massmart's growth since 1988.

The growth of profits and operating margins is being driven by improving operating efficiencies, increasing the participation of higher margin merchandise, and emphasising the growth and development of higher margin business models in the portfolio. Over the past three years the 25,5% improvement in operating margins has resulted from each of these, the latter reflected in a decline in the sales participation of the lower margin food and liquor categories from 59,0% to 49,4% in favour of the higher margin general merchandise and home improvement categories.

The "Vision for Growth 2008" announced last August called for a number of strategic, structural and operational performance improvements, and the opening of 35 new stores, which would generate estimated sales of R3,2 billion by June 2008. Given our progress to date, it is clear that this objective will be comfortably exceeded. During the past year 17 new stores were opened and two acquired with combined estimated sales of R2 billion by 2008.

"Vision for Growth 2009" was formulated early in 2006. This three year strategy contains plans for the unrelenting pursuit of competitive advantage and operating efficiencies, and the opening of 58 stores which will generate additional estimated sales of R6,5 billion by June 2009. Of these, 27 stores will be opened in the current year generating estimated annualised sales of R2,0 billion.

Environment

The buoyant state of the South African consumer economy throughout the past financial year is well reflected in the FNB/BER Consumer Confidence Index, which registered its highest ever four consecutive quarters over the period, soaring to its highest level in recorded history in the first quarter of 2006. This confidence was manifest in an average annual growth of retail industry sales at constant 2000 prices of 6,9% in the second half of 2005 and, ahead of expectations at 9,6% in the first five months of 2006.

General business confidence mirrored that of consumers in all but the last quarter, when a slowdown in the growth of vehicle sales and house prices was accompanied by a correction to the stock market and a temporary deterioration of the Rand.

Against this backdrop, all but the most incompetent retailers prospered. Most retailers reported high rates of comparable store sales growth, many embarked on aggressive new store programmes and those who could, extended credit to a voracious market. The consolidation of South African retail continued apace and, with national chains now the major participants in every retail category other than liquor, competition for the most part was aggressive but rational.

We are hopeful that the good intentions and tentative pronouncements of the President, the Minister of Safety and Security and the Commissioner of Police will reverse our experience of the rising trend in crime, which seriously affects this company and the day to day experience of millions of ordinary South Africans, whose lives and the quality thereof are constantly threatened by it.

Performance

Acquisitions, comprising Federated Timbers, De La Rey and Servistar, Cell Shack and two cash and carry outlets contributed sales of R2,1 billion. Comparable sales growth was depressed by the impact of the stronger Rand on foreign sales. General merchandise grew 3,2%, home improvement 158,4% and food and liquor 9,0%. Massmart's 1,2% estimated average inflation on selling prices was the weighted average of 2,4% deflation in general merchandise, 3,5% inflation in home improvement and 4,3% inflation in food and liquor.

Industry statistics and the reported sales of major competitors indicate that Massmart gained market share, particularly in appliances, household electronics, computers, home improvements and liquor, which each grew well ahead of the Group's sales growth.

Store pre-opening costs of R38,2 million were offset by positive foreign exchange movements of R33,3 million to produce a 23,7% growth of trading profit before acquisitions to R1,2 billion. Headline earnings per share before acquisitions grew 20,4% to 391 cents per share.

Operational review

Massdiscounters – comprises retail general merchandise discounters Game (70 stores), which trades in South Africa, Namibia, Botswana, Zambia, Uganda, Mozambique, Mauritius, and Nigeria, and Dion (10 stores), which trades in the Gauteng province of South Africa. Divisional comparable store sales grew 2,1% despite estimated deflation of 1,5%.

New store development was aggressive throughout the year. The Africa portfolio was increased to nine with the opening of a new store in Nigeria, two large Game outlets were opened in George and Vanderbijlpark and six new small format Game stores were opened in Makado, Shelley Beach, Wonderpark, Ermelo, Worcester and Ladysmith. In addition two stores were refurbished. Initially lacklustre comparable store sales growth responded well to aggressive merchandise and marketing initiatives in the second half to register a 7,3% growth in the final quarter.

Excellent expense and working capital control, and a R17,6 million positive foreign exchange movement, enabled the division to grow trading profits well ahead of sales growth. In the core categories of appliances, home electronics and computers, sales growths substantially exceeded those reported by major competitors.

Operational review – Continuing operations

Rm	June 2006 (Reviewed)	Restated June 2005 (Reviewed)	% change	As previously reported June 2005 (Audited)
Sales	29 805,7	25 381,5	17,4	25 632,8
Massdiscounters	7 994,9	7 396,6	8,1	7 396,6
Masswarehouse (note 15)	7 661,1	7 178,8	6,7	7 066,4
Massbuild (note 15)	3 892,8	1 509,5	157,9	1 509,5
Masscash	10 256,9	9 296,6	10,3	9 660,3
Trading profit before interest and tax	1 333,5	992,3	34,4	1 021,2
<i>As a % of sales</i>	4,5	3,9		4,0
Massdiscounters	546,4	466,4	17,2	488,2
Masswarehouse (note 15)	288,3	173,6	66,1	176,7
Massbuild (note 15)	290,4	144,4	101,1	144,6
Masscash	208,4	207,9	0,2	211,7
Trading profit before tax*	1 412,7	1 013,9	39,3	1 043,8
<i>As a % of sales</i>	4,7	4,0		4,1
Massdiscounters	576,4	465,4	23,9	487,2
Masswarehouse (note 15)	317,9	192,6	65,1	196,7
Massbuild (note 15)	296,8	148,8	99,5	149,0
Masscash	221,6	207,1	7,0	210,9

The above results exclude Furnex from both years.

*Trading profit before tax is after interest income but before corporate interest paid of R111,4 million (2005: R41,8 million) and asset impairments.

With a trading profit return on sales of 7,2%, the division has exceeded its medium-term target of 7% moving closer to its international benchmark of 7,4%.

Masswarehouse – comprises the 14-store Makro warehouse club trading in food, general merchandise and liquor in South Africa and Zimbabwe. Divisional comparable store sales grew 4,1% with estimated inflation of 2,4%.

Innovative merchandising, new cardholder recruitment and the use of Makro's considerable Customer Relationship Management capability to pursue high quality sales, was underpinned by excellent inventory and expense management. The result was an excellent growth on the previous years' trading profit, which was depressed by costs associated with the opening of two new stores, both of which are performing ahead of expectations.

New accounting standards demanded the inclusion of the two Zimbabwean outlets which were deconsolidated in 2001 following constraints on the repatriation of dividends and management fees. This inclusion, which is not material to the division's result, applies hyperinflationary accounting standards.

The Masswarehouse trading profit return on sales of 4,1% exceeds its medium-term target of 4%, and compares to its international benchmark of 5%.

Massbuild – comprises 65 outlets, trading in DIY, home improvement and builders hardware, under the Builders Warehouse, Tile Warehouse, Federated Timbers, Servistar and De La Rey brands in the major metropolitan areas of South Africa. Divisional comparable store sales grew 12,9% with estimated inflation of 3,5%.

Following extensive analysis of the market and Massmart's assets in home improvement, it was decided to rationalise the five existing brands under one major brand "Builders", trading through three distinctive specifically targeted retail formats, with the positioning of each sub-brand captured in its buy-line:

- "Builders Warehouse – Home Improvement A-Z", comprising Builders Warehouse, Tile Warehouse and De La Rey
- "Builders Express – Home and Garden Centre", comprising Servistar and
- "Builders Trade Depot – Building Material Supplies", comprising Federated Timbers

The strategic rationale for doing this, the precise market positioning of the formats and the optimum national footprint, were clarified in a strategy that will dictate the direction of the division for the next three to five years.

Massmart's early impact on the acquired businesses and the opening of four new Builders Warehouse outlets enabled the division to register the Group's highest levels of sales growth, comparable sales growth and profit growth, although the latter was depressed by costs associated with enhanced managerial structures, integration, systems and new stores.

Massbuild's trading profit return on sales of 7,5% compares to its medium-term target of 8% and its international benchmark of 10%.

Masscash – comprises 62 CBW and seven Jumbo wholesale cash and carry outlets trading in South Africa, Lesotho, Namibia, and Botswana, and voluntary buying organisation Shield (serving 478 independent food outlets). Divisional comparable store sales grew by 8,8% with estimated inflation of 4,3%.

Increasing inflation in the second half, more coordinated purchasing and tight control of expenses, enabled CBW to produce an excellent result with profit growth over twice its double digit sales growth and profitability in excess of the divisional return on sales target.

The further imposition of Massmart's management structures and processes in Jumbo and the re-launch of the flagship Crown Mines store in late February contributed to an improved second half performance, although full year profits were depressed by the investment in store development and professional management structures and processes necessary for the repositioning of the chain.

The focus in Shield remained on the preservation of assets and the implementation of the processes and controls necessary to mitigate risk. While depressing sales growth, this approach continued to result in an improvement in the state of the short-term debtor's book.

Given the potential conflict of the roll-out of smaller Game stores with the customers of Furnex, the latter was disposed of with effect from 1 March 2006.

Masscash's trading profit return on sales of 2,2% compares with its medium-term target and its international benchmark of 3%.

Acquisitions

In October 2005, The Competition Commission recommended the prohibition of Massmart's acquisition of 84,1% of Moresport for R403,8 million, first announced on 26 April 2005. In April 2006 The Competition Tribunal upheld this decision. The parties and their advisors are of the view that the Commission and the Tribunal erred in their analysis and decisions, failing to show how the merged entity could possibly undermine competition or impinge negatively on any stakeholder, none of whom were opposed to the transaction.

Massmart wished to proceed with the appeal against the Tribunal's decision but it was possible that a ruling would only be handed down in September 2006 or later, 16 months or more after the transaction was entered into. This presented the Sellers (Vestacor, Nedbank and Moresport management) with a diminution of relative value and with challenges relating to the management and growth of Moresport within the constraints of a sale agreement. The Seller's position became untenable and they decided not to proceed with an appeal. The parties therefore agreed to terminate all agreements between them with effect from May 2006.

Sustainability

Board leadership

During May 2006 the Board announced that Grant Pattison would be appointed Chief Executive Officer Designate with effect from 1 June 2006 and would succeed Mark Lamberti as Chief Executive Officer when the latter's contract expired on 30 June 2007. The Board also announced that on 1 July 2007, Mark Lamberti would be appointed non-executive Chairman of the Board and Christopher Seabrooke, currently independent non-executive Chairman, would be appointed non-executive Deputy Chairman, retaining his position as lead independent non-executive director.

These decisions were a consequence of a succession process which commenced some years ago and we are pleased to have devised an innovative, inclusive approach, which enabled all key decision makers to reach an informed, confident, unanimous conclusion in a realm where few worthy precedents exist.

Empowerment Transaction

On 14 July 2006, shareholders approved a R1 billion, company funded transaction whereby shares equivalent to approximately 10% of Massmart's issued share capital pre-dilution will be issued to two trusts representing

approximately 14 500 members of Massmart's permanent general staff and previously disadvantaged managers in South Africa. 83% of all beneficiaries are previously disadvantaged individuals.

The transaction which extends dividend and voting rights to general staff, and voting rights to previously disadvantaged managers, will cost the company R235 million over six years representing a 2% dilution to shareholders. During the current year the transaction will reduce earnings by 18,6 cents per share.

This transaction, the most significant in Massmart's history, was motivated by the Board's firm belief that Massmart has a responsibility to contribute towards the redress of the economic divide. Together with our commitment to create sustainable employment, this transaction will assist thousands of previously disadvantaged South Africans to live a better life, as their participation as equity owners enables them to accumulate wealth aligned with the progress and success of the company.

HIV/AIDS

In addition to our considerable investment in the prevention of HIV/AIDS through education and training, we have attempted to mitigate the impact of the AIDS pandemic by providing free medical attention and Anti-retroviral medication to members of our staff who are HIV-positive.

Massmart's people

Throughout the past year, in every division, store, department and office, the people of Massmart dedicated themselves to the simple but challenging objective of improving the experience of the tens of millions of customers who shop in our stores. The way we choose to do this is not easy. Our founding promise of low price can only be sustained by very high volumes, increased productivity and lower costs, and very often our hardest and most important work takes place when non-retailers are at leisure.

We never take this for granted.

The contribution of each of our 22 000 Massmart colleagues is manifest not only in these outstanding results but also in the considerable progress we made towards enhancing the Group's portfolio for sustained performance in the future and we thank every one of you.

Prospects

In justifying its 0,5% August 2006 increase of the repo rate, the Reserve Bank cited concerns about food and fuel inflation, and the strength of consumer spending on credit. While rate increases and food and fuel inflation can be

expected to subdue discretionary spending over the coming months, it is very difficult to predict the likely impact of excessive consumer credit on retail sales.

Firstly, known private sector credit extension statistics represent the average, and secondly there is a dearth of data on consumer's exposure to retailers' credit. The feared scenario is obviously that higher rates and commodity prices will result in broad-based default and a precipitous fall in consumer expenditure. There is no hard evidence to support this outlook and indeed recent trends, including the excellent trading for the first eight weeks of the current financial year suggests a promising Christmas season, which will include the sales of 12 new stores planned to open before then.

Our current view is therefore that Massmart will enjoy a good first half and will comfortably exceed its budgeted earnings per share for the year to June 2007 with earnings growth well ahead of sales growth.

For the eight weeks to 20 August 2006, total sales grew 12,9% and comparable store sales grew 10,9%, with profit growth significantly ahead of sales growth and last year.

Distribution and dividend policy

Massmart's dividend policy is to declare and pay an interim and final dividend representing a two times dividend cover unless circumstances dictate otherwise. It should be noted that the accounting changes processed retrospectively to the 2005 financial figures reduced the reported dividend growth. In the absence of any further material accounting changes, the future dividend growth should more closely approximate growth of headline earnings.

Notice is hereby given that a final dividend of 80 cents per share in respect of the period ended 25 June 2006 has been declared payable to the holders of ordinary shares recorded in the books of the company on Friday, 15 September 2006. The last day to trade cum dividend will therefore be Friday, 8 September 2006 and Massmart shares will trade ex dividend from Monday, 11 September 2006. Payment of the dividend will be made on Monday, 18 September 2006. Share certificates may not be dematerialised or rematerialised between Monday, 11 September 2006 and Friday, 15 September 2006, both days inclusive.

On behalf of the Board

Mark J Lamberti
Deputy Chairman and Chief Executive Officer

Guy Hayward
Chief Financial Officer

23 August 2006

Directorate: CS Seabrooke (Chairman), MJ Lamberti* (Deputy Chairman and Chief Executive Officer), MD Brand, ZL Combi, GRC Hayward*, JC Hodkinson**, P Langeni, IN Matthews, P Maw, DNM Mokhobo, S Nothnagel*, GM Pattison*, MJ Rubin * Executive ** United Kingdom

Massmart Holdings Limited JSE code – MSM, ISIN – ZAE000029534, Company registration number: 1940/014066/06

Registered office: Massmart House, 16 Peltier Drive, Sunninghill Extension 6, 2191, **Company secretary:** A Cimring, **Registered auditors:** Deloitte & Touche

For more information: www.massmart.co.za

Balance sheet

Rm	June 2006 (Reviewed)	Restated June 2005 (Reviewed)	% change	As previously reported June 2005 (Audited)
ASSETS				
Non-current assets	3 034,1	2 769,6		2 741,7
Property, plant and equipment	944,3	802,6	17,7	918,9
Goodwill and other intangible assets	1 298,7	1 261,4		1 149,9
Investments and loans	381,6	275,1		278,7
Deferred tax	409,5	430,5		394,2
Current assets	6 584,3	5 363,6		5 347,5
Inventories	3 221,0	2 677,0	20,3	2 658,0
Accounts receivable and prepayments	1 921,7	1 844,7		1 848,4
Cash and bank balances	1 441,6	841,9		841,1
Total	9 618,4	8 133,2		8 089,2
EQUITY AND LIABILITIES				
Total equity	1 952,4	1 559,0		1 652,7
Equity attributable to equity holders of the parent	1 901,8	1 521,3	25,0	1 616,2
Minority interest	50,6	37,7		36,5
Non-current liabilities	1 133,8	744,5		741,7
Non-current liabilities – interest-bearing	519,7	140,0		139,8
Other non-current liabilities and provisions	516,9	504,4		504,4
Deferred tax	97,2	100,1		97,5
Current liabilities	6 532,2	5 829,7		5 694,8
Accounts payable and accruals	6 291,9	5 295,9	18,8	5 166,0
Bank overdraft and short-term borrowings	240,3	533,8		528,8
Total	9 618,4	8 133,2		8 089,2

Income statement

Rm	Year ended June 2006 (Reviewed)	Restated Year ended June 2005 (Reviewed)	% change	As previously reported Year ended June 2005 (Audited)
Continuing operations				
Revenue	30 129,1	25 517,1	18,1	25 764,8
Sales	29 805,7	25 381,5	17,4	25 632,8
Cost of sales (note 7)	(24 650,0)	(21 202,0)	16,3	(21 988,7)
Gross profit	5 155,7	4 179,5	23,4	3 644,1
Depreciation and amortisation	(202,9)	(157,5)	28,8	(155,9)
Impairment of assets (note 12)	(5,4)	–	–	–
Employment costs	(2 079,0)	(1 656,7)	25,5	(1 634,0)
Occupancy costs	(740,5)	(644,0)	15,0	(643,3)
Net operating costs	(799,8)	(729,0)	9,7	(189,7)
Operating profit	1 328,1	992,3	33,8	1 021,2
Finance costs	(95,9)	(69,1)	38,8	(67,7)
Finance income	63,7	48,9	30,3	48,5
Net interest paid	(32,2)	(20,2)	59,4	(19,2)
Profit before taxation	1 295,9	972,1	33,3	1 002,0
Taxation (note 13)	(444,6)	(307,5)	44,6	(310,9)
Profit for the year from continuing operations	851,3	664,6	28,1	691,1
Discontinued operations:				
Net profit/(loss) for the year (note 16)	3,7	(82,1)	–	(82,1)
Loss on disposal (note 16)	(1,8)	–	–	–
Profit for the year	853,2	582,5	46,5	609,0
Attributable to:				
Equity holders of the parent	828,5	580,1	42,8	606,8
Minority interest	24,7	2,4	–	2,2
	853,2	582,5		609,0
Basic EPS (cents)	415,3	291,5	42,5	304,9
Basic EPS from continuing operations (cents)	414,3	332,8	–	346,2
Basic EPS from discontinued operations (cents)	1,0	(41,3)	–	(41,3)
Diluted basic EPS (cents)	404,4	281,5	43,7	294,6
Diluted basic EPS from continuing operations (cents)	403,4	321,3	–	334,4
Diluted basic EPS from discontinued operations (cents)	1,0	(39,8)	–	(39,8)
Dividend (cents):				
– Interim	130,0	111,0	17,1	111,0
– Final	80,0	72,0	11,1	72,0
– Total	210,0	183,0	14,8	183,0
Reconciliation of net profit for the year to headline earnings				
Profit attributable to equity holders of the parent	828,5	580,1	–	606,8
Impairment of assets (note 12)	3,8	72,4	–	72,4
Write-off costs incurred on acquisition (note 14)	3,3	–	–	–
Loss on disposal of discontinued operation (note 16)	1,8	–	–	–
Profit on disposal of fixed assets	(0,8)	(0,6)	–	(0,6)
Headline earnings	836,6	651,9	28,3	678,6
Headline EPS (cents)	419,3	327,6	28,0	341,0
Diluted headline EPS (cents)	408,3	316,4	29,0	329,3

IFRS and other adjustments

Rm	Year ended June 2005 (Reviewed)	June 2005 (Reviewed)	June 2004 (Reviewed)
	Net profit for the year	Equity attributable to equity holders of the parent	
As previously reported	606,8 (26,7)	1 616,2 (94,9)	1 429,8 (80,1)
IFRS 2 Share-based Payment (note 2)	(17,0)	–	–
IAS 21 The Effects of Changes in Foreign Exchange Rates (note 3)	1,4	(9,5)	(10,5)
IAS 27 Consolidated and Separate Financial Statements (note 4)	1,4	3,8	7,1
Extended warranty (note 5)	(12,5)	(72,3)	(59,8)
Valuation of financial assets (note 6)	–	(16,9)	(16,9)
	580,1	1 521,3	1 349,7

Cash flow statement

Rm	Year ended June 2006 (Reviewed)	Restated Year ended June 2005 (Reviewed)	As previously reported Year ended June 2005 (Audited)
Cash inflow from trading	1 546,8	1 136,5	1 148,7
Working capital movement	260,4	110,5	97,9
Cash flow from operations	1 807,2	1 247,0	1 246,6
Taxation paid	(487,4)	(337,5)	(334,4)
Net interest paid	(32,7)	(22,0)	(21,0)
Investment income	34,6	35,2	35,2
Dividends paid and share premium distribution	(402,8)	(416,4)	(416,4)
Cash inflow from operating activities	918,9	506,3	510,0
Net replacement of fixed assets	(170,2)	(251,0)	(250,7)
Investment in fixed assets	(184,1)	(157,6)	(156,4)
Businesses acquired	-	(685,0)	(685,0)
Disposal of subsidiary	25,7	-	-
Other investing activities	(130,9)	(16,9)	(16,9)
Cash outflow from investing activities	(459,5)	(1 110,5)	(1 109,0)
Cash inflow/(outflow) from financing activities	506,0	(22,6)	(22,6)
Net increase/(decrease) in cash and cash equivalents	965,4	(626,8)	(621,6)
Foreign exchange losses taken to statement of changes in equity	6,1	5,4	5,4
Opening cash and cash equivalents	404,8	1 026,2	1 025,2
Closing cash and cash equivalents	1 376,3	404,8	409,0

Statement of changes in equity

Year ended June 2006 (Reviewed)

Rm	Ordinary share capital	Share premium	General non- distributable reserve	Retained profit	Equity attributable to equity holders of the parent	Minority interest	Total
Opening balance	2,0	209,4	122,1	1 187,8	1 521,3	37,7	1 559,0
Exchange differences and hyperinflation movements	-	-	9,7	-	9,7	-	9,7
Dividends paid and share premium distribution	-	-	-	(402,8)	(402,8)	-	(402,8)
Profit for the year	-	-	-	828,5	828,5	24,7	853,2
Changes in minority interests and distribution to minorities	-	-	-	-	-	(11,8)	(11,8)
Release of deferred taxation on trademarks	-	-	(5,8)	5,8	-	-	-
Reduction of deferred tax asset	-	-	-	(33,7)	(33,7)	-	(33,7)
Shares issued	-	71,5	-	-	71,5	-	71,5
Net movement of treasury shares	-	(18,3)	-	-	(18,3)	-	(18,3)
Share trust loss	-	-	17,4	(91,8)	(74,4)	-	(74,4)
Total	2,0	262,6	143,4	1 493,8	1 901,8	50,6	1 952,4

Year ended June 2005 (Reviewed)

Opening balance as previously reported	2,0	356,4	101,5	969,9	1 429,8	31,7	1 461,5
Prior period adjustment	-	-	10,2	(90,3)	(80,1)	1,7	(78,4)
Opening balance restated	2,0	356,4	111,7	879,6	1 349,7	33,4	1 383,1
Exchange differences and hyperinflation movements	-	-	(0,6)	-	(0,6)	-	(0,6)
Dividends paid and share premium distribution	-	(195,3)	-	(221,1)	(416,4)	-	(416,4)
Profit for the year	-	-	-	580,1	580,1	2,4	582,5
Changes in minority interests and distribution to minorities	-	-	-	-	-	1,9	1,9
Release of deferred taxation on trademarks	-	-	(6,0)	6,0	-	-	-
Shares issued	-	18,8	-	-	18,8	-	18,8
Net movement of treasury shares	-	29,5	-	-	29,5	-	29,5
Share trust loss	-	-	17,0	(56,8)	(39,8)	-	(39,8)
Total	2,0	209,4	122,1	1 187,8	1 521,3	37,7	1 559,0

Additional information

Rm	Year ended	Restated	As previously
	June 2006 (Reviewed)	Year ended June 2005 (Reviewed)	Year ended June 2005 (Audited)
Net asset value per share (cents)	946,0	762,0	809,6
Ordinary shares (000's):			
– In issue	201 041	199 641	199 641
– Weighted-average	199 507	199 010	199 010
– Diluted weighted-average	204 886	206 060	206 060
Capital expenditure			
– Authorised and committed	183,0	114,6	114,6
– Authorised not committed	143,0	230,5	230,5
Acquisition commitment	–	480,0	480,0
Contingent liabilities	–	1,5	1,5
Operating lease commitments (2006 – 2022)	5 977,2	4 862,1	4 862,1
US dollar exchange rates – year end	7,48	6,73	6,73
– average	6,42	6,21	6,21

Notes

- The Group adopted International Financial Reporting Standards (IFRS) effective for the reporting period ended 30 June 2006. Comparative results have been restated.
- In accordance with IFRS 2 *Share-based Payment*, the Group has recognised an expense in the income statement for share options granted to employees, with a corresponding credit to equity, representing the fair value of outstanding employee share options. The fair value at grant date is charged to profit or loss over the relevant vesting periods, adjusted to reflect actual and expected vesting levels. Fair value is determined using the Binomial model. The IFRS 1 *First-time Adoption of International Financial Reporting Standards* exemption was elected, resulting in the inclusion of equity instruments granted after 7 November 2002 that vested after 1 January 2005 in the valuation. The current year IFRS 2 charge is R17,4 million (2005: R17,0 million), with no tax relief.
- International Accounting Standard (IAS) 21 *The Effects of Changes in Foreign Exchange Rates* introduced the concept of “functional currency”. This change primarily affected the accounting for the African operations of Massdiscounters, where there was a reclassification of certain foreign exchange gains and losses from the income statement to the foreign currency translation reserve (FCTR) in the balance sheet. The IFRS 1 exemption was elected, which had the effect of eliminating the FCTR on the date of transition to IFRS (being 1 July 2004).
- IAS 27 *Consolidated and Separate Financial Statements* removed the exclusion of a subsidiary from consolidation when there are severe long-term restrictions that impair a subsidiary's ability to transfer funds to the parent. As a result, Makro Zimbabwe has been consolidated retrospectively. Makro Zimbabwe operates in a hyperinflationary environment, and thus the principles of IAS 29 *Financial Reporting in Hyperinflationary Economies* have been applied. The financial impact on net profit attributable to equity holders of the parent for June 2006 is a loss of R1,1 million (R1,4 million profit in 2005).
- The Group amended its accounting policy for the treatment of extended warranty protection provided on the sale of goods and products. This was done with guidance from Financial Accounting Standards Board (FASB) technical bulletin FTB 90-1 *Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts* which clarified that revenue from separately priced extended warranty contracts should be deferred and recognised in income on a straight-line basis over the contract period.
- In terms of IAS 39 *Financial Instruments: Recognition and Measurement*, certain financial assets have been present valued using the effective interest rate method.
- The results have been restated following Circular 9/2006 *Transactions giving rise to Adjustments to Revenue/Purchases*, issued by SAICA in May 2006. This circular provided clarity on the accounting treatment for cash discounts, settlement discounts, rebates and extended payment terms which are in line with the accounting treatment required by IAS 18 *Revenue* and IAS 2 *Inventories*. The effect on the Group has been a reallocation increasing other operating costs and reducing cost of sales by R586,0 million (2005: R523,1 million).
- The results have been restated for the exclusion of Shield's indirect sales. The effect on the Group has been a decrease in sales and cost of sales of R371,7 million (2005: R363,7 million).
- These financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, using accounting policies that are in line with IFRS and consistently applied to prior periods, except for the change in definition for segmental reporting for which the comparatives have been restated. Refer to note 15.
- The net realised and unrealised foreign exchange translation gains added to trading profit amounted to R33,3 million (2005: R25,4 million).
- The operating lease smoothing adjustment expensed in the period was R35,7 million after tax (2005: R53,7 million).
- The impairment of assets in the current year relates to the write-off of IT software at CBW, and in the prior year relates to the goodwill included in discontinued operations.
- The Group tax rate of 34,3% (2005: 31,6%) is high due to STC of 3,2% (2005: 2,2%) and the full impairment of the Game Mauritius deferred tax asset of R20,0 million.
- Capital costs written off due to The Competition Tribunal prohibiting the acquisition of Moresport.
- For segmental reporting purposes, Massbuild, comprising Builders Warehouse, Federated Timbers, De La Rey and Servistar, is now excluded from the Masswarehouse division and disclosed separately. The Masswarehouse results on the previous basis of reporting would have been:

	June 2006			Restated June 2005			As previously reported June 2005		
	Sales	Trading PBIT	Trading PBT	Sales	Trading PBIT	Trading PBT	Sales	Trading PBIT	Trading PBT
Masswarehouse	11 553,9	578,5	614,7	8 688,3	318,0	341,4	8 575,9	321,3	345,7

- Furnex (a division of Masscash) was disposed of effective 1 March 2006. The sale was accounted for in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. Results from the discontinued operation were as follows:

Discontinued operations	Sales	Trading profit	Goodwill impairment	PBT	Taxation	PAT
June 2006 (8 months)	480,0	7,0	–	6,5	(2,8)	3,7
June 2005 (12 months)	928,6	(11,8)	(72,4)	(86,0)	3,9	(82,1)

Furnex was not affected by any restatements, and as such, only one set of results have been presented for 2005.

- During the year, the Group acquired two additional mid-term loans, amounting to R500 million, to fund the acquisition of additional assets of the business at an effective average interest rate of 8,81%. The effect of the above on both earnings per share and headline earnings per share is a charge of 20,62 cents per share.
- Due to Christmas trading, Massmart's earnings are weighted towards the six months to December.
- These results have been reviewed by independent external auditors Deloitte & Touche and their unqualified review opinion is available for inspection at the registered office.