



Massmart Holdings Limited Annual Financial Statements

Income Statement

for the year ended 30 June 2007

	Notes	2007 Rm	2006 Rm
Revenue	1	1 082,4	150,7
Management and administration fees received		35,2	41,2
Dividends received		1 047,2	109,5
Employment costs		(31,7)	(23,6)
Loss on disposal of Furnex		–	(77,6)
Net operating income/(costs)		1,7	(4,9)
Operating profit	2	1 052,4	44,6
Finance costs		(8,5)	(5,0)
Finance income		1,1	7,9
Net finance (costs)/income	3	(7,4)	2,9
Profit before taxation		1 045,0	47,5
Taxation	4	(63,1)	(47,6)
Profit/(loss) after taxation		981,9	(0,1)
Dividend per share (cents)			
Interim		197,0	130,0
Final*		123,0	80,0
Total		320,0	210,0

* Declared after the financial year-end.

Details of the dividend can be found in note 11 on page 137 in the consolidated financial statements.

Balance Sheet

as at 30 June 2007

	Notes	2007 Rm	2006 Rm
Assets			
Non-current assets			
		494,3	283,1
Interests in subsidiaries	5	–	(145,0)
Other financial assets	6	490,6	425,2
Deferred taxation	7	3,7	2,9
Current assets			
		16,5	19,0
Trade receivables and prepayments		–	2,3
Cash and bank balances		16,5	16,7
Total assets		510,8	302,1
Equity and liabilities			
Capital and reserves			
		405,1	212,5
Share capital	8	2,0	2,0
Share premium	8	254,7	262,6
Non-distributable reserve	9	0,9	–
Retained profit		147,5	(52,1)
Preference shares	8	0,2	–
Total equity		405,3	212,5
Current liabilities			
		105,5	89,6
Trade and other payables		90,1	81,3
Taxation		15,3	8,3
Current liabilities		0,1	–
Total equity and liabilities		510,8	302,1

Cash Flow Statement

for the year ended 30 June 2007

	Notes	2007 Rm	2006 Rm
Cash flow from operating activities			
Operating cash before working capital movements	11.1	7,8	12,3
Working capital movements	11.2	11,1	(12,0)
Cash generated from operations			
Interest received		18,9	0,3
Interest paid		1,1	7,9
		(8,5)	(5,0)
Investment income		1,047,2	109,5
Taxation paid	11.3	(56,9)	(49,2)
Dividends paid	11.4	(565,8)	(403,5)
Net cash inflow/(outflow) from operating activities			
		436,0	(340,0)
Disposal of subsidiary	11.5	–	24,8
Other investing activities		(210,3)	698,7
Net cash (outflow)/inflow from investing activities			
		(210,3)	723,5
Shares issued (net of costs)		–	71,5
Net acquisition of treasury shares	11.6	(226,0)	(18,3)
Proceeds from current liabilities		0,1	–
Net cash (outflow)/inflow from financing activities			
		(225,9)	53,2
Net (decrease)/increase in cash and cash equivalents		(0,2)	436,7
Cash and cash equivalents at the beginning of the year		16,7	(420,0)
Cash and cash equivalents at the end of the year			
		16,5	16,7

Statement of Changes in Equity

for the year ended 30 June 2007

	Share capital Rm	Share premium Rm	Preference shares Rm	Non-distributable reserve Rm	Retained profit Rm	Total Rm
Balance as at 30 June 2005	2,0	209,4	–	–	443,4	654,8
Profit for the year	–	–	–	–	(0,1)	(0,1)
Share trust loss	–	–	–	–	(91,9)	(91,9)
Issue of shares (net of costs)	–	71,5	–	–	–	71,5
Dividends paid	–	–	–	–	(403,5)	(403,5)
Treasury shares	–	(18,3)	–	–	–	(18,3)
Balance as at 30 June 2006	2,0	262,6	–	–	(52,1)	212,5
Profit for the year	–	–	–	–	981,9	981,9
Share trust loss	–	–	–	–	(216,5)	(216,5)
BEE transaction costs and shares issued	–	(4,5)	0,2	–	–	(4,3)
Dividends paid	–	–	–	–	(565,8)	(565,8)
Treasury shares	–	(3,4)	–	–	–	(3,4)
Share-based payment reserve	–	–	–	0,9	–	0,9
Balance as at 30 June 2007	2,0	254,7	0,2	0,9	147,5	405,3

Notes to the Annual Financial Statements

for the year ended 30 June 2007

	2007 Rm	2006 Rm
1. Revenue		
Dividends received (included are dividends from subsidiary companies)	1 047,2	109,5
Management and administration fees received (included are management and administration fees from subsidiary companies)	35,2	41,2
	1 082,4	150,7
2. Operating profit		
Credits to operating profit include:		
Foreign exchange profit	0,4	0,7
Charges to operating profit include:		
Foreign exchange loss	–	1,0
Share-based payment	0,9	–
3. Net finance (costs)/income		
Finance costs		
Interest on Group loans	(8,5)	(5,0)
Finance income		
Interest on Group loans	1,1	7,9
Net finance (costs)/income	(7,4)	2,9
4. Taxation		
Current year		
South African normal taxation		
Current taxation	6,4	5,8
Deferred taxation	(0,8)	(2,9)
Secondary taxation on companies	57,5	43,4
	63,1	46,3
Prior year underprovision:		
South African normal taxation		
Current taxation	–	1,3
	–	1,3
Total	63,1	47,6
The rate of taxation is reconciled as follows:	%	%
Standard corporate taxation rate	29,0	29,0
Exempt income	(29,1)	(66,8)
Disallowable expenditure	0,5	1,2
Prior year underprovision	–	2,7
Secondary tax on companies	5,5	84,9
Loss on sale of Furnex Stores (Pty) Limited	–	47,3
Foreign income	0,1	–
Other	–	1,8
Effective rate	6,0	100,1

Notes to the Annual Financial Statements

for the year ended 30 June 2007

	2007 Rm	2006 Rm
5. Interest in subsidiaries		
Shares at cost less amounts written off	134,3	134,3
Amounts owing to subsidiaries	(134,3)	(279,3)
	–	(145,0)
Details of net shares at cost can be found in note 36 on page 168 in the consolidated financial statements.		
6. Other financial assets		
Unlisted investments		
Preference shares – Fullimput 65 (Pty) Limited ¹	485,3	420,5
Investment in Imagegate Limited (UK) ²	4,9	4,7
Investment in Massmart Black Scarce Skills Trust	0,2	–
Listed investments	0,2	–
	490,6	425,2
The directors' valuation of the unlisted investments at 30 June 2007 is R490,4 million (2006: R425,2 million).		
The preference share investment represents cumulative preference shares in Fullimput 65 (Pty) Limited. A long-term liability of the Group is secured by a cession of the preference shares.		
Notes		
1. Classified as a "held-to-maturity" financial asset for IAS 39 purposes.		
2. Classified as a "loan and receivable" financial asset for IAS 39 purposes.		
For IAS 39 accounting treatment of these financial assets, see note 38 on page 171 in the consolidated financial statements.		
7. Deferred taxation		
The major movements during the year are analysed as follows:		
Net asset at the beginning of the year	2,9	–
Charge to profit or loss for the year	0,8	2,9
Net asset at the end of the year	3,7	2,9
The major components of deferred taxation are analysed as follows:		
Other temporary differences	3,7	2,9
	3,7	2,9

	Share capital		Share premium	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
8. Issued capital				
Authorised				
500 000 000 (2006: 500 000 000) ordinary shares of 1 cent each	5,0	5,0	–	–
20 000 000 (2006: 20 000 000) non-redeemable cumulative non-participating preference shares of 1 cent each	0,2	0,2	–	–
18 000 000 (2006: 18 000 000) “A” convertible redeemable non-cumulative participating preference shares of 1 cent each	0,2	0,2	–	–
2 000 000 (2006: 2 000 000) “B” convertible redeemable non-cumulative participating preference shares of 1 cent each	–	–	–	–
Issued				
201 072 831 (2006: 201 040 697) ordinary shares of 1 cent each	2,0	2,0	254,7	262,6
17 967 866 (2006: nil) “A” convertible redeemable non-cumulative participating preference shares of 1 cent each	0,2	–	–	–
2 000 000 (2006: nil) “B” convertible redeemable non-cumulative participating preference shares of 1 cent each	–	–	–	–

	Number of shares	Share capital Rm	Share premium Rm
Ordinary shares			
Balance at the beginning of the previous year	199 640 697	2,0	209,4
Shares issued in terms of the Massmart Holdings Limited Employee Share Trust	1 400 000	–	71,5
Ordinary shares in issue – June 2006	201 040 697	2,0	280,9
Treasury shares	(335 764)	–	(18,3)
Ordinary shares in issue excluding treasury shares – June 2006	200 704 933	2,0	262,6
Balance at the beginning of the year	201 040 697	2,0	262,6
Converted preference shares of the Massmart Thuthukani Empowerment Trust	32 134	–	(4,5)
Ordinary shares in issue – June 2007	201 072 831	2,0	258,1
Treasury shares	(265 720)	–	(3,4)
Ordinary shares in issue excluding treasury shares – June 2007	200 807 111	2,0	254,7
Ordinary shares, which have a par value of 1 cent, carry one vote per share and carry the right to dividends.			
“A” convertible redeemable non-cumulative participating preference shares			
Balance at the beginning of the year	–	–	–
Shares issued in terms of the Massmart BEE transaction	18 000 000	0,2	–
Shares converted to ordinary shares	(32 134)	–	–
Balance at the end of the year	17 967 866	0,2	–

“A” convertible redeemable non-cumulative participating preference shares, which have a par value of 1 cent, are held in the Thuthukani Empowerment Trust. These shares carry one vote per share, which is cast by the trustees, and carry the right to dividends. On election of the beneficiary, the shares will convert to ordinary shares, on a one-for-one basis and will rank *pari passu* with all ordinary shares then in issue.

Notes to the Annual Financial Statements

for the year ended 30 June 2007

	Number of shares	Share capital Rm	Share premium Rm
8. Issued capital <i>continued</i>			
"B" convertible redeemable non-cumulative participating preference shares			
Balance at the beginning of the year	–	–	–
Shares issued in terms of the Massmart BEE transaction	2 000 000	–	–
Balance at the end of the year	2 000 000	–	–

"B" convertible redeemable non-cumulative participating preference shares, which have a par value of 1 cent, are held in the Black Scarce Skills Trust. These shares carry one vote per share, which is cast by the trustees, and do not carry the right to dividends. On election of the beneficiary, the shares will convert to ordinary shares on a one-for-one basis and will rank *pari passu* with all ordinary shares then in issue.

Share options granted under the Massmart Holdings Limited Employee Share Trust

As at June 2007, executives and senior employees have options over 10 239 002 ordinary shares (of which 7 217 626 are unvested). As at June 2006, executives and senior employees had options over 12 206 168 ordinary shares (of which 8 196 329 were unvested).

Share options granted under the Employee Share Incentive Scheme carry no rights to dividends and no voting rights. Further details of the Employee Share Incentive Scheme are contained in note 28 on page 158 in the consolidated financial statements.

The preference shares issued during the year were issued at par value.

The total share buy-back (including shares bought in the market by the Share Trust) for the year was 4,4 million shares (2006: 2,7 million) at an average price of R71,85 (2006: R54,71), totalling R313,2 million (2006: R148,3 million).

The directors have the authority, until the next annual general meeting, to issue the ordinary shares of the Company up to a maximum of 5% of the shares already issued.

The directors have the authority, until the next annual general meeting, to issue the non-redeemable cumulative non-participating preference shares of the Company.

	2007 Rm	2006 Rm
9. Non-distributable reserves		
Share-based payment reserve	0,9	–
	0,9	–

The share-based payment reserve arises on grant of share options to employees under the Employee Share Incentive Scheme. Details of the Employee Share Incentive Scheme can be found in note 28 on page 158 in the consolidated financial statements. The share-based payment valuation was performed by Alexander Forbes for all periods and the scheme is equity-settled.

	2007 Rm	2006 Rm
10. Contingent liabilities		
Cross-suretyships under banking and other financial facilities	4 171,2	4 195,2
	4 172,2	4 195,2

Banking facilities incorporate, amongst others, letters of credit, forward exchange contracts and electronic fund transfers. These facilities have been secured by cross-suretyships between Group companies.

Other financial facilities relate to Promissory Notes that represent commitments under non-cancellable operating leases of R1 060 million (2006: R1 172 million) entered into by Masstores (Pty) Limited on behalf of Makro and are included in operating lease commitments in land and buildings. These leases terminate in December 2020 and have a discounted present value of R679 million (2006: R703 million). In accordance with IAS 17 *Leases*, the rentals paid are amortised over the entire remaining lease period on a straight-line basis.

	2007	2006
	Rm	Rm
11. Notes to the cash flow statement		
11.1 Cash flow from trading		
Profit before taxation	1 045,0	47,5
Adjustment for:		
Interest received	(1,1)	(7,9)
Interest paid	8,5	5,0
Investment income	(1 047,2)	(109,5)
Share-based payment expense	0,9	–
Other non-cash movements	1,7	77,2
	7,8	12,3
11.2 Working capital movements		
Decrease in trade and other receivables	2,3	14,4
Increase/(decrease) in trade and other payables	8,8	(26,4)
	11,1	(12,0)
11.3 Taxation paid		
Amounts owing at the beginning of the year	8,3	7,0
Amounts charged to the income statement	63,1	47,6
Deferred taxation	0,8	2,9
Amounts owing at the end of the year	(15,3)	(8,3)
Cash amounts paid	56,9	49,2
11.4 Dividends paid		
Amounts owing at the beginning of the year	–	–
Amounts charged to the income statement	565,8	403,5
Amounts owing at the end of the year	–	–
Cash amount paid	565,8	403,5

Notes to the Annual Financial Statements

for the year ended 30 June 2007

	2007 Rm	2006 Rm
11. Notes to the cash flow statement <i>continued</i>		
11.5 Disposal of subsidiary		
Net assets at date of disposal:		
Cash and cash equivalents	–	26,8
Accounts receivable and prepayments	–	(162,6)
Property, plant and equipment	–	(0,7)
Taxation	–	(2,2)
Trade payables	–	112,7
Provisions	–	4,2
Long-term debt	–	124,0
Loans and investments	–	(77,4)
	–	24,8
Cash and cash equivalents received on sale	–	24,8
11.6 Net acquisition of treasury shares		
BEE transaction costs	4,5	–
Loss from the share trust	216,5	–
Share premium movement on treasury shares acquired	5,0	18,3
	226,0	18,3