



Group Consolidated Annual Financial Statements

Approval of the Annual Financial Statements

as at 30 June 2007

The annual financial statements were approved by the Board of Directors on 10 October 2007 and signed on its behalf by:



GM Pattison
Chief Executive Officer



GRC Hayward
Chief Financial Officer

Company Secretary certificate

I, Ilan Zwarenstein, the Company Secretary for Massmart Holdings Limited, certify that to the best of my knowledge and belief, all returns required of a public company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.



I Zwarenstein
Company Secretary

Annual compliance certificate for issuers with a primary listing on the JSE

I, the undersigned, Guy Robert Charles Hayward, being duly authorised hereto, certify to the JSE Limited ("the JSE") that Massmart Holdings Limited and its directors have, during the twelve months ended 31 December 2006, complied with all Listings Requirements and every disclosure requirement for continued listing on the JSE imposed by the JSE during that period.



GRC Hayward
Duly authorised hereto, for and on behalf of the directors of the Company

Independent auditor's report

To the members of Massmart Holdings Limited

We have audited the Group annual financial statements and annual financial statements of Massmart Holdings Limited, which comprise the consolidated and separate balance sheets as at 30 June 2007, and the consolidated and separate income statements, the consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 116 to 188.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the

Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Massmart Holdings Limited as at 30 June 2007, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.



Deloitte & Touche
Registered Auditors

Per B Escott

Partner
10 October 2007

Buildings 1 and 2, Deloitte Place
The Woodlands Office Park, Woodlands Drive
Sandton

National Executive: GG Gelink *Chief Executive*, AE Swiegers *Chief Operating Officer*, GM Pinnock *Audit*, DL Kennedy *Tax*, L Geeringh *Consulting*, L Bam *Strategy*, CR Beukman *Finance*, TJ Brown *Clients & Markets*, NT Mtoba *Chairman of the Board*, J Rhyness *Deputy Chairman of the Board*

A full list of partners and directors is available on request.

Directors' Report

Directors' responsibilities

The directors acknowledge responsibility for the preparation of the annual financial statements, which, in their opinion, fairly present the results and cash flows for the financial year and the state of affairs of Massmart Holdings Limited and its subsidiaries at the end of the financial year.

The external auditors are responsible for reporting on the fair presentation of these financial statements.

The Company and its subsidiaries have maintained adequate accounting records and an effective system of internal controls to ensure the integrity of the underlying information.

Appropriate accounting policies, supported by sound and prudent managerial judgements and estimates, have been consistently applied except for Makro Zimbabwe as indicated in note 8 on page 135.

The Audit Committee of the Board reviews the financial information presented and ensures that there has been adherence to International Financial Reporting Standards. Internal and external auditors of Group companies have unrestricted access to the committee.

Group financial results

The financial results of the Group are set out in the income statement on page 119, the cash flow statement on page 121 and the statement of changes in equity on page 122. The financial position of the Group is set out in the balance sheet on page 120.

Share capital

The following ordinary shares were in issue during the year under review:

	2007	2006
Opening balance	201 040 697	199 640 697
Shares issued	–	1 400 000
Converted preference shares	32 134	–
Closing balance	201 072 831	201 040 697

The following convertible redeemable preference shares were in issue during the year under review:

	2007
Opening balance	20 000 000
Shares converted to ordinary shares	32 134
Closing balance	19 967 866

Dividend policy

Massmart's dividend policy, revised in February 2007, is to declare and pay an interim and total annual dividend based on a 1,7 times cover (2006: 2 times), using headline earnings, unless circumstances dictate otherwise.

Dividends to shareholders

With regard to the final distribution to shareholders, the directors resolved to distribute to shareholders registered in the books of the Company on Friday, 26 October 2007, a final cash dividend of 123 cents (2006: 80 cents) per share, bringing the total dividend for the year to 320 cents (2006: 210 cents) per share.

A Thuthukani dividend equivalent to 25% of the Massmart ordinary dividend per share (30,75 cents) will be paid to the Massmart Thuthukani Empowerment Trust on Monday, 29 October 2007.

Directorate and Secretary

The current directorate of the Company is shown on pages 9 to 11.

The Company Secretary provides a central source of guidance and advice to the Board, and within the Company, on matters of ethics and good governance.

Mr A Cimring, CA(SA), resigned as Company Secretary on 22 November 2006 and Mr I Zwarenstein, CA(SA), was appointed in his place. Mr Zwarenstein's business and postal addresses are the same as that of the Company.

Mr S Nothnagel resigned as executive director on 1 December 2006, and there were two non-executive appointments, viz. Dr Nolulamo Nobambiswano Gwagwa and Mr Kuseni Douglas Dlamini, who were both appointed on 1 November 2006.

In accordance with the provisions of the Company's Articles of Association, KD Dlamini, NN Gwagwa, JC Hodkinson, MJ Lamberti and P Langeni will retire at the annual general meeting. Being eligible, KD Dlamini, NN Gwagwa, JC Hodkinson, MJ Lamberti and P Langeni offer themselves for re-election.

Interests of directors in the Company's shares

At 30 June 2007, directors owned ordinary shares in the Company, or options over ordinary shares in the Company, directly or indirectly, aggregated as to beneficial and non-beneficial ownership, as follows:

	2007				2006			
	Shares		Options		Shares		Options	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Non-executive directors								
CS Seabrooke	–	600 000 **	–	–	–	300 000	–	–
MD Brand	–	–	–	–	–	–	–	–
ZL Combi	–	–	–	–	–	–	–	–
KD Dlamini	–	–	–	–	–	–	–	–
NN Gwagwa	–	–	–	–	–	–	–	–
JC Hodkinson	4 000	–	–	–	4 000	–	–	–
P Langeni	–	–	–	–	–	–	–	–
IN Matthews	–	–	–	–	–	–	–	–
P Maw	–	–	–	–	–	–	–	–
DNM Mokhobo	–	–	–	–	–	–	–	–
MJ Rubin	70 000	19 500	–	–	100 000	2 000	–	–
Executive directors								
MJ Lamberti*	–	500 000	–	–	–	5 034 537	–	–
GM Pattison	1 240 919	–	605 219	–	1 185 919	–	605 219	–
GRC Hayward	402 524	–	349 889	–	552 524	–	500 000	–
S Nothnagel	–	–	–	–	–	–	944 688	–

* With effect from 30 June 2007, MJ Lamberti resigned as Chief Executive Officer and was appointed Chairman of the Board.

** Of these shares, 400 000 are owned by the Sabvest Group which is controlled by the Seabrooke Family Trust.

At the date of this report, the directors' holdings were as follows:

	Shares		Options	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Non-executive directors				
MJ Lamberti	–	500 000	–	–
CS Seabrooke	–	600 000	–	–
MD Brand	–	–	–	–
ZL Combi	–	–	–	–
KD Dlamini	–	–	–	–
NN Gwagwa	–	–	–	–
JC Hodkinson	4 000	–	–	–
P Langeni	–	–	–	–
IN Matthews	–	–	–	–
P Maw	–	–	–	–
DNM Mokhobo	–	–	–	–
MJ Rubin	70 000	19 500	–	–
Executive directors				
GM Pattison	1 240 919	11 800	605 219	–
GRC Hayward	402 524	–	349 889	–

Directors' Report

Details of shares issued and options granted by the Company in terms of the rules of the Massmart Share Incentive Scheme are dealt with in note 28 on page 158.

Subsidiaries

The following companies are principal subsidiaries of the Company:

De La Rey 1001 Building Materials (Proprietary) Limited	1994/000266/07
Federated Timbers (Proprietary) Limited	2004/035206/07
Jumbo Cash & Carry (Proprietary) Limited	1996/012181/07
Masscash Holdings (Proprietary) Limited	1997/014716/07
Massmart International Holdings Limited (incorporated in Mauritius)	47902 C1/GBL
Massmart Management and Finance Company (Proprietary) Limited	1992/004084/07
Masstores (Proprietary) Limited	1991/006805/07
Servistar (Proprietary) Limited	1948/031897/07
Shield Buying and Distribution (Proprietary) Limited	1984/011353/07

Details of the Company's interests in material subsidiaries are set out in note 36 on page 168.

Borrowing powers

In terms of the Articles of Association, the Group has unlimited borrowing powers. At 30 June 2007, borrowings were R567,9 million (2006: R756,7 million).

Going concern

The directors are of the opinion that the business will be a going concern in the year ahead. In reaching this opinion, the directors considered the following factors:

- strong positive cash flows from trading;
- no recurring operating losses;
- well-controlled working capital and good quality inventory;
- approved short- and long-term financing, with sufficient additional short-term borrowing capacity if required;
- key executive management is in place;
- there have been no material changes that may affect the Group in any of our customer, product or geographic markets; and
- budgets to June 2008 reflect a continuation of the above positive issues.

Address

The Company's registered office and postal address are shown on the inside back cover of this annual report.

Litigation

There are no current, pending or threatened legal or arbitration proceedings that may have, or have had in the previous 12 months, a material effect on the Group's financial position.

Significant events

Thuthukani, the Company's Broad-based Empowerment Equity issue to all the Massmart Group's qualifying permanent staff, approved by shareholders in July 2006, became effective on 1 October 2006. Details of this BEE transaction were published in the circular issued to shareholders dated 16 June 2006.

Mr MJ Lamberti's service contract as Chief Executive Officer ended on 30 June 2007. He remains on the Board as Non-executive Chairman while the former Chairman, Mr CS Seabrooke, has been appointed Non-executive Deputy Chairman. Former Chief Executive Officer Designate, Mr GM Pattison, was appointed Chief Executive Officer with effect from 1 July 2007.

Subsequent events

No material facts or circumstances have occurred between 30 June 2007 and the date of this report.

On behalf of the Board



Ilan Zwarenstein
Company Secretary

10 October 2007

Income Statement

for the year ended 30 June 2007

	Notes	2007 Rm	2006 Rm
Continuing operations			
Revenue	5	34 964,7	30 080,6
Sales		34 807,6	29 963,6
Cost of sales		(28 435,7)	(24 650,0)
Gross profit		6 371,9	5 313,6
Other income	5	157,1	117,0
Depreciation and amortisation		(240,9)	(202,9)
Impairment of assets	6	(26,3)	(5,4)
Employment costs		(2 449,8)	(2 079,0)
Occupancy costs		(846,0)	(740,5)
Other operating costs		(1 292,7)	(1 074,7)
Operating profit	7	1 673,3	1 328,1
Finance costs	9	(100,4)	(95,9)
Finance income	9	56,0	63,7
Net finance costs		(44,4)	(32,2)
Profit before taxation		1 628,9	1 295,9
Taxation	10	(554,8)	(444,6)
Profit for the year from continuing operations		1 074,1	851,3
Discontinued operation			
Profit for the year – Furnex	3	–	3,7
Loss on disposal of Furnex	3	–	(1,8)
Profit for the year		1 074,1	853,2
Attributable to:			
Equity holders of the parent		1 058,8	828,5
Minority interest	23	15,3	24,7
		1 074,1	853,2
Earnings per share (cents)			
Basic EPS before the Thuthukani dividend	12	528,2	415,3
Thuthukani dividend		(4,4)	–
Basic EPS		523,8	415,3
Basic EPS from continuing operations		523,8	414,3
Basic EPS from discontinued operation		–	1,0
Diluted basic EPS before the Thuthukani dividend	12	518,9	404,4
Thuthukani dividend		(4,4)	–
Diluted basic EPS		514,5	404,4
Diluted basic EPS from continuing operations		514,5	403,4
Diluted basic EPS from discontinued operation		–	1,0
Dividend/distribution per share (cents)			
Interim		197,0	130,0
Final		123,0	80,0
Total	11	320,0	210,0
Headline earnings			
Headline EPS (cents)	12	540,4	419,3
Diluted headline EPS (cents)	12	530,9	408,3

Balance Sheet

as at 30 June 2007

	Notes	2007 Rm	2006 Rm
Assets			
Non-current assets			
		3 448,2	3 034,1
Property, plant and equipment	13	1 123,8	944,3
Goodwill	14	1 346,8	1 196,4
Other intangibles	15	130,2	102,3
Investments	16	241,2	190,9
Other financial assets	17	173,4	190,7
Deferred taxation	18	432,8	409,5
Current assets			
		7 401,4	6 584,3
Inventories	19	4 027,3	3 221,0
Trade receivables and prepayments	20	1 876,5	1 770,0
Taxation		251,9	151,7
Cash and bank balances	37.10	1 245,7	1 441,6
Total assets		10 849,6	9 618,4
Equity and liabilities			
Capital and reserves			
		2 239,0	1 901,8
Share capital	21	2,0	2,0
Share premium	21	254,7	262,6
Non-distributable reserves	22	205,4	143,4
Retained profit		1 776,9	1 493,8
Minority interest	23	25,8	50,6
Total equity		2 264,8	1 952,4
Non-current liabilities			
		1 122,2	1 133,8
Non-current liabilities:			
– Interest-bearing	24	402,7	519,7
– Interest-free	24	556,9	474,7
Non-current provisions	25	47,1	42,2
Deferred taxation	18	115,5	97,2
Current liabilities			
		7 462,6	6 532,2
Trade and other payables	26	6 755,7	5 875,7
Provisions	27	3,9	5,3
Taxation		534,4	410,9
Other current liabilities	24	131,6	175,0
Bank overdrafts	37.10	37,0	65,3
Total equity and liabilities		10 849,6	9 618,4

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	37.1	1 926,4	1 543,6
Working capital movements	37.2	(28,3)	260,4
Cash generated from operations			
Interest received		56,0	63,8
Interest paid		(100,4)	(96,5)
Investment income		53,6	34,6
Taxation paid	37.3	(531,6)	(487,4)
Dividends received		2,5	3,2
Dividends paid		(565,1)	(402,8)
Net cash inflow from operating activities			
		813,1	918,9
Cash flow from investing activities			
Investment to maintain operations	37.4	(152,9)	(178,5)
Investment to expand operations	37.5	(317,9)	(184,1)
Proceeds on disposal of property, plant and equipment	37.6	10,6	8,3
Investment in subsidiaries	37.7	(160,0)	-
Disposal of subsidiary	37.8	-	25,7
Other investing activities		(70,6)	(130,9)
Net cash outflow from investing activities			
		(690,8)	(459,5)
Cash flow from financing activities			
Shares issued (net of costs)		-	71,5
(Decrease)/increase in non-current liabilities		(17,2)	487,0
Decrease in current liabilities		(45,2)	(34,2)
Net acquisition of treasury shares	37.9	(226,0)	(18,3)
Net cash (outflow)/inflow from financing activities			
		(288,4)	506,0
Net (decrease)/increase in cash and cash equivalents			
		(166,1)	965,4
Foreign exchange movements taken to statement of changes in equity		(1,5)	6,1
Cash and cash equivalents at the beginning of the year		1 376,3	404,8
Cash and cash equivalents at the end of the year		37.10	1 208,7
		1 208,7	1 376,3

Statement of Changes in Equity

for the year ended 30 June 2007

	Share capital Rm	Share premium Rm	Non-distributable reserves Rm*	Share-based payment reserve Rm*	Retained profit Rm	Equity attributable to equity holders of the parent Rm	Minority interests Rm	Total Rm
Balance as at 30 June 2005	2,0	209,4	96,1	26,0	1 187,8	1 521,3	37,7	1 559,0
Profit for the year	-	-	-	-	828,5	828,5	24,7	853,2
Exchange differences and hyperinflation movements	-	-	9,7	-	0,1	9,8	-	9,8
Transfers from/to retained profit arising as a result of:								
- release of deferred taxation on trademarks	-	-	(5,8)	-	5,8	-	-	-
- share trust loss	-	-	-	-	(91,9)	(91,9)	-	(91,9)
Reduction of deferred taxation asset	-	-	-	-	(33,7)	(33,7)	-	(33,7)
Shares issued (net of costs)	-	71,5	-	-	-	71,5	-	71,5
Changes in minority interests	-	-	-	-	-	-	(0,4)	(0,4)
Distribution to minorities	-	-	-	-	-	-	(11,4)	(11,4)
Dividends declared (note 11)	-	-	-	-	(402,8)	(402,8)	-	(402,8)
Share-based payment expense	-	-	-	17,4	-	17,4	-	17,4
Treasury shares acquired	-	(18,3)	-	-	-	(18,3)	-	(18,3)
Balance as at 30 June 2006	2,0	262,6	100,0	43,4	1 493,8	1 901,8	50,6	1 952,4
Profit for the year	-	-	-	-	1 058,8	1 058,8	15,3	1 074,1
Exchange differences and hyperinflation movements	-	-	0,6	-	-	0,6	-	0,6
Deconsolidation of Makro Zimbabwe	-	-	5,9	-	-	5,9	-	5,9
Fair value adjustment of investment in Makro Zimbabwe	-	-	(13,2)	-	-	(13,2)	-	(13,2)
Cash flow hedges taken directly to equity	-	-	1,2	-	-	1,2	-	1,2
Transfers from/to retained profit arising as a result of:								
- release of deferred taxation on trademarks	-	-	(5,8)	-	5,8	-	-	-
- share trust loss	-	-	-	-	(216,5)	(216,5)	-	(216,5)
Changes in minority interests	-	-	-	-	-	-	(37,3)	(37,3)
Distribution to minorities	-	-	-	-	-	-	(2,8)	(2,8)
Dividends declared (note 11)	-	-	-	-	(565,0)	(565,0)	-	(565,0)
Share-based payment expense	-	-	-	73,3	-	73,3	-	73,3
BEE transaction costs	-	(4,5)	-	-	-	(4,5)	-	(4,5)
Treasury shares acquired	-	(3,4)	-	-	-	(3,4)	-	(3,4)
Balance as at 30 June 2007	2,0	254,7	88,7	116,7	1 776,9	2 239,0	25,8	2 264,8

* These reserves have been combined in the balance sheet as non-distributable reserves.

Notes to the Annual Financial Statements

for the year ended 30 June 2007

1. Accounting policies

Basis of accounting

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments to fair value.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in a manner required by the Companies Act of South Africa. The principal accounting policies adopted are set out below.

These policies have been consistently applied except for Makro Zimbabwe as indicated in note 8 on page 135.

Basis of consolidation

The Group annual financial statements incorporate the annual financial statements of the Company and the entities it controls. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The operating results of the subsidiaries are consolidated from the date on which effective control is transferred to the Group and up to the effective date of disposal.

Separate disclosure is made of minority interests where the Group's investment is less than 100%. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority's interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

All intercompany transactions and balances, income and expenses are eliminated in full on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Segmental information

The Group is organised into four divisions for operational and management purposes. Massmart reports its primary business segment information on this basis and on a secondary basis by significant geographical region based on location of assets.

Comparative figures

When an accounting policy is altered, comparative figures are restated if required by the applicable accounting statement and where material. Details of these restatements have been included in the relevant notes to the annual financial statements.

Interests in associates

An associate is an enterprise over which the Group has significant influence, and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments. The carrying amount reflects the Group's share of net assets of the associate and includes any goodwill on acquisition, less any impairment in the value of individual investments.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited to profit or loss in the period of acquisition.

Where a Group enterprise transacts with an associate of the Massmart Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Goodwill

Goodwill arising on consolidation of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit or loss in the period of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the Annual Financial Statements

for the year ended 30 June 2007

The Group's policy for goodwill arising on the acquisition of an associate is described under "Interests in associates" above.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Property, plant and equipment

Freehold land is shown at cost and is not depreciated. Property, plant and equipment is shown at cost less accumulated depreciation, and reduced by any accumulated impairment losses.

Property cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Where expenditure incurred on property, plant and equipment will lead to future economic benefits accruing to the Group, these costs are capitalised. Repairs and maintenance are expensed as and when incurred.

Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight-line method, on the following bases:

- Buildings 50 years
- Fixtures, fittings, plant, equipment and motor vehicles 4 to 10 years
- Computer hardware 3 to 8 years
- Leasehold improvements Shorter of lease period or useful life

Useful life and residual value is reviewed annually and the prospective depreciation is adjusted accordingly.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Intangible assets

Trademarks are measured initially at purchased cost and are amortised on a straight-line basis over their estimated useful lives.

Amortisation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

- Computer software 3 to 8 years

Useful life is reviewed annually and the prospective depreciation is adjusted accordingly.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of an asset (cash-generating unit) is increased to the revised estimate of its recoverable amount. This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Revenue recognition

Revenue of the Group comprises net sales, royalties, franchise fees, interest received, investment income, finance charges, property rentals, management and administration fees, dividends and excludes value-added tax. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Other revenue is recognised on the accrual basis in accordance with the substance of the relevant agreements and measured at fair value of the consideration receivable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor, net of finance charges, is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (i.e. its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in the currency, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

Transactions in currencies other than the Group reporting currency (South African Rands) are initially recorded at the rates of exchange prevailing on the dates of the transactions. In order to hedge its exposure to certain foreign exchange risks, the Group has a policy of covering forward all its foreign exchange liability transactions of a trading nature (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement and retranslation of monetary items are included in profit and loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit and loss for the period. However, where fair value adjustments of non-monetary items are recognised directly in equity, exchange differences arising on the retranslation of these non-monetary items are also recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations (including comparatives) are translated at exchange rates prevailing on the balance sheet date. Income and expense items are

translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

The financial statements (including comparatives) of foreign subsidiaries and associates that report in the currency of a hyperinflationary economy are restated in terms of the measuring unit current at the balance sheet date before they are translated into South African Rands.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Government grants

Government grants for staff training costs are recognised in profit or loss over the periods necessary to match them with the related costs and are deducted in reporting the related expense. Income is not recognised until there is reasonable assurance that the grants will be received.

Retirement benefit costs

Payments to defined-contribution plans are charged as an expense as they fall due. There are no defined-retirement benefit plans in the Group.

Post-retirement healthcare benefit

Post-retirement healthcare benefits are provided by certain Group companies to qualifying employees and pensioners. The healthcare benefit costs are determined through annual actuarial valuations by independent consulting actuaries using the projected unit credit method. Such gains or losses are recognised over the expected remaining working lives of the participating members. Adjustments are made annually through profit or loss for provisions held for members who have already retired. Actuarial gains and losses are recognised in full in the period in which they occur.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax charge payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In general, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities, which affects neither the tax profit nor the accounting profit at the time of the transaction.

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Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Secondary Taxation on Companies (STC) is payable on net dividends paid and is recognised as a tax charge in profit or loss in the year it is incurred.

Any tax on capital gains is deferred if the proceeds of the sale of the assets are invested in similar assets. The tax will ultimately become payable on sale of the similar asset.

Inventories

Inventories, which consist of merchandise, are valued at the lower of cost and net realisable value. Cost is calculated on the weighted-average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale financial assets', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as 'at fair value through profit or loss'.

Loans and receivables

Trade receivables, loans and other receivables are measured initially at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value. For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money-market instruments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value, net of bank overdrafts.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the express intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investment held for trading or as available for sale, and are subsequently measured at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. Unrealised gains and losses on available-for-sale investments are recognised directly in equity until the disposal or impairment of the relevant investment, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Listed investments are carried at market value, which is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date.

Financial liabilities and equity

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Debt instruments issued, which carry a right to convert to equity that is dependent on the outcome of uncertainties beyond the control of both the Group and the holder, are classified as liabilities except where conversion is certain. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities, other than derivative instruments, are recognised at amortised cost, comprising original debt less principal payments and amortisations.

Financial liabilities include finance lease obligations, interest-bearing bank loans and overdrafts, and trade and other payables. The accounting policy for finance lease obligations is outlined on page 125.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Trade payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The Group uses foreign exchange forward contracts to hedge its exposure to foreign currency fluctuations relating to certain firm trading commitments. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not trade in derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

The effective portion of the changes in fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. If

the hedged firm commitment or forecast transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. Amounts deferred in equity are recognised in profit or loss in the same period in which the hedged firm commitment affects profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify as cash flow hedges are recognised in profit or loss as they arise.

The hedge is de-designated as a cash flow hedge at the Shipped on Board date, and discontinued when the hedging instrument is sold, expired, terminated, exercised, or no longer qualifies for hedge accounting. At the time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction is recognised in profit or loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that the Group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of a Binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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2. Technical review

International Financial Reporting Standards (IFRS)

Massmart adopted International Financial Reporting Standards (IFRS) with effect from 1 July 2005. The Group is exposed to the following suite of standards. The impact of each standard has been indicated in the right-hand column.

Standard	Standard's name	Impact
IFRS 1	First-time Adoption of IFRS	Immaterial financial impact and increased disclosure
IFRS 2	Share-based Payment	Material financial impact and increased disclosure
IFRS 3	Business Combinations	Immaterial financial impact and increased disclosure
IFRS 4	Insurance Contracts	None
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Immaterial financial impact and increased disclosure
IFRS 6	Exploration for and Evaluation of Mineral Resources	None
IFRS 7	Financial Instruments: Disclosures	This standard has not been early adopted
IFRS 8	Operating Segments	This standard has not been early adopted
IAS 1	Presentation of Financial Statements	No financial impact but increased disclosure
IAS 2	Inventories	No financial impact
IAS 7	Cash Flow Statements	No financial impact
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	No financial impact but increased disclosure
IAS 10	Events after Balance Sheet Date	No financial impact but increased disclosure
IAS 11	Construction Contracts	None
IAS 12	Income Taxes	No financial impact
IAS 14	Segment Reporting	No financial impact
IAS 16	Property, Plant and Equipment	Practical application challenging, immaterial financial impact and increased disclosure
IAS 17	Leases	No financial impact
IAS 18	Revenue	No financial impact
IAS 19	Employee Benefits	No financial impact but increased disclosure
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	None
IAS 21	The Effects of Changes in Foreign Exchange Rates	Material financial impact and increased disclosure
IAS 23	Borrowing Costs	None
IAS 24	Related Party Disclosures	No financial impact but increased disclosure
IAS 26	Accounting and Reporting by Retirement Benefit Plans	None
IAS 27	Consolidated and Separate Financial Statements	Financial impact and increased disclosure
IAS 28	Investments in Associates	Immaterial financial impact and increased disclosure
IAS 29	Financial Reporting in Hyperinflationary Economies	Financial impact and increased disclosure
IAS 30	Disclosure in FS of Banks and Similar Financial Institutions	None
IAS 31	Interests in Joint Ventures	None
IAS 32	Financial Instruments: Disclosure and Presentation	No financial impact but increased disclosure
IAS 33	Earnings Per Share	No financial impact but increased disclosure
IAS 34	Interim Financial Reporting	No financial impact but increased disclosure
IAS 36	Impairment of Assets	Immaterial financial impact and increased disclosure
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	No financial impact but increased disclosure
IAS 38	Intangible Assets	Immaterial financial impact and increased disclosure
IAS 39	Financial Instruments: Recognition and Measurement	No financial impact but increased disclosure
IAS 40	Investment Property	None
IAS 41	Agriculture	None
AC 500	Preface to South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice	No financial impact
AC 501	Accounting for "Secondary Tax on Companies (STC)"	No financial impact
AC 502	Substantively Enacted Tax Rates and Tax Laws	No financial impact
AC 503	Accounting for Black Economic Empowerment (BEE) Transactions	No financial impact

IFRS 7 *Financial Instruments: Disclosures*, was issued on 18 August 2005 to replace IAS 32 *Financial Instruments: Disclosure and Presentation* (also replacing IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* for the Banks). The effective date of this standard is for year-ends beginning on or after 1 January 2007. Although early adoption is encouraged, the Group has chosen not to do so. This standard will have no financial impact on the Group, but will require extensive additional disclosure. Examples of additional disclosure include: a sensitivity analysis on profit or loss and equity for changes in relevant risk variables, a liquidity analysis reflecting timing of undiscounted future cash flows for all financial liabilities and increased credit risk disclosures. We have enhanced our disclosure in this report to accommodate some of the standard's additional requirements.

IFRS 8 *Operating Segments*, was issued on 30 November 2006 to replace IAS 14 *Segment Reporting*. The effective date of this standard is for year-ends beginning on or after 1 January 2009. Although early adoption is permitted, the Group has chosen not to do so. The standard requires the Group to adopt the 'management approach' to reporting segment information, effectively using its internal management reporting system to collect the data. While this is a change in approach from IAS 14 *Segment Reporting*, the effect will have no financial impact on the Group. The standard will impact Group disclosure.

The IASB will be issuing a revised suite of standards to be effective for year-ends beginning on or after 1 January 2009. IFRS 8 *Operating Segments* will be adopted as part of that project. We anticipate these new standards will require as much work and planning as the initial IFRS adoption and feel comfortable that we have an adequate experienced team to manage the process.

Interpretations of Statements of Generally Accepted Accounting Practice

The International Financial Reporting Interpretations Committee (IFRIC) is a committee of the International Accounting Standards Board (IASB) that assists the IASB in establishing and improving standards of financial accounting and reporting for the benefit of users, preparers and auditors of financial statements. The role of the IFRIC is to provide timely guidance on newly identified financial reporting issues not specifically addressed in International Financial Reporting Standards (IFRSs) or issues where unsatisfactory or conflicting interpretations have developed, or seem likely to develop. It thus promotes the rigorous and uniform application of IFRSs.

The following IFRICs were issued since the start of the financial year or issued earlier but become effective for the current financial year. Many of these have no impact on the Group, and have been included for completeness. The impact of each IFRIC has been indicated in the right-hand column.

IFRIC	Name	Effective date	Impact on the Group
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Annual periods beginning on or after 1 January 2006	Extensive research was completed to determine if this IFRIC applied to the Group. It was clear that it did not and thus has no impact on the Group.
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Annual periods beginning on or after 1 January 2006	This IFRIC has no impact on the Group.
IFRIC 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	Annual periods beginning on or after 1 December 2005	This IFRIC has no impact on the Group.
IFRIC 7	Applying the Restatement Approach under IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	Annual periods beginning on or after 1 March 2006	This IFRIC has no impact on the Group. It was written for companies reporting in a hyperinflationary economy for the first time.
IFRIC 8	Scope of IFRS 2 <i>Share-based Payment</i>	Annual periods beginning on or after 1 May 2006	This IFRIC was early adopted. It had an impact on the Group and was incorporated into the IFRS restatement in the prior year.
IFRIC 9	Reassessment of Embedded Derivatives	Annual periods beginning on or after 1 June 2006	This IFRIC has no impact on the Group.
IFRIC 10	Interim Financial Reporting and Impairment	Annual periods beginning on or after 1 November 2006	This IFRIC has no impact on the Group.
IFRIC 11	IFRS 2 Group and Treasury Share Transactions	Annual periods beginning on or after 1 March 2007	This IFRIC clarifies elements of IFRS 2 and has no additional impact on the Group above the original IFRS.
IFRIC 12	Service Concession Arrangements	Annual periods beginning on or after 1 January 2008	This IFRIC has no impact on the Group.
IFRIC 13	Customer Loyalty Programmes	Annual periods beginning on or after 1 July 2008	This IFRIC has no impact on the Group.
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods beginning on or after 1 January 2008	This IFRIC has no impact on the Group.

The relevant IFRIC Interpretations have been applied prospectively from the date of issue or other specified effective date.

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An IFRIC becomes inoperative and is withdrawn when an IFRS or other authoritative document issued by the IASB that overrides or confirms a previously issued IFRIC becomes effective.

Circulars

A circular is issued by the JSE or the South African Institute of Chartered Accountants (SAICA) where guidance or clarification is required on an identified financial reporting issue on a South African platform (as opposed to an IFRIC, discussed above, that operates on an international platform). This assistance is required to establish and improve standards of financial accounting and reporting for the benefit of users, preparers and auditors of financial statements. It thus promotes the rigorous and uniform application of the standards.

The following circulars were issued since the start of the financial year. Many of these have had no impact on the Group, and have been included for completeness. The impact of each circular has been indicated in the right-hand column.

Circular	Name	Date issued	Impact on the Group
Circular 11/2006	Guideline on Fees for Audits Done on Behalf of the Auditor-General	July 2006	This circular has no impact on the Group.
Circular 12/2006	Operating Leases	August 2006	This circular replaces Circular 07/2005 and has no additional impact on the Group above the original circular.
Circular 01/2007	Medical Schemes' Summarised Financial Statements	January 2007	This circular has no impact on the Group.
Circular 02/2007	Recognition and Measurement of Short-term Insurance Contracts	January 2007	This circular has no impact on the Group.
Circular 03/2007	Guideline on Fees for Audits Done on Behalf of the Auditor-General	March 2007	This circular has no impact on the Group.
Circular 04/2007	Letter For Auditors to Send to Clients Outlining The Requirements of Section 45 of The Auditing Profession Act – The Duty To Report on Reportable Irregularities	April 2007	This circular has no impact on the Group.
Circular 05/2007	Template Letters for Auditors: Compliance with the Reporting Requirements of Section 45 – Duty To Report on Reportable Irregularities	May 2007	This circular has no impact on the Group.
Circular 07/2007	Implications of The Small Business Tax Amnesty on Accounting, Auditing, Legislation and Ethics	May 2007	This circular has no impact on the Group.
Circular 08/2007	Headline Earnings	July 2007	This circular will have a financial impact on the Group. See below for a detailed explanation.
Circular 09/2007	Statement of Generally Accepted Accounting Practice for Small and Medium-sized Entities (SMEs)	October 2007	This circular has no impact on the Group.

Where a circular impacts the Group, the results of the Group have been adjusted retrospectively, as if the Group had always accounted for the circular correctly.

Circular 08/2007 *Headline Earnings* does not permit early adoption for results published before 1 September 2007. Thus this circular will be accounted for in the 2008 financial year. This circular is far more 'rules based' than its predecessor, Circular 02/2007 *Headline Earnings*, disallowing entities from adjusting for disliked applications of IFRS. However, as the Group applied the original circular in the spirit within which it was written, the new circular will not require a change in accounting for headline earnings or headline earnings per share. Where the new circular does effect the Group is in the prescribed starting point for the calculation of headline earnings. The Group currently uses earnings attributable to the equity holders of the parent as its starting point, and will now be required to use earnings as defined by IAS 33. The difference lies in the Thuthukani dividend, which is adjusted for in headline earnings per share, but not headline earnings. More detail on this adjustment can be found in note 12 on page 138.

Summary

The Group's accounting policies are governed by IFRS and the AC 500 series as issued by the Accounting Practices Board and listed above. Guidance has been obtained from IFRICs and circulars effective on 10 October 2007, also listed above. Due to the nature and volatility of Exposure Drafts (EDs), no review has been provided.

The Group maintains the view that the standards set the minimum requirement for financial reporting. The financial statements in this annual report have been prepared with the aim of exposing the reader to a very detailed view of the numbers, using a simplified approach, in the hope of facilitating a deeper and informed understanding of the business.

	2007 Rm	2006 Rm
3. Discontinued operation		
Furnex, a chain in the Masscash division, was disposed of during the prior financial year. This was done because the rapid rollout of the smaller-store Game format was beginning to compete with Furnex members in regional towns. The effective date of sale was 28 February 2006.		
The profit for the period from the discontinued operation can be analysed as follows:		
Profit from Furnex for the period	–	3,7
Loss on disposal of Furnex	–	(1,8)
	–	1,9
The results of Furnex for the period from 1 July 2005 to 28 February 2006 are as follows:		
Revenue	–	484,4
Sales	–	484,4
Cost of sales	–	(462,4)
Gross profit	–	22,0
Depreciation and amortisation	–	(0,6)
Impairment of assets	–	–
Employment costs	–	(9,1)
Occupancy costs	–	(0,6)
Other operating costs	–	(4,7)
Operating profit	–	7,0
Finance costs	–	(0,6)
Finance income	–	0,1
Net finance costs	–	(0,5)
Net profit before taxation	–	6,5
Taxation	–	(2,8)
Net profit for year from discontinuing operation	–	3,7
The Furnex cash flows for the year were as follows:		
Cash outflow from operating activities	–	(5,8)
Cash inflow from investing activities	–	22,1
Cash flow from financing activities	–	–
The carrying amount of the assets and liabilities of Furnex at the date of disposal are disclosed in note 37.8 on page 170.		

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	Continuing operations Rm	Discontinued operation Rm	Total Rm
4. Total consolidated income statement			
2007			
Revenue	34 964,7	–	34 964,7
Sales	34 807,6	–	34 807,6
Cost of sales	(28 435,7)	–	(28 435,7)
Gross profit	6 371,9	–	6 371,9
Other income	157,1	–	157,1
Depreciation and amortisation	(240,9)	–	(240,9)
Impairment of assets	(26,3)	–	(26,3)
Employment costs	(2 449,8)	–	(2 449,8)
Occupancy costs	(846,0)	–	(846,0)
Other operating costs	(1 292,7)	–	(1 292,7)
Operating profit	1 673,3	–	1 673,3
Finance costs	(100,4)	–	(100,4)
Finance income	56,0	–	56,0
Net finance costs	(44,4)	–	(44,4)
Net profit before taxation	1 628,9	–	1 628,9
Current tax	(499,8)	–	(499,8)
Deferred tax	3,1	–	3,1
Secondary Tax on Companies	(58,1)	–	(58,1)
Taxation	(554,8)	–	(554,8)
Profit for year	1 074,1	–	1 074,1

The above reflects the effect of the Group's continuing and discontinued operations for 2007.

2006			
Revenue	30 080,6	484,4	30 565,0
Sales	29 963,6	484,4	30 448,0
Cost of sales	(24 650,0)	(462,4)	(25 112,4)
Gross profit	5 313,6	22,0	5 335,6
Other income	117,0	–	117,0
Depreciation and amortisation	(202,9)	(0,6)	(203,5)
Impairment of assets	(5,4)	–	(5,4)
Employment costs	(2 079,0)	(9,1)	(2 088,1)
Occupancy costs	(740,5)	(0,6)	(741,1)
Other operating costs	(1 074,7)	(6,5)	(1 081,2)
Operating profit	1 328,1	5,2	1 333,3
Finance costs	(95,9)	(0,6)	(96,5)
Finance income	63,7	0,1	63,8
Net finance costs	(32,2)	(0,5)	(32,7)
Net profit before taxation	1 295,9	4,7	1 300,6
Current tax	(402,4)	–	(402,4)
Deferred tax	2,9	(2,8)	0,1
Secondary Tax on Companies	(45,1)	–	(45,1)
Taxation	(444,6)	(2,8)	(447,4)
Profit for year	851,3	1,9	853,2

The above reflects the effect of the Group's continuing and discontinued operations for 2006.

	2007 Rm	2006 Rm
5. Revenue		
Sales	34 807,6	29 963,6
Change in fair value of financial assets carried at fair value through profit or loss	61,1	38,9
Instalment-sale finance charges	51,6	51,3
Dividends from unlisted investments	67,3	59,5
Less: Interest paid on a related liability	(64,8)	(56,3)
Royalties and franchise fees	25,7	19,8
Management and administration fees	0,4	2,9
Property rentals	1,2	0,9
Other	14,6	–
	34 964,7	30 080,6

The above excludes amounts relating to the discontinued operation. Details can be found in note 3 on page 131.

	Notes	2007 Rm	2006 Rm
6. Impairment of assets			
Tangible assets	13	6,6	–
Goodwill	14	12,2	–
Intangible assets	15	–	5,4
Inventory and consumable goods		7,5	–
		26,3	5,4

The impairment of assets in the current year relates to the write-off of Dion inventory, consumables and plant and equipment arising from the decision to discontinue the original Dion format and the impairment of certain goodwill in Jumbo arising from a minor acquisition in 2001. The impairment of assets in the prior year relates to the write-off of IT software at CBW.

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	2007 Rm	2006 Rm
7. Operating profit		
Credits to operating profit include:		
Foreign exchange profit	113,1	186,4
Profit on disposal of tangible and intangible assets	4,9	2,5
Insurance gain	2,8	–
Net monetary gain on hyperinflation translation (Makro Zimbabwe)	–	22,2
Charges to operating profit include:		
Depreciation and amortisation (owned assets):		
Buildings	4,5	3,6
Fixtures, fittings, plant and equipment	119,6	105,3
Computer hardware	37,2	37,7
Leasehold improvements	18,1	14,3
Motor vehicles	8,2	6,6
Computer software	38,2	21,1
Trademarks	0,2	–
Depreciation and amortisation (leased assets):		
Buildings	2,1	1,9
Fixtures, fittings, plant and equipment	0,9	1,1
Computer equipment	0,3	0,5
Motor vehicles	11,7	10,8
Foreign exchange loss	154,5	153,1
Share-based payment expense	73,3	17,4
Operating lease charges:		
Land and buildings	665,3	587,4
Plant and equipment	24,8	20,6
Computer equipment	9,9	10,8
Motor vehicles	10,1	6,8
Loss on disposal of tangible and intangible assets	5,7	1,4
Fees payable:		
Administrative and outsourcing services	181,8	154,7
Consulting	13,5	17,0
Auditors' remuneration:		
Current year fee	13,7	10,0
Prior year underprovision	0,9	0,3
Tax advice	1,7	1,4
Consulting and business reviews	2,7	1,1
Contract assignments	0,9	–

The above excludes amounts relating to the discontinued operation. Details can be found in note 3 on page 131.

	2007 CPI Index	2006 CPI Index
8. Hyperinflation		
In the prior year the financial statements were drawn up using the current cost approach. The Zimbabwe consumer price index rebased to 100 in 2005 was used to restate changes in the general purchasing power of the local currency.		
Opening balance	158 709	12 354
Movement in the year	11 508 118	146 355
Closing balance	11 666 827	158 709

The Group owns two Makro stores in Zimbabwe.

A parallel rate of R1 to Zim\$56 538 was used to translate the results in the prior year.

The financial impact on net profit attributable to equity holders of the parent was a loss of R1,1 million in the prior year.

In the current year, the decision was taken to deconsolidate the results of Makro Zimbabwe prospectively. This decision was taken in light of the recent developments in the country. The Zimbabwean government has forced retailers to sell goods at a predetermined value that has not been established in conjunction with the Zimbabwean retailers. The definition of control is "the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities". It is Massmart's view that it temporarily no longer "controls" the operations in Makro Zimbabwe, and thus will exclude its results prospectively.

On deconsolidation, the investment in Makro Zimbabwe has been reflected as an "available-for-sale" financial asset. At year-end, the fair value of this asset has been determined to be zero and the adjustment taken to equity as a reserve. Details can be found in note 16 on page 143.

	2007 Rm	2006 Rm
9. Net finance costs		
Finance costs		
Interest on bank overdrafts and loans	88,3	84,6
Interest on obligations under finance leases	12,1	11,9
	100,4	96,5
Finance income		
Income from investments and receivables	56,0	63,8
	56,0	63,8

Details on the loans and finance leases can be found in note 24 on page 153.

The above excludes amounts relating to the discontinued operation. Details can be found in note 3 on page 131.

Notes to the Annual Financial Statements

for the year ended 30 June 2007

	2007 Rm	2006 Rm
10. Taxation		
Current year		
South African normal taxation		
Current taxation	481,4	376,5
Deferred taxation	10,1	(3,5)
Foreign taxation		
Current taxation	19,7	14,0
Deferred taxation	(8,4)	(9,5)
Secondary taxation on companies	57,9	45,1
Taxation effect of participation in export partnerships	0,3	2,1
Total	561,0	424,7
Prior year (over)/under provision:		
South African normal taxation		
Current taxation	(2,4)	8,8
Deferred taxation	(2,6)	(9,4)
Foreign taxation		
Current taxation	0,8	1,0
Deferred taxation (impairment of deferred taxation assets)	(2,2)	19,5
Secondary taxation on companies	0,2	–
	(6,2)	19,9
	554,8	444,6
Two companies in the Group participate in export partnerships. As the companies are liable for the tax effect of the participation, the amount is classified as a taxation charge.		
	%	%
The rate of taxation is reconciled as follows:		
Standard corporate taxation rate	29,0	29,0
Exempt income	(1,2)	(2,2)
Disallowable expenditure	3,1	2,4
Withholding taxation	0,7	–
Prior year under provision (including impairment)	(0,4)	1,5
Secondary taxation on companies	3,6	3,2
Other	(0,7)	0,4
Effective rate	34,1	34,3

The above excludes amounts relating to the discontinued operation. Details can be found in note 3 on page 131.

	2007 Rm	2006 Rm
11. Dividends paid to shareholders		
Final cash dividend No 13 (2006: No 11)	160,1	143,7
Interim cash dividend No 14 (2006: No 12)	396,1	259,1
Thuthukani Preference Share dividend No 1 (2006: n/a)	8,9	–
Total dividend paid	565,1	402,8

No 13 of 80 cents declared on 23 August 2006 and paid on 18 September 2006 (R160,1 million).

No 14 of 197 cents declared on 21 February 2007 and paid on 19 March 2007 (R396,1 million).

No 15 of 123 cents proposed on 22 August 2007 to be declared on 2 October 2007 and paid on 29 October 2007 (R247,3 million).*

No 1 of 49,25 cents declared on 21 February 2007 and paid on 19 March 2007 to the Massmart Thuthukani Empowerment Trust (R8,9 million).

No 2 of 30,75 cents proposed on 22 August 2007 to be declared on 2 October 2007 and paid on 29 October 2007 to the Massmart Thuthukani Empowerment Trust (R5,5 million).*

*This amount is provisional as the shares in issue can only be finalised on the last day to register which is after the date of this annual report.

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for the year ended 30 June 2007

	2007 Rm	2006 Rm	2007 Cents/share	2006 Cents/share
12. Earnings per share				
Attributable and headline earnings per share				
The calculation of attributable and headline earnings per share is based on a weighted average of 200 461 258 (2006: 199 506 551) ordinary shares.				
The calculation is reconciled as follows:				
Profit attributable to the equity holders of the parent	1 058,8	828,5	528,2	415,3
Thuthukani dividend			(4,4)*	–
Adjustments after taxation and minorities:				
(Profit)/loss on disposal of movable assets	0,7	(0,8)	0,3	(0,4)
Impairment of assets	24,1	3,8	12,0	1,9
Loss on disposal of Furnex	6,2	–	3,1	–
CGT on sale of treasury shares	2,4	–	1,2	–
Write-off of costs incurred on failed acquisition	–	3,3	–	1,6
Loss on disposal of discontinued operation	–	1,8	–	0,9
Headline earnings	1 092,2	836,6	540,4	419,3
Thuthukani dividend			4,4*	–
IFRS 2 BEE transaction charge	54,3	–	27,1	–
Headline earnings before the BEE transaction	1 146,5	836,6	571,9	419,3
Diluted attributable and diluted headline earnings per share				
The calculation of diluted attributable and diluted headline earnings per share is based on a weighted average of 204 037 431 (2006: 204 885 706) ordinary shares.				
The calculation is reconciled as follows:				
Profit attributable to the equity holders of the parent	1 058,8	828,5	528,2	415,3
Thuthukani dividend			(4,4)*	–
Adjustment for impact of issuing ordinary shares	–	–	(9,3)	(10,9)
Diluted attributable earnings	1 058,8	828,5	514,5	404,4
Headline earnings	1 092,2	836,6	540,4	419,3
Adjustments for impact of issuing ordinary shares	–	–	(9,5)	(11,0)
Diluted headline earnings	1 092,2	836,6	530,9	408,3
			2007	2006
			No of shares	No of shares
Weighted average shares outstanding				
Weighted average shares outstanding for basic and headline earnings per share			200 461 258	199 506 551
Potentially dilutive ordinary shares resulting from options outstanding			3 576 173	5 379 155
Weighted average shares outstanding for diluted and diluted headline earnings per share			204 037 431	204 885 706

*An interim dividend of 50 cents per share was distributed to all Thuthukani participants. This equates to an effect on earnings per share of 4,4 cents resulting in a basic earnings per share of 523,8 cents per share. In year one, the Thuthukani dividend is equivalent to 25% of the ordinary dividend. Next year, the Thuthukani dividend is equivalent to 50% of the ordinary dividend. Headline earnings per share has been calculated using headline earnings adjusted by 4,4 cents, being the weighted-average effect of the Thuthukani dividend.

The Thuthukani 'A' preference shares are currently anti-dilutive and will not have an effect on diluted and diluted headline earnings per share.

The above excludes amounts relating to the discontinued operation. Details can be found in note 3 on page 131.

	Cost/carrying value Rm	Accumulated depreciation Rm	Net book value Rm
13. Property, plant and equipment			
2007			
Owned assets			
Freehold land and buildings	170,2	16,0	154,2
Fixtures, fittings, plant and equipment	1 229,9	651,4	578,5
Computer hardware	249,2	162,7	86,5
Leasehold improvements	258,9	62,3	196,6
Motor vehicles	47,8	19,7	28,1
	1 956,0	912,1	1 043,9
Capitalised leased assets			
Freehold land and buildings	49,4	5,2	44,2
Fixtures, fittings, plant and equipment	5,5	3,4	2,1
Computer hardware	0,2	0,2	–
Motor vehicles	54,7	21,1	33,6
	109,8	29,9	79,9
Total	2 065,8	942,0	1 123,8
2006			
Owned assets			
Freehold land and buildings	167,7	11,5	156,2
Fixtures, fittings, plant and equipment	1 012,7	570,2	442,5
Computer hardware	204,2	129,6	74,6
Leasehold improvements	211,0	44,7	166,3
Motor vehicles	40,7	17,6	23,1
	1 636,3	773,6	862,7
Capitalised leased assets			
Freehold land and buildings	49,5	3,2	46,3
Fixtures, fittings, plant and equipment	5,0	2,0	3,0
Computer hardware	0,6	0,3	0,3
Motor vehicles	46,7	14,7	32,0
	101,8	20,2	81,6
Total	1 738,1	793,8	944,3

A register of land and buildings as required by the Companies Act of South Africa is available for inspection by members at the registered offices of the companies in the Group.

Certain capitalised leased property, plant and equipment is encumbered as per note 24 on page 153.

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for the year ended 30 June 2007

	Opening net book value Rm	Additions Rm	Additions through acqui- sitions Rm	Disposals Rm	Depre- ciation continuing operations Rm	Depre- ciation discon- tinued operation Rm	Foreign exchange gain/(loss) Rm	Reclassi- fications Rm	Write-offs Rm	Closing net book value Rm
13. Property, plant and equipment <i>continued</i>										
Reconciliation of property, plant and equipment										
2007										
Owned assets										
Freehold land and buildings	156,2	2,7	–	–	(4,5)	–	(0,2)	–	–	154,2
Fixtures, fittings, plant and equipment	442,5	264,3	10,9	(5,9)	(119,6)	–	(7,6)	–	(6,1)	578,5
Computer hardware	74,6	47,3	2,0	(0,3)	(37,2)	–	0,1	–	–	86,5
Leasehold improvements	166,3	46,0	2,0	(0,8)	(18,1)	–	1,7	–	(0,5)	196,6
Motor vehicles	23,1	15,2	0,8	(1,5)	(8,2)	–	(1,3)	–	–	28,1
	862,7	375,5	15,7	(8,5)	(187,6)	–	(7,3)	–	(6,6)	1 043,9
Capitalised leased assets										
Freehold land and buildings	46,3	–	–	–	(2,1)	–	–	–	–	44,2
Fixtures, fittings, plant and equipment	3,0	–	–	–	(0,9)	–	–	–	–	2,1
Computer hardware	0,3	–	–	–	(0,3)	–	–	–	–	–
Motor vehicles	32,0	15,8	–	(2,5)	(11,7)	–	–	–	–	33,6
	81,6	15,8	–	(2,5)	(15,0)	–	–	–	–	79,9
Total	944,3	391,3	15,7	(11,0)	(202,6)	–	(7,3)	–	(6,6)	1 123,8
2006										
Owned assets										
Freehold land and buildings	149,7	11,4	–	(0,3)	(3,6)	–	(1,0)	–	–	156,2
Fixtures, fittings, plant and equipment	343,6	199,2	–	(1,6)	(105,3)	(0,1)	5,4	1,7	(0,4)	442,5
Computer hardware	68,1	35,9	–	–	(37,7)	–	8,2	0,2	(0,1)	74,6
Leasehold improvements	136,2	42,2	–	(2,2)	(14,3)	–	4,4	–	–	166,3
Motor vehicles	17,1	13,4	–	(1,8)	(6,6)	(0,2)	0,2	1,2	(0,2)	23,1
	714,7	302,1	–	(5,9)	(167,5)	(0,3)	17,2	3,1	(0,7)	862,7
Capitalised leased assets										
Freehold land and buildings	48,2	–	–	–	(1,9)	–	–	–	–	46,3
Fixtures, fittings, plant and equipment	5,5	0,3	–	–	(1,1)	–	–	(1,7)	–	3,0
Computer hardware	0,5	0,5	–	–	(0,5)	–	–	(0,2)	–	0,3
Motor vehicles	33,7	11,4	–	(1,3)	(10,8)	–	0,2	(1,2)	–	32,0
	87,9	12,2	–	(1,3)	(14,3)	–	0,2	(3,1)	–	81,6
Total	802,6	314,3	–	(7,2)	(181,8)	(0,3)	17,4	–	(0,7)	944,3

The write-off in the current year relates to the impairment of assets held in the original Dion format that have been discontinued. The write-off in the prior year relates to the CBW Mkuze store which was destroyed by fire.

The Group has reviewed the residual values and useful lives of the assets for reasonability. There were no material adjustments in the current period.

There is no investment property in the Group and all assets are held at historical cost.

Depreciation has been split for continuing and discontinued operations. Details on the discontinued operations can be found in note 3 on page 131.

	2007 Rm	2006 Rm
14. Goodwill		
Reconciliation of goodwill:		
At the beginning of the year	1 196,4	1 149,9
Additions	163,7	46,3
Impairment	(12,2)	–
Exchange differences	(1,1)	0,2
At the end of the year	1 346,8	1 196,4
Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of significant goodwill had been allocated as follows:		
Jumbo Cash & Carry (Pty) Limited and Browns & Weirs Cash & Carry Holdings (Pty) Limited	243,0	248,2
CCW Wholesalers (Pty) Limited	203,4	168,5
Builders Warehouse (a division of Masstores (Pty) Limited)	187,5	187,5
Federated Timbers (Pty) Limited	336,9	336,9
De La Rey 1001 Building Materials (Pty) Limited	223,4	101,9

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

When testing Goodwill for impairment, the recoverable amounts of the CGUs are determined as the lower of value in use and fair value less costs to sell. The key assumptions for the value in use calculations are discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using rates that reflect current market assumptions of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts based on the CGU's June 2007 results for the next five years. A terminal value is calculated based on an estimated growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 14%.

The buyout of the minorities in De La Rey 1001 Building Materials (Pty) Limited makes up the significant portion of additions in the current year.

Jumbo Cash & Carry (Pty) Limited recognised a goodwill impairment of R12,2 million arising from a minor Jumbo acquisition in 2001.

Impairment has been split for continuing and discontinued operations. Details on the discontinued operations can be found in note 3 on page 131.

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	Cost/carrying value Rm	Accumulated amortisation Rm	Net book value Rm
15. Other intangible assets			
2007			
Owned assets			
Computer software	243,4	116,0	127,4
Trademarks	3,0	0,2	2,8
Total	246,4	116,2	130,2
2006			
Owned assets			
Computer software	182,3	82,0	100,3
Trademarks	2,0	–	2,0
Total	184,3	82,0	102,3

	Opening net book value Rm	Additions Rm	Disposals Rm	Amortisation continuing operations Rm	Amortisation discontinued operation Rm	Foreign exchange gain/(loss) Rm	Write-offs Rm	Closing net book value Rm
Reconciliation of other intangible assets								
2007								
Owned assets								
Computer software	100,3	63,6	(0,4)	(38,2)	–	2,1	–	127,4
Trademarks	2,0	1,0	–	(0,2)	–	–	–	2,8
Total	102,3	64,6	(0,4)	(38,4)	–	2,1	–	130,2
2006								
Owned assets								
Computer software	111,5	24,1	–	(21,1)	(0,3)	(8,5)	(5,4)	100,3
Trademarks	–	2,0	–	–	–	–	–	2,0
Total	111,5	26,1	–	(21,1)	(0,3)	(8,5)	(5,4)	102,3

The write-off of assets in the prior year relates to the impairment of IT software at CBW.

Intangible assets are amortised over the estimated useful life of the asset, which, on average, is three years for computer equipment and 10 years for trademarks.

Amortisation has been split for continuing and discontinued operations. Details on the discontinued operations can be found in note 3 on page 131.

	2007 Rm	2006 Rm
16. Investments		
Investment in associate		
Share of post-acquisition profit, net of dividend received	0,5	0,2
Amounts owing to associate	0,2	–
	0,7	0,2
Details of the Group's associate at 30 June 2007 are as follows:		
Name of associate	Clidet No 484 (Pty) Limited	
Place of incorporation and operation	South Africa	
Proportion of ownership interest	33,3%	
Proportion of voting power held	33,3%	
Principal activity	Investment property	
33,3% of the R100 share capital was purchased for R33. The financial reporting date for Clidet No 484 (Pty) Limited is 30 June.		
Summarised financial information in respect of the Group's associates is set out below:		
Total assets	31,6	32,1
Total liabilities	30,1	31,6
Net assets	1,5	0,5
Group's share of associate's net assets	0,7	0,2
Revenue	5,4	4,8
Profit for the year	1,0	0,5
Group's share of associate's profit for the year has been included in 'Other operating costs' in the consolidated income statement.		
	0,3	0,2
Unlisted investments		
Fair value through profit or loss (FVTPL)		
<i>Held for trading</i>		
Bare dominium revaluation	38,9	33,5
Investment in offshore trading structure	168,2	115,9
Total financial assets classified as held for trading	207,1	149,4
<i>Designated as at FVTPL</i>		
Unison distribution receivable	2,3	–
Total financial assets designated as at FVTPL	2,3	–
Total fair value through profit or loss (FVTPL)	209,4	149,4
Loans and receivables		
Trencor export partnership	4,6	4,9
Total loans and receivables	4,6	4,9
Held-to-maturity investments carried at amortised cost		
Preference share investment	485,3	420,5
Offset of related long-term liability	(459,3)	(384,5)
Other investments	0,3	0,3
Total held-to-maturity investments	26,3	36,3

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for the year ended 30 June 2007

	2007 Rm	2006 Rm
16. Investments <i>continued</i>		
Available-for-sale		
Investment in Makro Zimbabwe	–	–
Total available-for-sale	–	–
Total unlisted investments	240,3	190,6
Listed investments		
Other investments	0,2	0,1
	0,2	0,1
Total investments	241,2	190,9
Reconciliation of financial assets carried at fair value through profit or loss (FVTPL)		
Opening balance	149,4	105,0
Fair value adjustments taken to the income statement	61,1	38,9
Foreign exchange adjustment taken to the income statement	(1,1)	5,5
Closing balance	209,4	149,4
The bare dominium revaluation relates to Massmart's share in the Makro properties. The investment is in an offshore trading structure. The Unison distribution receivable is based on insurance premium contributions.		
Reconciliation of loans and receivables		
Opening balance	4,9	7,0
Disposals	–	(0,5)
Investment realised	(0,3)	(1,6)
Closing balance	4,6	4,9
The Tencor export partnership represents our shareholding in export containers.		
Reconciliation of held-to-maturity investments		
Opening balance	36,3	43,3
Amortisation taken to the income statement	(10,0)	(7,0)
Closing balance	26,3	36,3
The preference share investment represents cumulative preference shares in Fullinput 65 (Pty) Limited. A long-term liability of the Group is secured by a cession of the preference shares and legal offset is permitted.		
Reconciliation of available-for-sale investments		
Opening balance	–	–
Deconsolidation of Makro Zimbabwe	13,2	–
Fair value adjustment of investment in Makro Zimbabwe	(13,2)	–
Closing balance	–	–
Makro Zimbabwe was deconsolidated in the current year and the investment has been carried as an available-for-sale financial asset. At year-end, the fair value of this asset has been determined to be zero and the adjustment taken to equity as a reserve.		
The directors value the unlisted investments, net of the offset of the related long-term liability, at R240,3 million (2006: R190,6 million). For IAS 39 <i>Financial Instruments: Recognition and Measurement</i> accounting treatment of these investments, see note 38, "Financial risk management".		

	2007 Rm	2006 Rm
17. Other financial assets		
Housing loans to the directors and Executive Committee members of Massmart Holdings Limited:		
Balance at the beginning of the year	1,9	1,1
Advanced during the year	–	0,8
Repayments	(1,6)	–
Balance at the end of the year	0,3	1,9
Employee share trust loans to the directors and Executive Committee members of Massmart Holdings Limited:		
Balance at the beginning of the year	144,5	71,9
Advanced during the year	32,8	83,8
Repayments	(50,2)	(11,2)
Balance at the end of the year	127,1	144,5
Other employee loans:		
Housing and staff loans	5,2	5,0
Employee share trust loans	1,5	5,0
Finance lease deposit	39,3	34,3
	46,0	44,3
	173,4	190,7

These loans are classified as “Loans and receivables” for IAS 39 *Financial Instruments: Recognition and Measurement* purposes. See note 38, “Financial risk management”, for IAS 39 accounting treatment.

All housing and staff loans, including loans to directors, bear interest at various rates below the prime interest rate. The loans to the employee share trust participants, including executive directors, attract interest of zero percent and are secured by the underlying shares. The finance lease deposit accrues interest at 13,6%.

Detailed housing and employee share trust loans to the directors and Executive Committee members of Massmart Holdings Limited:

	Lamberti, MJ Rm	Pattison, GM Rm	Hayward, GRC Rm	Other Executive Committee Rm
2007				
Balance at the beginning of the year	31,5	45,3	20,0	49,6
Advanced during the year	0,8	6,9	0,7	24,4
Repayments	(32,3)	(3,7)	(3,3)	(12,5)
Balance at the end of the year	–	48,5	17,4	61,5
2006				
Balance at the beginning of the year	37,4	5,1	12,1	18,4
Advanced during the year	1,1	41,1	8,7	33,7
Repayments	(7,0)	(0,9)	(0,8)	(2,5)
Balance at the end of the year	31,5	45,3	20,0	49,6

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	2007 Rm	2006 Rm
18. Deferred taxation		
The movements during the year are analysed as follows:		
Net asset at the beginning of the year	312,3	330,4
Charge to profit or loss for the year	3,1	0,2
(Credit)/debit to equity	1,9	(16,7)
Disposal of subsidiary	–	(1,6)
Net asset at the end of the year	317,3	312,3
Deferred taxation balances are presented in the balance sheet as follows:		
Deferred taxation assets	432,8	409,5
Deferred taxation liabilities	(115,5)	(97,2)
	317,3	312,3

	Opening balance Rm	Charged to income Rm	Charged to equity Rm	Acquisitions/ disposals Rm	Exchange differences Rm	Changes in tax rate Rm	Closing balance Rm
2007							
Temporary differences							
Trademarks	18,1	(8,9)	–	–	–	–	9,2
Assessed loss unutilised	47,8	(3,3)	–	–	0,9	–	45,4
Export partnerships	(5,4)	0,3	–	–	–	–	(5,1)
Debtors provisions	21,6	(3,4)	–	–	–	(0,2)	18,0
Prepayments	(75,3)	(11,8)	–	–	–	–	(87,1)
Creditors provisions	52,2	7,6	–	–	–	–	59,8
Property, plant and equipment	(20,4)	(4,6)	2,2	–	–	–	(22,8)
Finance leases	15,3	(0,7)	–	–	–	–	14,6
Long-term provisions	12,6	1,3	–	–	–	–	13,9
Income not accrued	(0,2)	(0,2)	0,2	–	–	–	(0,2)
Deferred income	45,5	10,5	–	–	–	–	56,0
Operating lease adjustment	214,0	10,3	–	–	(0,4)	(0,1)	223,8
Other temporary differences	(13,5)	5,7	(0,5)	–	0,1	–	(8,2)
Total	312,3	2,8	1,9	–	0,6	(0,3)	317,3
2006							
Temporary differences							
Trademarks	45,6	(10,8)	(16,7)	–	–	–	18,1
Assessed loss unutilised	59,7	(13,3)	(0,6)	–	2,0	–	47,8
Export partnerships	(5,8)	0,4	–	–	–	–	(5,4)
Debtors provisions	17,0	5,2	(0,6)	–	–	–	21,6
Prepayments	(57,6)	(17,7)	–	–	–	–	(75,3)
Creditors provisions	48,6	9,2	(5,4)	–	(0,2)	–	52,2
Property, plant and equipment	(23,3)	3,1	–	–	(0,2)	–	(20,4)
Finance leases	15,4	(0,1)	–	–	–	–	15,3
Long-term provisions	9,9	2,7	–	–	–	–	12,6
Income not accrued	(2,7)	2,5	–	–	–	–	(0,2)
Deferred income	31,2	9,4	5,0	(0,1)	–	–	45,5
Operating lease adjustment	200,2	12,9	–	–	0,9	–	214,0
Other temporary differences	(7,8)	(5,8)	1,6	(1,5)	–	–	(13,5)
Total	330,4	(2,3)	(16,7)	(1,6)	2,5	–	312,3

	2007 Rm	2006 Rm
19. Inventories		
Food		
Inventory at cost	1 094,2	889,2
Provisions	(54,6)	(32,3)
	1 039,6	856,9
Liquor		
Inventory at cost	176,0	126,9
Provisions	(4,9)	(3,7)
	171,1	123,2
General merchandise		
Inventory at cost	3 122,1	2 471,9
Provisions	(305,5)	(231,0)
	2 816,6	2 240,9
Total inventory net of provisions	4 027,3	3 221,0
Inventories are carried at the lower of cost or net realisable value.		
Carrying amount of inventories carried at net realisable value	13,6	31,5
Inventory write down recognised as an expense	38,5	32,2
Inventory is fully funded by trade payables. Details of trade payables can be found in note 26 on page 157.		

Notes to the Annual Financial Statements

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	2007 Rm	2006 Rm
20. Trade receivables and prepayments		
Trade receivables	1 073,2	941,1
Allowance for doubtful debts	(92,4)	(80,3)
	980,8	860,8
Net consumer accounts receivable	283,4	264,5
Prepayments	27,8	51,8
Other accounts receivable	584,5	592,9
	1 876,5	1 770,0
Movement in allowance for doubtful debts		
Balance at the beginning of the year	80,3	51,7
Increase in allowance recognised in profit or loss	12,1	28,6
Balance at the end of the year	92,4	80,3

Trade receivables are classified as "Loans and receivables" for IAS 39 *Financial Instruments: Recognition and Measurement* purposes. See note 38, "Financial risk management" for IAS 39 accounting treatment.

No interest is charged on the trade receivables for the first 30 days from the date of the invoice. Thereafter, differing structures exist between the chains with interest being charged between prime and 25% per annum on the outstanding balance. Trade receivables between 30 days and 180 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. It is the Group's policy to provide fully for all receivables that are past due because historical experience is such that these receivables are generally not recoverable.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed quarterly to once a year. There is no customer who represents more than 5% of the total balance of trade receivables.

Included in the Group's trade receivables balance are debtors with a carrying amount of R4,0 million which are past due at the reporting date for which the Group has not provided. The Group considers the amounts recoverable and currently holds security over these debtors. The average age of these receivables is 90 days.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are specific trade receivables with a balance of R1,1 million which have been placed under liquidation. This represents the difference between the carrying amount of the specific trade receivable and the present value of the expected liquidation proceeds.

	Share capital		Share premium	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
21. 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	–	–	–	–
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
* The number of shares is before treasury shares.				
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)	–	–
Treasury shares		(17 967 866)	(0,2)	–
Balance at the end of the year		–	–	–
"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 <i>pari passu</i> with all ordinary shares then in issue.				

Notes to the Annual Financial Statements

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	Number of shares	Share capital Rm	Share premium Rm
21. 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	–	–
Treasury shares	(2 000 000)	–	–
Balance at the end of the year	–	–	–

"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 plan 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.

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
22. Non-distributable reserves		
Foreign currency translation reserve	15,6	9,1
Hedging reserve	1,2	–
Share-based payment reserve	116,7	43,4
Capital redemption reserve fund	0,2	0,2
Deferred taxation on trademarks	6,4	12,2
Amortisation of trademarks	77,7	77,7
Fair value adjustment of available-for-sale financial asset	(13,2)	–
Change in minority interests	0,8	0,8
	205,4	143,4
Reconciliation of the foreign currency translation reserve		
Opening balance	9,1	(0,5)
Translation on consolidation	0,6	10,5
Deconsolidation of Makro Zimbabwe	5,9	–
Hyperinflation adjustment	–	(0,9)
Closing balance	15,6	9,1

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Rands are brought to account by entries made directly to the foreign currency translation reserve.

	2007 Rm	2006 Rm
22. Non-distributable reserves <i>continued</i>		
Reconciliation of the hedging reserve		
Opening balance	–	–
Gain recognised on cash flow hedges	1,2	–
Closing balance	1,2	–
The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The hedge is released from equity at the same time the forecast transaction is recognised in profit or loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.		
Reconciliation of the share-based payment reserve		
Opening balance	43,4	26,0
Share-based payment expense on the Massmart Holdings Limited Employee Share Trust	19,0	17,4
Share-based payment expense on the Massmart Thuthukani Empowerment Trust	52,2	–
Share-based payment expense on the Massmart Black Scarce Skills Trust	2,1	–
Closing balance	116,7	43,4

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

MASSMART SHARE SCHEMES

MASSMART HOLDINGS LIMITED EMPLOYEE SHARE TRUST

Details of the share options outstanding during the year are as follows:

	2007 Number of share options	2007 Weighted average exercise price Rand	2006 Number of share options	2006 Weighted average exercise price Rand
Outstanding at the beginning of the year	12 206 168	26,79	13 621 884	22,12
Granted during the year	3 742 348	82,97	1 285 337	53,86
Forfeited during the year	(1 468 158)	43,29	(484 210)	27,23
Exercised during the year	(4 241 356)	17,29	(2 216 843)	13,68
Expired during the year	–	–	–	–
Outstanding at the end of the year	10 239 002	48,86	12 206 168	26,79
Exercisable at the end of the year	3 021 376		4 009 839	

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2007

2006

22. Non-distributable reserves *continued*

MASSMART HOLDINGS LIMITED EMPLOYEE SHARE TRUST *continued*

The weighted average share price at the date of exercise for share options exercised during the year was R74,11. The options outstanding at the end of the year have a weighted average remaining contractual life of 4,1 years (2006: 4,2 years). In 2007, options were granted on 25 August 2006, 1 October 2006, 15 November 2006, 23 February 2007, 2 April 2007 and 24 May 2007. The estimated fair values of the options granted on those dates are R16,22, R17,20, R18,30, R28,99, R24,55 and R27,47 respectively. In 2006, options were granted on 1 October 2005, 1 November 2005, 30 November 2005, 1 April 2006 and 23 May 2006. The estimated fair values of the options granted on those dates are R16,01, R15,46, R13,91, R16,19 and R14,82 respectively. These fair values were calculated using the binomial model. The inputs into the model were as follows:

Weighted average share price (Rand)	86,40	63,30
Expected volatility	29,7% – 31,3%	29,4% – 32,6%
Expected life	3 – 5 years	3 – 5 years
Risk-free rate	7,4% – 8,5%	7,1% – 7,8%
Expected dividend yield	3,6% – 3,9%	3,8% – 3,9%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the number of previous years corresponding with the option lifetime. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

MASSMART THUTHUKANI EMPOWERMENT TRUST

The weighted average share price at the date of exercise for share options exercised during the year was R80,98. The options outstanding at the end of the year have a weighted average remaining contractual life of 5,0 years. In 2007, options were granted on 2 October 2006. The estimated fair values of the options granted on that date is R24,75.

These fair values were calculated using the binomial model. The inputs into the model were as follows:

Weighted average share price (Rand)	56,91	n/a
Expected volatility	30,1% – 32,3%	n/a
Expected life	5,0	n/a
Risk-free rate	8,3% – 8,4%	n/a
Expected dividend yield	3,7%	n/a

Expected volatility was determined by calculating the historical volatility of the Company's share price over the number of previous years corresponding with the option lifetime. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

MASSMART BLACK SCARCE SKILLS TRUST

No options were exercised during the year. The options outstanding at the end of the year have a weighted average remaining contractual life of 4,1 years. In 2007, options were granted on 1 October 2006 and 2 April 2007. The estimated fair values of the options granted on those dates are R17,20 and R24,55 respectively.

These fair values were calculated using the binomial model. The inputs into the model were as follows:

Weighted average share price (Rand)	58,26	n/a
Expected volatility	30,1% – 31,3%	n/a
Expected life	4,1	n/a
Risk-free rate	7,7% – 8,5%	n/a
Expected dividend yield	3,7% – 3,9%	n/a

Expected volatility was determined by calculating the historical volatility of the Company's share price over the number of previous years corresponding with the option lifetime. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

	2007 Rm	2006 Rm
23. Minority interest		
At the beginning of the year	50,6	37,7
Changes in minority interests	(37,3)	(0,4)
Income attributable to minorities	15,3	24,7
Distribution to minorities	(2,8)	(11,4)
At the end of the year	25,8	50,6

During the year, Massmart Holdings Limited purchased the remaining 49% shareholding in De La Rey 1001 Building Materials (Pty) Limited. The minority interest at year-end relates to the minority shareholders in Masscash Holdings (Pty) Limited.

	2007 Rm	2006 Rm
24. Non-current liabilities		
Interest-bearing		
Unsecured		
Minority shareholders' loans	–	10,7
Less: Included in current liabilities	–	(10,7)
Medium-term payable	3,4	3,3
Less: Included in current liabilities	(3,4)	(3,3)
Secured		
Medium-term bank loans	429,7	578,9
Less: Included in current liabilities	(116,2)	(149,2)
Foreign bank loan	54,9	57,2
Less: Related cash deposit	(54,9)	(57,2)
	313,5	429,7
Capitalised finance leases	101,2	101,8
Less: Included in current liabilities	(12,0)	(11,8)
	89,2	90,0
Total interest-bearing liabilities	402,7	519,7
Interest-free		
Unsecured		
Minority shareholders' loans	1,9	2,2
Less: Included in current liabilities	–	–
Income received in advance	140,8	–
Less: Included in trade and other payables	(47,6)	–
Operating lease liability	475,0	498,9
Less: Included in trade and other payables	(13,2)	(26,4)
Total non-interest-bearing liabilities	556,9	474,7
Total non-current liabilities	959,6	994,4

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24. Non-current liabilities *continued*

Included in current borrowings is a medium-term payable of R3,4 million (2006: R3,3 million), which is an amount owing to the Massmart Education Foundation relating to cash held on its behalf.

Two medium-term bank loans, raised in 2001, were repayable in 10 equal instalments over five years (last payment was during the 2007 financial year). One loan bore interest at a fixed rate of 9,2% and the other interest at a floating rate linked to the ninety-day JIBAR. The loans were secured by intragroup cross suretyships.

A further two medium-term bank loans, raised in the prior year to fund the Massbuild acquisitions, are repayable in nine equal instalments over five years. The loans bear interest at a fixed rate of 8,8% and 8,7% respectively. The loans are secured by intragroup cross suretyships.

The foreign bank loan relates to a US Dollar denominated loan in one of Massdiscounter's foreign operations which has a legal right of offset with a US Dollar denominated cash deposit. The interest rate is 0,5% below the US Dollar prime overdraft rate.

Capitalised finance leases include vehicle, fixtures, fittings, plant and computer equipment and property leases, repayable in monthly instalments varying from one to five years at varying interest rates, some linked to the prime overdraft rate and one fixed at 13,8%.

The capitalised finance leases are secured by moveable assets with a book value of R35,7 million (2006: R35,3 million) and the property lease by the value of the underlying land amounting to R44,2 million (2006: R46,3 million).

The income received in advance is for extended warranties which are sold within the Group and which will be released over the next two to four years.

The operating lease liability relates to the lease-smoothing adjustment required by IAS 17 *Leases*.

The maturity profile of amounts payable under medium-term bank loans, short-term payables, minority shareholder loans and the finance leases is as follows (excludes operating lease liability and income received in advance):

2007	Repayable within 1 year* Rm	Repayable in 2 – 5 years Rm	Repayable after 5 years Rm	Total Rm
Medium-term bank loans				
Amount owing	150,3	354,2	–	504,5
Less: Future finance charges	(34,1)	(40,7)	–	(74,8)
Present value of obligations	116,2	313,5	–	429,7
Medium-term payable				
Amount owing	3,4	–	–	3,4
Less: Future finance charges	–	–	–	–
Present value of obligations	3,4	–	–	3,4
Minority shareholders' loans				
Amount owing	–	1,1	0,8	1,9
Less: Future finance charges	–	–	–	–
Present value of obligations	–	1,1	0,8	1,9
Capitalised finance leases				
Amount owing	23,8	68,9	61,1	153,8
Less: Future finance charges	(11,8)	(26,0)	(14,8)	(52,6)
Present value of obligations	12,0	42,9	46,3	101,2
Total	131,6	357,5	47,1	536,2

* Included in current borrowings and accounts payable on the balance sheet.

	Repayable within 1 year* Rm	Repayable in 2 – 5 years Rm	Repayable after 5 years Rm	Total Rm
24. Non-current liabilities <i>continued</i>				
2006				
Medium-term bank loans				
Amount owing	189,7	489,5	–	679,2
Less: Future finance charges	(40,5)	(59,8)	–	(100,3)
Present value of obligations	149,2	429,7	–	578,9
Medium-term payable				
Amount owing	3,3	–	–	3,3
Less: Future finance charges	–	–	–	–
Present value of obligations	3,3	–	–	3,3
Minority shareholders' loans				
Amount owing	10,7	1,4	0,8	12,9
Less: Future finance charges	–	–	–	–
Present value of obligations	10,7	1,4	0,8	12,9
Capitalised finance leases				
Amount owing	23,2	64,5	74,5	162,2
Less: Future finance charges	(11,4)	(27,2)	(21,8)	(60,4)
Present value of obligations	11,8	37,3	52,7	101,8
Total	175,0	468,4	53,5	696,9

* Included in current borrowings on the balance sheet.

For IAS 39 *Financial Instruments: Recognition and Measurement* accounting treatment, see note 38, "Financial risk management".

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	2007 Rm	2006 Rm
25. Non-current provisions		
Onerous lease provision	2,8	4,2
Less: Payable within one year included in current provisions	(0,7)	(1,0)
Provision for post-retirement medical aid contributions and other medical aid provisions	45,0	39,0
Less: Payable within one year included in current provisions	–	–
	47,1	42,2

	Repayable within 1 year* Rm	Repayable in 2 – 5 years Rm	Repayable after 5 years Rm	Total Rm
2007	0,7	2,1	45,0	47,8
2006	1,0	3,2	39,0	43,2

* Included in current provisions in note 24.

Certain Group companies provide post-retirement healthcare benefits to their retirees. This fund is accounted for as a defined-benefit plan and measured using the projected unit credit method. The liability is unfunded. The main assumption used in calculating the costs and the provision is an "interest rate – medical inflation rate" gap of 1,5% (2006: 1,5%).

	2007 Rm	2006 Rm
The net expense recognised in the income statement is:		
Current service cost	1,8	1,6
Interest cost	3,3	2,4
Benefits paid against balance sheet held liability	(1,0)	(1,8)
Net actuarial loss recognised in the year	1,9	7,0
Net expense recognised as part of employment costs	6,0	9,2
Movements in the post-retirement medical aid liability:		
Opening defined-benefit obligation	39,0	29,8
Expense as above	6,0	9,2
Closing defined-benefit obligation	45,0	39,0

The last valuation of the liability for the post-retirement medical aid contributions was performed as at June 2007 by Alexander Forbes, Fellow of the Institute of Actuaries (2006: Alexander Forbes). The current year costs have been assessed in accordance with the advice of independent actuaries.

The net actuarial loss in the current year arose as a result of a combination of the following factors:

- A higher than expected decrease in the number of in-service members resulted in a net gain of R4,5 million.
- A loss of R6,8 million arose as a result of the use of updated mortality tables.
- Lower than expected inflation of medical scheme contributions resulted in a gain of R0,3 million.
- Previously, the date of joining the medical scheme was used as an approximation for in-service members' date of employment. Using the actual dates of employment for in-service members we could match to previous valuations resulted in a gain of R1,0 million. Other miscellaneous items, including a change in death-in-service subsidy, resulted in a net loss of R1,0 million.

Other than the changes listed above, the remaining assumptions are consistent with the assumptions applied in the prior year.

	2007 Rm	2006 Rm
26. Trade and other payables		
Trade payables	5 285,8	4 604,7
Operating lease liability	13,2	26,4
Sundry payables and other accruals	1 456,7	1 244,6
	6 755,7	5 875,7

Trade and other payables are classified as "Loans and receivables" for IAS 39 *Financial Instruments: Recognition and Measurement* purposes. See note 38, "Financial risk management" for IAS 39 accounting treatment.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Settlement discounts received range from 0,25% to 10%.

	2007 Rm	2006 Rm
27. Provisions		
Restructuring costs raised on acquisition	1,8	4,3
Onerous lease provision	0,7	1,0
Other	1,4	–
	3,9	5,3

Provisions raised against specific assets, for example inventories and trade receivables, are offset against those assets.

	Opening balance Rm	Amounts provided Rm	Amounts utilised Rm	Unused amounts reversed Rm	Closing balance Rm
Reconciliation of provisions					
2007					
Restructuring costs raised on acquisition	4,3	–		(2,5)	1,8
Onerous lease provision	1,0	0,7	(1,0)	–	0,7
Other	–	1,4	–	–	1,4
	5,3	2,1	(1,0)	(2,5)	3,9
2006					
Restructuring costs raised on acquisition	5,7	–	(1,4)	–	4,3
Onerous lease provision	0,8	1,0	(0,8)	–	1,0
	6,5	1,0	(2,2)	–	5,3

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	2007 000s	2006 000s
28. Employee Share Incentive Schemes		
MASSMART HOLDINGS LIMITED EMPLOYEE SHARE TRUST		
Total shares and options available to the scheme	39 500	39 500
Total shares and options available to the scheme	39 500	39 500
Shares and options allocated to participants who are still employees	(37 514)	(33 618)
Shares which have been paid for and transferred which are more than 10 years old	1 395	1 260
Remaining capacity for issue in terms of the JSE practice	3 381	7 142
Opening balance of shares and options	19 077	22 131
New shares and options offered to employees and executive directors	4 121	2 325
Shares sold by employees and directors	(8 189)	(4 887)
Shares repurchased from/forfeited by employees and options lapsed/forfeited	(1 614)	(492)
Closing balance of shares and options	13 395	19 077

The closing balance includes 3 155 538 (2006: 6 871 370) shares and 10 239 002 (2006: 12 206 168) options. Shares and options previously issued to employees who then subsequently left the Group are excluded from the figures above. This has the effect of enabling these shares and options to be re-issued in terms of the scheme.

Options may be exercised at any time, but shares arising out of options may only be sold when they have vested with the participant.

Vesting occurs over a five-year period as follows:

- 25% two years after the offer date;
- 50% three years after the offer date;
- 75% four years after the offer date; and
- 100% five years after the offer date.

In terms of the scheme rules, all share loans on offers made prior to 22 May 2002 must be repaid or options exercised no later than 10 years from the offer date. For subsequent offers, share loans must be repaid or options exercised no later than six years from the offer date.

28. Employee Share Incentive Schemes *continued*

The following options granted to employees and directors in terms of the Massmart Employee Share Incentive Scheme have not yet been exercised:

Offer date	Expiry date	Exercise price (R)	No of options at June 2006	No of options forfeited and expired	No of options exercised	New options granted	No of options at June 2007
22 September 1999	21 September 2009	12,37	718 289	–	584 018	–	134 271
10 March 2000	9 March 2010	14,61	299 000	–	250 250	–	48 750
13 November 2000	12 November 2010	12,25	382 500	–	75 000	–	307 500
27 August 2001	26 August 2011	10,95	2 154 258	–	1 342 250	–	812 008
16 January 2002	15 January 2012	12,03	162 500	12 500	100 000	–	50 000
22 May 2002	21 May 2008	13,88	705 760	9 225	343 693	–	352 842
31 October 2002	30 October 2008	15,23	20 569	10 285	10 284	–	–
15 November 2002	14 November 2008	17,30	25 662	–	12 831	–	12 831
19 November 2002	18 November 2008	17,43	50 000	–	–	–	50 000
1 January 2003	31 December 2008	18,30	18 350	–	9 174	–	9 176
1 February 2003	31 January 2009	18,90	117 987	–	88 488	–	29 499
1 April 2003	31 March 2009	17,82	342 723	104 554	214 104	–	24 065
1 May 2003	30 April 2009	18,06	64 213	31 728	9 302	–	23 183
27 May 2003	26 May 2009	18,98	769 007	23 023	239 074	–	506 910
31 May 2003	30 May 2009	19,14	342 883	17 236	133 760	–	191 887
1 September 2003	31 August 2009	24,59	118 272	–	15 090	–	103 182
1 November 2003	31 October 2009	28,20	60 000	–	15 000	–	45 000
26 February 2004	25 February 2010	27,63	156 245	–	63 964	–	92 281
1 March 2004	28 February 2010	27,90	9 904	–	2 476	–	7 428
1 April 2004	31 March 2010	30,22	25 996	–	5 952	–	20 044
15 April 2004	14 April 2010	32,55	19 454	–	–	–	19 454
26 May 2004	25 May 2010	29,87	831 045	56 118	166 647	–	608 280
31 May 2004	30 May 2010	30,20	705 561	5 651	272 330	–	427 580
1 September 2004	31 August 2010	35,31	829 579	22 500	105 500	–	701 579
25 February 2005	24 February 2011	45,24	58 351	12 000	6 786	–	39 565
1 April 2005	31 March 2011	41,91	1 104 077	600 000	101 019	–	403 058
1 May 2005	30 April 2011	43,42	43 172	–	6 779	–	36 393
27 May 2005	26 May 2011	42,97	638 403	47 388	52 929	–	538 086
31 May 2005	30 May 2011	42,88	147 071	5 287	2 156	–	139 628
1 October 2005	30 September 2011	52,48	8 642	–	–	–	8 642
1 November 2005	31 October 2011	51,91	68 248	–	–	–	68 248
30 November 2005	29 November 2011	51,19	280 939	64 636	12 500	–	203 803
1 April 2006	31 March 2012	58,74	139 967	5 638	–	–	134 329
23 May 2006	22 May 2012	54,13	787 541	240 389	–	–	547 152
25 August 2006	24 August 2012	51,93	–	–	–	267 946	267 946
1 October 2006	30 September 2012	56,42	–	–	–	104 367	104 367
15 November 2006	14 November 2012	62,04	–	200 000	–	428 028	228 028
23 February 2007	22 February 2013	67,79	–	–	–	453 353	453 353
2 April 2007	1 April 2013	82,67	–	–	–	39 398	39 398
24 May 2007	23 May 2013	94,25	–	–	–	2 449 256	2 449 256
			12 206 168	1 468 158	4 241 356	3 742 348	10 239 002

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	2007 000s	2006 000s
28. Employee Share Incentive Schemes <i>continued</i>		
MASSMART THUTHUKANI EMPOWERMENT TRUST		
Total shares and options available to the scheme	18 000	–
Opening balance of shares and options	–	–
New shares and options offered to eligible employees	18 124	–
Shares sold by employees and directors	(111)	–
Shares repurchased from/forfeited by employees and options lapsed/forfeited	(782)	–
Closing balance of shares and options	17 231	–

Vesting occurs over a six-year period as follows:

- 33,3% four years after the offer date;
- 33,3% five years after the offer date; and
- 33,4% six years after the offer date.

The following options granted to eligible employees in terms of the Massmart Thuthukani Empowerment Trust have not yet been exercised:

Offer date	Expiry date	Exercise price (R)	No of options at June 2006	No of options forfeited and expired	No of options exercised	New options granted	No of options at June 2007
1 October 2006	2 October 2012	49,98	–	782 440	111 225	18 124 590	17 230 925
			–	782 440	111 225	18 124 590	17 230 925

	2007 000s	2006 000s
MASSMART BLACK SCARCE SKILLS TRUST		
Total shares and options available to the scheme	2 000	–
Opening balance of shares and options	–	–
New shares and options offered to employees	687	–
Shares sold by employees	–	–
Shares repurchased from/forfeited by employees and options lapsed/forfeited	(61)	–
Closing balance of shares and options	626	–

Vesting occurs over a five-year period as follows:

- 25% two years after the offer date;
- 50% three years after the offer date;
- 75% four years after the offer date; and
- 100% five years after the offer date.

The following options granted to eligible employees in terms of the Massmart Black Scarce Skills Trust have not yet been exercised:

Offer date	Expiry date	Exercise price (R)	No of options at June 2006	No of options forfeited and expired	No of options exercised	New options granted	No of options at June 2007
1 October 2006	2 October 2011	56,42	–	60 947	–	661 471	600 524
2 April 2007	3 April 2012	82,67	–	–	–	25 464	25 464
			–	60 947	–	686 935	625 988

29. Retirement benefit information

All full-time permanent Massmart staff are members of either the Massmart Pension Fund, the Massmart Provident Fund or the SACCAWU National Provident Fund. These funds are defined-contribution funds and are subject to the Pension Funds Act, 1956. Following the recent acquisitions, many of their staff are still members of the retirement funds of the previous business owners. Projects are under way to transfer these employees to one of the above funds in future.

The Massmart Pension Fund and the Massmart Provident Fund are required to submit a statutory actuarial valuation to the Financial Services Board every three years. The funds' valuator certified that the funds were financially sound at 28 February 2006 and that the assets were suitable in nature, in terms of the liabilities as at valuation date. The funds' actuary performs an annual actuarial review of the funds. The last one performed at February 2007, based on the draft audited financial statements, also confirmed the funds being in a sound financial condition.

Contributions received by the funds for the year ended 30 June 2007 amounted to R187 million (2006: R166 million). The Group's contribution of R112 million (2006: R100 million) was included in the income statement for the year as part of the employee costs.

	2007 Rm	2006 Rm
30. Commitments		
Commitments in respect of capital expenditure approved by directors:		
Contracted for	101,0	183,0
Not contracted for	327,7	143,0
	428,7	326,0

Commitments contracted for include one Makro and three new Game stores to be opened. Two Dion stores are to be converted to Game stores, and one Game store is to be refurbished.

Commitments not contracted for include two Game and three new Builders Warehouse stores as well as a Massdiscounters distribution centre to be opened. Two Dion stores are to be converted to Game stores and six Game and three Builders Warehouse stores are to be refurbished. These commitments also include a new in-store software system in CBW.

Massmart has the right of first refusal on the sale of any shares by the minority shareholders in various CBW stores. Historically Massmart has exercised this right. The amount to be paid in future, should Massmart exercise its right, totals R73,5 million (2006: R42,2 million). Capital commitments will be funded utilising current facilities.

	2007 Rm	2006 Rm
31. Operating lease commitments		
Land and buildings		
Year 1	667,5	608,8
Years 2 to 5	2 728,6	2 592,9
Subsequent to year 5	2 625,6	2 679,4
	6 021,7	5 881,1
Plant and equipment		
Year 1	19,2	7,4
Years 2 to 5	31,8	24,2
Subsequent to year 5	2,0	2,5
	53,0	34,1
Other		
Year 1	3,6	16,3
Years 2 to 5	4,2	16,9
Subsequent to year 5	–	28,8
	7,8	62,0

Promissory notes that represent commitments under non-cancellable operating leases of R1 059,9 million (2006: R1 172,5 million) entered into by Masstores (Pty) Limited on behalf of Makro are included in operating lease commitments in land and buildings. These leases terminate in December 2020 and have a discounted present value of R678,9 million (2006: R702,8 million). In accordance with IAS 17 *Leases*, the rentals paid are amortised over the entire remaining lease period on a straight-line basis.

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	2007 Rm	2006 Rm
32. Contingent liabilities	-	-

There are no legal or arbitration proceedings, of which the Group is aware, which would have a material effect on the Group's financial position.

	2007 Rm	2006 Rm
33. Related-party transactions		
Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.		
Compensation of key management personnel		
The remuneration of directors and other key management (defined as the Massmart Executive Committee) during the year was as follows:		
Short-term benefits	66,2	56,5
Post-employment benefits	1,6	1,5
Other long-term benefits	8,1	6,0
Gains on exercise of share options	91,5	16,3
	167,4	80,3

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends. There was an equal number of members in the Executive Committee in 2006 and 2007.

Other related-party transactions

Certain properties used by Builders Express (formerly Servistar) are leased from 152 Alexandra Road Properties (Pty) Limited owned by John Keil. John Keil was previously a director and the former owner of Servistar.

Certain properties used by CBW are leased from CCW Property Holdings in which Robin Wright has an 8,54% shareholding. Robin Wright is a director and a former owner of CBW.

From time to time, in the normal course of business, Massmart and its divisions make use of private aircraft hired from competitively selected charter companies, two of which operate aircraft indirectly beneficially owned by Mark Lamberti.

Loans to directors have been disclosed in note 17 on page 145.

34. Directors' emoluments

The comments below provide further background and context to the figures disclosed in this note, Directors' emoluments, and Interests of directors in the Company's Share Scheme (note 35).

MJ Lamberti

Mark's salary and allowances were unchanged from 2006 at R2,4 million while his other benefits increased by R0,1 million. In line with the Group's Short-term Executive Incentive Scheme which rewards executives based upon growth in HEPS (growth in HEPS excluding the first-time effect of the Thuthukani IFRS 2 charge was 36,4%), he received R4,8 million, being 24 months' salary, as a bonus. In addition, in special recognition of his lifetime achievements in his leadership of Massmart and to mark his retirement as CEO, the Remuneration Committee awarded a discretionary bonus of R5,0 million, taking his total bonus to R9,8 million.

During the 2007 financial year, in anticipation of his standing down as CEO, Mark sold 4 534 537 Massmart shares of which 401 746 shares had been purchased in the open market and the balance were shares purchased from the Massmart Holdings Limited Employee Share Trust. In respect of the latter he realised a gain of R268,8 million.

Mark has an indirect and non-beneficial interest in a trust that owns 500 000 Massmart shares.

GM Pattison

Pursuant to his appointment as Deputy CEO and later CEO Designate, Grant received a 16,7% increase to his salary and allowances for the 2007 financial year, from R1,9 million to R2,2 million. In line with the Group's Short-term Executive Incentive Scheme which rewards executives based on growth in HEPS, (growth in HEPS excluding the first-time effect of the Thuthukani IFRS 2 charge was 36,4%), he received R3,5 million, being 24 months' salary, as a bonus. As a condition of his appointment as CEO he was required to enter into a restraint of trade agreement in consideration for which he received R3,1 million.

Grant did not sell any Massmart shares or options during the 2007 financial year.

Through the Share Scheme, Grant has 1 846 138 Massmart shares and options. The average length of time that he has held these shares and options is 3,0 years and the average strike price is R38,57 per share.

GRC Hayward

Guy received a 12,5% increase to his salary and allowances for the 2007 financial year, from R1,6 million to R1,8 million. In line with the Group's Short-term Executive Incentive Scheme, which rewards executives based on growth in HEPS, (growth in HEPS excluding the first-time effect of the Thuthukani IFRS 2 charge was 36,4%), he received R3,2 million, being 24 months' salary, as a bonus.

During the 2007 financial year, Guy converted and sold 325 000 Massmart shares and options which he had held for more than five years, realising a gain on exercise of share options of R9,8 million.

Through the Share Scheme, Guy still has 752 413 Massmart shares and options. The average length of time that he has held these shares and options is 3,4 years and the average strike price is R35,06 per share.

S Nothnagel

Fanus resigned with effect from 30 November 2006. Upon his resignation and during his subsequent six-month notice period, Fanus converted and sold 324 618 Massmart options which he had held for almost four years, realising a gain of R17,0 million. He forfeited 620 070 Massmart options.

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34. Directors' emoluments *continued*

	Services as directors of Massmart Holdings Ltd R000	Salary and allowances R000	Bonuses and performance- related payments ⁸ R000	Other benefits R000	Retire- ment and related benefits R000	Otherwise in connection with the affairs of Massmart Holdings Ltd R000	Subtotal R000	Fringe benefit of interest- free loans used to finance shares ⁹ R000	Gains on exercise of share options R000	Total R000
For the year ended 30 June 2007										
Executive directors										
Lamberti, MJ ²	–	2 901	9 800	99	189	–	12 989	939	–	13 928
Lamberti, MJ ^{1,2}	–	–	–	–	–	–	–	1 083	–	1 083
Pattison, GM ⁶	–	2 175	3 538	158	213	3 100 ⁷	9 184	4 269	–	13 453
Hayward, GRC	–	1 800	3 189	267	189	–	5 445	1 730	9 835	17 010
Nothnagel, S ⁵	–	1 789	–	12	173	–	1 974	–	17 045	19 019
	–	8 665	16 527	536	764	3 100	29 592	8 021	26 880	64 493
Non-executive directors										
Seabrooke, CS ³	757	–	–	–	–	–	757	–	–	757
Brand, MD ¹⁰	339	–	–	–	–	–	339	–	–	339
Combi, ZL	350	–	–	–	–	–	350	–	–	350
Dlamini, KD ⁴	117	–	–	–	–	–	117	–	–	117
Gwagwa, NN ⁴	117	–	–	–	–	–	117	–	–	117
Hodkinson, JC	175	–	–	–	–	–	175	–	–	175
Langeni, P	257	–	–	–	–	–	257	–	–	257
Matthews, IN	607	–	–	–	–	30	637	–	–	637
Maw, P	339	–	–	–	–	–	339	–	–	339
Mokhobo, DNM	339	–	–	–	–	–	339	–	–	339
Rubin, MJ	257	–	–	–	–	–	257	–	–	257
	3 654	–	–	–	–	30	3 684	–	–	3 684
Total	3 654	8 665	16 527	536	764	3 130	33 276	8 021	26 880	68 177

1. Relates to the 1 000 000 shares issued pursuant to the signing in March 2003 of a four-year service contract which terminated in June 2007.

2. Resigned as executive director on 30 June 2007 and appointed Non-executive Chairman on 1 July 2007.

3. Appointed Chairman on 1 July 2003 and resigned as Chairman on 30 June 2007 and appointed Deputy Chairman on 1 July 2007.

4. Appointed on 1 November 2006.

5. Executive director from 25 May 2005 and resigned as a director on 30 November 2006. The figures include his notice period.

6. Appointed CEO on 1 July 2007.

7. Restraint of R3,1 million paid on appointment as CEO.

8. In order to match incentive awards with the performance to which they relate, bonuses above reflect the amounts accrued in respect of each year and not amounts paid in that year.

9. Held in terms of the rules of the Company's share scheme.

10. Individual not recipient of fees – fees paid to Company.

34. Directors' emoluments *continued*

	Services as directors of Massmart Holdings Ltd R000	Salary and allowances R000	Bonuses and perform- ance- related payments ⁷ R000	Other benefits R000	Retire- ment and related benefits R000	Otherwise in con- nection with the affairs of Massmart Holdings Ltd R000	Subtotal R000	Fringe benefit of interest- free loans used to finance shares ⁸ R000	Gains on exercise of share options R000	Total R000
For the year ended 30 June 2006										
Executive directors										
Lamberti, MJ ¹	–	2 400	6 712	534	189	–	9 835	1 552	–	11 387
Lamberti, MJ ²	–	–	–	–	–	–	–	1 189	–	1 189
Pattison, GM ⁵	–	1 863	3 250	24	179	–	5 316	564	–	5 880
Hayward, GRC	–	1 600	2 731	198	168	–	4 697	1 112	5 123	10 932
Nothnagel, S ⁶	–	1 931	2 633	15	184	–	4 763	–	3 203	7 966
	–	7 794	15 326	771	720	–	24 611	4 417	8 326	37 354
Non-executive directors										
Seabrooke, CS ³	660	–	–	–	–	–	660	–	–	660
Brand, MD ⁹	283	–	–	–	–	–	283	–	–	283
Combi, ZL	250	–	–	–	–	–	250	–	–	250
Hodkinson, JC ⁴	166	–	–	–	–	–	166	–	–	166
Langeni, P ⁴	205	–	–	–	–	–	205	–	–	205
Matthews, IN	577	–	–	–	–	30	607	–	–	607
Maw, P	322	–	–	–	–	–	322	–	–	322
Mokhobo, DNM	283	–	–	–	–	–	283	–	–	283
Rubin, MJ	205	–	–	–	–	–	205	–	–	205
	2 951	–	–	–	–	30	2 981	–	–	2 981
Total	2 951	7 794	15 326	771	720	30	27 592	4 417	8 326	40 335

1. MJ Lamberti's salary will not be increased for the duration of his contract.

2. Relates to the 1 000 000 shares issued pursuant to the signing in March 2003 of a four-year service contract.

3. Appointed Chairman on 1 July 2003.

4. Appointed on 25 August 2004.

5. Executive director from 7 December 2004.

6. Executive director from 25 May 2005.

7. In order to match incentive awards with the performance to which they relate, bonuses above reflect the amounts accrued in respect of each year and not amounts paid in that year.

8. Held in terms of the rules of the Company's share scheme.

9. Individual not recipient of fees – fees paid to Company.

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35. Interests of directors in the Company's share scheme

Details of directors' shares and share options per director:

	Relevant date	Subscription price (R)	Market price (R)	Number of shares/ share options	Gain on sale/ exercise (R000)	Expiry date
Lamberti, MJ						
Balance at the beginning of the previous year				4 632 791		
No movement				–		
Balance at the beginning of the year				4 632 791		
Shares sold	15 November 2006	4,29	62,97	(1 532 791)	89 951	
	15 November 2006	10,95	62,97	(600 000)	31 214	
	15 November 2006	12,50	62,97	(465 463)	23 493	
	22 May 2007	17,42	94,72	(3 791)	293	
	22 May 2007	12,50	94,72	(1 034 537)	85 061	
	23 May 2007	17,42	94,52	(496 209)	38 254	
Balance at the end of the year				500 000 *		
* These shares are indirectly and non-beneficially owned by MJ Lamberti.						
Pattison, GM						
Balance at the beginning of the previous year				1 041 138		
New shares/options granted	23 May 2006	54,13		750 000		22 May 2012
Balance at the beginning of the year				1 791 138		
New shares/options granted	24 May 2007	94,25		55 000		23 May 2013
Balance at the end of the year				1 846 138		
Comprising:	13 November 2000	12,25		400 000		12 November 2010
	27 August 2001	10,95		150 000		26 August 2011
	27 May 2003	18,98		55 219		26 May 2009
	26 May 2004	29,87		35 919		25 May 2010
	1 April 2005	41,91		400 000		31 March 2011
	23 May 2006	54,13		750 000		22 May 2012
	24 May 2007	94,25		55 000		23 May 2013

35. Interests of directors in the Company's share scheme continued

	Relevant date	Subscription price (R)	Market price (R)	Number of shares/ share options	Gain on sale/ exercise (R000)	Expiry date
Hayward, GRC						
Balance at the beginning of the previous year				1 027 524		
Options exercised	17 November 2005	10,95	52,56	(75 000)	3 121	
	28 November 2005	10,95	51,00	(50 000)	2 003	
New shares/options granted	23 May 2006	54,13		150 000		22 May 2012
Balance at the beginning of the year				1 052 524		
Options exercised	3 November 2006	10,95	60,12	(200 000)	9 835	
Shares sold	16 March 2007	14,61	81,99	(56 389)	3 799	
	20 March 2007	14,61	79,01	(93 611)	6 029	
New shares/options granted	24 May 2007	94,25		49 889		23 May 2013
Balance at the end of the year				752 413		
Comprising:						
	10 March 2000	14,61		8 643		9 March 2010
	13 November 2000	12,25		100 000		12 November 2010
	27 August 2001	10,95		150 000		26 August 2011
	19 November 2002	17,43		50 000		18 November 2008
	26 May 2004	29,87		43 881		25 May 2010
	1 April 2005	41,91		200 000		31 March 2011
	23 May 2006	54,13		150 000		22 May 2012
	24 May 2007	94,25		49 889		23 May 2013
Nothnagel, S						
Balance at the beginning of the previous year				819 240		
Options exercised	28 February 2006	17,82	60,78	(74 552)	3 203	
New shares/options granted	23 May 2006	54,13		200 000		22 May 2012
Balance at the beginning of the year				944 688		
Options exercised	29 November 2006	29,87	68,17	(7 757)	297	
	29 November 2006	17,82	68,17	(104 552)	5 265	
	2 April 2007	17,82	83,86	(76 745)	5 068	
	3 April 2007	17,82	83,10	(23 767)	1 552	
	3 April 2007	41,91	83,10	(100 000)	4 119	
	4 April 2007	17,82	84,02	(4 040)	267	
	29 May 2007	29,87	91,35	(7 757)	477	
Options forfeited				(620 070)		
Balance at the end of the year				—		

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36. Principal subsidiaries

Details of Massmart's material subsidiary companies are as follows:

	Number of shares in issue 000s	Place of incorporation and operation	Ownership %	Voting power %	Principal activity	Shares at book value Rm	Indebtedness Rm
2007							
Name of company							
De La Rey 1001 Building Materials (Pty) Limited	–	South Africa	100	100	Selling of building materials	28,4	210,4
Federated Timbers (Pty) Limited	–	South Africa	100	100	Wholesale and retail of DIY products	–	0,4
Jumbo Cash & Carry (Pty) Limited	–	South Africa	100	100	Wholesale cash and carry	74,5	–
Masscash Holdings (Pty) Limited	–	South Africa	100	100	Holding company	1,0	–
Massmart International Holdings Limited	–	Mauritius	100	100	Holding company	–	81,5
Massmart Management & Finance Company (Pty) Limited	–	South Africa	100	100	Management, investment and finance	–	(164,4)
Masstores (Pty) Limited	200	South Africa	100	100	Retailing, warehousing, mass merchandising	–	(478,0)
Servistar (Pty) Limited	–	South Africa	100	100	DIY retailer	–	112,7
Shield Buying & Distribution (Pty) Limited	4 443	South Africa	100	100	Wholesale and retail marketing and distribution	30,4	24,6
						134,3	(212,8)
2006							
Name of company							
CBW Holdings (Pty) Limited	–	South Africa	100	100	Holding company	1,0	6,8
De La Rey 1001 Building Materials (Pty) Limited	–	South Africa	51	51	Selling of building materials	28,4	48,2
Federated Timbers (Pty) Limited	–	South Africa	100	100	Wholesale and retail of DIY products	–	0,4
Jumbo Cash & Carry (Pty) Limited	–	South Africa	100	100	Wholesale cash and carry	74,5	–
Massmart International Holdings Limited	–	Mauritius	100	100	Holding company	–	81,5
Massmart Management & Finance Company (Pty) Limited	–	South Africa	100	100	Management, investment and finance	–	(243,0)
Masstores (Pty) Limited	200	South Africa	100	100	Retailing, warehousing, mass merchandising	–	(408,3)
Servistar (Pty) Limited	–	South Africa	100	100	DIY retailer	–	112,7
Shield Buying & Distribution (Pty) Limited	4 443	South Africa	100	100	Wholesale and retail marketing and distribution	30,4	14,5
						134,3	(387,2)

During the year, the remaining 49% shareholding in De La Rey 1001 Building Materials (Pty) Limited was purchased by Massmart Holdings Limited.

The above details are given in respect of interests in subsidiaries, where material. A full list of subsidiaries is available to shareholders, on request, at the registered office of the Company.

	2007 Rm	2006 Rm
37. Notes to the cash flow statement		
37.1 Cash flow from trading		
Profit before taxation	1 628,9	1 300,6
Adjustment for:		
Depreciation, amortisation and impairment	267,2	208,9
Net (gain)/loss on disposal of property, plant and equipment	0,7	(1,1)
Interest income	(56,0)	(63,8)
Interest expense	100,4	96,5
Investment income	(53,6)	(34,6)
Dividend income	(2,5)	(3,2)
Share-based payment expense	73,3	17,4
Loss on discontinued operation	–	1,8
Unrealised foreign exchange loss	(1,0)	30,3
Other non-cash movements	(31,0)	(9,2)
	1 926,4	1 543,6
37.2 Working capital movements		
Increase in inventories	(819,5)	(560,8)
Increase in trade receivables and prepayments	(110,4)	(91,1)
Increase in trade payables	903,0	913,9
Decrease in provisions	(1,4)	(1,6)
	(28,3)	260,4
37.3 Taxation paid		
Normal taxation:		
Amounts owing at the beginning of the year	259,2	279,9
Amounts owing at the end of the year	(282,6)	(259,2)
Amounts charged to the statement of changes in equity	(2,9)	17,0
Amounts on disposal of discontinued operation	–	2,2
Taxation charged to the income statement (excluding deferred taxation)	557,9	447,5
	531,6	487,4
37.4 Investment to maintain operations		
Land and buildings/leasehold improvements	13,9	35,5
Vehicles	17,6	18,8
Plant and equipment	77,6	100,5
Computer hardware	14,7	18,3
Computer software	29,1	5,4
	152,9	178,5
37.5 Investment to expand operations		
Land and buildings/leasehold improvements	34,8	18,1
Vehicles	13,4	6,0
Plant and equipment	186,7	99,0
Computer hardware	32,6	18,1
Computer software	34,5	18,7
Trademarks and other	1,0	2,3
Goodwill	14,9	21,9
	317,9	184,1

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	2007 Rm	2006 Rm
37. Notes to the cash flow statement <i>continued</i>		
37.6 Proceeds on disposal of property, plant and equipment		
Land and buildings/leasehold improvements	0,1	2,1
Vehicles	7,8	4,6
Plant and equipment	2,4	1,4
Computer equipment	0,3	0,2
	10,6	8,3
37.7 Investment in subsidiaries		
Fair value of assets and liabilities acquired in subsidiaries:		
Property, plant and equipment	15,7	–
Goodwill	148,8	–
Minorities	(4,5)	–
Cash impact of acquisition, net of cash and cash equivalents acquired	160,0	–
37.8 Disposal of subsidiary		
Net assets at date of disposal:		
Cash and cash equivalents	–	25,9
Trade receivables 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)
Loss on disposal of subsidiary	–	1,8
Cash and cash equivalents received on sale	–	25,7
37.9 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
37.10 Cash and cash equivalents at the end of the year		
Cash on hand and balances with banks	1 245,7	1 441,6
Bank overdrafts	(37,0)	(65,3)
Cash and cash equivalents at the end of the year	1 208,7	1 376,3
The above includes amounts relating to the discontinued operation. Details can be found in note 3 on page 131.		

38. Financial risk management

38.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debt, more specifically long-term interest-bearing debt and equity attributable to equity holders of the parent, comprising share capital, share premium, non-distributable reserves and retained profit. (See notes 21 and 22 on pages 150 to 152.)

The Board reviews the capital structure on a quarterly basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

38.2 Categories of financial instruments

Fair values of financial instruments

All financial instruments have been classified according to the relevant IAS 39 *Financial Instruments: Recognition and Measurement* category. There is no difference between their fair value and carrying value and they are accounted for as follows:

Financial assets

Fair value through profit or loss (FVTPL)

These are held at fair value and any adjustment to fair value taken to the income statement. Listed investments are carried at market value by reference to stock exchange quoted selling prices.

Loans and receivables

These are held at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.

Held-to-maturity investments

These are held at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.

Available-for-sale investments

These are held at fair value and any adjustment to fair value is taken to equity. The total value taken to equity in the year was R13,2 million.

Financial liabilities

All financial liabilities are held as non-trading liabilities and are shown at amortised cost.

The cash flows expected from the Group's participation in export partnerships over the next two to five years cannot, in the opinion of the directors, be accurately fair valued and therefore have not been discounted. For fair presentation purposes, it is noted that any fair value impairment in the amounts due to the Group by virtue of its participation in such partnerships would result in a corresponding reduction in the fair value of the related deferred tax liability. Consequently, such fair value impairment would have no impact on either cash flow statement or income statement of the Group.

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	2007 Rm	2006 Rm
38. Financial risk management <i>continued</i>		
38.2 Categories of financial instruments		
<i>Financial assets</i>		
Fair value through profit or loss (FVTPL)		
Held for trading	207,1	149,4
Designated as at FVTPL	2,3	–
Loans and receivables		
Investments	4,6	4,9
Trade receivables	1 848,7	1 718,2
Housing and staff loans	5,5	6,9
Employee share trust loans	128,6	149,5
Finance lease deposit	39,3	34,3
Held-to-maturity investments	26,3	36,3
Available-for-sale financial assets	0,2	0,1
<i>Financial liabilities</i>		
Fair value through profit or loss (FVTPL)		
Held for trading	–	–
Designated as at FVTPL	–	–
Loans and receivables		
Interest-bearing liabilities – non-current	402,7	519,7
Interest-free liabilities – non-current	1,9	2,2
Interest-bearing liabilities – current	131,6	175,0
Bank overdraft	37,0	65,3
Trade and other payables	6 755,7	5 875,7

Interest rate management

The interest-bearing debt funding requirements and the investment of surplus cash funds are managed by Massmart through its own commercial bank facilities.

Liquidity risk management

The Group's liquidity requirements are assessed on an ongoing basis as part of the Group's treasury function. No significant risk exists as the Group is conservatively structured and the operations generate positive cash flows.

	2007 Rm	2006 Rm
Total banking and loan facilities	3 492,2	3 492,2
Actual interest-bearing debt	(567,9)	(756,7)
Unutilised banking facilities	2 924,3	2 735,5

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.

Credit risk management

Potential areas of credit risk include trade and consumer accounts receivable and short-term cash investments.

Trade accounts receivable consist primarily of a large, widespread customer base. Group companies regularly monitor the financial position of their customers. Where considered appropriate, credit guarantee insurance is used. The granting of credit is controlled by application and account limits. Provision is made for both specific and general bad debts, and at the year-end management did not consider there to be any material credit risk exposure that was not already covered by credit guarantee insurance or bad debt provisions.

38. Financial risk management *continued*

The following table shows the split of credit exposure:

	2007 %	2006 %
Trade accounts receivable	78	76
Consumer accounts receivable	22	24
	100	100

Currency risk management

All foreign-denominated trading liabilities are covered by forward exchange contracts. Foreign-denominated assets are not covered by forward exchange contracts.

Forward foreign exchange contracts

Forward exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on specific trading transactions. The Group's policy is to enter into forward contracts for all committed foreign currency purchases.

Forward foreign exchange contracts have been accounted for according to IAS 39 *Financial Instruments: Recognition and Measurement*. Fair value has been determined using money market derivative rates at 30 June 2007 and the net gain or exposure on the contracts has been reflected in the financial statements.

At year-end, the open forward exchange contracts were as follows:

	Foreign currency (millions)	Fair value adjustment Rm	Contract equivalent Rm	Average rate
2007				
USD	55,2	(0,7)	399,3	7,2
GBP	0,2	–	3,0	14,3
Euro	3,1	0,2	30,6	9,9
		(0,5)	432,9	
2006				
USD	49,6	35,7	303,1	6,1
GBP	0,3	0,5	3,8	13,7
Euro	3,5	4,7	32,5	9,4
		40,9	339,4	

The latest maturity date on open forward foreign exchange contracts is 15 March 2008.

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39. Segmental reporting

Primary business segments

The Group is organised into four divisions for operational and management purposes, being Massdiscounters, Masswarehouse, Massbuild and Masscash. Massmart reports its primary business segment information on this basis. The principal offering for each division is as follows:

Massdiscounters – general merchandise discounter

Masswarehouse – warehouse club discounter

Massbuild – home improvement retailer and building materials supplier

Masscash – food wholesaler and buying association

2007	Total Rm	Corporate Rm	Mass-discounters Rm	Mass-warehouse Rm	Massbuild Rm	Masscash Rm
Sales	34 807,6	–	9 424,5	8 640,1	4 948,3	11 794,7
EBITA*	1 699,6	(54,3)	634,2	466,7	363,0	290,0
Net finance (costs)/income	(44,4)	(185,9)	52,1	58,7	16,8	13,9
Profit before tax	1 628,9	(240,2)	672,2	525,4	379,8	291,7
Inventory	4 027,3	28,0	1 597,8	807,2	829,3	765,0
Total assets	10 849,6	(1 249,9)	3 867,5	2 688,3	2 643,0	2 900,7
Total liabilities	8 584,8	(3 184,8)	3 816,6	2 963,0	2 436,6	2 553,4
Net capital expenditure	460,2	38,9	210,5	49,8	101,2	59,8
Depreciation and amortisation	240,9	12,1	95,5	39,7	53,4	40,2
Impairment losses	26,3	(56,8)	13,8	0,3	56,8	12,2
Non-cash items other than depreciation and impairment	30,3	98,4	(72,5)	(16,1)	(1,1)	21,6
Cash flow from operating activities	813,1	(217,1)	43,2	375,8	277,5	333,7
Cash flow from investing activities	(690,8)	(55,6)	(210,0)	(58,3)	(274,8)	(92,1)
Cash flow from financing activities	(288,4)	(886,2)	252,8	16,8	78,0	250,2
2006						
Sales	29 963,6	–	8 095,7	7 661,1	3 892,8	10 314,0
EBITA*	1 333,5	–	546,4	288,3	290,4	208,4
Net finance (costs)/income	(32,2)	(111,4)	30,0	29,6	6,4	13,2
Profit before tax	1 295,9	(111,4)	576,4	317,9	296,8	216,2
Inventory	3 221,0	9,7	1 272,5	682,3	602,4	654,1
Total assets	9 618,4	211,7	3 265,8	2 200,7	1 473,0	2 467,2
Total liabilities	7 665,9	(1 569,6)	3 224,3	2 470,5	1 340,7	2 200,0
Net capital expenditure	354,0	21,4	120,3	34,3	105,6	72,4
Depreciation and amortisation	203,0	5,2	83,3	43,9	37,6	33,0
Impairment losses	5,4	–	–	–	–	5,4
Non-cash items other than depreciation and impairment	37,9	35,0	(51,3)	21,3	22,3	10,6
Cash flow from operating activities	918,9	(175,2)	458,6	289,1	191,4	155,0
Cash flow from investing activities	(459,6)	(128,7)	(118,4)	(50,1)	(105,7)	(56,7)
Cash flow from financing activities	506,0	908,3	(8,3)	0,5	83,3	(477,8)

The corporate column includes certain consolidation entries.

All intercompany transactions have been eliminated in the above results.

The above results exclude amounts relating to the discontinued operation. Details can be found in note 3 on page 131.

* EBITA is earnings before interest, tax and asset impairments.

39. Segmental reporting *continued*

Secondary geographic segments

The Group's four divisions operate in two principal geographical areas – South Africa and the rest of Africa.

	Total 2007 Rm	South Africa 2007 Rm	Rest of Africa 2007 Rm	Total 2006 Rm	South Africa 2006 Rm	Rest of Africa 2006 Rm
Sales	34 807,6	32 712,4	2 095,2	29 963,6	28 321,5	1 642,1
Segment assets	10 849,6	10 371,7	477,9	9 618,4	9 203,8	414,6
Net capital expenditure	460,2	418,7	41,5	354,0	328,8	25,2

All intercompany transactions have been eliminated in the above results.

The above results exclude amounts relating to the discontinued operation. Details can be found in note 3 on page 131.

40. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 1, management has not made any critical judgements that have a significant effect on the amounts recognised in the financial statements apart from those involving estimations.

Key sources of estimation uncertainty

Key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate only to the impairment of goodwill. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was R1 346,8 million (2006: R1 196,4 million). An impairment loss of R12,2 million was recognised in the current year. No impairment loss was recognised in the prior year. Details of the impairment loss calculation are provided in note 14 on page 141.

Two additional areas of estimation uncertainty that could have an immaterial adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the IFRS 2 *Share-based Payment* and the post-retirement medical aid valuations. By obtaining an external valuation by accredited valuers, Management feels that the risk has been mitigated. For more details on the valuations, please see note 22 on page 150 and note 25 on page 156 respectively.

41. Events after the balance sheet date

No significant events took place after the balance sheet date.

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42. Shareholder analysis

The following analysis of shareholders was extracted from the shareholder register as at June 2007:

	Number	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	5 794	70,74	1 981 862	0,99
1 001 – 10 000 shares	1 967	24,01	5 624 624	2,80
10 001 – 100 000 shares	277	3,38	9 556 631	4,75
100 001 – 1 000 000 shares	123	1,50	40 611 923	20,20
1 000 001 shares and over	30	0,37	143 297 791	71,26
	8 191	100,00	201 072 831	100,00
Distribution of shareholders				
Banks	168	2,05	146 637 553	72,93
Close corporations	85	1,04	109 302	0,05
Endowment funds	32	0,39	146 240	0,07
Individuals	5 763	70,36	5 985 916	2,98
Insurance companies	19	0,23	1 795 486	0,89
Investment companies	26	0,32	7 627 378	3,79
Medical aid schemes	5	0,06	46 461	0,02
Mutual funds	178	2,17	12 499 292	6,22
Nominees and trusts	1 374	16,77	4 394 252	2,19
Other corporations	111	1,36	1 229 310	0,61
Pension funds	115	1,40	14 356 119	7,14
Private companies	276	3,37	1 792 480	0,89
Public companies	37	0,45	531 784	0,26
Share trusts	2	0,03	3 921 258	1,96
	8 191	100,00	201 072 831	100,00
Public/non-public shareholders				
Non-public shareholders:				
Directors of the Company	6	0,07	2 836 943	1,41
Share trust	1	0,01	1 777 815	0,88
Public shareholders	8 184	99,92	196 458 073	97,71
	8 191	100,00	201 072 831	100,00
Beneficial shareholders holding 5% or more				
No shareholders held beneficially, directly or indirectly, more than 5% of the Company's shares.				
Foreign custodians and managers holding 5% or more				
The following foreign custodians and managers held beneficially, directly or indirectly, more than 5% of the Company's shares:				
Aberdeen Asset Management plc			15 032 400	7,48
Franklin Resources Inc			14 877 488	7,40
Capital Group Companies Inc			14 697 582	7,31
JP Morgan Asset Management			12 421 088	6,18
For details of the directors' shareholdings, see page 117 of the Directors' report.				