



# MASSMART

Dedicated to Value

Reviewed consolidated results for the 52 weeks ended June 2007

Massmart is a managed portfolio of nine wholesale and retail chains, each focused on high-volume, low-margin, low-cost distribution of mainly branded consumer goods for cash, in 14 countries in sub-Saharan Africa through four divisions comprising 238 stores. The Group is the third largest distributor of consumer goods in Africa, the leading retailer of general merchandise, liquor and home improvement equipment and supplies, and the leading wholesaler of basic foods.

Sales from continuing operations increase	Trading profit from continuing operations increases	Headline earnings before the BEE transaction increase	Headline earnings increase	Headline EPS increases	Dividend increases	Cash generated from operations increases
<b>16%</b>	<b>32%</b>	<b>37%</b>	<b>31%</b>	<b>29%</b>	<b>52%</b>	<b>5%</b>
to R34 808 million	to R1 754 million	to R1 147 million	to R1 092 million	to 540 cents	to 320 cents	to R1 892 million

## Overview

Despite higher interest rates, the combination of low cash prices and rising product inflation, particularly in Food, resulted in strong sales growth. Underpinned by sound operating disciplines, headline earnings growth before the first-time Thuthukani IFRS 2 charge was 37,0%, the highest growth since our listing in 2000.

The Group's sales growth was strong in all categories with Food and Liquor at 17,0%, General Merchandise at 11,8% and Building at 27,3%. The increased inflation in the Food category (8,6%) translated into increased sales growth, and whilst inflation remained low in General Merchandise (0,5%), volume growth was steady. Building material inflation remained relatively constant (6,5%), with sales being supported by the strong growth in the home improvement market and solid activity in residential construction.

The highlights of the year were:

- Record sales achieved of R34,8 billion, of which 98,7% were cash sales and 6,0% from foreign stores. Comparable store sales growth of 12,5%.
- Profit before tax grew 25,7% to R1,6 billion.
- Pre- and post-interest operating profit margins increased to 4,8% and 4,7% respectively.
- Headline earnings grew by 30,6%, exceeding R1 billion for the first time.
- Return on equity increased from 46,4% to 51,8%.
- The store network was increased to 994 277m<sup>2</sup>, a net increase of 3,7% over the prior year.

## Environmental and Competitive Overview

The sound macro-economic management of the economy has created and sustained a structural change to the South African consumer markets. Improved levels of employment, real wage increases, increased supply of housing and increased wealth levels are the underlying drivers. The effect of the tightening interest rates has so far been limited by the structural strength of the economy.

In this environment most retailers have benefited substantially, which has encouraged the aggressive space expansion of existing formats as well as new formats and categories. Only a less favourable economic environment will test the quality of these investments.

The impact of an under-investment in capacity and infrastructure by the Government and the Private sector is coming to the fore, but the resultant commitment to infrastructural spend will provide significant stimulus to the economy in general. This trend has however, exacerbated the shortage of experienced leaders, executives and specialist skills, professional or otherwise.

## Divisional Operating Overview

**Massdiscounters** – comprises the 82-store General Merchandise retail discounter Game, which trades in South Africa, Namibia, Botswana, Zambia, Uganda, Mozambique, Mauritius, Malawi, Tanzania, Nigeria, and Ghana and Dion (8 stores), which trades in the Gauteng province of South Africa.

Divisional comparable store sales grew 6,8% with estimated inflation of 1,3%.

New stores comprised eight large Game outlets and three smaller format Game stores. In addition, seven Game stores were refurbished, three Dion stores were converted to Game, and one Dion store was closed. The first Dion Wired store was opened in November 2006 and a second in April 2007.

This was a year of intense operational focus which included removing the Clothing category, improving the quality of the store portfolio as outlined above, and upgrading IT systems. Aided by a strong contribution from Massdiscounters' African stores, the division's return on sales improved to 7,3% resulting in a 19,1% increase in trading profit before tax. This was achieved notwithstanding an adverse movement of R35,7 million in currency translation charges.

We have decided to discontinue the original Dion format and will have closed or converted all Dion stores to Game by June 2008. An after-tax impairment charge of R11,9 million arising from this decision has been added back to headline earnings.

**Masswarehouse** – comprises the 12-store Makro warehouse club trading in Food, General Merchandise and Liquor in South Africa (and two Zimbabwean stores, no longer consolidated in the current year Group results).

Divisional total and comparable store sales grew 14,4% with estimated inflation of 4,7%.

Tight operational control kept cost growth substantially below the sales growth and good margin control through the merchandise mix and innovative trading, translated into a growth of 65,3% in trading profit before tax and a 6,1% return on sales.

Good progress was made on identifying sites for new stores in Pretoria, Johannesburg and Cape Town, the first of which will open in October 2007.

**Massbuild** – comprises 64 outlets, trading in DIY, Home Improvement and Builders Hardware, under the Builders Warehouse, Builders Express and Builders Trade Depot brands in South Africa.

Divisional comparable store sales grew 13,6% with estimated inflation of 6,5%.

A good trading and operating performance saw trading profit before tax growing by 28,0% and the achievement of a 7,7% return on sales. The second half saw a slight decline in profitability as the business was temporarily distracted by converting De La Rey to Builders Warehouse, Servistar to Builders Express and Federated Timbers to Builders Trade Depot (25 store conversions in total), whilst simultaneously implementing new IT systems and bringing the Servistar and De La Rey head offices to Johannesburg.

With the significant challenge of restructuring the business now complete, the business is free to focus on securing new sites, improving operating and merchandise controls, refining customer offerings and aggressively responding to the changing competitive environment.

**Masscash** – comprises 65 CBW and seven Jumbo wholesale cash and carry outlets trading in South Africa, Lesotho, Namibia, and Botswana, and Shield, a voluntary buying organisation.

Divisional comparable store sales grew by 15,3% with estimated inflation of 8,7%.

Sales growth was enhanced by higher Food inflation, particularly in commodities, while tight control of expenses and working capital resulted in trading profit before tax growing by 37,1% and a 2,6% return on sales.

The Jumbo and Shield management teams have been integrated into CBW, resulting in a strengthened Masscash management team with responsibility for all three businesses. This team recently completed a strategic review and will continue to operate the Wholesale businesses for cash and returns, whilst growing the new hybrid format in the lower LSM retail market.

## Operational review – Continuing operations

Rm	June 2007 (Reviewed)	June 2006 (Audited)	% change
<b>Sales</b>	<b>34 807,6</b>	29 963,6	16,2
Massdiscounters	9 424,5	8 095,7	16,4
Masswarehouse	8 640,1	7 661,1	12,8
Massbuild	4 948,3	3 892,8	27,1
Masscash	11 794,7	10 314,0	14,4
<b>Trading profit before interest and tax*</b>	<b>1 753,9</b>	1 333,5	31,5
<i>As a % of sales</i>	<b>5,0</b>	4,5	
Massdiscounters	634,2	546,4	16,1
Masswarehouse	466,7	288,3	61,9
Massbuild	363,0	290,4	25,0
Masscash	290,0	208,4	39,2
<b>Trading profit before tax**</b>	<b>1 895,4</b>	1 412,7	34,2
<i>As a % of sales</i>	<b>5,4</b>	4,7	
Massdiscounters	686,3	576,4	19,1
Masswarehouse	525,4	317,9	65,3
Massbuild	379,8	296,8	28,0
Masscash	303,9	221,6	37,1

The above results exclude Furnex from the prior year (note 8).

\*Trading profit before interest and tax is before asset impairments of R26,3 million (2006: R5,4 million) and the IFRS 2 charge of R54,3 million (2006: R0 million) relating to the BEE transaction.

\*\*Trading profit before tax is after divisional net interest but before corporate net interest of R185,9 million (2006: R111,4 million), asset impairments of R26,3 million (2006: R5,4 million) and the IFRS 2 charge of R54,3 million (2006: R0 million) relating to the BEE transaction.

## Financial Overview

### Income Statement

Total ongoing sales growth for the 52-week period was 16,2% and comparable stores sales growth was 12,5%. Net space increase of 35 021m<sup>2</sup> represents space growth of 3,7% and brings the Group's total trading space to 994 277m<sup>2</sup>. During the financial year, eight stores were closed, 15 new stores opened and five acquired, bringing the Group total to 238 stores at financial year-end.

Inflation in the Group for the year is estimated to be 4,9%, comprising 0,5% in General Merchandise, 8,1% in Food & Liquor and 6,5% in Home Improvement.

There are two significant items included in operating profit: store opening costs of R48,4 million (2006: R38,0 million) and realised and unrealised foreign exchange losses of R41,4 million (2006: gain of R33,3 million).

Included in net interest paid is a once-off interest payment of R18,1 million relating to a settlement reached recently between a major financial institution and the South African Revenue Services (SARS). In terms of the financial institution's settlement with SARS, the terms of which are confidential, this payment is not tax-deductible.

This year there is a new IFRS 2 *Share-based Payment* charge of R54,3 million associated with the Group's Staff Empowerment scheme, Thuthukani, which became effective in October 2006. This is a non-cash charge that is also not tax-deductible. The total IFRS 2 cost of R372,8 million associated with Thuthukani will be amortised over six years and the charge for June 2008 will be approximately R76,2 million. The IFRS 2 charge associated with the existing Group Share Scheme was R19,0 million (prior year: R17,4 million).

Adjusting for the R18,1 million interest payment and the total IFRS 2 charge of R73,3 million, the effective Group tax rate was 32,3% (prior year: 32,8% excluding the once-off R20 million deferred tax impairment associated with the Game Mauritius store). The Group tax rate includes 3,6% relating to STC paid on ordinary dividends and Thuthukani preference dividends.

Minority interests primarily comprise CBW store managers' holdings in certain CBW stores.

Headline earnings of R1 092,2 million reflects growth of 30,6% over the prior year. Adjusting for the first-time Thuthukani IFRS 2 charge of R54,3 million increases this growth to 37,0%.

Due to the lowering of the Group's dividend cover from 2,0 to 1,7 times in February 2007, the growth in total dividends declared and paid of 52,4% exceeds the growth in headline earnings per share of 28,9%.

### Balance Sheet

Working capital management remained effective across the Group. Due primarily to planned higher inventory levels in Massdiscounters, Group inventory days increased from 46 to 51 days, while Debtors days improved from 13 to 12 days and Accounts Payable days increased from 58 to 60 days.

Goodwill increased by R150,4 million, due mainly to the July 2006 acquisition of the 49% minority interest in De La Rey.

With medium-term interest-bearing debt of R403 million and shareholders equity of R2 239 million, the Group's gearing at year-end was 18,0%. Most of the medium-term debt was incurred to fund the June 2005 acquisitions of the Massbuild businesses.

### Cash Flow Statement

Operating cash before working capital movements of R1 920,4 million is 24,4% above prior year. The 26,0% increase in profit before interest and tax demonstrates the Group's effective cash generation ability.

For the reasons noted above, net working capital movements resulted in a R28,3 million cash outflow.

Total capital expenditure comprises R142,3 million spent on replacing assets and R317,9 million invested in expanding and improving capacity. Total capital expenditure in the 2008 financial year is expected to be almost R600 million.

Share buybacks during the year executed by a Massmart subsidiary and by the Massmart Share Scheme Trust totalled R313,2 million (prior year: R148,3 million). Further details of the share buybacks are shown in Note 3 to the Financial Statements.

## Sustainability

### Succession Process

The CEO succession was completed effective 1 July 2007 with the appointment of Grant Pattison as CEO, Mark Lamberti as Non-Executive Chairman and Chris Seabrooke as Deputy Chairman and Lead Independent Director.

### Transformation

With the national BEE framework now finalised we have begun the process to re-score the Group against the new BEE scorecard. Executives are now partly incentivised against scorecard improvement.

In February 2007 the first Thuthukani dividend was paid, representing an average of R593 per participant. The Group's proposed previously disadvantaged Non-Executive Directors equity participation scheme still awaits the promulgation of the Corporate Law Amendment Bill, specifically the proposed changes to s38.

### Crime

In addition to the very high internal investment in protecting our business, employees and customers against crime, we continue to participate in and support major industry and government initiatives to curb crime.

### Environment

As the increasing social awareness of the potential impact of climate change grows, we are embarking on a practical and realistic program of addressing those issues in our supply chain that are contributing to this change, such as energy consumption, packaging, food sourcing and water consumption.

## Strategy and Vision 2010

Every year we review the Group and Divisional strategies, producing a three-year Vision for Growth, communicated as Vision 2010. The process this year had three major outcomes.

The first was that the strategies were fundamentally sound and required only refining and updating. The second was that the completion of the strategic and structural "simplification" process, begun in 2006, has positioned the Group to once again look externally for growth. The third was that the strategic focus over the next three years would be on Leadership Development and Transformation; Growth (whether comparable, organic, green-fields or acquisitive), Supply Chain, Private Brands, Financial Services and Sustainability.

In terms of new space growth we plan over the next three years to add an additional 50 stores, representing 197 500m<sup>2</sup> (a growth of 19,8%), which should translate into additional annualised sales of R5,4 billion.

## Prospects

The excellent monetary and fiscal management of the South African economy continues to provide an environment conducive to confident local investment. The extensive infrastructural development, the private sector growth and the steady creation of sustainable jobs at all levels should, regardless of the short-term cycles, provide opportunities for retail growth into the future.

As we monitor the effects of the higher interest rates on consumers, we will also need to correct for the consequences of the June 2007 implementation of the National Credit Act. Whilst the direct impact on our business, due to its cash focus, is minimal, the effect on the general consumer and their buying patterns needs to be carefully monitored.

Although the current adverse economic environment may result in lower sales growth in the short-term, the growth prospects remain sound and we continue to invest and manage the Group for the long-term.

For the eight weeks to 19 August 2007, total sales grew 13,4%, with comparable store sales at 11,2%.

## Distribution and Dividend Policy

Massmart's dividend policy is to declare and pay an interim and final dividend representing a 1,7 times dividend cover unless circumstances dictate otherwise.

Notice is hereby given that the Board is proposing a final dividend of 123 cents per share in respect of the period ended 24 June 2007 which declaration will take place on 2 October 2007. The last day to trade cum-dividend will therefore be Friday, 19 October 2007 and Massmart shares will trade ex-dividend from Monday, 22 October 2007. The record date will be Friday, 26 October 2007. Payment of the dividend will be made on Monday, 29 October 2007. Share certificates may not be dematerialised or rematerialised between Monday, 22 October 2007 and Friday, 26 October 2007, both days inclusive.

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.

On behalf of the Board

<b>Grant Pattison</b>	<b>Guy Hayward</b>
Chief Executive Officer	Chief Financial Officer

22 August 2007

**Directorate:** MJ Lamberti (Chairman), CS Seabrooke (Deputy Chairman), GM Pattison\* (Chief Executive Officer), MD Brand, ZL Combi, KD Dlamini, NN Gwagwa, GRC Hayward\*, JC Hodgkinson\*\*, P Langeni, IN Matthews, P Maw, DNM Mokhobo, MJ Rubin \* Executive \*\* United Kingdom

**Massmart Holdings Limited JSE code:** MSM, **ISIN:** ZAE000029534, **Company registration number:** 1940/014066/06  
**Registered office:** Massmart House, 16 Peltier Drive, Sunninghill Ext 6, 2191, **Company secretary:** I Zwarenstein  
**Transfer secretaries:** Computershare Limited, Investor Services Division, **Registered auditors:** Deloitte & Touche  
**For more information:** [www.massmart.co.za](http://www.massmart.co.za)

## Balance sheet

Rm	June 2007 (Reviewed)	June 2006 (Audited)	% change
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>3 448,2</b>	3 034,1	
Property, plant and equipment	1 123,8	944,3	19,0
Goodwill and other intangible assets	1 477,0	1 298,7	
Investments and loans	414,6	381,6	
Deferred taxation	432,8	409,5	
<b>Current assets</b>	<b>7 401,4</b>	6 584,3	
Inventories	4 027,3	3 221,0	25,0
Accounts receivable and prepayments	1 876,5	1 770,0	6,0
Taxation	251,9	151,7	
Cash and bank balances	1 245,7	1 441,6	
<b>Total</b>	<b>10 849,6</b>	9 618,4	
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>2 264,8</b>	1 952,4	
Equity attributable to equity holders of the parent	2 239,0	1 901,8	17,7
Minority interest	25,8	50,6	
<b>Non-current liabilities</b>	<b>1 122,2</b>	1 133,8	
Non-current liabilities – interest-bearing	402,7	519,7	
Other non-current liabilities and provisions	604,0	516,9	
Deferred taxation	115,5	97,2	
<b>Current liabilities</b>	<b>7 462,6</b>	6 532,2	
Accounts payable and accruals	6 759,6	5 881,0	14,9
Taxation	534,4	410,9	
Bank overdrafts and short-term borrowings	168,6	240,3	
<b>Total</b>	<b>10 849,6</b>	9 618,4	

## Income statement

Rm	Year ended June 2007 (Reviewed)	Year ended June 2006 (Audited)	% change
<b>Continuing operations</b>			
Revenue	34 961,1	30 080,6	16,2
<b>Sales</b>	<b>34 807,6</b>	29 963,6	16,2
Cost of sales	(28 435,7)	(24 650,0)	15,4
<b>Gross profit</b>	<b>6 371,9</b>	5 313,6	19,9
Other income	153,5	117,0	31,1
Depreciation and amortisation	(240,9)	(202,9)	18,7
Impairment of assets (note 6)	(26,3)	(5,4)	387,0
Employment costs	(2 449,8)	(2 079,0)	17,8
Occupancy costs	(846,0)	(740,5)	14,2
Other operating costs	(1 289,1)	(1 074,7)	19,9
<b>Operating profit</b>	<b>1 673,3</b>	1 328,1	26,0
Finance costs	(100,4)	(95,9)	4,7
Finance income	56,0	63,7	(12,1)
Net finance costs	(44,4)	(32,2)	37,9
Profit before taxation	1 628,9	1 295,9	25,7
Taxation	(554,8)	(444,6)	24,8
Profit for the year from continuing operations	1 074,1	851,3	26,2
<b>Discontinued operations:</b>			
Net profit/(loss) for the year (note 8)	—	3,7	
Loss on disposal (note 8)	—	(1,8)	
<b>Profit for the year</b>	<b>1 074,1</b>	853,2	25,9
<b>Attributable to:</b>			
Equity holders of the parent	1 058,8	828,5	27,8
Minority interest	15,3	24,7	
	1 074,1	853,2	
Basic EPS before the Thuthukani dividend (cents)	528,2	415,3	27,2
Thuthukani dividend (note 10)	(4,4)	—	
Basic EPS (cents)	523,8	415,3	26,1
Basic EPS from continuing operations (cents)	523,8	414,3	
Basic EPS from discontinued operations (cents)	—	1,0	
Diluted basic EPS before the Thuthukani dividend (cents)	518,9	404,4	28,3
Thuthukani dividend (note 10)	(4,4)	—	
Diluted basic EPS (cents)	514,5	404,4	27,2
Diluted basic EPS from continuing operations (cents)	514,5	403,4	
Diluted basic EPS from discontinued operations (cents)	—	1,0	
Dividend (cents):			
Interim	197,0	130,0	51,5
Final	123,0	80,0	53,8
Total	320,0	210,0	52,4
<b>Reconciliation of net profit for the year to headline earnings</b>			
Net profit attributable to equity holders of the parent	1 058,8	828,5	
Impairment of assets (note 6)	24,1	3,8	
Write-off costs incurred on acquisition (note 7)	—	3,3	
Loss on disposal of discontinued operation (note 8)	—	1,8	
Loss/(profit) on disposal of fixed assets	0,7	(0,8)	
Loss on disposal of Furnex	6,2	—	
CGT on sale of treasury shares	2,4	—	
Headline earnings	1 092,2	836,6	30,6
IFRS 2 BEE transaction charge (note 9)	54,3	—	
Headline earnings before the BEE transaction	1 146,5	836,6	37,0
Headline EPS (cents) (note 10)	540,4	419,3	28,9
Headline EPS before the BEE transaction (cents) (note 9)	571,9	419,3	36,4
Diluted headline EPS (cents)	530,9	408,3	30,0

## Cash flow statement

Rm	Year ended June 2007 (Reviewed)	Year ended June 2006 (Audited)
Operating cash before working capital movements	1 920,4	1 543,6
Working capital movements	(28,3)	260,4
<b>Cash generated from operations</b>	<b>1 892,1</b>	<b>1 804,0</b>
Taxation paid	(531,6)	(487,4)
Net interest paid	(44,4)	(32,7)
Investment income	53,6	34,6
Dividends received	2,5	3,2
Dividends paid	(565,1)	(402,8)
<b>Cash inflow from operating activities</b>	<b>807,1</b>	<b>918,9</b>
Investment to maintain operations	(142,3)	(170,2)
Investment to expand operations	(317,9)	(184,1)
Businesses acquired	(160,0)	—
Disposal of subsidiary	—	25,7
Other investing activities	(70,6)	(130,9)
<b>Cash outflow from investing activities</b>	<b>(690,8)</b>	<b>(459,5)</b>
<b>Cash (outflow)/inflow from financing activities</b>	<b>(282,4)</b>	<b>506,0</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(166,1)</b>	<b>965,4</b>
Foreign exchange losses taken to statement of changes in equity	(1,4)	6,1
Opening cash and cash equivalents	1 376,3	404,8
Closing cash and cash equivalents	1 208,8	1 376,3

## Statement of changes in equity

Year ended June 2007

(Reviewed)

Rm	Ordinary share capital	Share premium	General non- distributable reserve	Retained profit	Equity attributable to equity holders of the parent	Minority interest	Total
Opening balance	2,0	262,6	143,4	1 493,8	1 901,8	50,6	1 952,4
Exchange differences and hyperinflation movements	—	—	0,6	—	0,6	—	0,6
Deconsolidation of Makro Zimbabwe (note 2)	—	—	5,9	—	5,9	—	5,9
FV adjustment of investment in Makro Zimbabwe (note 2)	—	—	(13,2)	—	(13,2)	—	(13,2)
Dividends declared	—	—	—	(565,0)	(565,0)	—	(565,0)
Cash flow hedges taken directly to equity	—	—	1,2	—	1,2	—	1,2
Profit for the year	—	—	—	1 058,8	1 058,8	15,3	1 074,1
Changes in minority interests and distribution to minorities	—	—	—	—	—	(40,1)	(40,1)
Release of deferred taxation on trademarks	—	—	(5,8)	5,8	—	—	—
Net movement of treasury shares	—	(3,4)	—	—	(3,4)	—	(3,4)
BEE transaction costs	—	(4,5)	—	—	(4,5)	—	(4,5)
Share trust transactions and IFRS 2 charge	—	—	73,3	(216,5)	(143,2)	—	(143,2)
<b>Total</b>	<b>2,0</b>	<b>254,7</b>	<b>205,4</b>	<b>1 776,9</b>	<b>2 239,0</b>	<b>25,8</b>	<b>2 264,8</b>

Year ended June 2006

(Audited)

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

## Additional information

	Year ended June 2007 (Reviewed)	Year ended June 2006 (Audited)
Net asset value per share (cents)	1 113,5	946,0
Ordinary shares (000's):		
– In issue	201 073	201 041
– Weighted-average	200 461	199 507
– Diluted weighted-average	204 037	204 886
Preference shares (000's):		
– Thuthukani 'A' shares (note 9)	17 968	—
– Black Scarce Skills Trust 'B' shares (note 9)	2 000	—
Capital expenditure (Rm)		
– Authorised and committed	101,0	183,0
– Authorised not committed	327,7	143,0
Operating lease commitments (2007 – 2022) (Rm)	6 082,5	5 977,2
US dollar exchange rates – year-end	7,20	7,48
– average	7,22	6,42

## Notes

- These condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, using accounting policies that are in line with IFRS and consistently applied to prior periods.
- Makro Zimbabwe operates in a hyperinflationary environment, and thus the principles of IAS 29 *Financial Reporting in Hyperinflationary Economies* have been applied to the prior year. In the current year, a decision was taken to deconsolidate Makro Zimbabwe prospectively. This decision was made on the basis that the Group no longer has day-to-day control of the entity. Control is defined as “the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities”. The financial impact on net profit attributable to equity holders of the parent for the prior year was a loss of R1,1 million.
- The total share buyback (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 net realised and unrealised foreign exchange translation losses deducted from trading profit amounted to R41,4 million (2006: gain of R33,3 million).
- The operating lease smoothing adjustment expensed in the year as a result of IAS 17 *Leases*, was a charge of R24,5 million after tax (2006: R35,7 million).
- The impairment of assets in the current year relates to the write-off of Dion inventory, consumables and plant and equipment, and the impairment of certain goodwill in an old Jumbo acquisition. The impairment of assets in the prior year relates to the write-off of IT software at CBW.
- Capital costs written off in the prior year were due to The Competition Tribunal prohibiting the acquisition of Moresport.
- Furnex (a division of Masscash) was disposed of effective 1 March 2006. The sale was accounted for in the prior year in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Results from the discontinued operation for the prior year were as follows:

Discontinued operation	Sales	Trading profit	PBT	Taxation	PAT
June 2006 (8 months)	480,0	7,0	6,5	(2,8)	3,7
- The Massmart BEE transaction, which came into operation in the current year, gave rise to an IFRS 2 *Share-based Payment* charge of R54,3 million. The 'A' and 'B' preference shares have been issued to the Thuthukani Trust and the Black Scarce Skills Trust respectively.
- 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 revised 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.
- Related party transactions in the current year involve properties leased by Builders Express (formally Servistar) that were owned by John Keil, a former director and owner of Servistar. Certain properties used by CBW are leased from CCW Property Holdings in which Robin Wright has a shareholding. Robin Wright is a director and 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 Mr MJ Lamberti.
- Due to Christmas trading, Massmart's earnings are weighted towards the six months to December.
- These results have been reviewed by independent external auditors Deloitte & Touche and their unqualified review opinion is available for inspection at the registered office.