



Group Financial Statements

The 32 246m² Pinetown distribution centre serves as Massdiscounters' indent warehouse.

“We continually strive to improve the quality and relevance of Massmart’s public financial reporting.”

GUY HAYWARD CHIEF FINANCIAL OFFICER

Approval of the annual financial statements

The annual financial statements were approved by the Board of Directors on 1 October 2008 and signed on its behalf by:



GM Pattison
Chief Executive Officer



GRC Hayward
Chief Financial Officer

Company Secretary certificate

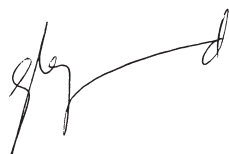
I, Ilan Zwarenstein, the Company Secretary of Massmart Holdings Limited, certify that to the best of my knowledge and belief, all returns required of a public company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and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



Ilan 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 2007, 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 29 June 2008, 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 period then ended, and a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 106 to 176.

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 29 June 2008, and its consolidated and separate financial performance and consolidated and separate cash flows for the period 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
1 October 2008

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 & Legal and Financial Advisory*, L Geeringh *Consulting*, L Bam *Corporate Finance*, CR Beukman *Finance*, TJ Brown *Clients & Markets*, NT Mtoba *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.

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, the cash flow statement and the statement of changes in equity. The financial position of the Group is set out in the balance sheet.

Share capital

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

	2008	2007
Opening balance	201 072 831	201 040 697
Converted preference shares	120 681	32 134
Closing balance	201 193 512	201 072 831

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

	2008	2007
Opening balance	19 967 866	20 000 000
Shares converted to ordinary shares	120 681	32 134
Closing balance	19 847 185	19 967 866

Dividend policy

Massmart's dividend policy is to declare and pay an interim and total cash annual dividend based on a 1,7 times cover (2007: 1,7 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 12 September 2008, a final cash dividend of 163 cents (2007: 123 cents) per share, bringing the total dividend for the year to 386 cents (2007: 320 cents) per share.

A Thuthukani dividend equivalent to 50% of the Massmart ordinary dividend per share (81,5 cents) was paid to the Massmart Thuthukani Empowerment Trust on 15 September 2008.

Directorate and Secretary

The current directorate of the Company is shown on pages 11 to 13.

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.

The Company Secretary is Mr Ilan Zwarenstein, CA(SA), whose business and postal addresses are the same as that of the Company.

In accordance with the provisions of the Company's Articles of Association, IN Matthews, DNM Mokhobo, GM Pattison, MJ Rubin and CS Seabrooke will retire at the annual general meeting. Being eligible, IN Matthews, DNM Mokhobo, GM Pattison, MJ Rubin and CS Seabrooke offer themselves for re-election.

Interests of Directors in the Company's shares

At 30 June 2008, 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:

	2008				2007			
	Shares		Options		Shares		Options	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Non-executive directors								
MJ Lamberti	–	500 000	–	–	–	500 000	–	–
CS Seabrooke	–	700 000	–	–	–	600 000	–	–
MD Brand	–	–	–	–	–	–	–	–
ZL Combi	–	–	–	–	–	–	–	–
KD Dlamini	–	–	–	–	–	–	–	–
NN Gwagwa	–	–	–	–	–	–	–	–
JC Hodgkinson	8 000	–	–	–	4 000	–	–	–
P Langeni	–	–	–	–	–	–	–	–
IN Matthews	–	–	–	–	–	–	–	–
P Maw	–	–	–	–	–	–	–	–
DNM Mokhobo	–	–	–	–	–	–	–	–
MJ Rubin	70 000	29 500	–	–	70 000	19 500	–	–
Executive directors								
GM Pattison	1 337 967	–	605 219	–	1 240 919	–	605 219	–
GRC Hayward	539 808	–	299 889	–	402 524	–	349 889	–

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 Hodgkinson	8 000	–	–	–
P Langeni	–	–	–	–
IN Matthews	–	–	–	–
P Maw	–	–	–	–
DNM Mokhobo	–	–	–	–
MJ Rubin	70 000	29 500	–	–
Executive directors				
GM Pattison	1 337 967	–	605 219	–
GRC Hayward	539 808	–	299 889	–

Details of shares issued and options granted by the Company in terms of the rules of the Massmart Share Incentive Scheme are dealt with on pages 142 to 145.

Subsidiaries

The following companies are principal subsidiaries of the Company:

Federated Timbers (Proprietary) Limited	2004/035206/07
Masscash Holdings (Proprietary) Limited	1997/014716/07
Massmart International Holdings Limited (Incorporated in Mauritius)	47902 C1/GBL
Massmart Management & 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 on page 153. Total net profit for all subsidiaries for the 2008 financial year amounted to R1 317,2 million.

Borrowing powers

In terms of the Articles of Association, the Group has unlimited borrowing powers. At 30 June 2008, borrowings were R535,1 million (2007: R567,9 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
- budgets to June 2009 reflect a continuation of the above positive issues.

Address

The Company's registered office and postal address:

Registered office

Massmart House, 16 Peltier Drive,
Sunninghill Ext 6, Sandton, 2191

Postal address

Private Bag X4, Sunninghill, 2157

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.

Audit Committee report

The Audit Committee met three times during the year and the internal and external auditors presented formal reports to the Committee and attended meetings by invitation. In accordance with section 270(1)(f) of the Companies Act, No. 61 of 1973, as amended, the Committee reports as follows:

- The scope, independence and objectivity of the external auditors was reviewed.
- The audit firm Deloitte & Touche, and audit partner André Dennis, are, in the Committee's opinion, independent of the Company, and have been proposed to the shareholders for approval to be the Group's auditor for the 2009 financial year.
- On an ongoing basis, the Committee reviews and approves the fees proposed by the external auditors.
- The appointment of the external auditor complies with the Companies Act, as amended, and with all other legislation relating to the appointment of external auditors.

- The nature and extent of non-audit services provided by the external auditors has been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence.
- The nature and extent of future non-audit services have been defined and preapproved.
- As at the date of this report, no complaints have been received relating to accounting practices and internal audit of the Company or to the content or auditing of the Company's financial statements, or to any related matter.

Subsequent events

Subsequent to 30 June 2008, Masscash Holdings (Pty) Ltd signed an agreement to acquire Brett Four (Pty) Ltd, trading as Cambridge Foods, which owns five food retail stores operating in the Durban area. The acquisition is subject to Competition Tribunal approval. The financial effects of this pending acquisition are not material.

On the first day of the 2009 financial year, the sale of the Massdiscounters Consumer Credit Division and associated debtors book became effective and cash proceeds of R174 million were received on the same date.

At the August 2008 meeting, the Board resolved to proceed, subject to shareholder approval, with assisting our black non-executive Directors to become shareholders in the Company. When the Group's BEE staff equity schemes were implemented in 2006, the black non-executive Directors were not included as the Board was of the view that the design of those schemes was more suited to the Group's general staff. It is now proposed that the five designated black non-executive Directors will each be given the opportunity to purchase at par 20 000 shares in Massmart, and then be restricted in the sale of these shares – half for three years and half for five years.

The Company regards the cost of this transaction as part of the engagement cost of these Directors over the five-year period in addition to their annual fees. The Board has considered the effect of this transaction on the continued independence of those Directors and believes that the limited size and its once-off nature are sufficient to ensure their continued ability to act independently.

Shareholders are referred to pages 182 to 187 *Notice of sale of shares currently held as treasury shares to the black non-executive Directors and Fairness Opinion by an Independent Professional Expert* which contains all the information required in terms of the JSE and the Companies Act.

On behalf of the Board



Ilan Zwarenstein
Company Secretary

1 October 2008

Income statement

for the year ended 30 June 2008

	Notes	2008 Rm	2007 Rm
Revenue	3	39 944,8	34 964,7
Sales		39 783,6	34 807,6
Cost of sales		(32 481,4)	(28 435,7)
Gross profit		7 302,2	6 371,9
Other income	3	161,2	157,1
Depreciation and amortisation		(297,8)	(240,9)
Impairment of assets	4	(4,7)	(26,3)
Employment costs		(2 736,2)	(2 449,8)
Occupancy costs		(962,7)	(846,0)
Other operating costs		(1 376,9)	(1 292,7)
Operating profit	5	2 085,1	1 673,3
Finance costs	7	(110,6)	(100,4)
Finance income	7	46,5	56,0
Net finance costs		(64,1)	(44,4)
Profit before taxation		2 021,0	1 628,9
Taxation	8	(662,9)	(554,8)
Profit for the year		1 358,1	1 074,1
Attributable to:			
Equity holders of the parent		1 314,1	1 049,9
Preference shareholders		22,5	8,9
Minority interest	22	21,5	15,3
		1 358,1	1 074,1
Earnings per share (cents)			
Basic EPS	10	660,3	523,7
Diluted basic EPS	10	644,6	514,5
Dividend/distribution per share (cents)			
Interim		223,0	197,0
Final		163,0	123,0
Total	9	386,0	320,0
Headline earnings	10	1 319,4	1 083,3
Headline EPS (cents)	10	663,0	540,4
Diluted headline EPS (cents)	10	647,2	530,9

Massmart uses the retail calendar which means that the 2008 financial year represents a 53-week period which started on Monday, 25 June 2007 and ended on Sunday, 29 June 2008. For further explanation see page 27 of the Chief Financial Officer's review.

Balance sheet

as at 30 June 2008

	Notes	2008 Rm	2007 Rm
Assets			
Non-current assets			
		3 840,5	3 448,2
Property, plant and equipment	11	1 393,0	1 123,8
Goodwill	12	1 362,3	1 346,8
Other intangibles	13	132,0	130,2
Investments	14	311,3	241,2
Other financial assets	15	226,7	173,4
Deferred taxation	16	415,2	432,8
Current assets			
		7 892,8	7 401,4
Inventories	17	4 758,6	4 027,3
Trade receivables and prepayments	18	1 764,2	1 876,5
Taxation		310,4	251,9
Cash and bank balances	36.10	1 059,6	1 245,7
Assets classified as held for sale	19	167,6	–
Total assets		11 900,9	10 849,6
Equity and liabilities			
Capital and reserves			
		2 735,8	2 239,0
Share capital	20	2,0	2,0
Share premium	20	151,7	254,7
Non-distributable reserves	21	269,0	205,4
Retained profit		2 313,1	1 776,9
Minority interest	22	30,7	25,8
Total equity		2 766,5	2 264,8
Non-current liabilities			
		1 015,9	1 122,2
Non-current liabilities:			
– Interest-bearing	23	267,7	402,7
– Interest-free	23	557,2	556,9
Non-current provisions	24	49,1	47,1
Deferred taxation	16	141,9	115,5
Current liabilities			
		8 118,5	7 462,6
Trade and other payables	25	7 380,0	6 755,7
Provisions	26	11,5	3,9
Taxation		543,1	534,4
Other current liabilities	23	146,2	131,6
Bank overdrafts	36.10	37,7	37,0
Total equity and liabilities		11 900,9	10 849,6

Cash flow statement

for the year ended 30 June 2008

	Notes	2008 Rm	2007 Rm
Cash flow from operating activities			
Operating cash before working capital movements	36.1	2 394,9	1 926,4
Working capital movements	36.2	(73,2)	(28,3)
Cash generated from operations			
Interest received		46,5	56,0
Interest paid		(110,6)	(100,4)
Investment income		47,7	53,6
Taxation paid	36.3	(668,1)	(531,6)
Dividends received		2,2	2,5
Dividends paid		(709,9)	(565,1)
Net cash inflow from operating activities		929,5	813,1
Cash flow from investing activities			
Investment to maintain operations	36.4	(268,3)	(152,9)
Investment to expand operations	36.5	(309,6)	(317,9)
Proceeds on disposal of property, plant and equipment	36.6	5,2	10,6
Investment in subsidiaries	36.7	–	(160,0)
Other investing activities	36.8	(325,5)	(70,6)
Net cash outflow from investing activities		(898,2)	(690,8)
Cash flow from financing activities			
Decrease in non-current liabilities		(135,4)	(17,2)
Increase/(decrease) in current liabilities		12,4	(45,2)
Net acquisition of treasury shares	36.9	(99,7)	(226,0)
Net cash outflow from financing activities		(222,7)	(288,4)
Net decrease in cash and cash equivalents		(191,4)	(166,1)
Foreign exchange movements taken to statement of changes in equity		4,6	(1,5)
Cash and cash equivalents at the beginning of the year		1 208,7	1 376,3
Cash and cash equivalents at the end of the year		36.10 1 021,9	1 208,7

Massmart uses the retail calendar which means that the 2008 financial year represents a 53-week period which started on Monday, 25 June 2007 and ended on Sunday, 29 June 2008.

Statement of changes in equity

for the year ended 30 June 2008

	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 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 9)	-	-	-	-	(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
Profit for the year	-	-	-	-	1 336,6	1 336,6	21,5	1 358,1
Exchange differences and hyperinflation movements	-	-	4,6	-	-	4,6	-	4,6
Cash flow hedges taken directly to equity	-	-	(1,9)	-	-	(1,9)	-	(1,9)
Transfers from/to retained profit arising as a result of:								
– release of deferred taxation on trademarks	-	-	(5,8)	-	5,8	-	-	-
– share trust loss	-	-	-	-	(96,3)	(96,3)	-	(96,3)
Gains and losses not recognised in the income statement	-	-	3,3	-	-	3,3	-	3,3
Changes in minority interests	-	-	-	-	-	-	(3,0)	(3,0)
Distribution to minorities	-	-	-	-	-	-	(13,6)	(13,6)
Dividends declared (note 9)	-	-	-	-	(709,9)	(709,9)	-	(709,9)
Share-based payment expense	-	-	-	109,1	-	109,1	-	109,1
BEE transaction costs	-	-	-	-	-	-	-	-
Treasury shares acquired	-	(103,0)	(45,7)	-	-	(148,7)	-	(148,7)
Balance as at 30 June 2008	2,0	151,7	43,2	225,8	2 313,1	2 735,8	30,7	2 766,5

* 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 2008

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 6 on page 123.

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 (ie 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 (ie 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.

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 basis:

• Computer software	3 to 8 years
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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.

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 (ie its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in 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.

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 115.

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.

2. Technical review

International Financial Reporting Standards (IFRS)

Massmart adopted International Financial Reporting Standards (IFRSs), 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	Standards 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	No financial impact but increased disclosure
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 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.

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 08/2007	Headline Earnings	July 2007	This circular will have a financial impact on the Group and has been complied with in full. Refer to note 10.
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.
Circular 01/2008	Guideline on Fees for Audits done on Behalf of the Auditor-General	March 2008	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.

Summary

The Group's accounting policies are governed by IFRSs 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 1 October 2008, 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.

	2008 Rm	2007 Rm
3. Revenue		
Sales	39 783,6	34 807,6
Change in fair value of financial assets carried at fair value through profit or loss	54,0	61,1
Instalment-sale finance charges	51,3	51,6
Dividends from unlisted investments	81,2	67,3
<i>Less: Interest paid on a related liability</i>	(75,5)	(64,8)
Royalties and franchise fees	27,7	25,7
Management and administration fees	0,4	0,4
Property rentals	2,2	1,2
Other	19,9	14,6
	39 944,8	34 964,7

	Notes	2008 Rm	2007 Rm
4. Impairment of assets			
Tangible assets	11	–	6,6
Goodwill	12	–	12,2
Intangible assets	13	4,7	–
Inventory and consumable goods		–	7,5
		4,7	26,3

The impairment of assets in the current year relates to computer software in Shield (Masscash) due to the IT upgrade which rendered the previous system obsolete and trademarks in Corporate where there were no future benefits. The impairment of assets in the prior year related 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.

	2008 Rm	2007 Rm
5. Operating profit		
Credits to operating profit include:		
Foreign exchange profit	220,2	113,1
Profit on disposal of tangible and intangible assets	1,5	4,9
Insurance gain	–	2,8
Charges to operating profit include:		
Depreciation and amortisation (owned assets):		
Buildings	4,6	4,5
Fixtures, fittings, plant and equipment	151,2	119,6
Computer hardware	43,5	37,2
Leasehold improvements	25,0	18,1
Motor vehicles	9,1	8,2
Computer software	48,0	38,2
Trademarks	0,4	0,2
Depreciation and amortisation (leased assets):		
Buildings	2,0	2,1
Fixtures, fittings, plant and equipment	1,3	0,9
Computer equipment	–	0,3
Motor vehicles	12,6	11,7
Foreign exchange loss	157,7	154,5
Share-based payment expense	109,1	73,3
Operating lease charges:		
Land and buildings	705,0	665,3
Plant and equipment	26,6	24,8
Computer equipment	9,5	9,9
Motor vehicles	10,2	10,1
Loss on disposal of tangible and intangible assets	5,3	5,7
Fees payable:		
Administrative and outsourcing services	196,7	181,8
Consulting	19,9	13,5
Auditors' remuneration:		
Current year fee	13,5	13,7
Prior year underprovision	0,1	0,9
Tax advice	0,9	1,7
Consulting and business reviews	0,4	2,7
Contract assignments	0,7	0,9

6. Hyperinflation

In the 2007 financial year, the decision was made to prospectively deconsolidate the results of the Zimbabwean Makro operations.

In terms of IAS 27 *Consolidated and Separate Financial Statements*, control is defined as “the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities”. It is evident from the current social, political and economic developments within Zimbabwe that control does not exist. This has been evidenced through the forcing of retailers to sell goods at predetermined prices and the inability of the Massmart Group to repatriate monies. It is Massmart’s view that, throughout the 2008 financial year, it did not have control over the Zimbabwean operations and as such the results remain deconsolidated. This will be assessed on a yearly basis going forward.

On deconsolidation, the investment in Makro Zimbabwe has been reflected as an available-for-sale financial asset in line with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*. At year-end, the fair value of this asset has been determined to be zero. Details can be found in note 14 on page 130.

	2008 Rm	2007 Rm
7. Net finance costs		
Finance costs		
Interest on bank overdrafts and loans	97,7	88,3
Interest on obligations under finance leases	12,9	12,1
	110,6	100,4
Finance income		
Income from investments and receivables	46,5	56,0
	46,5	56,0

Details on the loans and finance leases can be found in note 23 on page 140.

	2008 Rm	2007 Rm
8. Taxation		
Current year		
South African normal taxation		
Current taxation	506,0	481,4
Deferred taxation	33,8	10,1
Foreign taxation		
Current taxation	37,4	19,7
Deferred taxation	5,9	(8,4)
Secondary taxation on companies	65,9	57,9
Taxation effect of participation in export partnerships	0,4	0,3
Total	649,4	561,0
Prior year under/(over) provision:		
South African normal taxation		
Current taxation	5,7	(2,4)
Deferred taxation	1,4	(2,6)
Release from equity reserve to income	0,5	–
Foreign taxation		
Current taxation	2,7	0,8
Deferred taxation (impairment of deferred taxation assets)	3,2	(2,2)
Secondary taxation on companies	–	0,2
	13,5	(6,2)
	662,9	554,8

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	28,0	29,0
Exempt income	(1,1)	(1,2)
Disallowable expenditure	2,3	3,1
Foreign income	0,1	0,7
Prior year under-provision (including impairment)	0,7	(0,4)
Secondary taxation on companies	3,4	3,6
Other	(0,6)	(0,7)
Effective rate	32,8	34,1

	2008 Rm	2007 Rm
9. Dividends paid to shareholders		
Final cash dividend No 15 (2007: No 13)	244,4	160,1
Interim cash dividend No 16 (2007: No 14)	443,0	396,1
Thuthukani preference share dividends No 2 and No 3 (2007: No 1)	22,5	8,9
Total dividends paid	709,9	565,1

No 15 of 123 cents declared on 2 October 2007 and paid on 29 October 2007 (R244,4 million).

No 16 of 223 cents declared on 20 March 2008 and paid on 25 March 2008 (R443,0 million).

No 17 of 163 proposed on 20 August 2008 to be declared on 12 September 2008 and paid on 15 September 2008 (R327,9 million).

No 2 of 30,75 cents declared on 2 October 2007 and paid on 25 October 2007 to the Massmart Thuthukani Empowerment Trust (R5,0 million).

No 3 of 111,5 cents declared on 20 March 2008 and paid on 25 March 2008 to the Massmart Thuthukani Empowerment Trust (R17,5 million).

No 4 of 81,5 cents proposed on 20 August 2008 to be declared on 12 September 2008 and paid on 15 September 2008 to the Massmart Thuthukani Empowerment Trust (R164,0 million).

	Pre-taxation Rm	2008 Post-taxation Rm	Cents/share	Pre-taxation Rm	2007 Post-taxation Rm	Cents/share
10. 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 198 995 686 (2007: 200 461 258) ordinary shares.						
The calculation is reconciled as follows:						
Profit attributable to the equity holders of the parent	1 314,1	1 314,1	660,3	1 049,9	1 049,9	523,7
Adjustments after minorities:						
Loss on disposal of movable assets	3,8	1,7	0,9	0,8	0,7	0,4
Impairment of assets	4,7	3,6	1,8	26,3	24,1	12,0
CGT on treasury shares	–	–	–	2,4	2,4	1,2
Loss on disposal of Furnex	–	–	–	6,2	6,2	3,1
Headline earnings	1 322,6	1 319,4	663,0	1 085,6	1 083,3	540,4
IFRS 2 BEE transaction charge	89,6	89,6	45,0	63,2	63,2	31,5
Headline earnings before the BEE transaction	1 412,2	1 409,0	708,0	1 148,8	1 146,5	571,9

	2008 Rm	2007 Rm	2008 Cents/share	2007 Cents/share
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 203 866 583 (2007: 204 037 431) ordinary shares.				
The calculation is reconciled as follows:				
Profit attributable to the equity holders of the parent	1 314,1	1 049,9	660,3	523,8
Adjustment for impact of issuing ordinary shares	–	–	(15,7)	(9,3)
Diluted attributable earnings	1 314,1	1 049,9	644,6	514,5
Headline earnings	1 319,4	1 083,3	663,0	540,4
Adjustment for impact of issuing ordinary shares	–	–	(15,8)	(9,5)
Diluted headline earnings	1 319,4	1 083,3	647,2	530,9

	2008 No of shares	2007 No of shares
Weighted average shares outstanding		
Weighted average shares outstanding for basic and headline earnings per share	198 995 686	200 461 258
Potentially dilutive ordinary shares resulting from outstanding options	4 870 897	3 576 173
Weighted average shares outstanding for diluted and diluted headline earnings per share	203 866 583	204 037 431

	Cost/carrying value Rm	Accumulated depreciation Rm	Net book value Rm
11. Property, plant and equipment			
2008			
Owned assets			
Freehold land and buildings	175,2	20,6	154,6
Fixtures, fittings, plant and equipment	1 575,5	777,3	798,2
Computer hardware	293,1	198,6	94,5
Leasehold improvements	331,6	88,6	243,0
Motor vehicles	64,5	33,5	31,0
	2 439,9	1 118,6	1 321,3
Capitalised leased assets			
Freehold land and buildings	49,4	7,2	42,2
Fixtures, fittings, plant and equipment	3,1	3,0	0,1
Computer hardware	0,2	0,2	–
Motor vehicles	53,7	24,3	29,4
	106,4	34,7	71,7
Total	2 546,3	1 153,3	1 393,0
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

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 23 on page 140.

11. Property, plant and equipment *continued*

	Opening net book value Rm	Additions Rm	Additions through acqui- sitions Rm	Disposals Rm	Depre- ciation Rm	Foreign exchange gain/ (loss) Rm	Reclassi- fications Rm	Write-offs Rm	Assets classified as held for sale Rm	Closing net book value Rm
Reconciliation of property, plant and equipment										
2008										
Owned assets										
Freehold land and buildings	154,2	5,0	-	(0,1)	(4,6)	0,1	-	-	-	154,6
Fixtures, fittings, plant and equipment	578,5	368,3	-	(5,1)	(151,2)	6,7	1,0	-	-	798,2
Computer hardware	86,5	52,1	-	(0,9)	(43,5)	0,4	-	-	(0,1)	94,5
Leasehold improvements	196,6	59,9	-	(0,1)	(25,0)	11,6	-	-	-	243,0
Motor vehicles	28,1	12,7	-	(1,3)	(9,1)	0,3	0,3	-	-	31,0
	1 043,9	498,0	-	(7,5)	(233,4)	19,1	1,3	-	(0,1)	1 321,3
Capitalised leased assets										
Freehold land and buildings	44,2	-	-	-	(2,0)	-	-	-	-	42,2
Fixtures, fittings, plant and equipment	2,1	-	-	-	(1,3)	-	(0,7)	-	-	0,1
Motor vehicles	33,6	10,0	-	(1,0)	(12,6)	-	(0,6)	-	-	29,4
	79,9	10,0	-	(1,0)	(15,9)	-	(1,3)	-	-	71,7
Total	1 123,8	508,0	-	(8,5)	(249,3)	19,1	-	-	(0,1)	1 393,0
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

The write-off in the prior year related to the impairment of assets held in the original Dion format that were discontinued.

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.

	2008 Rm	2007 Rm
12. Goodwill		
Reconciliation of goodwill:		
At the beginning of the year	1 346,8	1 196,4
Additions	14,5	163,7
Impairment	–	(12,2)
Exchange differences	1,0	(1,1)
At the end of the year	1 362,3	1 346,8
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) Ltd and Browns & Weirs Cash & Carry Holdings (Pty) Ltd	–	243,0
CCW Wholesalers (Pty) Ltd	–	203,4
Masscash Holdings (Pty) Ltd	493,7	–
Builders Warehouse (a division of Masstores (Pty) Ltd)	187,5	187,5
Federated Timbers (Pty) Ltd	336,9	336,9
De La Rey 1001 Building Materials (Pty) Ltd	223,4	223,4

Jumbo Cash & Carry (Pty) Ltd and Browns & Weirs Cash & Carry (Pty) Ltd, and CCW Wholesalers (Pty) Ltd do not have goodwill balances at year-end as there is a reallocation of their goodwill to Masscash Holdings (Pty) Ltd.

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 CGUs' June 2008 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 2008 additions relate to minor business acquisitions in the Masscash division. In the prior year, the buyout of the minorities in De La Rey 1001 Building Materials (Pty) Ltd makes up the significant portion of the additions.

In the prior year, Jumbo Cash & Carry (Pty) Ltd recognised a goodwill impairment of R12,2 million arising from a minor acquisition in 2001.

				Cost/carrying value Rm	Accumulated amortisation Rm	Net book value Rm	
13. Other intangible assets							
2008							
Owned assets							
Computer software				292,1	162,9	129,2	
Trademarks				4,3	1,5	2,8	
Total				296,4	164,4	132,0	
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	
	Opening net book value Rm	Additions Rm	Disposals Rm	Amortisation Rm	Foreign exchange gain Rm	Impairments Rm	Closing net book value Rm
Reconciliation of other intangible assets							
2008							
Owned assets							
Computer software	127,4	54,1	(0,5)	(48,0)	–	(3,8)	129,2
Trademarks	2,8	1,3	–	(0,4)	–	(0,9)	2,8
Total	130,2	55,4	(0,5)	(48,4)	–	(4,7)	132,0
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

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

	2008 Rm	2007 Rm
14. Investments		
Investment in associate		
Share of post-acquisition profit, net of dividend received	0,6	0,5
Amounts owing to associate	0,8	0,2
	1,4	0,7
Details of the Group's associate at 30 June 2008 are as follows:		
Name of associate	Clidet No 484 (Pty) Ltd	
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) Ltd is 30 June.		
Summarised financial information in respect of the Group's associate is set out below:		
Total assets	31,3	31,6
Total liabilities	29,3	30,1
Net assets	2,0	1,5
Group's share of associate's net assets	0,7	0,7
Revenue	5,4	5,4
Profit for the year	0,5	1,0
Group's share of associate's profit for the year has been included in 'Other operating costs' in the consolidated income statement.	0,2	0,3
Unlisted investments		
Fair value through profit or loss (FVTPL)		
<i>Held-for-trading</i>		
Bare dominium revaluation relating to certain Makro properties	45,2	38,9
Investment in offshore trading structure	243,2	168,2
Total financial assets classified as held for trading	288,4	207,1
<i>Designated as at FVTPL</i>		
Conditional right to cell-captive distribution	5,9	2,3
Total financial assets designated as at FVTPL	5,9	2,3
Total fair value through profit or loss (FVTPL)	294,3	209,4
Loans and receivables		
Trencor export partnership	4,1	4,6
Total loans and receivables	4,1	4,6
Held-to-maturity investments carried at amortised cost		
Preference share investment	560,7	485,3
Offset of related long-term liability	(549,5)	(459,3)
Other investments	0,1	0,3
Total held-to-maturity investments	11,3	26,3
Total unlisted investments	309,7	240,3
Listed investments		
Other investments	0,2	0,2
	0,2	0,2
Total investments	311,3	241,2

	2008 Rm	2007 Rm
14. Investments <i>continued</i>		
Reconciliation of financial assets carried at fair value through profit or loss (FVTPL)		
Opening balance	209,4	149,4
Fair value adjustments taken to the income statement	57,6	61,1
Foreign exchange adjustment taken to the income statement	27,3	(1,1)
Closing balance	294,3	209,4
Reconciliation of loans and receivables		
Opening balance	4,6	4,9
Investment realised	(0,5)	(0,3)
Closing balance	4,1	4,6
This represents our participation in a Trencor import/export partnership.		
Reconciliation of held-to-maturity investments		
Opening balance	26,3	36,3
Amortisation taken to the income statement	(15,0)	(10,0)
Closing balance	11,3	26,3
The preference share investment represents cumulative preference shares in Fullimput 65 (Pty) Limited. A long-term liability of the Group is secured by a cession of the preference shares 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 prior year and the investment has been carried as an available-for-sale financial asset. At the prior 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 R309,7 million (2007: R240,3 million).

For IAS 39 *Financial Instruments: Recognition and Measurement* accounting treatment of these investments, see note 37, "Financial instruments".

	2008 Rm	2007 Rm
15. Other financial assets		
Housing loans to the directors and Executive Committee members of Massmart Holdings Limited:		
Balance at the beginning of the year	0,3	1,9
Advanced during the year	–	–
Repayments	–	(1,6)
Balance at the end of the year	0,3	0,3
Employee share trust loans to the directors and Executive Committee members of Massmart Holdings Limited:		
Balance at the beginning of the year	127,1	144,5
Advanced during the year	58,9	32,8
Repayments	(11,6)	(50,2)
Balance at the end of the year	174,4	127,1
Other employee loans:		
Housing and staff loans	3,3	5,2
Employee share trust loans	0,8	1,5
Finance lease deposit	45,1	39,3
Other loans	2,8	–
	52,0	46,0
	226,7	173,4

These loans are classified as 'Loans and receivables' for IAS 39 *Financial Instruments: Recognition and Measurement* purposes. See note 37, 'Financial instruments', 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
2008				
Balance at the beginning of the year	–	48,5	17,4	61,5
Advanced during the year	–	8,3	8,9	41,7
Repayments	–	(4,3)	(1,4)	(5,9)
Balance at the end of the year	–	52,5	24,9	97,3
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

* Resigned as executive director on 30 June 2007 and appointed non-executive Chairman on 1 July 2007.

	2008 Rm	2007 Rm
16. Deferred taxation		
The movements during the year are analysed as follows:		
Net asset at the beginning of the year	317,3	312,3
Charge to profit or loss for the year	(44,3)	3,1
Debit to equity	0,3	1,9
Net asset at the end of the year	273,3	317,3
Deferred taxation balances are presented in the balance sheet as follows:		
Deferred taxation assets	415,2	432,8
Deferred taxation liabilities	(141,9)	(115,5)
	273,3	317,3

	Opening balance Rm	Charged to income Rm	Charged to equity Rm	Exchange differences Rm	Changes in tax rate Rm	Closing balance Rm
2008						
Temporary differences						
Trademarks	9,2	(7,5)	–	–	(0,3)	1,4
Assessed loss unutilised	45,4	(12,3)	–	4,0	(0,6)	36,5
Export partnerships	(5,1)	0,5	–	–	0,2	(4,4)
Debtors provisions	18,0	(7,0)	–	–	(0,6)	10,4
Prepayments	(87,1)	(22,9)	–	–	3,0	(107,0)
Creditors provisions	59,8	1,3	–	0,4	(1,7)	59,8
Property, plant and equipment	(22,8)	(6,4)	–	(0,2)	0,6	(28,8)
Finance leases	14,6	(0,9)	–	–	(0,5)	13,2
Long-term provisions	13,9	0,6	–	–	(0,5)	14,0
Income not accrued	(0,2)	(0,4)	–	–	–	(0,6)
Deferred income	56,0	11,8	–	0,1	(1,9)	66,0
Operating lease adjustment	223,8	11,6	–	0,3	(7,3)	228,4
Other temporary differences	(8,2)	(7,2)	0,3	(0,1)	(0,4)	(15,6)
Total	317,3	(38,8)	0,3	4,5	(10,0)	273,3
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

	2008 Rm	2007 Rm
17. Inventories		
Food		
Inventory at cost	1 526,5	1 094,2
Provisions	(56,9)	(54,6)
	1 469,6	1 039,6
Liquor		
Inventory at cost	261,4	176,0
Provisions	(8,5)	(4,9)
	252,9	171,1
General merchandise		
Inventory at cost	2 410,1	2 196,4
Provisions	(226,4)	(209,1)
	2 183,7	1 987,3
Home improvements		
Inventory at cost	968,6	925,7
Provisions	(116,2)	(96,4)
	852,4	829,3
Total inventory net of provisions	4 758,6	4 027,3
Inventories are carried at the lower of cost or net realisable value.		
Carrying amount of inventories carried at net realisable value	109,8	13,6
Inventory write-down recognised as an expense	8,4	38,5

Inventory is fully funded by trade payables. Details of trade payables can be found in note 25 on page 141.

	2008 Rm	2007 Rm
18. Trade receivables and prepayments		
Trade receivables	1 134,7	1 073,2
Allowance for doubtful debts	(60,0)	(92,4)
	1 074,7	980,8
Net consumer accounts receivable	–	283,4
Prepayments	50,9	27,8
Other accounts receivable	638,6	584,5
	1 764,2	1 876,5
Movement in allowance for doubtful debts		
Balance at the beginning of the year	92,4	80,3
(Decrease)/increase in allowance recognised in profit or loss	(32,4)	12,1
Balance at the end of the year	60,0	92,4

The net consumer accounts receivable balance for the current year is zero due to the sale of Massdiscounters retail debtors book. Refer to note 19 for further details.

Trade receivables are classified as 'Loans and receivables' for IAS 39 *Financial Instruments: Recognition and Measurement* purposes. See note 37, 'Financial instruments' 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 Divisions with interest being charged between 12,5% and 26,0% per annum on the outstanding balance (the 26,0% relates to Massdiscounters consumer accounts receivable which is now classified as an asset held for sale). 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 R7,4 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 200 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 R0,5 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.

	2008 Rm	2007 Rm
19. Assets classified as held for sale		
Massmart has contractually concluded the cash sale of the Massdiscounters retail debtors book with effect from the first day of business in the 2009 financial year.		
The classes of assets comprising the operations classified as held-for-sale at the balance sheet date are as follows:		
Trade receivables	167,5	–
Computer hardware	0,1	–
	167,6	–

	Share capital		Share premium	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
20. Issued capital				
Authorised				
500 000 000 (2007: 500 000 000) ordinary shares of 1 cent each	5,0	5,0	–	–
20 000 000 (2007: 20 000 000) non-redeemable cumulative non-participating preference shares of 1 cent each	0,2	0,2	–	–
18 000 000 (2007: 18 000 000) 'A' convertible redeemable non-cumulative participating preference shares of 1 cent each	0,2	0,2	–	–
2 000 000 (2007: 2 000 000) 'B' convertible redeemable non-cumulative participating preference shares of 1 cent each	–	–	–	–
Issued				
201 193 512 (2007: 201 072 831) ordinary shares of 1 cent each	2,0	2,0	151,7	254,7
17 868 125 (2007: 17 967 866) 'A' convertible redeemable non-cumulative participating preference shares of 1 cent each	–	–	–	–
1 979 060 (2007: 2 000 000) '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	201 040 697*	2,0	262,6
Shares issued in terms of the Massmart Thuthukani Empowerment Trust	32 134	–	(4,5)
Ordinary shares issued – June 2007	201 072 831	2,0	258,1
Treasury shares	(265 720)	–	(3,4)
Ordinary shares issued excluding treasury shares – June 2007	200 807 111	2,0	254,7
Balance at the beginning of the year	201 072 831*	2,0	254,7
Shares issued in terms of the Massmart Black Scarce Skills Trust	20 940	–	–
Shares issued in terms of the Massmart Thuthukani Empowerment Trust	99 741	–	–
Ordinary shares issued – June 2008	201 193 512	2,0	254,7
Treasury shares	(2 000 984)	–	(103,0)
Ordinary shares issued excluding treasury shares – June 2008	199 192 528	2,0	151,7
'A' convertible redeemable non-cumulative participating preference shares			
Balance at the beginning of the previous 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 30 June 2007	–	–	–
Balance at the beginning of the year	–	–	–
Net shares issued in terms of the Massmart BEE transaction in prior year	17 967 866	–	–
Shares converted to ordinary shares	(99 741)	–	–
Treasury shares	(17 868 125)	–	–
Balance at 30 June 2008	–	–	–

* 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 previous 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 30 June 2007	–	–	–
Balance at the beginning of the year	–	–	–
Net shares issued in terms of the Massmart BEE transaction in prior year	17 967 866	–	–
Shares converted to ordinary shares	(99 741)	–	–
Treasury shares	(17 868 125)	–	–
Balance at 30 June 2008	–	–	–

'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 appointed trustees, and carry the right to dividends. On election of the beneficiary, the shares will convert to ordinary shares on a one-for-one basis and will rank *pari passu* with all ordinary shares then in issue.

	Number of shares	Share capital Rm	Share premium Rm
20. Issued capital <i>continued</i>			
'B' convertible redeemable non-cumulative participating preference shares			
Balance at the beginning of the previous year	–	–	–
Shares issued in terms of the Massmart BEE transaction	2 000 000	–	–
Treasury shares	(2 000 000)	–	–
Balance at 30 June 2007	–	–	–
Balance at the beginning of the year	–	–	–
Net shares issued in terms of the Massmart BEE transaction in prior year	2 000 000	–	–
Shares converted to ordinary shares	(20 940)	–	–
Treasury shares	(1 979 060)	–	–
Balance at 30 June 2008	–	–	–

'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 2008, executives and senior employees have options over 14 304 900 ordinary shares (of which 11 784 413 are unvested). As at June 2007, executives and senior employees have options over 10 239 002 ordinary shares (of which 7 217 626 are unvested).

Share options granted under the Employee Share Incentive Scheme carry no rights to dividends and no voting rights. Further details of the Employee Share Incentive Scheme are contained in note 27 on page 142 to the financial statements.

The total share buyback (including shares bought in the market by the Share Trust) for the year was 3,3 million shares (2007: 4,4 million) at an average price of R83,10 (2007: R71,85) totalling R271,8 million (2007: R313,2 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.

	2008 Rm	2007 Rm
21. Non-distributable reserves		
Foreign currency translation reserve	20,2	15,6
Hedging reserve	(0,7)	1,2
Share-based payment reserve	225,8	116,7
Capital redemption reserve fund	1,8	0,2
Deferred taxation on trademarks	0,6	6,4
Amortisation of trademarks	76,5	77,7
Fair value adjustment of available-for-sale financial asset	(13,2)	(13,2)
Change in minority interests	1,9	0,8
Treasury shares	(43,9)	–
	269,0	205,4
Reconciliation of the foreign currency translation reserve		
Balance at the beginning of the year	15,6	9,1
Translation on consolidation	4,6	0,6
Deconsolidation of Makro Zimbabwe	–	5,9
Balance at the end of the year	20,2	15,6
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.		
Reconciliation of the hedging reserve		
Balance at the beginning of the year	1,2	–
(Loss)/gain recognised on cash flow hedges	(1,9)	1,2
Balance at the end of the year	(0,7)	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		
Balance at the beginning of the year	116,7	43,4
Share-based payment expense on Massmart Holdings Limited Employee Share Trust	42,0	19,0
Share-based payment expense on Massmart Thuthukani Empowerment Trust	62,3	52,2
Share-based payment expense on the Massmart Black Scarce Skills Trust	4,8	2,1
Balance at the end of the year	225,8	116,7
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 27 on page 142. 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:

	2008 Number of share options	2008 Weighted average exercise price Rm	2007 Number of share options	2007 Weighted average exercise price Rm
Outstanding at the beginning of the year	10 239 002	48,86	12 206 168	26,79
Granted during the year	6 468 090	71,32	3 742 348	82,97
Forfeited during the year	(600 558)	75,14	(1 468 158)	43,29
Exercised during the year	(1 801 634)	26,27	(4 241 356)	17,29
Outstanding at the end of the year	14 304 900	60,76	10 239 002	48,86
Exercisable at the end of the year	2 913 504		3 021 376	

	2008	2007
21. Non-distributable reserves <i>continued</i>		
Massmart Holdings Limited Employee Share Trust <i>continued</i>		
<p>The weighted average share price at the date of exercise for share options exercised during the year was R72,62 (2007: R74,11). The options outstanding at the end of the year have a weighted average remaining contractual life of 4,5 years (2007: 4,1 years). In 2008, options were granted on 24 August 2007, 30 November 2007, 1 April 2008 and 26 May 2008. The estimated fair values of the options granted on those dates are R29,40, R23,46, R22,88 and R21,10 respectively. 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.</p> <p>These fair values were calculated using the binomial model. The inputs into the model were as follows:</p>		
Weighted average share price (Rand)	70,26	86,40
Expected volatility	31,1% – 31,7%	29,7% – 31,3%
Expected life	3 – 5 years	3 – 5 years
Risk-free rate	9,0% – 9,6%	7,4% – 8,5%
Expected dividend yield	3,4% – 3,8%	3,6% – 3,9%
<p>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.</p>		
Massmart Thuthukani Empowerment Trust		
<p>The weighted average share price at the date of exercise for share options exercised during the year was R76,67. The options outstanding at the end of the year have a weighted average remaining contractual life of 4 years. In 2007, options were granted on 2 October 2006. The estimated fair values of the options granted on that date is R24,75.</p> <p>These fair values were calculated using the binomial model. The inputs into the model were as follows:</p>		
Weighted average share price (Rand)	56,91	56,91
Expected volatility	30,1% – 32,3%	30,1% – 32,3%
Expected life	5,0	5,0
Risk-free rate	8,3% – 8,4%	8,3% – 8,4%
Expected dividend yield	3,7%	3,7%
<p>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.</p>		
Massmart Black Scarce Skills Trust		
<p>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 years. In 2008, options were granted on 30 November 2007 and 1 April 2008. The estimated fair values of the options granted on those dates are R23,46 and R22,85 respectively. 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.</p> <p>These fair values were calculated using the binomial model. The inputs into the model were as follows:</p>		
Weighted average share price (Rand)	70,08	58,26
Expected volatility	31,0% – 31,3%	30,1% – 31,3%
Expected life	3 – 5 years	4,1
Risk-free rate	9,0% – 9,1%	7,7% – 8,5%
Expected dividend yield	3,5% – 3,7%	3,7% – 3,9%
<p>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.</p>		

	2008 Rm	2007 Rm
22. Minority interest		
At the beginning of the year	25,8	50,6
Changes in minority interests	(3,0)	(37,3)
Income attributable to minorities	21,5	15,3
Distribution to minorities	(13,6)	(2,8)
At the end of the year	30,7	25,8

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

The minority interest at year-end relates to the minority shareholders in subsidiaries of Masscash Holdings (Pty) Ltd.

	2008 Rm	2007 Rm
23. Non-current liabilities		
Interest-bearing		
Unsecured		
Medium-term payable	15,1	3,4
Less: Included in current liabilities	(15,1)	(3,4)
Secured		
Medium-term bank loans	302,6	429,7
Less: Included in current liabilities	(116,9)	(116,2)
Foreign bank loan	52,6	54,9
Less: Related cash deposit	(52,6)	(54,9)
	185,7	313,5
Capitalised finance leases	96,2	101,2
Less: Included in current liabilities	(14,2)	(12,0)
	82,0	89,2
Total interest-bearing liabilities	267,7	402,7
Interest-free		
Unsecured		
Minority shareholders' loans	0,7	1,9
Income received in advance	141,1	140,8
Less: Included in trade and other payables	(52,0)	(47,6)
Operating lease liability	462,0	475,0
Less: Included in trade and other payables	5,4	(13,2)
Total non-interest-bearing liabilities	557,2	556,9
Total non-current liabilities	824,9	959,6

Included in current liabilities is a medium-term payable of R3,6 million (2007: R3,4 million), which is an amount owing to the Massmart Education Trust relating to cash held on its behalf.

Two medium-term bank loans, raised in 2001, were repayable in ten 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 2006 financial 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 Massdiscounters' 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 vehicles, fixtures, fittings, plant and computer equipment and property leases, repayable in monthly instalments varying from one to five years at varying interest rates (varying between 8,25% and 15,5%).

The capitalised finance leases are secured by movable assets with a book value of R29,5 million (2007: R35,7 million) and the property lease by the value of the underlying land amounting to R42,3 million (2007: R44,2 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*.

	2008 Rm	2007 Rm		
24. Non-current provisions				
Onerous lease provision	2,1	2,8		
Less: Payable within one year included in current provisions	(0,7)	(0,7)		
Provision for post-retirement medical aid contributions and other medical aid provisions	47,7	45,0		
	49,1	47,1		
	Repayable within 1 year* Rm	Repayable in 2 – 5 years Rm	Repayable after 5 years Rm	Total Rm
2008	0,7	1,4	47,7	49,8
2007	0,7	2,1	45,0	47,8

* Included in current provisions in note 26.

Certain Group companies provide post-retirement healthcare benefits to their retirees. The policy ceased to be offered to new employees with effect from 1999. 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 1,0% (2007: 1,5%).

	2008 Rm	2007 Rm
The net expense recognised in the income statement is:		
Current service cost	2,2	1,8
Interest cost	3,4	3,3
Benefits paid against balance sheet held liability	(1,0)	(1,0)
Net actuarial (gain)/loss recognised in the year	(1,9)	1,9
Net expense recognised as part of employment costs	2,7	6,0
Movements in the post-retirement medical aid liability:		
Opening defined-benefit obligation	45,0	39,0
Expense as above	2,7	6,0
Closing defined-benefit obligation	47,7	45,0

The last valuation of the liability for the post-retirement medical aid contributions was performed as at 30 June 2008 by Alexander Forbes, Fellow of the Institute of Actuaries (2007: Alexander Forbes, Fellow of the Institute of Actuaries). The current year costs have been assessed in accordance with the advice of independent actuaries.

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

- Six members were transferred to RCS on 30 June 2008 and this resulted in a gain of R0,3 million.
- Alexander Forbes was unable to confirm the date of employment for certain employees. In consultation with Massmart, the date of joining the medical scheme was used to accrue the liability and this resulted in an unexpected gain of R0,9 million.
- Higher than expected increase in medical scheme contributions resulted in a gain of R1,0 million.
- Other miscellaneous items resulted in a net gain of R0,4 million.

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

	2008 Rm	2007 Rm
25. Trade and other payables		
Trade payables	5 928,1	5 285,8
Operating lease liability	(5,4)	13,2
Sundry payables and other accruals	1 457,3	1 456,7
	7 380,0	6 755,7

Trade and other payables are classified as ‘Loans and receivables’ for IAS 39 *Financial Instruments: Recognition and Measurement* purposes. See note 37, ‘Financial instruments’ 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 1,1% to 2,5%.

	2008 Rm	2007 Rm
26. Provisions		
Restructuring costs raised on acquisition	1,9	1,8
Onerous lease provision	0,7	0,7
Other	8,9	1,4
	11,5	3,9
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					
2008					
Restructuring costs raised on acquisition	1,8	–	–	0,1	1,9
Onerous lease provision	0,7	1,1	(0,7)	(0,4)	0,7
Other	1,4	7,5	–	–	8,9
	3,9	8,6	(0,7)	(0,3)	11,5
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

	2008 000s	2007 000s
27. 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 ever allocated to participants who are still employees	(31 726)	(37 514)
Shares which have been paid for and transferred which are more than ten years old	1 927	1 395
Remaining capacity for issue in terms of the JSE practice	9 701	3 381
Opening balance of shares and options	13 395	19 077
New shares and options offered to employees and executive directors	7 216	4 121
Shares and options sold by employees and directors	(1 869)	(8 189)
Shares repurchased from/forfeited by employees and options lapsed/forfeited	(637)	(1 614)
Closing balance of shares and options	18 105	13 395

The closing balance includes 3 800 048 (2007: 3 155 538) shares and 14 304 900 (2007: 10 239 002) options. Shares and options previously issued to employees who then subsequently left the Group are excluded from the figures above. In accordance with the new Schedule 14 of the JSE – 'Requirements for share incentive schemes' effective from 15 October 2008 the shares available for issue to the Share Trust will increase from the 9 701 000 shares above to 36 003 396 shares. Any amendments required to bring the Share Trust rules in line with the new Schedule 14 have to be approved by the JSE and shareholders by no later than 1 January 2011.

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 periods as follows:

- 25% two years after the offer date
- 50% three years after the offer date
- 75% four years after the offer date
- 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 ten 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.

27. 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 2007	No of options forfeited and expired	No of options exercised	New options granted	No of options at June 2008
22 September 1999	21 September 2009	12,37	134 271	–	7 003	–	127 268
10 March 2000	9 March 2010	14,61	48 750	–	–	–	48 750
13 November 2000	12 November 2010	12,25	307 500	–	57 500	–	250 000
27 August 2001	26 August 2011	10,95	812 008	–	54 000	–	758 008
16 January 2002	15 January 2012	12,03	50 000	–	–	–	50 000
22 May 2002	21 May 2008	13,88	352 842	–	352 842	–	–
15 November 2002	14 November 2008	17,30	12 831	–	12 831	–	–
19 November 2002	18 November 2008	17,43	50 000	–	50 000	–	–
1 January 2003	31 December 2008	18,30	9 176	–	9 176	–	–
1 February 2003	31 January 2009	18,90	29 499	–	–	–	29 499
1 April 2003	31 March 2009	17,82	24 065	–	24 065	–	–
1 May 2003	30 April 2009	18,06	23 183	6 211	5 788	–	11 184
27 May 2003	26 May 2009	18,98	506 910	3 800	142 420	–	360 690
31 May 2003	30 May 2009	19,14	191 887	–	40 641	–	151 246
1 September 2003	31 August 2009	24,59	103 182	–	9 103	–	94 079
1 November 2003	31 October 2009	28,20	45 000	–	35 000	–	10 000
26 February 2004	25 February 2010	27,63	92 281	7 500	22 700	–	62 081
1 March 2004	28 February 2010	27,90	7 428	–	–	–	7 428
1 April 2004	31 March 2010	30,22	20 044	–	7 046	–	12 998
15 April 2004	14 April 2010	32,55	19 454	–	19 454	–	–
26 May 2004	25 May 2010	29,87	608 280	7 645	145 977	–	454 658
31 May 2004	30 May 2010	30,20	427 580	–	391 726	–	35 854
1 September 2004	31 August 2010	35,31	701 579	20 000	228 211	–	453 368
25 February 2005	24 February 2011	45,24	39 565	12 424	9 641	–	17 500
1 April 2005	31 March 2011	41,91	403 058	3 058	–	–	400 000
1 May 2005	30 April 2011	43,42	36 393	5 338	–	–	31 055
27 May 2005	26 May 2011	42,97	538 086	13 323	78 774	–	445 989
31 May 2005	30 May 2011	42,88	139 628	2 895	5 388	–	131 345
1 October 2005	30 September 2011	52,48	8 642	–	543	–	8 099
1 November 2005	31 October 2011	51,91	68 248	2 474	19 210	–	46 564
30 November 2005	29 November 2011	51,19	203 803	26 982	26 450	–	150 371
1 April 2006	31 March 2012	58,74	134 329	16 599	5 532	–	112 198
23 May 2006	22 May 2012	54,13	547 152	29 875	40 613	–	476 664
25 August 2006	24 August 2012	51,93	267 946	9 868	–	–	258 078
1 October 2006	30 September 2012	56,42	104 367	4 289	–	–	100 078
15 November 2006	14 November 2012	62,04	228 028	–	–	–	228 028
23 February 2007	22 February 2013	67,79	453 353	5 844	–	–	447 509
2 April 2007	1 April 2013	82,67	39 398	–	–	–	39 398
24 May 2007	23 May 2013	94,25	2 449 256	316 863	–	–	2 132 393
24 August 2007	23 August 2013	80,75	–	–	–	260 456	260 456
30 November 2007	29 November 2013	71,58	–	–	–	275 130	275 130
1 April 2008	31 March 2014	66,91	–	105 570	–	1 955 322	1 849 752
26 May 2008	25 May 2014	72,86	–	–	–	3 977 182	3 977 182
			10 239 002	600 558	1 801 634	6 468 090	14 304 900

	2008 000s	2007 000s
27. Employee share incentive schemes <i>continued</i>		
Massmart Thuthukani Empowerment Trust		
Total share units available to the scheme	18 000	18 000
Opening balance of share units	17 231	–
New share units offered to eligible employees	–	18 124
Share units sold	(128)	(111)
Share units repurchased from/forfeited by employees and share units lapsed/forfeited	(1 825)	(782)
Closing balance of share units	15 278	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
- 33,4% six years after the offer date.

The following share units 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 share units at June 2007	No of share units forfeited and expired	No of share units exercised	New share units granted	No of share units at June 2008
2008							
1 October 2006	2 October 2012	49,98	17 230 925	1 824 770	128 150	–	15 278 005
2007							
1 October 2006	2 October 2012	49,98	–	782 440	111 225	18 124 590	17 230 925

	2008 000s	2007 000s
27. Employee share incentive schemes <i>continued</i>		
Massmart Black Scarce Skills Trust		
Total share units available to the scheme	2 000	2 000
Opening balance of share units	626	–
New share units offered to employees	1 048	687
Share units sold by employees	(21)	–
Share units repurchased from/forfeited by employees and share units lapsed/forfeited	(29)	(61)
Closing balance of share units	1 624	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
- 100% five years after the offer date.

The following share units 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 share units at June 2007	No of share units forfeited and expired	No of share units exercised	New share units granted	No of share units at June 2008
2008							
1 October 2006	2 October 2011	56,42	600 524	29 026	20 940	–	550 558
2 April 2007	3 April 2012	82,67	25 464	–	–	–	25 464
30 November 2007	29 November 2013	71,58	–	–	–	10 794	10 794
1 April 2008	31 March 2014	66,97	–	–	–	1 037 045	1 037 045
			625 988	29 026	20 940	1 047 839	1 623 861
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

28. 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 underway to transfer these employees to one of the above funds in future.

The Massmart Pension Fund and the Massmart Provident Fund are not required to submit a statutory actuarial valuation to the Financial Services Board every three years as they have been granted valuation exemption with effect from 1 March 2007. The funds' valuator certified that the funds were financially sound at 28 February 2006, being the last statutory actuarial valuation date of the funds and the assets were suitable in nature, in terms of the liabilities as at valuation date.

Contributions received by the funds for the year ended 30 June 2008 amounted to R210 million (2007: R187 million). The Group's contribution of R126 million (2007: R112 million) was included in the income statement for the year as part of the employee costs.

	2008 Rm	2007 Rm
29. Commitments		
Commitments in respect of capital expenditure approved by directors:		
Contracted for	278,0	101,0
Not contracted for	287,2	327,7
	565,2	428,7

Commitments contracted for in the current year include three new Builders Warehouse stores, four new Game stores, one new Dion Wired store and two new Builders Trade Depot stores. Two Game stores are to be relocated and four Game stores are to be refurbished. There will be a general Makro store refurbishment as well as SAP upgrades at Builders Warehouse and Makro, and an IT wishlist at Massdiscounters.

Commitments not contracted for in the current year include a Great Plains upgrade at Shield, a SAP upgrade at Builders Warehouse and various store refurbishments, and tangible and intangible asset purchases.

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 rights, totals R111,7 million (2007: R73,5 million).

Capital commitments will be funded utilising current facilities.

	2008 Rm	2007 Rm
30. Operating lease commitments		
Land and buildings		
Year 1	713,5	667,5
Years 2 to 5	2 977,5	2 728,6
Subsequent to year 5	2 446,3	2 625,6
	6 137,3	6 021,7
Plant and equipment		
Year 1	17,2	19,2
Years 2 to 5	27,5	31,8
Subsequent to year 5	0,5	2,0
	45,2	53,0
Other		
Year 1	3,5	3,6
Years 2 to 5	3,1	4,2
	6,6	7,8

Promissory notes that represent commitments under non-cancellable operating leases of R936,1 million (2007: R1 059,9 million) entered into by Masstores (Pty) Ltd 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 R601,6 million (2007: R678,9 million), discounted at 15%. In accordance with IAS 17 *Leases*, the rentals paid are amortised over the entire remaining lease period on a straight-line basis.

	2008 Rm	2007 Rm
31. Contingent liabilities		
	-	-

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

	2008 Rm	2007 Rm
32. 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	46,2	66,2
Post-employment benefits	1,6	1,6
Other long-term benefits	14,6	8,1
Gains on exercise of share options	2,7	91,5
	65,1	167,4

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends. In 2008, there are two less members in the Executive Committee than in 2007.

Other related-party transactions

Certain properties used by CBW are leased from CCW Property Holdings (Pty) Ltd 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 15 on page 132.

33. Directors' emoluments

The comments below provide further background and context to the figures disclosed in this note, Directors' emoluments, and Interests of executive directors in the Company's Share Scheme (note 34).

GM Pattison

Grant received a 17,2% increase to his salary and allowances for the 2008 financial year, from R2,2 million to R2,6 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 23,8%), he received R3,9 million. The figure of R3,9 million includes bonus retention amounts totalling R0,9 million from previous years now released to him (and also to all other participants of the Massmart Short-term Executive Incentive Scheme). The balance of the bonus represents 15 months' salary.

Grant did not sell any Massmart shares or options during the 2008 financial year.

Through the Share Scheme, Grant has 1 931 386 Massmart shares and options. The average length of time that he has held these shares and options is 3,8 years and the average strike price is R40,09 per share. Grant also owns 11 800 Massmart shares directly.

GRC Hayward

Guy received a 13,1% increase to his salary and allowances for the 2008 financial year, from R1,8 million to R2,0 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 23,8%), he received R2,8 million. The figure of R2,8 million includes bonus retention amounts totalling R0,8 million from previous years now released to him. The balance of the bonus represents 12 months' salary.

In terms of the rules of the Massmart Holdings Employee Share Trust, shares or options issued after 2002 must be exercised within six years of issue. During the 2008 financial year, Guy therefore had to convert and sell 50 000 Massmart options which he had held for more than five years. With the cash proceeds from the realised gain of R2,7 million, and after paying tax thereon, he purchased 22 000 Massmart shares.

Through the Share Scheme, Guy still has 817 697 Massmart shares and options. The average length of time that he has held these shares and options is 3,7 years and the average strike price is R41,17 per share. Guy also owns 22 000 Massmart shares directly.

	Services as directors of Massmart Holdings Ltd R000	Salary and allowances R000	Bonuses and per- formance related payments ⁵ R000	Other benefits R000	Retirement 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 ⁶ R000	Gains on exercise of share options R000	Total R000
33. Directors' emoluments <i>continued</i>										
For the year ended 30 June 2008										
Executive directors										
Pattison, GM ¹	–	2 550	3 880	187	258	800 ⁸	7 675	5 325	–	13 000
Hayward, GRC	–	2 036	2 796	289	214	–	5 335	2 033	2 742 ⁷	10 110
	–	4 586	6 676	476	472	800	13 010	7 358	2 742	23 110
Non-executive directors										
Lamberti, MJ ²	799	–	–	–	–	–	799	–	–	799
Seabrooke, CS ³	722	–	–	–	–	–	722	–	–	722
Brand, MD ⁴	359	–	–	–	–	–	359	–	–	359
Combi, ZL	370	–	–	–	–	–	370	–	–	370
Dlamini, KD	185	–	–	–	–	–	185	–	–	185
Gwagwa, NN	185	–	–	–	–	–	185	–	–	185
Hodkinson, JC	185	–	–	–	–	–	185	–	–	185
Langeni, P	272	–	–	–	–	–	272	–	–	272
Matthews, IN	642	–	–	–	–	40	682	–	–	682
Maw, P	359	–	–	–	–	–	359	–	–	359
Mokhobo, DNM	359	–	–	–	–	–	359	–	–	359
Rubin, MJ	272	–	–	–	–	–	272	–	–	272
	4 709	–	–	–	–	40	4 749	–	–	4 749
Total	4 709	4 586	6 676	476	472	840	17 759	7 358	2 742	27 859

¹ Appointed CEO on 1 July 2007.

² Appointed Non-executive Chairman on 1 July 2007.

³ Appointed Deputy Chairman on 1 July 2007.

⁴ Individual not recipient of fees – fees paid to Company.

⁵ 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.

⁶ Held in terms of the rules of the Company's share scheme.

⁷ With these proceeds he acquired 22 000 Massmart shares.

⁸ Restraint paid an appointment as CEO.

	Services as directors of Massmart Holdings Ltd R000	Salary and allowances R000	Bonuses and per- formance related payments ⁸ R000	Other benefits R000	Retirement 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 ⁹ 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 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. This figure includes 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.

	Relevant date	Subscription price (R)	Market price (R)	Number of shares/ share options	Gain on sale/ exercise (R000s)	Expiry date
34. Interests of executive Directors in the Company's share scheme						
Details of directors' shares and share options per director:						
Pattison, GM						
Balance at the beginning of the previous year				1 791 138		
New shares/options granted	24 May 2007	94,25		55 000		23 May 2013
Balance at the beginning of the year				1 846 138		
New shares/options granted	26 May 2008			85 248		
Balance at the end of the year				1 931 386		
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
	26 May 2008	72,86		85 248		25 May 2014
Hayward, GRC						
Balance at the beginning of the previous 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)		
	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 beginning of the year				752 413		
Options exercised	29 February 2008	17,43	72,26	(50 000)	2 742	
New shares/options granted	1 April 2008	66,91		40 641		1 April 2014
	26 May 2008	72,86		74 643		26 May 2014
Balance at the end of the year				817 697		
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
	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
	1 April 2008	66,91		40 641		1 April 2014
	26 May 2008	72,86		74 643		25 May 2014
Lamberti, MJ						
Balance at the beginning of the previous year				4 632 791		
Shares sold/options exercised	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	
Shares settled and transferred from share trust				(500 000)		
Balance at the beginning of the year				-		

	Relevant date	Subscription price (R)	Market price (R)	Number of shares/ share options	Gain on sale/ exercise (R000s)	Expiry date
34. Interests of executive Directors in the Company's share scheme <i>continued</i>						
Nothnagel, S						
Balance at the beginning of the previous 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 beginning of the year				-		
No movement*				-		
Balance at the end of the year				-		

* Executive director from 25 May 2005 and resigned as director on 30 November 2006.

35. 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
2008							
Name of company							
De La Rey 1001 Building Materials (Pty) Ltd	–	South Africa	100	100	Selling of building materials	28,4	210,4
Federated Timbers (Pty) Ltd	–	South Africa	100	100	Wholesale and retail of DIY products	–	0,4
Jumbo Cash & Carry (Pty) Ltd	–	South Africa	100	100	Wholesale cash and carry	74,5	–
Masscash Holdings (Pty) Ltd	–	South Africa	100	100	Holding company	1,0	–
Massmart International Holdings Limited	–	Mauritius	100	100	Holding company	–	81,5
Massmart Management & Finance Company (Pty) Ltd	–	South Africa	100	100	Management, investment and finance	–	(164,4)
Masstores (Pty) Ltd	200	South Africa	100	100	Retailing, warehousing, mass merchandising	–	(478,0)
Servistar (Pty) Ltd	–	South Africa	100	100	DIY retailer	–	112,7
						103,9	(237,4)
2007							
Name of company							
De La Rey 1001 Building Materials (Pty) Ltd	–	South Africa	100	100	Selling of building materials	28,4	210,4
Federated Timbers (Pty) Ltd	–	South Africa	100	100	Wholesale and retail of DIY products	–	0,4
Jumbo Cash & Carry (Pty) Ltd	–	South Africa	100	100	Wholesale cash and carry	74,5	–
Masscash Holdings (Pty) Ltd	–	South Africa	100	100	Holding company	1,0	–
Massmart International Holdings Limited	–	Mauritius	100	100	Holding company	–	81,5
Massmart Management & Finance Company (Pty) Ltd	–	South Africa	100	100	Management, investment and finance	–	(164,4)
Masstores (Pty) Ltd	200	South Africa	100	100	Retailing, warehousing, mass merchandising	–	(478,0)
Servistar (Pty) Ltd	–	South Africa	100	100	DIY retailer	–	112,7
Shield Buying & Distribution (Pty) Ltd	4 443	South Africa	100	100	Wholesale and retail marketing and distribution	30,4	24,6
						134,3	(212,8)

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.

	2008 Rm	2007 Rm
36. Notes to the cash flow statement		
36.1 Cash flow from trading		
Profit before taxation	2 021,0	1 628,9
Adjustment for:		
Depreciation, amortisation and impairment	302,6	267,2
Net loss on disposal of property, plant and equipment	3,8	0,7
Interest income	(46,5)	(56,0)
Interest expense	110,6	100,4
Investment income	(47,7)	(53,6)
Dividend income	(2,2)	(2,5)
Share-based payment expense	109,1	73,3
Unrealised foreign exchange loss	(20,3)	(1,0)
Other non-cash movements	(35,5)	(31,0)
	2 394,9	1 926,4
36.2 Working capital movements		
Increase in inventories	731,4	819,5
Increase in trade receivables and prepayments	53,7	110,4
Increase in trade payables	(704,3)	(903,0)
(Increase)/decrease in provisions	(7,6)	1,4
	73,2	28,3
36.3 Taxation paid		
Normal taxation:		
Amounts owing at the beginning of the year	282,6	259,2
Amounts owing at the end of the year	(232,7)	(282,6)
Amounts charged to the statement of changes in equity	-	(2,9)
Taxation charged to the income statement (excluding deferred taxation)	618,2	557,9
	668,1	531,6
36.4 Investment to maintain operations		
Land and buildings/leasehold improvements	36,1	13,9
Vehicles	13,4	17,6
Plant and equipment	170,5	77,6
Computer hardware	23,4	14,7
Computer software	24,9	29,1
	268,3	152,9
36.5 Investment to expand operations		
Land and buildings/leasehold improvements	28,8	34,8
Vehicles	9,3	13,4
Plant and equipment	197,8	186,7
Computer hardware	28,7	32,6
Computer software	29,2	34,5
Trademarks and other	1,3	1,0
Goodwill	14,5	14,9
	309,6	317,9

	2008 Rm	2007 Rm
36. Notes to the cash flow statement <i>continued</i>		
36.6 Proceeds on disposal of property, plant and equipment		
Land and buildings/leasehold improvements	0,1	0,1
Vehicles	2,6	7,8
Plant and equipment	1,6	2,4
Computer equipment	0,9	0,3
	5,2	10,6
36.7 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
36.8 Other investing activities		
Off-shore investment	74,9	68,5
Treasury shares	157,1	–
Other	93,5	2,1
	325,5	70,6
36.9 Net acquisition of treasury shares		
BEE transaction costs	–	4,5
Deficit from the share trust	96,3	216,5
Share premium movement on treasury shares acquired	3,4	5,0
	99,7	226,0
36.10 Cash and cash equivalents at the end of the year		
Cash on hand and balances with banks	1 059,6	1 245,7
Bank overdrafts	(37,7)	(37,0)
Cash and cash equivalents at the end of the year	1 021,9	1 208,7

37. Financial instruments

37.1 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 medium-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 20 and 21 respectively on pages 136 and 138.)

The targeted level of gearing is determined after consideration of the following key factors:

- the needs of the Group to fund current and future capital expenditure to achieve its stated production growth target
- the desire of the Group to maintain its gearing within levels considered to be acceptable taking into account potential business and position of the Group in the business cycle.

The Group has entered into certain debt facilities that dictate certain requirements in respect of capital management.

These covenants include:

- maximum gearing ratio
- minimum interest cover
- specified levels of shareholders' equity.

37.2 Significant accounting policies

Details of significant accounting policies, including the recognition criteria, the basis for measurement and the basis on which income and expenses are recognised, in respect of each category of financial asset, financial liability and equity instrument, are disclosed under the notes in accounting policies (in note 1 on page 113).

37.3 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 adjustments to fair value are 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. In the prior year, the total value taken to equity amounted to 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 the cash flow statement or income statement of the Group.

	2008 Rm	2007 Rm
37. Financial instruments <i>continued</i>		
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	288,4	207,1
Designated as at FVTPL	5,9	2,3
Loans and receivables		
Investments	4,1	4,6
Trade receivables	1 713,2	1 848,7
Housing and staff loans	3,6	5,5
Employee share trust loans	175,2	128,6
Finance lease deposit	45,1	39,3
Held-to-maturity investments	11,3	26,3
Available-for-sale financial assets	0,2	0,2
Financial liabilities		
Loans and receivables		
Interest-bearing liabilities – non-current	267,7	402,7
Interest-free liabilities – non-current	0,7	1,9
Interest-bearing liabilities – current	146,2	131,6
Bank overdraft	37,7	37,0
Trade and other payables	7 380,0	6 755,7

37. Financial instruments *continued*

37.4 Financial risk management

The Group does not trade in financial instruments but, in the normal course of its operations, the Group is primarily exposed to currency, credit, interest rate and liquidity risks. In order to manage these risks, the Group may enter into transactions that make use of financial instruments. The Group has developed a comprehensive risk management process to facilitate, control and monitor these risks. This process includes formal documentation of policies, including limits, controls and reporting structures. The Executive Committee and the Chief Financial Officer are responsible for risk management activities within the Group.

Interest rate management

During the year, the position of the Group alternated between having surplus cash and being in a borrowed position. The size of the Group's position, be it either surplus cash or borrowings, exposes it to interest rate risk. The interest-bearing debt funding requirements and the investment of surplus cash funds are managed by Massmart through commercial bank facilities.

The carrying amount of the Group's financial assets and liabilities at balance sheet date that are subject to interest rate risk is as follows:

	Subject to interest rate movements			Total Rm
	Fixed Rm	Floating Rm	Non-interest- bearing Rm	
2008				
Financial assets				
Investments	–	4,1	–	4,1
Loans and receivables				
Housing loans	3,1	–	–	3,1
Staff loans	0,5	–	–	0,5
Employee share trust loans	–	–	175,2	175,2
Finance lease deposit	45,1	–	–	45,1
Trade receivable	–	–	1 713,2	1 713,2
Cash and cash equivalents	–	1 059,6	–	1 059,6
	48,7	1 063,7	1 888,4	3 000,8
Financial liabilities				
Obligations due under finance leases	82,0	–	–	82,0
Interest-bearing liabilities – non-current	185,7	–	–	185,7
Interest-free liabilities – non-current	–	–	0,7	0,7
Interest-bearing liabilities – current	146,2	–	–	146,2
Accounts payable	–	–	5 928,1	5 928,1
	413,9	–	5 928,8	6 342,7
2007				
Financial assets				
Investments	–	4,6	–	4,6
Loans and receivables				
Housing loans	4,0	–	–	4,0
Staff loans	1,5	–	–	1,5
Employee share trust loans	–	–	128,6	128,6
Finance lease deposit	39,3	–	–	39,3
Trade receivable	–	–	1 848,7	1 848,7
Cash and cash equivalents	–	1 245,7	–	1 245,7
	44,8	1 250,3	1 977,3	3 272,4
Financial liabilities				
Obligations due under finance leases	89,2	–	–	89,2
Interest-bearing liabilities – non-current	313,5	–	–	313,5
Interest-free liabilities – non-current	–	–	1,9	1,9
Interest-bearing liabilities – current	131,6	–	–	131,6
Accounts payable	–	–	5 285,8	5 285,8
	534,3	–	5 287,7	5 822,0

37. Financial instruments *continued*

Interest rate sensitivity

The Group is sensitive to the movements in the SA prime interest rate. The rates of sensitivity represents management's assessment of the possible change in interest rates. If the SA prime interest rate increased or decreased by 50 average basis points (2007: increased or decreased by 50 average basis points) at year-end, the income for the year would have decreased or increased by R1,1 million respectively (2007: decreased or increased by Rnil respectively).

Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet a financial commitment in any location or currency. This risk is minimised through the holding of cash balances and sufficient available borrowing facilities (refer to note 23). In addition, detailed cash flow forecasts are regularly prepared and reviewed, so that the cash needs of the Group are managed according to its requirements.

The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to repay the liability. The cash flows include both the principal and interest payments.

	Less than 12 months Rm	2 – 5 years Rm	Greater than 5 years Rm	Total Rm
2008				
Obligations due under finance leases	25,5	66,8	47,6	139,9
Interest-bearing borrowings	141,1	213,6	–	354,7
Accounts payable	5 928,1	–	–	5 928,1
	6 094,7	280,4	47,6	6 422,7
2007				
Obligations due under finance leases	22,9	68,5	61,2	152,6
Interest-bearing borrowings	150,4	354,1	–	504,5
Accounts payable	5 285,8	–	–	5 285,8
	5 459,1	422,6	61,2	5 942,9

Credit risk management

Potential areas of credit risk include trade and consumer accounts receivable and short-term cash investments. Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously. 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.

The carrying amount of the financial assets represents the Group's maximum exposure to credit risk without taking into consideration any collateral provided:

	Maximum credit risk	
	2008 Rm	2007 Rm
Financial assets and other credit exposures		
Investments	4,1	4,6
Accounts receivable	1 713,2	1 848,7
Cash and cash equivalents	1 059,6	1 245,7
	2 776,9	3 099,0

37. Financial instruments *continued*

Currency risk management

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

The carrying amount of the Group's foreign currency denominated monetary assets at balance sheet date are as follows:

	South African Rand Rm	United States Dollar Rm	Euro Rm	Other Rm	Total Rm
2008					
Investments	68,1	243,2	–	–	311,3
Accounts receivable	1 618,1	–	–	95,1	1 713,2
Cash and cash equivalents	720,7	122,2	1,5	215,2	1 059,6
	2 406,9	365,4	1,5	310,3	3 084,1
2007					
Investments	72,9	168,3	–	–	241,2
Accounts receivable	1 771,2	–	–	77,5	1 848,7
Cash and cash equivalents	1 018,7	88,0	5,0	134,0	1 245,7
	2 862,8	256,3	5,0	211,5	3 335,6

Foreign currency sensitivity

The US Dollar is the primary currency to which the Group is exposed. The following table indicates the Group's sensitivity at year-end to indicate movements in the US Dollar on financial instruments, excluding forward exchange contracts. The rates of sensitivity are the rates used when reporting the currency risk to the Executive Committee of the Group and represents management's assessment of the possible change in reporting foreign currency exchange rates. The Rand/US Dollars year-end rate was R7,96 (2007: R7,20).

	US Dollar	
	Rm 5% increase	Rm 5% decrease
2008		
Profit/(loss)	4,3	(4,3)
Financial assets	18,3	(18,3)
Financial liabilities	(22,6)	22,6
	5% increase	5% decrease
2007		
Profit/(loss)	(0,7)	0,7
Financial assets	12,8	(12,8)
Financial liabilities	(12,1)	12,1

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 2008 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 exchange rate
2008				
USD	54,4	(2,0)	440,3	7,3
GBP	0,3	–	4,4	14,6
Euro	1,4	(0,3)	16,9	10,7
		(2,3)	461,6	
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	

37. Financial instruments *continued*

Forward foreign exchange contracts – sensitivity

The following table indicates the Group's sensitivity of the outstanding forward exchange contracts at the balance sheet date to indicate the movements in the US Dollar which is the primary currency in which the Group has entered into forward foreign exchange contracts. The rates of sensitivity represents management's assessment of the possible change in foreign currency exchange rates. The Rand/US Dollar year-end rate was R7,96 (2007: R7,20).

	US Dollar	
	Rm 5% increase	Rm 5% decrease
2008		
Profit/(loss)	32,6	(11,6)
Derivative financial assets	26,6	(17,7)
	5% increase	5% decrease
2007		
Profit/(loss)	(34,8)	(68,8)
Derivative financial assets	20,5	(18,0)

38. 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

	Total Rm	Corporate Rm	Mass-discounters Rm	Mass-warehouse Rm	Massbuild Rm	Masscash Rm
2008						
Sales	39 783,6	–	10 406,5	10 103,8	5 662,9	13 610,4
EBITA*	2 089,7	(67,1)	724,5	640,2	390,1	402,0
Net finance (costs)/income	(64,1)	(293,6)	58,6	90,6	42,9	37,4
Profit before tax	2 021,0	(361,5)	783,1	730,8	433,0	435,6
Inventory	4 758,6	1,2	1 766,8	1 043,6	852,5	1 094,5
Total assets	11 900,9	(1 989,9)	4 131,6	3 250,5	2 944,8	3 563,9
Total liabilities	9 134,4	(4 248,3)	4 080,9	3 518,2	2 693,2	3 090,4
Net capital expenditure	572,7	(19,7)	208,8	153,7	138,8	91,1
Depreciation and amortisation	297,7	7,6	115,2	51,0	75,1	48,8
Impairment losses	4,6	0,9	–	–	–	3,7
Non-cash items other than depreciation and impairment	71,3	132,6	(52,0)	(51,6)	43,8	(1,5)
Cash flow from operating activities	929,5	220,4	(6,2)	286,3	265,6	163,4
Cash flow from investing activities	(898,2)	(206,8)	(208,6)	(166,1)	(138,6)	(178,1)
Cash flow from financing activities	(222,7)	(580,1)	202,5	82,3	73,2	(0,6)
2007						
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

The corporate column includes certain consolidation entries.

All intercompany transactions have been eliminated in the above results.

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

38. 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 2008 Rm	South Africa 2008 Rm	Rest of Africa 2008 Rm	Total 2007 Rm	South Africa 2007 Rm	Rest of Africa 2007 Rm
Sales	39 783,6	36 848,6	2 935,0	34 807,6	32 712,4	2 095,2
Segment assets	11 900,9	11 225,4	675,5	10 849,6	10 371,7	477,9
Net capital expenditure	572,7	564,3	8,4	460,2	418,7	41,5

All intercompany transactions have been eliminated in the above results.

39. 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 362,3 million (2007: R1 346,8 million). In the prior year an impairment loss of R12,2 million was recognised. No impairment loss was recognised in the current year. Details of the impairment loss calculation are provided in note 12 on page 128.

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 this risk has been mitigated. For more details on the valuations, please see note 21 on page 138 and note 24 on page 141 respectively.

40. Events after the balance sheet date

Subsequent to 30 June 2008, Masscash Holdings (Pty) Ltd signed an agreement to acquire Brett Four (Pty) Ltd, trading as Cambridge Foods, which owns five food retail stores operating in the Durban area. The acquisition is subject to Competition Tribunal approval. The financial effects of this pending acquisition are not material.

On the first day of the 2009 financial year, the sale of the Massdiscounters Consumer Credit Division and associated debtors book became effective and cash proceeds of R174 million were received on the same date.

At the August 2008 meeting, the Board resolved to proceed, subject to shareholder approval, with assisting our black non-executive Directors to become shareholders in the Company. When the Group's BEE staff equity schemes were implemented in 2006, the black non-executive directors were not included as the Board was of the view that the design of those schemes was more suited to the Group's general staff. It is now proposed that the five designated black non-executive Directors will each be given the opportunity to purchase at par 20 000 shares in Massmart, and then be restricted in the sale of these shares – half for three years and half for five years.

The Company regards the cost of this transaction as part of the engagement cost of these directors over the five-year period in addition to their annual fees. The Board has considered the effect of this transaction on the continued independence of those directors and believes that the limited size and its one-off nature are sufficient to ensure their continued ability to act independently.

Shareholders are referred to pages 182 to 187 *Notice of sale of shares currently held as treasury shares to the black non-executive Directors and Fairness Opinion by an Independent Professional Expert* which contains all the information required in terms of the JSE and the Companies Act.

	Number	%	Number of shares	%
41. Shareholder analysis				
The following analysis of shareholders was extracted from the shareholders' register as at June 2008:				
Shareholder spread				
1 – 1 000 shares	7 556	69,9	2 843 315	1,4
1 001 – 10 000 shares	2 806	25,9	7 940 032	4,0
10 001 – 100 000 shares	329	3,0	10 545 366	5,2
100 001 – 1 000 000 shares	92	0,9	27 616 277	13,7
1 000 001 shares and over	34	0,3	152 248 522	75,7
	10 817	100,0	201 193 512	100,0
Distribution of shareholders				
Banks	115	1,1	121 953 014	60,6
Close corporations	112	1,0	168 315	0,1
Endowment funds	98	0,9	575 106	0,3
Individuals	7 367	68,1	8 110 264	4,0
Insurance companies	30	0,3	5 500 212	2,7
Investment companies	27	0,3	2 215 724	1,1
Medical aid schemes	3	–	59 306	–
Mutual funds	270	2,5	22 366 983	11,1
Nominees and trusts	2 059	19,0	6 131 667	3,1
Other corporations	216	2,0	705 102	0,4
Pension funds	132	1,2	24 981 852	12,4
Private companies	353	3,3	2 235 520	1,1
Public companies	32	0,3	372 983	0,2
Treasury stock (share buyback)	1	–	1 839 492	0,9
Share trusts	2	–	3 977 972	2,0
	10 817	100,0	201 193 512	100,0
Public/non-public shareholders				
Non-public shareholders:				
Directors of the Company	8	0,1	3 185 275	1,6
Share trust	2	–	1 674 638	0,8
Treasury stock (share buyback)	1	–	1 839 492	0,9
Public shareholders	10 806	99,9	194 494 107	96,7
	10 817	100,0	201 193 512	100,0
Beneficial shareholders holding 5% or more				
Public Investment Corporation			16 981 154	7,1
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 Group			24 480 469	12,2
Lazard Asset Management			19 464 344	9,7
JP Morgan Asset Management			11 716 847	5,8
Franklin Resources Inc			11 345 038	5,6

For details of the Directors' shareholdings see page 107 of the Directors' Report.



Company Financial Statements

A packer at Jumbo Crown Mines unpacks Select biscuits, one of Massmart's private label brands.

“Food and energy inflation continued to drive general inflation, forcing interest rates higher and putting the middle-income consumer under pressure. It also put low-income consumers...under even greater pressure. This has challenged both government and ourselves to redouble efforts to provide support to those who cannot support themselves.”

Income statement

for the year ended 30 June 2008

	Notes	2008 Rm	2007 Rm
Revenue	1	1 175,0	1 082,4
Management and administration fees received		19,5	35,2
Dividends received		1 155,5	1 047,2
Employment costs		(14,7)	(31,7)
Net operating income		62,2	1,7
Operating profit	2	1 222,5	1 052,4
Finance costs		(7,1)	(8,5)
Finance income		5,9	1,1
Net finance costs	3	(1,2)	(7,4)
Profit before taxation		1 221,3	1 045,0
Taxation	4	(72,2)	(63,1)
Profit after taxation		1 149,1	981,9
Dividend per share (cents)			
Interim		223,0	197,0
Final*		163,0	123,0
Total		386,0	320,0

* Declared after the financial year-end.

Details of the dividend can be found in note 9 on page 124 in the consolidated financial statements.

The accounting policies are in line with the Massmart Group accounting policies. Refer to page 113 of the annual financial statements.

Balance sheet

as at 30 June 2008

	Notes	2008 Rm	2007 Rm
Assets			
Non-current assets		766,1	494,3
Interests in subsidiaries	5	199,6	–
Other financial assets	6	566,5	490,6
Deferred taxation	7	–	3,7
Current assets		16,8	16,5
Trade receivables and prepayments		16,8	–
Cash and bank balances		–	16,5
Total assets		782,9	510,8
Equity and liabilities			
Capital and reserves		749,3	405,1
Share capital	8	2,0	2,0
Share premium	8	264,7	254,7
Non-distributable reserve	9	3,7	0,9
Retained profit		478,9	147,5
Preference shares	8	0,2	0,2
Total equity		749,5	405,3
Current liabilities		33,4	105,5
Trade and other payables		13,8	90,1
Taxation		18,3	15,3
Bank overdraft		1,2	–
Current liabilities		0,1	0,1
Total equity and liabilities		782,9	510,8

The accounting policies are in line with the Massmart Group accounting policies. Refer to page 113 of the annual financial statements.

Cash flow statement

for the year ended 30 June 2008

	Notes	2008 Rm	2007 Rm
Cash flow from operating activities			
Operating cash before working capital movements	11.1	69,8	7,8
Working capital movements	11.2	(93,0)	11,1
Cash generated from operations			
Interest received		5,9	1,1
Interest paid		(7,1)	(8,5)
Investment income		1 155,5	1 047,2
Taxation paid	11.3	(65,5)	(56,9)
Dividends paid	11.4	(721,4)	(565,8)
Net cash inflow from operating activities			
		344,2	436,0
Other investing activities		(262,2)	(210,3)
Net cash outflow from investing activities			
		(262,2)	(210,3)
Net acquisition of treasury shares	11.5	(99,7)	(226,0)
Proceeds from current borrowings		–	0,1
Net cash outflow from financing activities			
		(99,7)	(225,9)
Net decrease in cash and cash equivalents		(17,7)	(0,2)
Cash and cash equivalents at the beginning of the year			
		16,5	16,7
Cash and cash equivalents at the end of the year			
		(1,2)	16,5

The accounting policies are in line with the Massmart Group accounting policies. Refer to page 113 of the annual financial statements.

Statement of changes in equity

for the year ended 30 June 2008

	Share capital Rm	Share premium Rm	Preference shares Rm	Non-distributable reserve Rm	Retained profit Rm	Total Rm
Balance as at 30 June 2007	2,0	262,6	–	–	(52,1)	212,5
Profit for the year	–	–	–	–	981,9	981,9
Share trust loss	–	–	–	–	(216,5)	(216,5)
BEE transaction costs and shares issued	–	(4,5)	0,2	–	–	(4,3)
Dividends paid	–	–	–	–	(565,8)	(565,8)
Treasury shares	–	(3,4)	–	–	–	(3,4)
Share-based payment reserve	–	–	–	0,9	–	0,9
Balance as at 30 June 2007	2,0	254,7	0,2	0,9	147,5	405,3
Profit for the year	–	–	–	–	1 149,1	1 149,1
Share trust loss	–	–	–	–	(96,3)	(96,3)
Dividends paid	–	–	–	–	(721,4)	(721,4)
Realisation of prior year treasury shares	–	20,0	–	–	–	20,0
Treasury shares	–	(10,0)	–	–	–	(10,0)
Share-based payment reserve	–	–	–	2,8	–	2,8
Balance as at 30 June 2008	2,0	264,7	0,2	3,7	478,9	749,5

The accounting policies are in line with the Massmart Group accounting policies. Refer to page 113 of the annual financial statements.

Notes to the annual financial statements

for the year ended 30 June 2008

	2008 Rm	2007 Rm
1. Revenue		
Dividends received (included are dividends from subsidiary companies)	1 155,5	1 047,2
Management and administration fees received (included are management and administration fees from subsidiary companies)	19,5	35,2
	1 175,0	1 082,4
2. Operating profit		
Credits to operating profit include:		
Foreign exchange profit	0,7	0,4
Profit on intra-group sale of Shield Buying and Distribution (Pty) Ltd	52,0	–
Charges to operating profit include:		
Foreign exchange loss	0,5	–
Share-based payment	2,8	0,9
Contribution to pension scheme	0,5	–
3. Net finance costs		
Finance costs		
Interest on Group loans	(7,1)	(8,5)
Finance income		
Interest on Group loans	5,9	1,1
Net finance costs	(1,2)	(7,4)
4. Taxation		
Current year		
South African normal taxation		
Current taxation	4,6	6,4
Deferred taxation	3,7	(0,8)
Secondary taxation on companies	64,0	57,5
	72,3	63,1
Prior year overprovision:		
South African normal taxation		
Current taxation	(0,1)	–
	(0,1)	–
Total	72,2	63,1
	%	%
The rate of taxation is reconciled as follows:		
Standard corporate taxation rate	28,0	29,0
Exempt income	(26,4)	(29,1)
Disallowable expenditure	–	0,5
Secondary tax on companies	5,5	5,5
Profit on intra-group sale of Shield Buying and Distribution (Pty) Ltd	(1,2)	–
Foreign income	–	0,1
Effective rate	5,9	6,0

	2008 Rm	2007 Rm
5. Interest in subsidiaries		
Shares at cost less amounts written off	103,9	134,3
Amounts owing by/(to) subsidiaries	95,7	(134,3)
	199,6	–
Details of net shares at cost can be found in note 35 on page 153 in the consolidated financial statements.		
6. Other financial assets		
Unlisted investments		
Preference shares – Fullimput 65 (Pty) Ltd ¹	560,7	485,3
Investment in Imagegate Limited (UK) ²	5,4	4,9
Investment in Massmart Black Scarce Skills Trust and Massmart Thuthukani Empowerment Trust	0,2	0,2
Listed investments	0,2	0,2
	566,5	490,6
The directors' valuation of the unlisted investments at 30 June 2008 is R566,3 million (2007: R490,4 million).		
The preference share investment represents cumulative preference shares in Fullimput 65 (Pty) Ltd. A long-term liability of the Group is secured by a cession of the preference shares.		
Notes		
¹ Classified as a "held-to-maturity" financial asset for IAS 39 purposes.		
² Classified as a "loan and receivable" financial asset for IAS 39 purposes.		
For IAS 39 accounting treatment of these financial assets, see note 37 on page 156 in the consolidated financial statements.		
7. Deferred taxation		
The major movements during the year are analysed as follows:		
Net asset at the beginning of the year	3,7	2,9
(Release)/charge to profit or loss for the year	(3,7)	0,8
Net asset at the end of the year	–	3,7
The major components of deferred taxation are analysed as follows:		
Other temporary differences	–	3,7
	–	3,7

	Share capital		Share premium	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
8. Issued capital				
Authorised				
500 000 000 (2007: 500 000 000) ordinary shares of 1 cent each	2,0	5,0	–	–
20 000 000 (2007: 20 000 000) non-redeemable cumulative non-participating preference shares of 1 cent each	0,2	0,2	–	–
18 000 000 (2007: 18 000 000) 'A' convertible redeemable non-cumulative participating preference shares of 1 cent each	0,2	0,2	–	–
2 000 000 (2007: 2 000 000) 'B' convertible redeemable non-cumulative participating preference shares of 1 cent each	–	–	–	–
Issued				
201 193 512 (2007: 201 072 831) ordinary shares of 1 cent each	2,0	2,0	264,7	254,7
17 868 125 (2007: 17 967 866) 'A' convertible redeemable non-cumulative participating preference shares of 1 cent each	0,2	0,2	–	–
1 979 060 (2007: 2 000 000) '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 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
Balance at the beginning of the year	201 072 831	2,0	254,7
Shares issued in terms of the Massmart Black Scarce Skills Trust	20 940	–	–
Shares issued in terms of the Massmart Thuthukani Empowerment Trust	99 741	–	–
Ordinary shares in issue – June 2008	201 193 512	2,0	254,7
Issue of shares	–	–	20,0
Treasury shares	(2 000 984)	–	(10,0)
Ordinary shares in issue excluding treasury shares – June 2008	199 192 528	2,0	264,7
Ordinary shares, which have a par value of 1 cent, carry one vote per share and carry the right to dividends.			
'A' convertible redeemable non-cumulative participating preference shares			
Balance at the beginning of the previous year	–	–	–
Shares issued in terms of the Massmart BEE transaction	18 000 000	0,2	–
Shares converted to ordinary shares	(32 134)	–	–
Balance at the beginning of the year	17 967 866	(0,2)	–
Shares converted to ordinary shares	(99 741)	–	–
Balance at the end of the year	17 868 125	(0,2)	–

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

	Number of shares	Share capital Rm	Share premium Rm
8. Issued capital <i>continued</i>			
'B' convertible redeemable non-cumulative participating preference shares			
Balance at the beginning of the previous year	–	–	–
Shares issued in terms of the Massmart BEE transaction	2 000 000	–	–
Balance at the beginning of the year	2 000 000	–	–
Shares converted to ordinary shares	(20 940)	–	–
Balance at the end of the year	1 979 060	–	–

'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 appointed 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 2008, executives and senior employees have options over 14 304 900 ordinary shares (of which 11 784 413 are unvested). As at June 2007, executives and senior employees have options over 10 239 002 ordinary shares (of which 7 217 626 are unvested).

Share options granted under the Employee Share Incentive Scheme carry no rights to dividends and no voting rights. Further details of the Employee Share Incentive Scheme are contained in note 27 on page 142 to the financial statements.

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

The total share buyback (including shares bought in the market by the Share Trust) for the year was 3.3 million shares (2007: 4,4 million) at an average price of R83,10 (2007: R71,85) totalling R271,8 million (2007: R313,2 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.

	2008 Rm	2007 Rm
9. Non-distributable reserves		
Balance at the beginning of the year	0,9	–
Share-based payment reserve	2,8	0,9
	3,7	0,9

The share-based payment reserve arises on grant of share options to employees under the Employee Share Incentive Scheme. Details of the Employee Share Incentive Scheme can be found in note 27 on page 142 in the consolidated financial statements. The share-based payment valuation was performed by Alexander Forbes for all periods and the scheme is equity-settled.

	2008 Rm	2007 Rm
10. Cross-suretyships and promissory notes		
Cross-suretyships under banking and other financial facilities	4 463,8	4 171,2
	4 463,8	4 171,2

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

Other financial facilities relate to promissory notes that represent commitments under non-cancellable operating leases of R936,1 million (2007: R1 060 million) entered into by Masstores (Pty) Limited on behalf of Makro and are included in operating lease commitments in land and buildings. These leases terminate in December 2020 and have a discounted present value of R601,6 million (2007: R697 million). In accordance with IAS 17 *Leases*, the rentals paid are amortised over the entire remaining lease period on a straight line basis.

At the balance sheet date the Massmart Group was net cash positive.

	2008 Rm	2007 Rm
11. Notes to the cash flow statement		
11.1 Cash flow from trading		
Profit before taxation	1 221,3	1 045,0
Adjustment for:		
Interest received	(5,9)	(1,1)
Interest paid	7,1	8,5
Investment income	(1 155,5)	(1 047,2)
Share-based payment expense	2,8	0,9
Other non-cash movements	–	1,7
	69,8	7,8
11.2 Working capital movements		
(Increase)/decrease in trade and other receivables	(18,8)	2,3
(Decrease)/increase in trade and other payables	(74,2)	8,8
	(93,0)	11,1
11.3 Taxation paid		
Amounts owed at the beginning of the year	15,3	8,3
Amounts charged to the income statement	72,2	63,1
Deferred taxation	(3,7)	0,8
Amounts owed at the end of the year	(18,3)	(15,3)
Cash amounts paid	65,5	56,9
11.4 Dividends paid		
Amounts owing at the beginning of the year	–	–
Amounts charged to the income statement	721,4	565,8
Amounts owing at the end of the year	–	–
Cash amount paid	721,4	565,8
11.5 Net acquisition of treasury shares		
BEE transaction costs	–	4,5
Loss from the share trust	96,3	216,5
Share premium movement on treasury shares acquired	3,4	5,0
	99,7	226,0