


Group Financial Statements



Builders Warehouse
Kempton Park





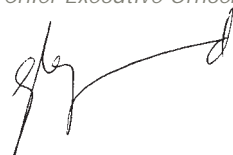
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APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved by the Board of Directors on 6 October 2010 and signed on its behalf by:



GM Pattison
Chief Executive Officer



GRC Hayward
Chief Financial Officer

COMPANY SECRETARY CERTIFICATE

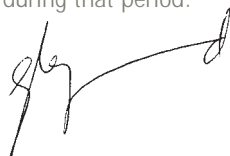
I, Ilan Zwarenstein, the Company Secretary of Massmart Holdings Limited, certify that to the best of my knowledge and belief, all returns required of a public company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and 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 12 months ended 31 December 2009, 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 statement of financial position as at 27 June 2010, and the consolidated and separate income statements, the consolidated and separate statements of comprehensive income, changes in equity and cash flows 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 154 to 237.

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 27 June 2010, 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 AJ Dennis
Partner

6 October 2010

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 Risk Advisory*, L Geeringh *Consulting*, L Bam *Corporate Finance*, CR Beukman *Finance*, TJ Brown *Clients & Markets*, NT Mtoba *Chairman of the Board*, M Comber *Deputy Chairman of the Board*.

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

B-BBEE rating:
Level 3 contributor/AA
(certified by Empowerdex)

Member of Deloitte Touche Tohmatsu

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 judgments 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, statement of comprehensive income, the statement of cash flows and the statement of changes in equity. The financial position of the Group is set out in the statement of financial position.

DIVIDEND

Massmart's dividend policy is to declare and pay an interim and final cash dividend representing a 1.7 times dividend cover, unless circumstances dictate otherwise. Despite the slightly lower headline earnings and this policy, the Board has decided to maintain this year's dividend at the same level as the past two years. The resulting dividend cover is 1.5 (2009: 1.6).

With regard to the final distribution to shareholders, the Directors resolved to distribute to shareholders registered in the books of the Company on 17 September 2010, a final cash dividend of 134 cents (2009: 134 cents) per share, bringing the total dividend for the year to 386 cents (2009: 386 cents) per share.

A Thuthukani dividend equivalent to 100% of the Massmart ordinary dividend per share (134 cents) was paid to the Massmart Thuthukani Empowerment Trust on 20 September 2010.

Alongside please find the movement in ordinary and preference shares for the period under review.

DIRECTORATE AND SECRETARY

The current directorate of the Company is shown on pages 15 to 17. With effect from 1 May 2010, following his appointment as chairman of a major supplier, Mr ZL "KK" Combi resigned from the Board of Directors after seven years of service. The Company thanks him for his contribution to the Group and wishes him well.

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, KD Dlamini, NN Gwagwa, MJ Lamberti, P Langeni and IN Matthews will retire at the annual general meeting. Being eligible, KD Dlamini, NN Gwagwa, MJ Lamberti, P Langeni and IN Matthews offer themselves for re-election.

Massmart address

The Company's registered office and postal address are as follows:

Registered office
Massmart House
16 Peltier Drive
Sunninghill Ext 6
Sandton
2191
South Africa

Postal address
Private Bag X4
Sunninghill
2157
South Africa

Shares in issue

Ordinary shares

Opening balance June 2008	201,193,512
Converted preference shares*	109,127

Closing balance June 2009	201,302,639
Converted preference shares*	192,865

Closing balance June 2010	201,495,504
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Preference shares*

Closing balance June 2008	19,847,185
Converted to ordinary shares	109,127

Closing balance June 2009	19,738,058
New shares issued	2,000,000
Converted to ordinary shares	192,865

Closing balance June 2010	21,545,193
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* The preference shares relate to Massmart's Thuthukani Empowerment Trust and Black Scarce Skills Trust.

INTERESTS OF DIRECTORS IN THE COMPANY'S SHARES

At 27 June 2010, 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:

	2010				2009			
	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	–	30,000	–	–	–	350,000	–	–
MD Brand	–	–	–	–	17,500	–	–	–
ZL Combi	–	–	–	–	20,000	–	–	–
KD Dlamini	20,000	–	–	–	20,000	–	–	–
NN Gwagwa	20,000	–	–	–	20,000	–	–	–
JC Hodkinson	8,000	–	–	–	8,000	–	–	–
P Langeni	20,000	–	–	–	20,000	–	–	–
IN Matthews	–	–	–	–	–	–	–	–
P Maw	–	–	–	–	–	–	–	–
DNM Mokhobo	20,000	–	–	–	20,000	–	–	–
MJ Rubin	–	29,500	–	–	–	29,500	–	–
Executive directors								
GM Pattison	1,457,308	–	550,000	–	1,457,308	–	550,000	–
GRC Hayward	804,898	–	250,000	–	804,898	–	250,000	–

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	–	–	–	–
MD Brand	–	–	–	–
KD Dlamini	20,000	–	–	–
NN Gwagwa	20,000	–	–	–
JC Hodkinson	8,000	–	–	–
P Langeni	20,000	–	–	–
IN Matthews	–	–	–	–
P Maw	–	–	–	–
DNM Mokhobo	20,000	–	–	–
MJ Rubin	–	29,500	–	–
Executive directors				
GM Pattison	1,421,389	–	500,000	–
GRC Hayward	804,898	–	75,000	–

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 200 to 203.

SUBSIDIARIES

As at the date hereof, the following companies are principal subsidiaries of the Company:

f Massbuild (Proprietary) Limited (previously Builders Trade Depot)	2004/035206/07
f Masscash Holdings (Proprietary) Limited	1997/014716/07
f Massmart International Holdings Limited (incorporated in Mauritius)	47902 C1/GBL
f Massmart Management & Finance Company (Proprietary) Limited	1992/004084/07
f Masstores (Proprietary) Limited	1991/006805/07

Details of the Company's interests in material subsidiaries are set out in note 37 on page 208. Total net profit after tax for all subsidiaries for the 2010 financial year amounted to R1,291.8 million (2009: R1,282.0 million).

DIRECTORS' REPORT

BORROWING POWERS

In terms of the Articles of Association, the Group has unlimited borrowing powers. At 27 June 2010, borrowings were R708.7 million (2009: R388.0 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:

-
- ƒ strong positive cash flows from trading
 - ƒ no recurring operating losses
 - ƒ well-controlled working capital and good quality inventory
 - ƒ approved short- and long-term financing, with sufficient additional short-term borrowing capacity if required
 - ƒ key executive management in place
 - ƒ there have been no material changes that may affect the Group in any of our customer, product or geographic markets; and
 - ƒ budgets to June 2011 reflect a continuation of the above positive issues.
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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 270A(1)(f) of the Companies Act, No. 61 of 1973, as amended, the Committee reports as follows:

-
- ƒ The scope, independence and objectivity of the external auditors was reviewed.
 - ƒ 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 2011 financial year.
 - ƒ On an ongoing basis, the Committee reviews and approves the fees proposed by the external auditors.
 - ƒ 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.
 - ƒ 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.
 - ƒ The nature and extent of future non-audit services have been defined and pre-approved.
 - ƒ 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

On 27 September 2010, Massmart released an announcement describing a non-binding expression of interest received from Wal-Mart Stores, Inc, which could lead to Wal-Mart making a cash offer to acquire the entire issued share capital of our company for a price of R148 per share. This has subsequently received extensive coverage in the local and international press.

Wal-Mart is currently conducting due diligence on the Group and the first time that any further announcements may be made in this regard will be on or about 8 November 2010. In the event that a firm offer is received from Wal-Mart, the directors of Massmart will obtain an independent opinion and express a view on the firm offer at that time.

On behalf of the Board



Ilan Zwarenstein
Company Secretary

6 October 2010

INCOME STATEMENT

for the year ended 27 June 2010

	Notes	2010 Rm	2009 Rm
Revenue	4	47,550.6	43,231.8
Sales		47,451.0	43,128.7
Cost of sales		(38,879.3)	(35,351.0)
Gross profit		8,571.7	7,777.7
Other income	4	99.6	103.1
Depreciation and amortisation		(382.8)	(343.1)
Impairment of assets	5	(3.7)	(1.6)
Employment costs		(3,352.9)	(2,965.8)
Occupancy costs		(1,326.7)	(1,170.4)
Foreign exchange loss	7	(164.3)	(78.4)
Other operating costs		(1,574.2)	(1,370.9)
Operating profit	6	1,866.7	1,950.6
Finance costs	9	(92.6)	(112.8)
Finance income	9	45.9	64.2
Net finance costs		(46.7)	(48.6)
Profit before taxation		1,820.0	1,902.0
Taxation	10	(608.2)	(620.4)
Profit for the year		1,211.8	1,281.6
Profit attributable to:			
Owners of the parent		1,129.9	1,210.9
Preference shareholders		46.5	38.0
Non-controlling interests	23	35.4	32.7
Profit for the year		1,211.8	1,281.6
Earnings per share (cents)			
Basic EPS	12	562.8	606.9
Diluted basic EPS	12	538.5	593.4
Dividend/distribution per share (cents)			
Interim		252.0	252.0
Final		134.0	134.0
Total	11	386.0	386.0
Headline earnings	12	1,138.6	1,207.1
Headline EPS (cents)	12	567.2	605.0
Diluted headline EPS (cents)	12	542.7	591.6

Gross profit waterfall (Rm)



STATEMENT OF COMPREHENSIVE INCOME

for the year ended 27 June 2010

	2010 Rm	2009 Rm
Profit for the year	1,211.8	1,281.6
Foreign currency translation reserve	(30.9)	(27.3)
Cash flow hedges	11.8	(11.7)
Other comprehensive income for the year, net of tax	(19.1)	(39.0)
Total comprehensive income for the year	1,192.7	1,242.6
Total comprehensive income attributable to:		
Owners of the parent	1,110.8	1,171.9
Preference shareholders	46.5	38.0
Non-controlling interests	35.4	32.7
Total comprehensive income for the year	1,192.7	1,242.6

STATEMENT OF FINANCIAL POSITION

as at 27 June 2010

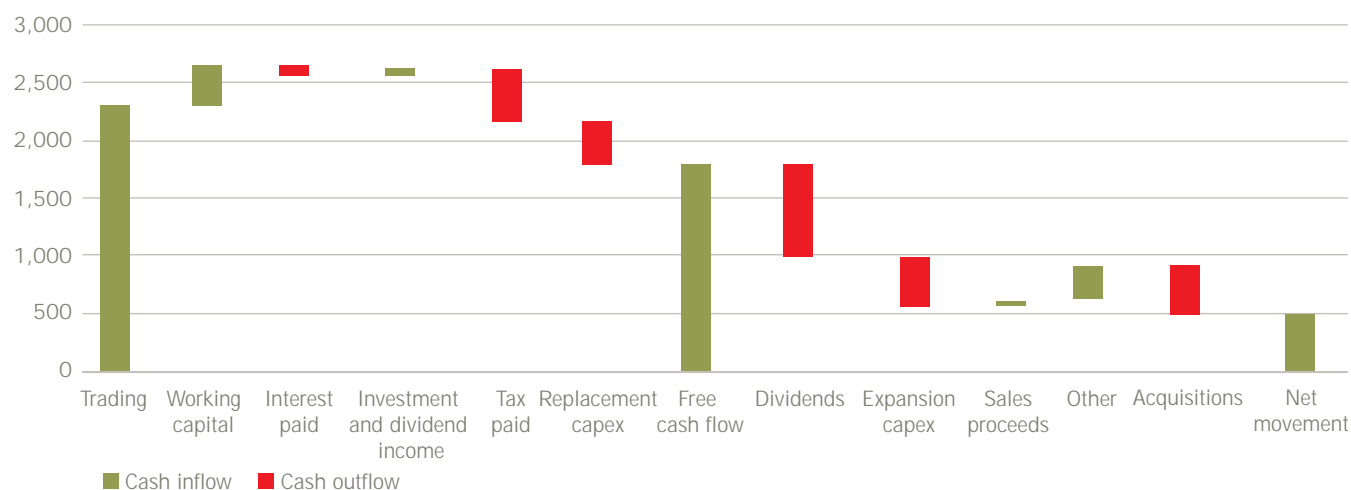
	Notes	2010 Rm	2009 Rm
Assets			
Non-current assets		4,974.9	4,397.5
Property, plant and equipment	13	2,055.2	1,696.6
Goodwill	14	1,875.0	1,588.2
Other intangibles	15	220.8	159.2
Investments	16	315.3	277.6
Other financial assets	17	270.3	256.7
Deferred taxation	18	238.3	419.2
Current assets		9,314.5	8,129.4
Inventories	19	5,601.5	4,893.2
Trade, other receivables and prepayments	20	2,322.6	1,851.1
Taxation		22.1	329.3
Cash and bank balances	38.11	1,368.3	1,055.8
Total assets		14,289.4	12,526.9
Equity and liabilities			
Equity attributable to equity holders of the parent		3,469.7	3,054.7
Share capital	21	2.0	2.0
Share premium	21	142.0	149.4
Other reserves	22	464.6	298.7
Retained profit		2,861.1	2,604.6
Minority interest	23	122.1	42.0
Total equity		3,591.8	3,096.7
Non-current liabilities		895.3	858.3
Non-current liabilities:			
– Interest-bearing	24	385.8	149.7
– Interest-free	24	423.5	504.4
Non-current provisions	25	66.6	55.7
Deferred taxation	18	19.4	148.5
Current liabilities		9,802.3	8,571.9
Trade and other payables	26	9,194.3	7,670.3
Provisions	27	25.8	22.2
Taxation		201.9	490.4
Other current liabilities	28	322.9	358.3
Bank overdrafts	38.11	57.4	30.7
Total equity and liabilities		14,289.4	12,526.9

STATEMENT OF CASH FLOWS

for the year ended 27 June 2010

	Notes	2010 Rm	2009 Rm
Cash flow from operating activities			
Operating cash before working capital movements	38.1	2,346.8	2,398.2
Working capital movements	38.2	292.6	63.8
Cash generated from operations		2,639.4	2,462.0
Interest received		45.9	64.2
Interest paid		(92.6)	(112.8)
Investment income		33.8	29.5
Dividends received		2.3	13.4
Taxation paid	38.3	(552.8)	(700.3)
Dividends paid		(822.4)	(867.4)
Net cash inflow from operating activities		1,253.6	888.6
Cash flow from investing activities			
Investment to maintain operations	38.4	(284.0)	(354.5)
Investment to expand operations	38.5	(346.1)	(340.1)
Proceeds on disposal of property, plant and equipment	38.6	6.2	9.0
Proceeds on disposal of assets classified as held for sale	38.7	–	174.3
Investment in subsidiaries	38.8	(369.9)	(198.5)
Disposal of subsidiary	38.9	26.9	4.3
Other investing activities including minority interests acquired	38.10	(163.8)	8.1
Net cash outflow from investing activities		(1,130.7)	(697.4)
Cash flow from financing activities			
Increase/(decrease) in non-current liabilities		213.6	(167.7)
Increase in current liabilities		77.7	89.2
Net acquisition of treasury shares		(97.5)	(82.2)
Net cash inflow/(outflow) from financing activities		193.8	(160.7)
Net increase in cash and cash equivalents		316.7	30.5
Foreign exchange movements taken to statement of changes in equity		(30.9)	(27.3)
Cash and cash equivalents at the beginning of the year		1,025.1	1,021.9
Cash and cash equivalents at the end of the year	38.11	1,310.9	1,025.1

Cash flow waterfall



STATEMENT OF CHANGES IN EQUITY

for the year ended 27 June 2010

	Share capital Rm	Share premium Rm	Other 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 June 2008	2.0	151.7	43.2	225.8	2,313.1	2,735.8	30.7	2,766.5
Total comprehensive income	-	-	(39.6)	-	1,249.5	1,209.9	32.7	1,242.6
Dividends declared (note 11)	-	-	-	-	(867.4)	(867.4)	-	(867.4)
Net changes in minority interests	-	-	-	-	-	-	(2.2)	(2.2)
Distribution to minorities	-	-	-	-	-	-	(19.2)	(19.2)
Financial liability raised on a business acquisition	-	-	(120.0)	-	-	(120.0)	-	(120.0)
Share-based payment expense	-	-	-	133.5	-	133.5	-	133.5
Share trust loss	-	-	-	-	(90.6)	(90.6)	-	(90.6)
Treasury shares (acquired)/ realised	-	(2.3)	55.8	-	-	53.5	-	53.5
Balance as at June 2009	2.0	149.4	(60.6)	359.3	2,604.6	3,054.7	42.0	3,096.7
Total comprehensive income	-	-	(19.1)	-	1,176.4	1,157.3	35.4	1,192.7
Dividends declared (note 11)	-	-	-	-	(822.4)	(822.4)	-	(822.4)
Net changes in minority interests	-	-	-	-	-	-	(0.8)	(0.8)
Distribution to minorities	-	-	-	-	-	-	(41.6)	(41.6)
Cost of acquiring minority interests	-	-	(212.8)	-	-	(212.8)	-	(212.8)
Minorities relating to acquisitions	-	-	-	-	-	-	87.1	87.1
Release of financial liability raised on a business acquisition	-	-	120.0	-	-	120.0	-	120.0
Share-based payment expense	-	-	-	149.4	-	149.4	-	149.4
Share trust loss	-	-	-	-	(97.5)	(97.5)	-	(97.5)
Treasury shares (acquired)/ realised	-	(7.4)	128.4	-	-	121.0	-	121.0
Balance as at June 2010	2.0	142.0	(44.1)	508.7	2,861.1	3,469.7	122.1	3,591.8

* These reserves have been combined in the balance sheet as other reserves.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 27 June 2010

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 for the period under review.

Basis of consolidation

The Group annual financial statements incorporate the annual financial statements of the Company (Massmart Holdings Limited) 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 inter-company 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. During the last financial year, the accounting policy for borrowing costs was amended. The change had no impact on the financial results of the Group and hence no restatements were required in the Group's financials.

Interests in associates

An associate is an enterprise over which the Group has significant influence, but 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.

Insight



During the financial year the Group adopted the revised IAS 27 *Consolidated and Separate Financial Statements*. More detail on the resulting changes are contained in the technical review on page

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Read more



More detail on acquisitions within the financial year can be found in note 3 on page

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Group Financial Statements

Insight



During the financial year the Group adopted the revised IFRS 3 *Business Combinations*. More detail on the resulting changes are contained in the technical review on page

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Read more



More detail on segmental reporting can be found in note 40 on page

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Group Financial Statements

Insight



During the financial year the Group adopted IFRS 8 *Operating Segments*. More detail on the resulting changes are contained in the technical review on page

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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 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 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.

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More detail on the associate company can be found in note 16 on page

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More detail on goodwill and the Group's cash-generating units can be found in note 14 on page 184

[Group Financial Statements](#)

Insight

During the financial year the Group adopted the revised IFRS 3 *Business Combinations*. More detail on the resulting changes are contained in the technical review on page

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Insight

There were no assets classified as held for sale in the two periods under review.

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More detail on property, plant and equipment can be found in note 13 on page

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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:

ƒ Buildings	50 years
ƒ Fixtures, fittings, plant, equipment and motor vehicles	4 to 15 years
ƒ Computer hardware	3 to 8 years
ƒ 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.

Intangible assets

Trademarks are measured initially at purchased cost. Intangible assets are shown at cost less accumulated amortisation, and reduced by any accumulated impairment losses.

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

ƒ Trademarks	10 years
ƒ Computer software	3 to 8 years

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

Impairment of tangible and intangible assets excluding goodwill

At each reporting 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

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More detail on intangible assets can be found in note 15 on page 185

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More detail on impairment can be found in:

ƒ Note 5 – Impairment of assets	175
ƒ Note 13 – Property, plant and equipment	182
ƒ Note 15 – Other intangibles	185

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(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 and franchise fees, investment income, finance charges, property rentals, management and administration fees, commissions and 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 statement of financial position 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 reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting 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

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More detail on revenue can be found in note 4 on page 175

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More detail on finance leases can be found in:

ƒ Note 9 – Net finance costs	179
ƒ Note 17 – Other financial assets	188
ƒ Note 24 – Non-current liabilities	197

More detail on operating leases can be found in:

ƒ Note 6 – Operating profit	176
ƒ Note 24 – Non-current liabilities	197
ƒ Note 26 – Trade and other payables	199
ƒ Note 32 – Operating lease commitments	204

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More detail on foreign currencies can be found in:

ƒ Note 6 – Operating profit	176
ƒ Note 7 – Foreign exchange gains and losses	177
ƒ Note 22 – Other reserves	193

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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 reporting 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 reporting 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 reporting 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.

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More detail on retirement benefit costs can be found in note 30 on page 203

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More detail on post-retirement medical aid can be found in note 25 on page 198

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More detail on taxation can be found in:

ƒ Note 10 – Taxation	180
ƒ Note 18 – Deferred taxation	189

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The carrying amount of deferred tax assets is reviewed at each reporting 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, but the tax will ultimately become payable on sale of that 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 statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are classified into the following specified categories:

- ƒ 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.
- ƒ Loans and receivables
 - These are held at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.
- ƒ Held-to-maturity investments
 - These are held at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.
- ƒ Available-for-sale investments
 - These are held at fair value and any adjustment to fair value is taken to equity.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

This 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 statement of cash flows, 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.

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More detail on inventories can be found in note 19 on page

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More detail on financial instruments can be found in note 39 on page

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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 investments 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 reporting 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 165.

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.

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More detail on investments
can be found in note 16
on page

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Equity instruments

Equity instruments are recorded as 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, 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 reporting date, and are discounted to present value where the effect is material.


Share-based payments

The Group issues equity-settled share-based payments to employees who are beneficiaries of the various Group share schemes. 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 borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Read more 


More detail on provisions can be found in note 25 and note 27 on pages 198, 199

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More detail on share-based payments can be found in note 22 on page 193

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Insight 

During the financial year the Group adopted the revised IAS 23 *Borrowing Costs*. More detail on the resulting changes are contained in the technical review on page 170

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2. TECHNICAL REVIEW

International Financial Reporting Standards (IFRS)

Massmart first adopted International Financial Reporting Standards (IFRS) with effect from 1 July 2005. Subsequent amendments have been made to the standards, resulting in revised issue and version dates. All these amendments have been complied with in line with the transitional provisions of that standard.

There has been no impact on the business, financial or practical of any amendments becoming effective in the past financial year. The Group is exposed to the following suite of standards:

Standard	Standard's name
IFRSs	Improvements to International Financial Reporting Standards
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Presentation
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture
AC 500	Preface to South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice
AC 501	Accounting for 'Secondary Tax on Companies (STC)'
AC 502	Substantively Enacted Tax Rates And Tax Laws
AC 503	Accounting For Black Economic Empowerment (BEE) Transactions

The *Improvements to International Reporting Standards* is a relatively new standard issued by the International Accounting Standards Board (IASB). This standard is due to be issued annually and is the IASB's project that provides them with a vehicle for making non-urgent but necessary amendments to IFRSs. Some amendments involve consequential amendments to other IFRSs. Massmart has adopted the standard issued in August 2008. There were no financial or practical implications on the business. A new standard was issued in May 2009 that becomes effective for Massmart's 2011 financial year-end.

IFRS 8 *Operating Segments*, was issued on 30 November 2006, to replace IAS 14 *Segment Reporting*. The effective date of this standard is our 2010 financial year. Although early adoption was permitted, the Group chose 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*, there was no financial or disclosure impact on the Group from adopting this standard.

In 2006, the IASB agreed to a moratorium under which there would be no new or amended standards effective before 1 January 2009. This was done in order to have a stable platform for a four-year period. The effective date of the revised suite of standards is our 2010 financial year. We chose not to early adopt any of these standards.

This table provides a brief analysis of the differences between the old and new standards that changed in our 2010 financial year and the relating impact on the business:

Standard	Standard's name	Material differences between the old and new standard
IFRS 3	Business Combinations	<ul style="list-style-type: none"> ƒ Transaction costs must be expensed. Previously we capitalised these costs. ƒ Share options given to a seller must be included in the purchase consideration. These costs were previously excluded from the purchase consideration. ƒ Any contingent consideration must be valued at acquisition date. Where there is a subsequent change, the difference must be recognised in the income statement. Previously we adjusted goodwill. ƒ Goodwill can be provided for minorities, we have elected not to do this. ƒ In step acquisitions, previous non-controlling equity interests held are deemed to be disposed at fair value, which is then included in the purchase price to determine goodwill. Previously the existing investment was not deemed to be disposed of and only the additional acquisition was accounted for in determining goodwill. <p>These changes will all have a financial impact on future acquisitions. There is no retrospective application, so no adjustment was required to the financial statements.</p>
IFRS 8	Operating Segments	<ul style="list-style-type: none"> ƒ Segment identification and information is determined and presented 'through the eyes of management'. Previously this was not how we determined our segments or segment information. However, the end result is the same. ƒ Segment information needs to reconcile to IFRS. This has always reconciled. <p>These changes had no financial or disclosure impact on the business.</p>
IAS 1	Presentation of Financial Statements	<p>This standard brought many changes – all disclosure related.</p> <ul style="list-style-type: none"> ƒ It introduced the concept of 'total comprehensive income' – which briefly is the change in equity other than changes resulting from transactions with owners in their capacity as owners. ƒ Total comprehensive income is housed in two statements; the 'income statement' and the 'statement of comprehensive income'. ƒ 'Statement of comprehensive income' could be one statement, or an income statement and a separate statement of items recognised in other comprehensive income. We elected to disclose the data in two statements. ƒ The balance sheet has been renamed 'statement of financial position'. ƒ The cash flow statement has been renamed 'statement of cash flows'. <p>These changes had no financial impact on the business.</p>
IAS 23	Borrowing Costs	<ul style="list-style-type: none"> ƒ All borrowing costs need to be capitalised where they are qualifying assets. Previously our accounting policy was to expense these costs. <p>This change will have a financial impact on future qualifying assets where borrowing costs are incurred. There is no retrospective application, so no adjustment was required to the financial statements.</p>
IAS 27	Consolidated and Separate Financial Statements	<ul style="list-style-type: none"> ƒ There is no restriction on allocating losses of a subsidiary to the minorities. Previously we did not do this. <p>This change will have a financial impact on future minority allocations in loss making subsidiaries. There is no retrospective application, so no adjustment was required to the financial statements.</p>

There were various other smaller amendments made to the standards which we feel are not material and thus have not listed them individually.

IFRS 9 *Financial Instruments* was issued in November 2009, effective for year-ends beginning on or after 1 January 2013, which would mean the Group's 2014 financial year. Early adoption is permitted, but the Group has elected not to do so. IFRS 9 is currently unfinished and due to be completed by the end of the 2010 calendar year. At this point it will replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. In its current format, there is no financial impact on the Group's results. However, the biggest theoretical change for the Group is the change from the four classifications of financial assets (being: fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale) to two classifications (being: assets measured at fair value through profit or loss and those measured at amortised cost). The standard does allow the entity to elect that certain equity investments be measured at fair value with value changes reported in other comprehensive income. The current format does not address financial liabilities. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduces its complexity.

The IASB recently issued an exposure draft containing various proposals to improve the financial reporting of lease contracts. The accounting treatment under existing requirements depends on the classification of a lease. Classification as an operating lease

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results in the lessee not recording any assets or liabilities in the statement of financial position under IFRS. This results in many investors having to adjust the financial statements (using disclosures and other available information) to estimate the effects of lessees' operating leases for the purpose of investment analysis. The proposals would result in a consistent approach to lease accounting for both lessees and lessors – a 'right-of-use' approach. Among other changes, this approach would result in the liability for payments arising under the lease contract and the right to use the underlying asset being included in the lessee's statement of financial position, thus providing more complete and useful information to investors and other users of financial statements. As part of the transition, we would remove the 'lease liability' that currently sits in the statement of financial position resulting from Circular 07/2005 *Operating Leases* that required us to smooth operating leases. We anticipate the exposure draft becoming a standard in approximately three years. We are currently unable to estimate accurately the financial impact on the Group, although it will be material, as the change proposed has raised some concerns in the financial community. Once these issues have been clarified, we will indicate the financial impact on the Group's results.

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 or re-issued since the start of the financial year, or earlier but became effective for the current financial year. There is no impact on the Group from any of these IFRIC's, and they have only been included for completeness.

IFRIC	Name
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
IFRIC 9	Re-assessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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 Johannesburg Stock Exchange Limited (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 attempts to promote the rigorous and uniform application of the standards.

The following circulars were issued since the start of the 2010 financial year. One of these has no impact on the Group, and has 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 2/2009	Statement of Generally Accepted Accounting Practice; International Financial Reporting Standard for Small and Medium-sized Entities	September 2009	This circular has no impact on the Group.
Circular 3/2009	Headline Earnings	September 2009	This circular had an impact on the Group. See below for a detailed explanation.

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

Circular 8/2007 *Headline Earnings* was issued in July 2007 by SAICA at the request of the JSE and became effective for the Group in the 2008 financial year-end. This circular was far more 'rules based' than its predecessor, Circular 2/2007 *Headline Earnings*. The impact of the circular was disclosed in the 2009 annual report. Circular 3/2009 *Headline Earnings*, is only different to Circular 8/2007 *Headline Earnings* in that the terms of reference to the financial statements have been amended to reflect the changes made to IAS 1 *Presentation of Financial Statements*. Detail can be found in the second table of this note that illustrates the changes between the new and old standards that become effective in the year under review.

Summary

The Group's accounting policies are governed by IFRS and the AC 500 series as issued by the Accounting Practices Board and listed above. Guidance has been obtained from IFRICs and circulars effective on 6 October 2010, also listed above. Due to the nature and volatility of Exposure Drafts (EDs), no review has been provided except for the lease exposure draft specifically discussed above.

The Group believes that accounting 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.

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3. ACQUISITION OF SUBSIDIARIES

3.1 Subsidiaries acquired

	Purchasing division	Principal activity	Date of acquisition	Control acquired (%)
2010				
Mica – Norwood	Massbuild	Home improvement/hardware	15 September 2009	100
Mica – South Coast Mall	Massbuild	Home improvement/hardware	15 September 2009	100
Mica – Umhlanga	Massbuild	Home improvement/hardware	15 September 2009	100
Kangela	Massbuild	Home improvement/hardware	29 June 2009	51
Emsengeni	Massbuild	Home improvement/hardware	7 June 2010	51
Emsengeni	Masscash	Wholesale Cash and Carry	7 June 2010	51
Kawena Distributors	Masscash	Wholesale Cash and Carry	29 June 2009	51
Finro	Masscash	Wholesale Cash and Carry	5 October 2009	75
DF Scott	Masscash	Wholesale Cash and Carry	27 July 2009	51
Mikeva	Masscash	Wholesale Cash and Carry	20 July 2009	51
Piet Retief Liquors	Masscash	Wholesale Cash and Carry	1 October 2009	100
Manzini	Masscash	Wholesale Cash and Carry	10 May 2010	100
Trident Makopane	Masscash	Wholesale Cash and Carry	2 March 2010	100
Sunshine	Masscash	Retail Cash and Carry	29 June 2009	50.02
Astor	Masscash	Retail Cash and Carry	1 January 2010	75
MC Meat Distributors	Masscash	Distribution centre	1 December 2009	100
Cambridge Properties	Corporate	Property	31 March 2010	100

51% of Cambridge Food was acquired in the June 2009 financial year, a further 49% was acquired on 31 March 2010.

2009

Top Spot	Masscash	Retail Cash and Carry	25 August 2008	100
Cambridge Food	Masscash	Retail Cash and Carry	1 December 2008	51
Saverite – Romatswa	Masscash	Retail Cash and Carry	12 May 2009	100
Saverite – Ghanzi	Masscash	Retail Cash and Carry	19 May 2009	100
Buildrite – Queenstown	Massbuild	Home improvement/hardware	8 June 2009	100
Buildrite – East London	Massbuild	Home improvement/hardware	17 June 2009	100
Buildrite – King William's Town	Massbuild	Home improvement/hardware	22 June 2009	100

3.2 Analysis of assets and liabilities acquired

† The net asset value of the businesses acquired during the year was R188.9 million (2009: R34.8 million) on the date of acquisition.

3.3 Net cash outflow on acquisition

	2010 Rm	2009 Rm
Total purchase price	(379.3)	(241.1)
Less: Cash and cash equivalents of subsidiary	9.4	1.0
Cash impact of acquisition, net of cash and cash equivalents acquired	(369.9)	(240.1)
Less: Seller's loan settlement in one business	–	41.6
Net cash position for the Group	(369.9)	(198.5)

† The net cash outflow as reflected above can be found in note 38.8 on page 210.

3.4 Goodwill arising on acquisition

† Goodwill arose in the business combinations because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of the expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

† Goodwill was recognised in the current year on all the acquisitions listed above.

† Goodwill was recognised in the prior year on the following acquisitions; Top Spot, Cambridge Food and Buildrite.

† Goodwill raised on the acquisitions reflected above of R305.8 million (2009: R205.3 million) is recognised in note 14 on page 184.

4. REVENUE

	2010 Rm	2009 Rm
Sales	47,451.0	43,128.7
Change in fair value of financial assets carried at fair value through profit or loss	42.2	36.8
Instalment-sale finance charges	1.0	2.3
Dividends from unlisted investments	2.3	64.2
Less: Interest paid on a related liability	–	(50.7)
Royalties and franchise fees	28.7	29.5
Management and administration fees	3.6	0.4
Property rentals	2.8	2.6
Commissions and fees	17.4	17.0
Other	1.6	1.0
	47,550.6	43,231.8

5. IMPAIRMENT OF ASSETS

	<i>Notes</i>	2010 Rm	2009 Rm
Tangible assets	13	1.4	–
Goodwill	14	0.7	–
Intangible assets	15	1.6	1.6
		3.7	1.6

- f The impairment of assets in the current year relates to the impairment of fixed assets in Game due to a fire in the Benoni store, the impairment of goodwill in a generator business in the Massbuild division and the impairment of computer software in Builders Warehouse due to an IT upgrade.
- f The impairment of assets in the prior year related to computer software in Masscash whereby additional system software was rendered obsolete.

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for the year ended 27 June 2010

6. OPERATING PROFIT

	2010 Rm	2009 Rm
Credits to operating profit include:		
Foreign exchange profit	93.3	268.4
Profit on disposal of tangible and intangible assets	6.1	2.9
Profit on disposal of assets classified as held for sale	–	7.0
Charges to operating profit include:		
Depreciation and amortisation (owned assets):	361.7	324.4
Buildings	5.5	5.2
Fixtures, fittings, plant and equipment	212.2	183.7
Computer hardware	51.7	49.6
Leasehold improvements	30.2	28.8
Motor vehicles	15.2	11.9
Computer software	46.6	44.9
Trademarks	0.3	0.3
Depreciation and amortisation (leased assets):	21.1	18.7
Buildings	2.0	1.9
Fixtures, fittings, plant and equipment	2.8	2.1
Computer equipment	4.5	2.0
Motor vehicles	11.8	12.7
Foreign exchange loss	257.6	346.8
Share-based payment expense:	149.4	133.5
Massmart Holdings Limited Employee Share Trust	79.7	66.6
Massmart Thuthukani Empowerment Trust	57.8	54.7
Massmart Black Scarce Skills Trust	11.9	12.2
Operating lease charges:	961.6	858.5
Land and buildings	915.6	821.0
Plant and equipment	32.8	19.2
Computer equipment	3.6	7.5
Motor vehicles	9.6	10.8
Loss on disposal of tangible and intangible assets	9.7	4.6
Fees payable:		
Administrative and outsourcing services	67.7	63.2
Consulting	44.8	32.4
Auditors' remuneration:	17.0	20.0
Current year fee	14.0	15.3
Prior year underprovision	–	1.8
Tax advice and reviews	1.1	0.8
Consulting and business reviews	0.9	1.0
Contract assignments	0.6	0.6
Other	0.4	0.5

7. FOREIGN EXCHANGE GAINS AND LOSSES

	2010 Rm	2009 Rm
Foreign exchange loss arising from loans to African operations*	(83.1)	(116.9)
Foreign exchange (loss)/gain arising from ineffective hedges	(49.0)	4.2
Foreign exchange (loss)/gain arising from an investment in offshore trading structure	(6.8)	14.9
Foreign exchange (loss)/gain arising from the translation of foreign creditors	(25.4)	19.4
	(164.3)	(78.4)

* Includes foreign exchange gain/(loss) arising from the translation of other small monetary loan balances as described in the explanation below.

The Group was exposed to the following currencies for the period under review and their year-end exchange rates were:

Country	Currency	Spot rate June 2008	Spot rate June 2009	Spot rate June 2010
United States	US Dollar	7.9639	7.9425	7.6740
United Kingdom	Pound Sterling	15.8915	13.1286	11.5606
European Union	Euro	12.4719	11.1480	9.4155
Botswana	Pula	1.2245	1.1675	1.1134
Malawi	Malawian Kwacha	0.0577	0.0572	0.0524
Mauritius	Rupee	0.2995	0.2562	0.2240
Mozambique	New Metical	0.3341	0.2995	0.2257
Namibia	Namibian Dollar	1.0183	1.0103	1.0000
Nigeria	Naira	0.0687	0.0541	0.0518
Tanzania	Tanzanian Shilling	0.0068	0.0062	0.0054
Uganda	Uganda Shilling	0.0051	0.0038	0.0034
Zambia	Zambian Kwacha	0.0025	0.0015	0.0015
Ghana	New Cedi	7.4312	5.3690	5.4126

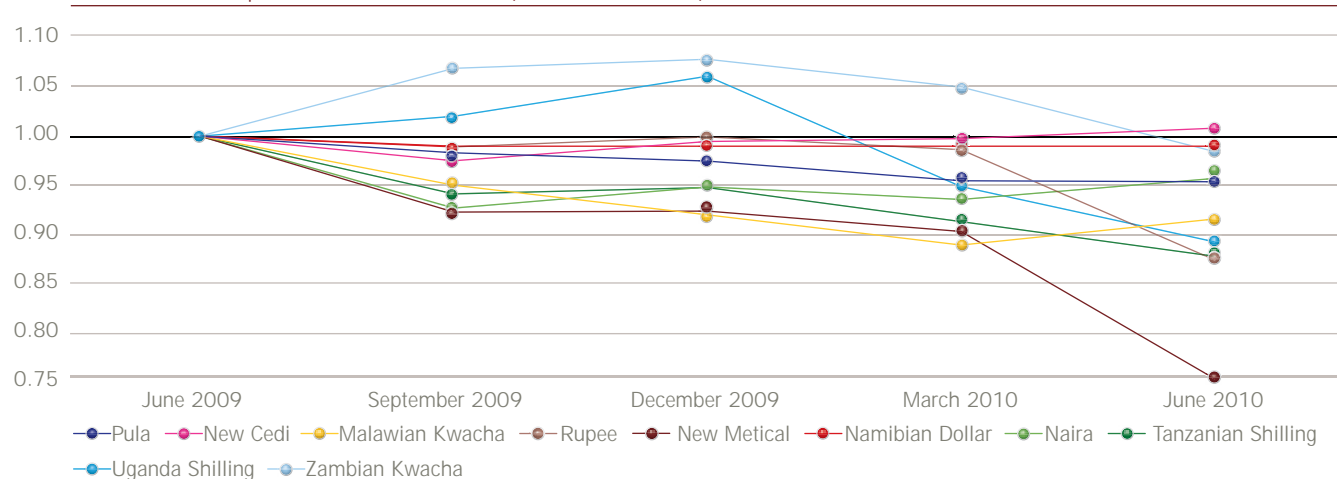
Source: Oanda Currency converter

Foreign exchange gain/(loss) arising from loans to African operations

In Massdiscounters, a loan is initially provided to African operations as start up capital and then maintained as a working capital loan. This loan attracts foreign exchange gains/(losses) when it is translated into the functional currency of that entity at year-end. Where the operation holds other monetary balances not in its functional currency, that balance will also attract foreign exchange gains/(losses) when translated at year-end. These balances are not material and have been ignored in the explanation below.

The graph below indicates the appreciation (rise in line) or depreciation (fall in line) of each currency to the Rand in the past year:

African currencies spot rate relative to the Rand (based to June 2009)



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7. FOREIGN EXCHANGE GAINS AND LOSSES continued

Where there is a depreciation of the African currency (alternatively, a strengthening in the Rand) the resulting impact is a foreign exchange loss on the loan. From the graph, it is evident that almost all the African currencies depreciated against the Rand by the end of the current year (the Uganda Shilling and Zambian Kwacha strengthened against the Rand during the year but then closed weaker), which explains the translation exchange loss in the income statement. This pattern is consistent with the prior year.

The African operations trade in their local currency, which for reporting purposes is also their functional currency. The foreign exchange gain/(loss) that arises when translating the foreign operation into Rands (the Group's presentation currency) is accounted for in the FCTR on the balance sheet. Further details on these translations can be found in note 22 on page 193.

Foreign exchange gain/(loss) arising from ineffective hedges

The Group uses foreign exchange forward contracts to hedge its exposure to foreign currency fluctuations relating to certain firm trading commitments. IAS 39 *Financial Instruments: Recognition and Measurement* defines the accounting treatment for cash flow hedges, which is also contained in our accounting policies.

Extract from the Massmart accounting policies in note 1 on page 169:

"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."

This foreign exchange gain arises from the ineffective hedges being recognised in profit or loss. The determination of an ineffective hedge is where the contract price moves outside of the range of 80% to 125% in relation to the underlying spot rate.

Foreign exchange gain/(loss) arising from an investment in offshore trading structure

The Group's offshore trading structure is a US Dollar denominated investment. The graph below shows that the Rand closed relatively stronger on the US Dollar in the current year, which gave rise to a foreign exchange loss on this investment. In the prior year, the Rand closed relatively flat on the US Dollar, yet there was a foreign exchange gain arising from this investment. This was because during the year the Group realised a portion of their investment when the Rand was relatively weak against the US Dollar with the result being a foreign exchange gain for the Group.



Foreign exchange gain/(loss) arising from the translation of foreign creditors

Foreign creditors resulting from foreign stock purchases are translated into functional currency at year-end and the exchange difference is accounted for in profit or loss. As the bulk of foreign creditors are recorded in US Dollars, this exchange difference can be explained by the movement in the Rand against the US Dollar.

However, as payments are made to creditors throughout the year that attract different rates of exchange, the entire exchange gain/loss cannot be linked to the closing Rand/US Dollar movement.

8. 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 2010 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.

On deconsolidation in 2007, the investment in Makro Zimbabwe was reflected as an 'available-for-sale' financial asset. The fair value of this asset was determined to be zero and the adjustment taken to equity as a reserve. For the period under review the fair value was again assessed as zero and as a result there has been no fair value movement. Details can be found in note 16 on page 186.

9. NET FINANCE COSTS

	2010 Rm	2009 Rm
Finance costs		
Interest on bank overdrafts and loans	81.9	100.3
Interest on obligations under finance leases	10.7	12.5
	92.6	112.8
Finance income		
Income from investments, receivables and bank accounts	45.9	64.2
	45.9	64.2

f Details on the loans and finance leases can be found in note 24 on page 197.

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10. TAXATION

	2010 Rm	2009 Rm
Current year		
South African normal taxation		
Current taxation	465.5	470.0
Deferred taxation	51.6	26.6
Foreign taxation		
Current taxation	50.1	50.7
Deferred taxation	(18.2)	(10.5)
Secondary Taxation on Companies	79.9	80.8
Taxation effect of participation in export partnerships	0.3	0.2
	629.2	617.8
Prior year (over)/under provision:		
South African normal taxation		
Current taxation	(16.7)	11.1
Deferred taxation	(0.1)	(6.5)
Foreign taxation		
Current taxation	(4.8)	(1.5)
Deferred taxation (impairment of deferred taxation assets)	0.6	(0.5)
	(21.0)	2.6
Taxation as reflected in the Income Statement	608.2	620.4

f Two companies in the Group participate in Trenchor export partnerships. As the companies are liable for the tax effect of the participation, the amount is classified as a taxation charge. Details on the export partnership can be found in note 16 on page 186.

	%	%
The rate of taxation is reconciled as follows:		
Standard corporate taxation rate	28.0	28.0
Exempt income	–	(1.9)
Disallowable expenditure	3.5	3.0
Foreign income	(0.2)	0.1
Prior year under-provision (including impairment)	(1.2)	0.1
Secondary taxation on companies	4.6	3.8
Other	(1.3)	(0.5)
Effective rate	33.4	32.6

11. DIVIDENDS PAID TO SHAREHOLDERS

	2010 Rm	2009 Rm
Final cash dividend No 19 (2009: No 17)	268.4	325.0
Interim cash dividend No 20 (2009: No 18)	507.4	504.3
Final Thuthukani preference share dividend No 6 (2009: No 4)	13.5	11.8
Interim Thuthukani preference share dividend No 7 (2009: No 5)	33.1	26.3
Total dividends paid	822.4	867.4

- ƒ No 17 of 163.0 cents declared on 20 August 2008 and paid on 15 September 2008 (R325.0 million).
- ƒ No 18 of 252.0 cents declared on 25 February 2009 and paid on 23 March 2009 (R504.3 million).
- ƒ No 19 of 134.0 cents declared on 26 August 2009 and paid on 21 September 2009 (R268.4 million).
- ƒ No 20 of 252.0 cents declared on 24 February 2010 and paid on 23 March 2010 (R507.4 million).
- ƒ No 21 of 134.0 cents declared on 25 August 2010 and paid on 20 September 2010 (R270.0 million).*
- ƒ No 4 of 81.5 cents declared on 20 August 2008 and paid on 15 September 2008 to the Massmart Thuthukani Empowerment Trust (R11.8 million).
- ƒ No 5 of 189.0 cents declared on 25 February 2009 and paid on 23 March 2009 to the Massmart Thuthukani Empowerment Trust (R26.3 million).
- ƒ No 6 of 100.5 cents declared on 26 August 2009 and paid on 21 September 2009 to the Massmart Thuthukani Empowerment Trust (R13.5 million).
- ƒ No 7 of 252.0 cents declared on 24 February 2010 and paid on 23 March 2010 to the Massmart Thuthukani Empowerment Trust (R33.1 million).
- ƒ No 8 of 134.0 cents declared on 25 August 2010 and paid on 20 September 2010 to the Massmart Thuthukani Empowerment Trust (R23.6 million).*

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

12. EARNINGS PER SHARE

	2010 No of shares	2009 No of shares
Ordinary shares		
In issue	201,495,504	201,302,639
Weighted average	200,750,981	199,533,472
Diluted weighted average	209,816,898	204,053,668

	Pre- taxation Rm	2010 Post- taxation Rm	Cents/ share	Pre- taxation Rm	2009 Post- taxation Rm	Cents/ share
Attributable and headline earnings per share						
The calculation of attributable and headline earnings per share is based on the weighted average number of ordinary shares.						
The calculation is reconciled as follows:						
Profit attributable to the equity holders of the parent		1,129.9	562.8		1,210.9	606.9
Adjustments after minorities:						
Loss on disposal of tangible assets	0.6	0.4	0.2	1.7	1.0	0.5
Loss on disposal of business	5.3	5.3	2.6	–	–	–
Profit on sale of assets classified as held for sale	–	–	–	(7.0)	(6.0)	(3.0)
Impairment of assets	3.7	3.0	1.6	1.6	1.2	0.6
Headline earnings		1,138.6	567.2		1,207.1	605.0
Foreign exchange loss	164.3	118.3	58.9	78.4	56.4	28.3
Headline earnings before foreign exchange movements		1,256.9	626.1		1,263.5	633.3

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12. EARNINGS PER SHARE continued

	2010 Rm	2009 Rm	2010 Cents/share	2009 Cents/share
Diluted attributable and diluted headline earnings per share				
The calculation of diluted attributable and diluted headline earnings per share is based on the weighted average number of ordinary shares.				
The calculation is reconciled as follows:				
Profit attributable to the equity holders of the parent	1,129.9	1,210.9	562.8	606.9
Adjustment for impact of issuing ordinary shares	-	-	(24.3)	(13.5)
Diluted attributable earnings	1,129.9	1,210.9	538.5	593.4
Headline earnings	1,138.6	1,207.1	567.2	605.0
Adjustment for impact of issuing ordinary shares	-	-	(24.5)	(13.4)
Diluted headline earnings	1,138.6	1,207.1	542.7	591.6
Weighted average shares outstanding			2010 No of shares	2009 No of shares
Weighted average shares outstanding for basic and headline earnings per share			200,750,981	199,533,472
Potentially dilutive ordinary shares resulting from outstanding options			9,065,917	4,520,196
Weighted average shares outstanding for diluted and diluted headline earnings per share			209,816,898	204,053,668

f Both the Thuthukani 'A' preference shares and the Black Scarce Skills 'B' preference shares are currently dilutive and have a small effect on diluted basic and diluted headline earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Cost/carrying value Rm	Accumulated depreciation Rm	Net book value Rm
2010			
Owned assets			
Freehold land and buildings	497.7	31.3	466.4
Fixtures, fittings, plant and equipment	2,150.0	1,051.1	1,098.9
Computer hardware	371.0	266.1	104.9
Leasehold improvements	383.2	132.3	250.9
Motor vehicles	100.5	42.2	58.3
	3,502.4	1,523.0	1,979.4
Capitalised leased assets			
Freehold land and buildings	49.4	11.1	38.3
Fixtures, fittings, plant and equipment	15.2	7.3	7.9
Computer hardware	19.0	6.4	12.6
Motor vehicles	52.3	35.3	17.0
	135.9	60.1	75.8
Total	3,638.3	1,583.1	2,055.2
2009			
Owned assets			
Freehold land and buildings	301.7	25.8	275.9
Fixtures, fittings, plant and equipment	1,832.4	897.8	934.6
Computer hardware	340.0	241.3	98.7
Leasehold improvements	377.5	109.9	267.6
Motor vehicles	74.4	35.9	38.5
	2,926.0	1,310.7	1,615.3
Capitalised leased assets			
Freehold land and buildings	49.4	9.1	40.3
Fixtures, fittings, plant and equipment	15.3	4.6	10.7
Computer hardware	9.0	2.1	6.9
Motor vehicles	53.5	30.1	23.4
	127.2	45.9	81.3
Total	3,053.2	1,356.6	1,696.6

f 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.

f Certain capitalised leased property, plant and equipment is encumbered as per note 24 on page 197.

13. PROPERTY, PLANT AND EQUIPMENT continued

	Opening net book value Rm	Additions Rm	Additions through acqui- sitions Rm	Disposals Rm	De- preciation Rm	Foreign exchange loss Rm	Re- classifi- cations Rm	Im- pairment Rm	Closing net book value Rm
Reconciliation of property, plant and equipment:									
2010									
Owned assets									
Freehold land and buildings	275.9	21.2	175.0	-	(5.5)	(0.2)	-	-	466.4
Fixtures, fittings, plant and equipment	934.6	365.4	20.2	(3.4)	(212.2)	(4.3)	-	(1.4)	1,098.9
Computer hardware	98.7	56.7	1.7	(0.1)	(51.7)	(0.4)	-	-	104.9
Leasehold improvements	267.6	29.3	2.4	(3.8)	(30.2)	(14.4)	-	-	250.9
Motor vehicles	38.5	31.0	6.1	(1.4)	(15.2)	(0.7)	-	-	58.3
	1,615.3	503.6	205.4	(8.7)	(314.8)	(20.0)	-	(1.4)	1,979.4
Capitalised leased assets									
Freehold land and buildings	40.3	-	-	-	(2.0)	-	-	-	38.3
Fixtures, fittings, plant and equipment	10.7	-	-	-	(2.8)	-	-	-	7.9
Computer hardware	6.9	10.2	-	-	(4.5)	-	-	-	12.6
Motor vehicles	23.4	6.3	0.4	(1.3)	(11.8)	-	-	-	17.0
	81.3	16.5	0.4	(1.3)	(21.1)	-	-	-	75.8
Total	1,696.6	520.1	205.8	(10.0)	(335.9)	(20.0)	-	(1.4)	2,055.2
2009									
Owned assets									
Freehold land and buildings	154.6	127.3	-	(0.5)	(5.2)	(0.1)	(0.2)	-	275.9
Fixtures, fittings, plant and equipment	798.2	314.8	15.5	(3.1)	(183.7)	(6.8)	(0.3)	-	934.6
Computer hardware	94.5	54.0	0.2	(0.2)	(49.6)	(0.5)	0.3	-	98.7
Leasehold improvements	243.0	66.2	-	(0.7)	(28.8)	(12.3)	0.2	-	267.6
Motor vehicles	31.0	18.8	4.2	(3.2)	(11.9)	(0.4)	-	-	38.5
	1,321.3	581.1	19.9	(7.7)	(279.2)	(20.1)	-	-	1,615.3
Capitalised leased assets									
Freehold land and buildings	42.2	-	-	-	(1.9)	-	-	-	40.3
Fixtures, fittings, plant and equipment	0.1	-	12.7	-	(2.1)	-	-	-	10.7
Computer hardware	-	8.9	-	-	(2.0)	-	-	-	6.9
Motor vehicles	29.4	8.9	0.4	(2.6)	(12.7)	-	-	-	23.4
	71.7	17.8	13.1	(2.6)	(18.7)	-	-	-	81.3
Total	1,393.0	598.9	33.0	(10.3)	(297.9)	(20.1)	-	-	1,696.6

f The Group has reviewed the residual values and useful lives of the assets. No material adjustment resulted from such review in the current period.

f The following useful lives are used in the calculation of depreciation:

- Buildings 50 years
- Fixtures, fittings, plant and equipment 4 to 15 years
- Motor vehicles 4 to 10 years
- Computer hardware 3 to 8 years
- Leasehold improvements Shorter of lease period or useful life

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

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for the year ended 27 June 2010

14. GOODWILL

	2010 Rm	2009 Rm
Reconciliation of goodwill:		
Balance at the beginning of the year	1,588.2	1,362.3
Additions through minority buyouts	–	21.8
Additions through acquisitions	305.8	205.3
Impairment	(0.7)	–
Disposals	(16.0)	–
Exchange differences	(2.3)	(1.2)
Balance at the end of the year	1,875.0	1,588.2
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:		
Masscash Holdings (Pty) Ltd	950.7	692.7
Builders Warehouse (a division of Masstores (Pty) Ltd)	410.9	410.9
Builders Trade Depot (Pty) Ltd	369.0	364.9

- f The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.
- f 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.
- f The Group prepares cash flow forecasts based on the CGUs' results for the next five years. A terminal value is calculated based on a conservative growth rate of 3% (2009: 3%). This rate does not exceed the average long-term growth rate for the relevant markets. The valuation method applied is consistent with the prior period.
- f The rate used to discount the forecast cash flows is 13.5% (2009: 13.6%).
- f Goodwill of 0.7 was impaired on a generator business in the Massbuild Division. No goodwill was impaired in the prior year.
- f Additions through minority buyouts in the prior period relate to minor business acquisitions in the Masscash Division.
- f In 2010 the additions through acquisitions relate to the purchase of Kangela and Kawena, Cambridge Properties, Sunshine, Finro, DF Scott, Mikeva, MC Meat, Astor, Piet Retief Liquors, Emsengeni, Manzini, Trident Makopane and three Mica stores. Further details relating to these acquisitions can be found in note 3 on page 174.
- f In 2009 the additions through acquisitions relate to the purchase of Cambridge Food and Top Spot in Masscash and Buildrite in Massbuild, more specifically, Builders Trade Depot. Further details relating to these acquisitions can be found in note 3 on page 174.
- f In the current year, the contract business of CellShack was disposed of and the relative goodwill on that business was realised.

15. OTHER INTANGIBLES

	Cost/carrying value Rm	Accumulated depreciation Rm	Net book value Rm
2010			
<i>Owned assets</i>			
Computer software	423.6	205.0	218.6
Trademarks	4.3	2.1	2.2
Total	427.9	207.1	220.8
2009			
<i>Owned assets</i>			
Computer software	365.9	209.2	156.7
Trademarks	4.3	1.8	2.5
Total	370.2	211.0	159.2

	Opening net book value Rm	Additions Rm	Additions through acqui- sitions Rm	Disposals Rm	Amor- tisation Rm	Foreign exchange loss Rm	Im- pairment Rm	Closing net book value Rm
Reconciliation of other intangible assets:								
2010								
<i>Owned assets</i>								
Computer software	156.7	109.9	1.2	(0.8)	(46.6)	(0.2)	(1.6)	218.6
Trademarks	2.5	-	-	-	(0.3)	-	-	2.2
Total	159.2	109.9	1.2	(0.8)	(46.9)	(0.2)	(1.6)	220.8
2009								
<i>Owned assets</i>								
Computer software	129.2	74.0	-	-	(44.9)	-	(1.6)	156.7
Trademarks	2.8	-	-	-	(0.3)	-	-	2.5
Total	132.0	74.0	-	-	(45.2)	-	(1.6)	159.2

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

f The following useful lives are used in the calculation of depreciation:

- Computer software 3 to 8 years
- Trademarks 10 years

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16. INVESTMENTS

	2010 Rm	2009 Rm
Investment in associate		
Share of post-acquisition profit, net of dividend received	1.7	1.0
Amounts owing to associate	1.1	1.2
	2.8	2.2
Details of the Group's associate at 27 June 2010 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 27 June. This investment falls into the corporate segment in terms of segmental reporting.		
Summarised financial information in respect of the Group's associate is set out below:		
Total assets	30.6	31.1
Total liabilities	25.6	28.1
Net assets	5.0	3.0
Group's share of associate's net assets	1.7	1.0
Revenue	6.9	5.4
Profit for the year	2.0	1.0
Group's share of associate's profit for the year has been included in 'other operating costs' in the consolidated income statement.		
	0.6	0.4
Unlisted investments		
Fair value through profit or loss (FVTPL)		
Held for trading		
Bare dominium revaluation	60.8	52.4
Investment in offshore trading structure	223.6	196.7
Total financial assets classified as held for trading	284.4	249.1
Designated as at FVTPL		
Participation in insurance cell-captive on extended warranties	1.8	4.5
Participation in insurance cell-captive on premium contributions	21.5	17.0
Total financial assets designated as at FVTPL	23.3	21.5
Total fair value through profit or loss (FVTPL)	307.7	270.6
Loans and receivables		
Trencor export partnership	3.8	4.0
Total loans and receivables	3.8	4.0
Held-to-maturity investments carried at amortised cost		
Other investments	0.7	0.6
Total held-to-maturity investments	0.7	0.6
Total unlisted investments	312.2	275.2
Listed investments		
Other investments	0.3	0.2
	0.3	0.2
Total investments	315.3	277.6

16. INVESTMENTS continued

	2010 Rm	2009 Rm
Reconciliation of financial assets carried at fair value through profit or loss (FVTPL):		
Opening balance	270.6	294.3
Fair value adjustments taken to the income statement	43.9	52.2
Realisation of a portion of the investment in offshore trading structure recognised in cash reserves	–	(90.8)
Foreign exchange adjustment taken to the income statement	(6.8)	14.9
Closing balance	307.7	270.6
Further details on the investments in this category:		
f The 'bare dominium revaluation' reflects Massmart's right to acquire a 49% share in the bare dominium over seven Makro properties.		
f The 'investment in offshore trading structure' is in M-class preference shares representing an international treasury, shipping and trading business unit.		
f The 'participation in an insurance cell-captive on extended warranties' relates to an insurance arrangement with Mutual & Federal pertaining to extended warranties sold within the Group.		
f The 'participation in an insurance cell-captive on premium contributions' relates to an insurance arrangement with Mutual & Federal pertaining to general insurance within the Group.		
Reconciliation of loans and receivables:		
Opening balance	4.0	4.1
Investment realised	(0.2)	(0.1)
Closing balance	3.8	4.0
Further details on the investments in this category:		
f The 'Trencor export partnership' represents our participation in export containers.		
Reconciliation of held-to-maturity investments:		
Opening balance	0.2	11.3
Amortisation taken to the income statement	0.5	(11.1)
Closing balance	0.7	0.2
Further details on the investments in this category:		
f The 'preference share investment' represented cumulative preference shares. A long-term liability of the Group was secured by a cession of the preference shares and legal offset was permitted. The investment in preference shares was realised in February 2009, and the related loan settled.		
Reconciliation of available-for-sale investments:		
Opening balance	0.2	0.2
Fair value adjustment	0.1	–
Closing balance	0.3	0.2
Further details on the investments in this category:		
f Makro Zimbabwe was deconsolidated in the 2007 financial year and the investment has been carried as an available-for-sale financial asset. The fair value of this asset was determined as zero and the adjustment taken to equity as a reserve. For the period under review the fair value was again assessed as zero and as a result there has been no fair value movement.		
f Listed investments include shares held on the JSE.		
f The directors value the unlisted investments at R312.2 million (2009: R275.2 million).		
f For IAS 39 <i>Financial Instruments: Recognition and Measurement</i> accounting treatment of these investments, see note 39 on page 211.		

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for the year ended 27 June 2010

17. OTHER FINANCIAL ASSETS

	2010 Rm	2009 Rm
Housing loans to the executive committee members of Massmart Holdings Limited:		
Balance at the beginning of the year	0.3	0.3
Advanced during the year	–	–
Repayments	(0.3)	–
Balance at the end of the year	–	0.3
Employee share trust loans to the directors and Executive Committee members of Massmart Holdings Limited:		
Balance at the beginning of the year	198.6	174.4
Advanced during the year	27.2	54.9
Repayments	(21.9)	(30.7)
Balance at the end of the year	203.9	198.6
Other employees' loans:		
Housing and staff loans	0.5	2.4
Employee share trust loans	12.2	0.3
Finance lease deposit	51.1	51.8
Other loans	2.6	3.3
	66.4	57.8
	270.3	256.7

f These loans are classified as 'Loans and receivables'. For IAS 39 *Financial Instruments: Recognition and Measurement* accounting treatment of these values, see note 39 on page 211.

f All housing and staff loans 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.

f The finance lease deposit accrues interest at 13.6%.

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

	Pattison GM Rm	Hayward GRC Rm	Other Executive Committee Rm	Total Rm
2010				
Balance at the beginning of the year	56.9	45.5	96.5	198.9
Advanced during the year	1.8	1.4	24.0	27.2
Repayments	(3.9)	(3.0)	(15.3)	(22.2)
Balance at the end of the year	54.8	43.9	105.2	203.9
2009				
Balance at the beginning of the year	52.5	24.9	97.3	174.7
Advanced during the year	9.2	22.8	22.9	54.9
Repayments	(4.8)	(2.2)	(23.7)	(30.7)
Balance at the end of the year	56.9	45.5	96.5	198.9

18. DEFERRED TAXATION

	2010 Rm	2009 Rm
The movements during the year are analysed as follows:		
Net asset at the beginning of the year	270.7	273.3
Charge to profit or loss for the year	(34.0)	(9.1)
Charge to equity	(4.5)	4.5
Disposal of subsidiary	(13.3)	2.0
Net asset at the end of the year	218.9	270.7
Deferred taxation balances are presented in the balance sheet as follows:		
Deferred taxation assets	238.3	419.2
Deferred taxation liabilities	(19.4)	(148.5)
	218.9	270.7

	Opening balance Rm	Charged to income Rm	Charged to equity Rm	Acquisitions/ disposals Rm	Exchange differences Rm	Closing balance Rm
2010						
Temporary differences						
Trademarks	0.8	-	-	-	-	0.8
Assessed loss unutilised	44.7	23.7	-	0.8	(3.7)	65.5
Export partnerships	(4.3)	0.3	-	-	-	(4.0)
Debtors provisions	11.2	-	-	-	-	11.2
Prepayments	(127.5)	(21.5)	-	(0.8)	-	(149.8)
Creditors provisions	50.3	10.6	-	2.5	(0.1)	63.3
Property, plant and equipment	(38.8)	(17.3)	-	(17.6)	-	(73.7)
Finance leases	12.3	(1.5)	-	-	-	10.8
Long-term provisions	15.8	0.8	-	-	-	16.6
Income not accrued	(0.3)	(4.8)	-	-	-	(5.1)
Deferred income	55.3	(22.7)	-	22.6	(0.6)	54.6
Operating lease adjustment	247.4	12.6	-	(0.6)	(0.3)	259.1
Other temporary differences	3.8	(9.6)	(4.5)	(20.2)	0.1	(30.4)
Total	270.7	(29.4)	(4.5)	(13.3)	(4.6)	218.9
2009						
Temporary differences						
Trademarks	1.4	(0.6)	-	-	-	0.8
Assessed loss unutilised	36.5	11.9	-	-	(3.7)	44.7
Export partnerships	(4.4)	0.1	-	-	-	(4.3)
Debtors provisions	10.4	0.8	-	-	-	11.2
Prepayments	(107.0)	(20.5)	-	-	-	(127.5)
Creditors provisions	59.8	(10.4)	-	1.0	(0.1)	50.3
Property, plant and equipment	(28.8)	(12.1)	-	1.0	1.1	(38.8)
Finance leases	13.2	(0.9)	-	-	-	12.3
Long-term provisions	14.0	1.8	-	-	-	15.8
Income not accrued	(0.6)	0.3	-	-	-	(0.3)
Deferred income	66.0	(10.4)	-	-	(0.3)	55.3
Operating lease adjustment	228.4	19.3	-	-	(0.3)	247.4
Other temporary differences	(15.6)	14.9	4.5	-	-	3.8
Total	273.3	(5.8)	4.5	2.0	(3.3)	270.7

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

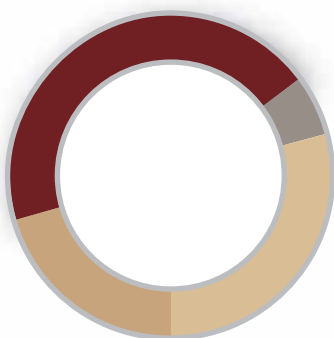
for the year ended 27 June 2010

19. INVENTORIES

	2010 Rm	2009 Rm
Food		
Inventory at cost	1,769.6	1,542.8
Provisions	(122.0)	(113.8)
	1,647.6	1,429.0
Liquor		
Inventory at cost	362.3	314.4
Provisions	(19.2)	(14.4)
	343.1	300.0
General Merchandise		
Inventory at cost	2,703.9	2,583.8
Provisions	(235.4)	(221.0)
	2,468.5	2,362.8
Home Improvements		
Inventory at cost	1,288.6	907.4
Provisions	(146.3)	(106.0)
	1,142.3	801.4
Total inventory net of provisions	5,601.5	4,893.2
Carrying amount of inventories carried at net realisable value	135.4	133.4

- f Inventories are carried at the lower of cost and net realisable value.
- f Provisions include: shrinkage and obsolescence provisions, write-downs to net realisable value and unearned rebates and settlement discounts per SAICA Circular 9/2006 *Transactions giving rise to Adjustments to Revenue/Purchases*.
- f Inventory is fully funded by trade payables. Details of trade payables can be found in note 26 on page 199.
- f No inventory is pledged as security.

Composition of total inventories



	%
Food	29.4
Liquor	6.1
General Merchandise	44.1
Home Improvements	20.4

20. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	2010 Rm	2009 Rm
Trade receivables	1,272.3	1,130.3
Allowance for doubtful debts	(56.1)	(52.7)
	1,216.2	1,077.6
Prepayments	45.8	84.9
Other accounts receivable	1,060.6	688.6
Total receivables net of provisions	2,322.6	1,851.1
Movement in allowance for doubtful debts		
Balance at the beginning of the year	52.7	60.0
Decrease in allowance recognised in profit or loss	3.4	(7.3)
Balance at the end of the year	56.1	52.7
Ageing of debtors provided for		
60 to 90 days	5.7	5.3
90 to 120 days	6.1	5.7
120+ days	44.3	41.7
Total	56.1	52.7

f 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 12.0% and 24.0% (2009: 12.0% and 17.5%) per annum on the outstanding balance. Trade receivables between 30 days and 180 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. It is the Group's policy to provide fully for all receivables that are past due because historical experience is such that these receivables are generally not recoverable.

f 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.

f Included in the Group's trade receivables balance are debtors with a carrying amount of R8.1 million (2009: R7.5 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 or the debtors are insured. The average age of these receivables is 88 days (2009: 120 days).

	2010 Rm	2009 Rm
Ageing of past due debtors but not impaired		
60 to 90 days	4.1	3.8
90 to 120 days	1.4	1.2
120+ days	2.6	2.5
Total	8.1	7.5

f 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.

f Included in the allowance for doubtful debts are specific trade receivables with a balance of R7.0 million (2009: R7.0 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.

f Trade receivables are classified as 'Loans and receivables'. For IAS 39 *Financial Instruments: Recognition and Measurement* accounting treatment of these values, see note 39 on page 211.

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21. ISSUED CAPITAL

	Share capital		Share premium	
	2010 Rm	2009 Rm	2010 Rm	2009 Rm
Authorised				
500,000,000 (2009: 500,000,000) ordinary shares of 1 cent each	5.0	5.0	-	-
20,000,000 (2009: 20,000,000) non-redeemable cumulative non-participating preference shares of 1 cent each	0.2	0.2	-	-
18,000,000 (2009: 18,000,000) 'A' convertible redeemable non-cumulative participating preference shares of 1 cent each	0.2	0.2	-	-
4,000,000 (2009: 2,000,000) 'B' convertible redeemable non-cumulative participating preference shares of 1 cent each	-	-	-	-
Issued				
201,495,504 (2009: 201,302,639) ordinary shares of 1 cent each	2.0	2.0	142.0	149.4
17,673,670 (2009: 17,758,998) 'A' convertible redeemable non-cumulative participating preference shares of 1 cent each	0.2	0.2	-	-
3,871,523 (2009: 1,979,060) '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 June 2008	201,193,512	2.0	151.7
Shares issued in terms of the Massmart Thuthukani Empowerment Trust	109,127	-	-
Ordinary shares issued – June 2009	201,302,639	2.0	151.7
Treasury shares	(1,360,836)	-	(2.3)
Ordinary shares issued excluding treasury shares – June 2009	199,941,803	2.0	149.4
Balance at June 2009	201,302,639*	2.0	149.4
Shares issued in terms of the Massmart Thuthukani Empowerment Trust	85,328	-	-
Shares issued in terms of the Massmart Black Scarce Skills Trust	107,537	-	-
Ordinary shares issued – June 2010	201,495,504	2.0	149.4
Treasury shares	(60,056)	-	(7.4)
Ordinary shares issued excluding treasury shares – June 2010	201,435,448	2.0	142.0

* The number of shares is the ordinary shares issued before deducting treasury shares.

f Ordinary shares, which have a par value of 1 cent, carry one vote per share and carry the right to dividends.

	Number of shares	Share capital Rm	Share premium Rm
'A' convertible redeemable non-cumulative participating preference shares			
Balance at June 2008	-	-	-
Net shares issued in terms of the Massmart BEE transaction	17,868,125	0.2	-
Shares converted to ordinary shares	(109,127)	-	-
Treasury shares	(17,758,998)	(0.2)	-
Balance at June 2009	-	-	-
Net shares issued in terms of the Massmart BEE transaction	17,758,998	0.2	-
Shares converted to ordinary shares	(85,328)	-	-
Treasury shares	(17,673,670)	(0.2)	-
Balance at June 2010	-	-	-

f '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 are 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.

21. ISSUED CAPITAL continued

	Number of shares	Share capital Rm	Share premium Rm
'B' convertible redeemable non-cumulative participating preference shares			
Balance at June 2008	–	–	–
Net shares issued in terms of the Massmart BEE transaction	1,979,060	–	–
Treasury shares	(1,979,060)	–	–
Balance at June 2009	–	–	–
Net shares issued in terms of the Massmart BEE transaction	3,979,060	–	–
Shares converted to ordinary shares	(107,537)	–	–
Treasury shares	(3,871,523)	–	–
Balance at June 2010	–	–	–

f '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 are 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

- f As at June 2010, executives and senior employees have options over 14,156,168 ordinary shares (of which 10,840,931 are unvested). As at June 2009, executives and senior employees had options over 16,055,227 ordinary shares (of which 13,195,878 are unvested).
- f 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 29 on page 200.
- f During the period under review, the only shares bought in the market were by the Share Trust whereby 1.2 million shares were bought at an average price of R114.44 totalling R137.2 million.
- f During the prior year, the total share buyback (including shares bought in the market by the Share Trust) was 1.6 million shares at an average price of R78.76 totalling R126.0 million.
- f 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.

22. OTHER RESERVES

	2010 Rm	2009 Rm
Foreign currency translation reserve	(38.0)	(7.1)
Hedging reserve	(0.6)	(12.4)
Share-based payment reserve	508.7	359.3
Capital redemption reserve fund	0.2	0.2
Amortisation of trademarks	76.5	76.5
Fair value adjustment of available-for-sale financial asset	(13.2)	(13.2)
Fair value adjustment on listed shares	0.3	–
Change in minority interests	1.9	1.9
Financial liability raised on a business acquisition	–	(120.0)
Cost of acquiring minority interests	(212.9)	–
Treasury shares	141.7	13.5
	464.6	298.7

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22. OTHER RESERVES continued

	2010 Rm	2009 Rm
Reconciliation of the foreign currency translation reserve:		
Balance at the beginning of the year	(7.1)	20.2
Translation on consolidation	(30.9)	(27.3)
Balance at the end of the year	(38.0)	(7.1)
<p>f Exchange differences relating to the translation from functional currencies of the Group's foreign subsidiaries into Rands are accounted for in the foreign currency translation reserve.</p>		
Reconciliation of the hedging reserve:		
Balance at the beginning of the year	(12.4)	(0.7)
Loss recognised on cash flow hedges	11.8	(11.7)
Balance at the end of the year	(0.6)	(12.4)
<p>f 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.</p>		
Reconciliation of the share-based payment reserve:		
Balance at the beginning of the year	359.3	225.8
Share-based payment expense related to the Massmart Holdings Limited Employee Share Trust	79.7	66.6
Share-based payment expense related to the Massmart Thuthukani Empowerment Trust	57.8	54.7
Share-based payment expense related to the Massmart Black Scarce Skills Trust	11.9	12.2
Balance at the end of the year	508.7	359.3

f 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 29 on page 200. The share-based payment valuation was performed by Alexander Forbes for all periods and all schemes are equity-settled share schemes.

f In the prior year, the financial liability raised on a business acquisition was a put given to the seller of Cambridge Food on the remaining 49% interest that he held. Further details on the Cambridge acquisition can be found in note 3 on page 174. In the current year the put was waived, and the financial liability was released. The Group now owns the full 100% interest in Cambridge Food.

Massmart Share Schemes

Massmart Holdings Limited Employee Share Trust

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

	2010 Number of share options	2010 Weighted average exercise price Rand	2009 Number of share options	2009 Weighted average exercise price Rand
Outstanding at the beginning of the year	16,055,227	67.81	14,304,900	60.76
Granted during the year	1,051,780	94.08	4,373,379	76.58
Forfeited during the year	(692,519)	70.86	(880,886)	70.87
Exercised during the year	(2,258,320)	56.27	(1,742,166)	30.35
Outstanding at the end of the year	14,156,168	71.46	16,055,227	67.81
Exercisable at the end of the year	3,315,237		2,859,349	

22. OTHER RESERVES continued

	2010	2009
<p>In 2010, the weighted average share price at the date of exercise for share options exercised during the year was R104.32. The options outstanding at the end of the year had a weighted average remaining contractual life of 3.7 years. Options were granted on 1 September 2009, 1 October 2009, 16 November 2009, 1 March 2010, 1 April 2010 and 1 May 2010. The estimated fair values of the options granted on those dates are R23.77, R25.93, R26.48, R27.58, R30.99 and R36.14, respectively.</p> <p>In 2009, the weighted average share price at the date of exercise for share options exercised during the year was R80.18. The options outstanding at the end of the year had a weighted average remaining contractual life of 4.3 years. Options were granted on 1 September 2008, 27 October 2008, 15 November 2008, 1 March 2009 and 27 May 2009. The estimated fair values of the options granted on those dates are R25.38, R25.27, R26.04, R23.00 and R22.97, respectively.</p> <p>These fair values were calculated using the binomial model. The inputs into the model were as follows:</p>		
ƒ Weighted average share price (Rand) at granting dates	94.34	76.87
ƒ Expected volatility	32.6% – 36.0%	31.5% – 34.7%
ƒ Expected life	3 – 5 years	3 – 5 years
ƒ Risk-free rate	7.5% – 8.4%	7.0% – 9.4%
ƒ Expected dividend yield	4.8% – 5.0%	3.9% – 4.6%
<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> <p>Massmart Thuthukani Empowerment Trust</p> <p>In 2010, the weighted average share price at the date of exercise for share options was R89.36. The options outstanding at the end of the year had a weighted average remaining contractual life of 27 months.</p> <p>In 2009, the weighted average share price at the date of exercise for share options was R71.16. The options outstanding at the end of the year had a weighted average remaining contractual life of three years.</p> <p>These fair values were calculated using the binomial model. The inputs into the model were as follows:</p>		
ƒ Weighted average share price (Rand) at granting dates (no issues in 2008, 2009 or 2010)	56.91	56.91
ƒ Expected volatility	30.1% – 32.3%	30.1% – 32.3%
ƒ Expected life	5 years	5 years
ƒ Risk-free rate	8.3% – 8.4%	8.3% – 8.4%
ƒ Expected dividend yield	3.7%	3.7%

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.

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22. OTHER RESERVES continued

Massmart Black Scarce Skills Trust

In 2010, the weighted average share price at the date of exercise for share options exercised during the year was R103.03. The options outstanding at the end of the year had a weighted average remaining contractual life of 4 years. Options were granted on 27 May 2009 and 1 April 2010. The estimated fair values of the options granted on those dates are R22.97 and R30.99, respectively.

In 2009, the weighted average share price at the date of exercise for share options exercised during the year was R75.13. The options outstanding at the end of the year had a weighted average remaining contractual life of 4.6 years. Options were granted on 1 October 2008 and 1 April 2009. The estimated fair values of the options granted on those dates are R23.54 and R21.74, respectively. No options were exercised in the year.

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

	2010	2009
ƒ Weighted average share price (Rand) at granting dates	107.55	76.15
ƒ Expected volatility	32.6% – 37.1%	31.3% – 34.7%
ƒ Expected life	3 – 5 years	3 – 5 years
ƒ Risk-free rate	7.1% – 8.4%	7.1% – 8.7%
ƒ Expected dividend yield	4.6% – 4.9%	4.0% – 4.4%

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.

23. MINORITY INTEREST

	2010 Rm	2009 Rm
At the beginning of the year	42.0	30.7
Net changes in minority interests	(0.8)	(2.2)
Income attributable to minorities	35.4	32.7
Minorities relating to acquisitions	87.1	–
Distribution to minorities	(41.6)	(19.2)
At the end of the year	122.1	42.0

ƒ The minority interests comprise mainly CBW store managers' holdings in certain Masscash stores and Cambridge Food, 51% of which was acquired with effect 1 December 2008. On 31 March 2010 the remaining 49% interest in Cambridge Food was acquired.

ƒ Further details on the Cambridge Food acquisition can be found in note 3 on page 174.

ƒ The minorities relating to acquisitions is the take on minority balance on all acquisitions in the period.

24. NON-CURRENT LIABILITIES

	2010 Rm	2009 Rm
Interest-bearing		
Unsecured		
Medium-term payable	4.2	4.0
Less: Included in current liabilities	(4.2)	(4.0)
Secured		
Medium-term bank loans	527.0	185.7
Less: Included in current liabilities	(217.9)	(122.3)
	309.1	63.4
Capitalised finance leases	101.7	107.3
Less: Included in current liabilities	(25.0)	(21.0)
	76.7	86.3
Total interest-bearing liabilities	385.8	149.7
Interest-free		
Unsecured		
Minority shareholders' loans	0.7	0.7
Income received in advance	26.3	89.1
Less: Included in trade and other payables	(26.3)	(49.0)
Operating lease liability	416.8	456.6
Add: Included in trade and other payables	6.0	7.0
Total non-interest bearing liabilities	423.5	504.4
Total non-current liabilities	809.3	654.1

- f Included in current liabilities is a medium-term payable of R4.2 million (2009: R4.0 million), which is an amount owing to the Massmart Education Trust relating to cash reserves invested with Group Treasury. The short-term portion has been accounted for in note 28 on page 200.
- f Two medium-term bank loans, raised in the 2006 financial year to fund the Massbuild acquisitions, repayable in nine equal instalments over five years, with the final payment taking place in the current financial year. The loans bear interest at a fixed rate of 8.8% and 8.7%, respectively. The loans are secured by intra-Group cross-suretyships. The short-term portion has been accounted for in note 28 on page 200.
- f A new three-year fixed term loan of R500 million was secured during the second half of the financial year payable quarterly over three years. The loan bears interest of 9.8%. The loan is secured by intra-Group cross-suretyships. The short-term portion has been accounted for in note 28 on page 200.
- f Capitalised finance leases include vehicle, fixtures, fittings, plant and computer equipment and property leases, repayable in monthly instalments varying from one to five years at varying interest rates between 4.5% and 17.5% (2009: between 8.25% and 15.5%). The short-term portion has been accounted for in note 28 on page 200.
- f The capitalised finance leases are secured by moveable assets with a book value of R37.5 million (2009: R41.0 million) and the property lease by the value of the underlying land amounting to R38.3 million (2009: R40.3 million). These assets are accounted for in note 13 on page 182.
- f The income received in advance is for extended warranties which are sold within the Group and which have been released over the period under review. The short-term portion has been accounted for in note 26 on page 199.
- f The operating lease liability relates to the lease smoothing adjustment required by IAS 17 *Leases*. The short-term portion has been accounted for in note 26 on page 199.
- f For IAS 39 *Financial Instruments: Recognition and Measurement* accounting treatment of these values, see note 39 on page 211.

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for the year ended 27 June 2010

25. NON-CURRENT PROVISIONS

	2010 Rm	2009 Rm
Onerous lease provision	10.4	1.4
Less: Payable within one year included in current provisions	(2.1)	(0.8)
Provision for post-retirement medical aid contributions and other medical aid provisions	58.3	55.1
	66.6	55.7

	Repayable within 1 year* Rm	Repayable in 2 – 5 years Rm	Repayable after 5 years Rm	Total Rm
2010	2.1	8.3	58.3	68.7
2009	0.8	0.6	55.1	56.5

* Included in current provisions in note 27 on page 199.

- f Certain Group companies provide post-retirement healthcare benefits to their retirees. This fund is accounted for as a defined benefit plan and measured using the projected unit credit method. The liability is unfunded. The main assumption used in calculating the costs and the provision is an 'interest rate – medical inflation rate' gap of 1.50% (2009: 1.25%).

	2010 Rm	2009 Rm
The net expense recognised in the income statement is:		
Current service cost	2.5	2.3
Interest cost	5.0	4.5
Benefits paid against balance sheet held liability	(1.4)	(1.1)
Net actuarial (gain)/loss recognised in the year	(2.9)	1.7
Net expense recognised as part of employment costs	3.2	7.4
Movements in the post-retirement medical aid liability:		
Opening defined benefit obligation	55.1	47.7
Expense as above	3.2	7.4
Closing defined-benefit obligation	58.3	55.1

- f The last valuation of the liability for the post-retirement medical aid contributions was performed as at 30 June 2010 by Alexander Forbes, Fellow of the Institute of Actuaries (2009: Alexander Forbes, Fellow of the Institute of Actuaries). The current year costs have been assessed in accordance with the advice of independent actuaries.
- f The net actuarial loss in the current year arose as a result of a combination of the following factors:
- An unexpected gain of R2.7 million arose as a result of an increase in the real discount rate, ie an increase in the difference between the discount rate and the healthcare cost inflation assumption, from 1.25% per annum to 1.50% per annum. This change was necessitated by an increase in real bond yields.
 - Higher than expected increases in medical scheme contributions as well as the medical scheme contribution increase occurring 1 July 2010 as opposed to 1 August 2010 as expected, resulted in a net unexpected loss of R0.7 million.
 - Unexpected changes in the membership and membership profile resulted in a net gain of R0.9 million.
- f Other than the changes listed above, the remaining assumptions are consistent with the assumptions applied in the prior year.

26. TRADE AND OTHER PAYABLES

	2010 Rm	2009 Rm
Trade payables	7,329.0	6,128.2
Income received in advance – short-term portion	26.3	49.0
Operating lease liability – short-term portion	(6.0)	(7.0)
Leave pay accrual	137.9	114.9
FEC liability	0.6	32.2
Sundry payables and other accruals	1,706.5	1,353.0
	9,194.3	7,670.3

- † The income received in advance is for extended warranties which are sold within the Group and which have been released over the period under review. The long-term portion has been accounted for in note 24 on page 197.
- † The operating lease liability relates to the lease smoothing adjustment required by IAS 17 *Leases*. The long-term portion has been accounted for in note 24 on page 197.
- † 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 1.0% to 3.0% (2009: 1.0% to 2.0%).
- † For IAS 39 *Financial Instruments: Recognition and Measurement* accounting treatment of these values, see note 39 on page 211.

27. PROVISIONS

	2010 Rm	2009 Rm
Restructuring costs raised on acquisition	–	0.7
Onerous lease provision	2.1	0.8
Leasehold improvements	1.5	6.0
Other	22.2	14.7
	25.8	22.2

- † 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:					
2010					
Restructuring costs raised on acquisition	0.7	–	(0.7)	–	–
Onerous lease provision	0.8	2.1	–	(0.8)	2.1
Leasehold improvements	6.0	–	–	(4.5)	1.5
Other	14.7	7.5	–	–	22.2
	22.2	9.6	(0.7)	(5.3)	25.8
2009					
Restructuring costs raised on acquisition	1.9	–	–	(1.2)	0.7
Onerous lease provision	0.7	0.8	(0.7)	–	0.8
Leasehold improvements	–	6.0	–	–	6.0
Other	8.9	7.1	–	(1.3)	14.7
	11.5	13.9	(0.7)	(2.5)	22.2

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for the year ended 27 June 2010

28. OTHER CURRENT LIABILITIES

	2010 Rm	2009 Rm
Medium-term bank loans		
Capital – short-term portion	217.9	122.3
Interest accrual	–	7.0
	217.9	129.3
Capitalised finance leases	25.0	21.0
Massmart Education Trust loan	4.2	4.0
Trade finance facility	63.6	72.5
Lamberti Education Foundation Trust loan	12.2	11.5
Financial liability raised on a business acquisition	–	120.0
	322.9	358.3

- f Two medium-term bank loans, raised in the 2006 financial year to fund the Massbuild acquisitions, repayable in nine equal instalments over five years, with the final payment taking place in the current financial year. The loans bear interest at a fixed rate of 8.8% and 8.7%, respectively. The loans are secured by intra-Group cross-suretyships. The long-term portion has been accounted for in note 24 on page 197.
- f A new three-year fixed term loan of R500 million was secured during the second half of the financial year payable quarterly over three years. The loan bears interest of 9.8%. The loan is secured by intra-Group cross-suretyships. The long-term portion has been accounted for in note 24 on page 197.
- f Capitalised finance leases include vehicle, fixtures, fittings, plant and computer equipment and property leases, repayable in monthly instalments varying from one to five years at varying interest rates between 4.5% and 17.5% (2009: between 8.25% and 15.5%). The long-term portion has been accounted for in note 24 on page 197.
- f The capitalised finance leases are secured by moveable assets with a book value of R37.5 million (2009: R41.0 million) and the property lease by the value of the underlying land amounting to R38.3 million (2009: R40.3 million). These assets are accounted for in note 13 on page 182.
- f The Massmart Education Trust loan represents cash reserves invested with Group Treasury. The long-term portion has been accounted for in note 24 on page 197.
- f The trade finance facility is an offshore US Dollar facility available for working capital requirements. The Group has used this facility to fund three African working capital loans – namely Ghana, Malawi and Mozambique (2009: Ghana and Malawi). The facility is capped at USD20 million, of which we have utilised USD8.3 million (2009: USD9.1 million) at the balance sheet date.
- f The Lamberti Education Foundation Trust loan represents cash reserves invested with Group Treasury.
- f In December 2008, the Group acquired a 51% shareholding in Cambridge Food. The seller was given a put option on the remaining 49%. Further details on the Cambridge Food acquisition can be found in note 3 on page 174. In the current year the put was waived, and the financial liability was released. The Group now owns the full 100% interest in Cambridge Food.
- f For IAS 39 *Financial Instruments: Recognition and Measurement* accounting treatment of these values, see note 39 on page 211.

29. EMPLOYEE SHARE INCENTIVE SCHEMES

	2010 000s	2009 000s
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 treasury shares issued to the scheme	(10,142)	(9,002)
Remaining capacity for issue in terms of the JSE practice	29,358	30,498
Opening balance of shares and options	19,502	18,105
New shares and options offered to employees and executive directors	1,312	4,916
Shares and options sold by employees and directors	(2,607)	(2,493)
Shares repurchased from/forfeited by employees and options lapsed/forfeited	(692)	(1,026)
Closing balance of shares and options	17,515	19,502

The closing balance includes 3,358,878 (2009: 3,446,797) shares and 14,156,168 (2009: 16,055,227) options. Shares and options previously issued to employees who then subsequently left the Group are excluded from the figures above. 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.

29. EMPLOYEE SHARE INCENTIVE SCHEMES continued

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

Vesting occurs over a five-year period as follows:

- 25% two years after the offer date;
- 50% three years after the offer date;
- 75% four years after the offer date;
- 100% five years after the offer date; and
- expires ten years after the offer date for the first three offers and six years after the offer date for the remainder of the offers.

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

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 2009	No of options forfeited and expired	No of options exercised	New options granted	No of options at June 2010
10 March 2000	9 March 2010	14.61	48,750	–	48,750	–	–
13 November 2000	12 November 2010	12.25	250,000	–	–	–	250,000
27 August 2001	26 August 2011	10.95	613,556	–	75,625	–	537,931
16 January 2002	15 January 2012	12.03	50,000	–	–	–	50,000
31 May 2003	30 May 2009	19.14	15,000	–	15,000	–	–
26 February 2004	25 February 2010	27.63	19,668	–	19,668	–	–
1 April 2004	31 March 2010	30.22	7,046	–	7,046	–	–
26 May 2004	25 May 2010	29.87	271,233	–	271,233	–	–
31 May 2004	30 May 2010	30.20	7,766	–	7,766	–	–
1 September 2004	31 August 2010	35.31	221,158	6,250	190,698	–	24,210
25 February 2005	24 February 2011	45.24	14,750	–	12,000	–	2,750
1 April 2005	31 March 2011	41.91	400,000	–	–	–	400,000
1 May 2005	30 April 2011	43.42	16,615	–	14,080	–	2,535
27 May 2005	26 May 2011	42.97	331,057	6,508	195,857	–	128,692
31 May 2005	30 May 2011	42.88	123,006	–	35,303	–	87,703
1 October 2005	30 September 2011	52.48	7,556	–	–	–	7,556
1 November 2005	31 October 2011	51.91	32,757	–	1,437	–	31,320
30 November 2005	29 November 2011	51.19	102,531	–	33,405	–	69,126
1 April 2006	31 March 2012	58.74	107,117	1,865	11,434	–	93,818
23 May 2006	22 May 2012	54.13	382,258	14,045	144,852	–	223,361
25 August 2006	24 August 2012	51.93	178,178	40,127	77,341	–	60,710
1 October 2006	30 September 2012	56.42	62,885	–	27,588	–	35,297
15 November 2006	14 November 2012	62.04	215,528	25,000	97,500	–	93,028
23 February 2007	22 February 2013	67.79	405,923	–	29,020	–	376,903
2 April 2007	1 April 2013	82.67	18,388	–	–	–	18,388
24 May 2007	23 May 2013	94.25	1,897,568	63,606	303,992	–	1,529,970
24 August 2007	23 August 2013	80.75	218,381	–	39,946	–	178,435
30 November 2007	29 November 2013	71.58	275,130	–	32,018	–	243,112
1 April 2008	31 March 2014	66.91	1,731,742	226,407	192,390	–	1,312,945
26 May 2008	25 May 2014	72.86	3,689,928	101,048	374,371	–	3,214,509
1 September 2008	31 August 2014	79.86	520,175	–	–	–	520,175
27 October 2008	26 October 2014	72.42	625,055	28,540	–	–	596,515
15 November 2008	14 November 2014	79.91	98,900	–	–	–	98,900
1 March 2009	28 February 2015	70.71	376,588	58,475	–	–	318,113
27 May 2009	26 May 2015	77.55	2,719,034	120,648	–	–	2,598,386
1 September 2009	31 August 2015	79.15	–	–	–	248,226	248,226
1 October 2009	30 September 2015	87.60	–	–	–	67,902	67,902
16 November 2009	15 November 2015	88.71	–	–	–	73,665	73,665
1 March 2010	29 February 2016	90.49	–	–	–	297,021	297,021
1 April 2010	31 March 2016	108.95	–	–	–	192,680	192,680
1 May 2010	30 April 2016	110.00	–	–	–	172,286	172,286
			16,055,227	692,519	2,258,320	1,051,780	14,156,168

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29. EMPLOYEE SHARE INCENTIVE SCHEMES continued

	2010 000s	2009 000s
Massmart Thuthukani Empowerment Trust		
Total shares and options available to the scheme	18,000	18,000
Opening balance of share units	13,694	15,278
Shares sold	(85)	(101)
Shares repurchased from/forfeited by employees and options lapsed/forfeited	(783)	(1,483)
Closing balance of share units	12,826	13,694

Vesting occurs over a six-year period as follows:

- 33.3% in October 2010;
- 33.3% in October 2011;
- 33.4% in October 2012; and
- expires six years after the offer date.

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

Offer date	Expiry date	Exercise price (R)	No of options opening balance	No of options forfeited and expired	No of options exercised	No of options closing balance
2010						
1 October 2006	30 September 2012	49.98	13,693,870	782,232	85,328	12,826,310
2009						
1 October 2006	30 September 2012	49.98	15,278,005	1,483,048	101,087	13,693,870

	2010 000s	2009 000s
Massmart Black Scarce Skills Trust		
Total preference shares available to the scheme	3,979	2,000
Reconciliation of units:		
Opening balance of share units	2,271	1,624
New share units offered to employees	304	788
Shares sold by employees	(285)	(51)
Share units repurchased from/forfeited by employees and options lapsed/forfeited	(87)	(90)
Closing balance of share units	2,203	2,271
Conversion of share units into preference shares	828	344

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; and
- expires six years after the offer date.

29. EMPLOYEE SHARE INCENTIVE SCHEMES continued

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

Offer date	Expiry date	Exercise price (R)	No of options opening balance	No of options forfeited and expired	No of options exercised	New options granted	No of options closing balance
2010							
1 October 2006	30 September 2012	56.42	479,132	10,913	149,734	–	318,485
2 April 2007	1 April 2013	82.67	21,807	–	4,498	–	17,309
30 November 2007	29 November 2013	71.58	10,794	–	1,517	–	9,277
1 April 2008	31 March 2014	66.97	970,751	44,736	129,508	–	796,507
1 October 2008	30 September 2014	75.52	712,566	30,779	–	–	681,787
1 April 2009	31 March 2015	71.96	59,759	–	–	–	59,759
27 May 2009	26 May 2015	77.56	15,889	–	–	–	15,889
1 April 2010	31 March 2016	108.95	–	–	–	303,862	303,862
			2,270,698	86,428	285,257	303,862	2,202,875
2009							
1 October 2006	30 September 2012	56.42	550,558	19,919	51,507	–	479,132
2 April 2007	1 April 2013	82.67	25,464	3,657	–	–	21,807
30 November 2007	29 November 2013	71.58	10,794	–	–	–	10,794
1 April 2008	31 March 2014	66.97	1,037,045	66,294	–	–	970,751
1 October 2008	30 September 2014	75.52	–	–	–	712,566	712,566
1 April 2009	31 March 2015	71.96	–	–	–	59,759	59,759
27 May 2009	26 May 2015	77.56	–	–	–	15,889	15,889
			1,623,861	89,870	51,507	788,214	2,270,698

30. 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.

With effect from 1 March 2007, the Massmart Pension Fund and Massmart Provident Fund had been classified as valuation exempt. This exemption expired on 1 March 2010 and had to be re-applied for by 1 March 2011. The application for both funds was submitted in May 2010 to the Financial Services Board. Approval for the Massmart Provident Fund was received on 11 June 2010 and we await confirmation of the approval for the Massmart Pension Fund. 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 2010 amounted to R257 million (2009: R229 million). The Group's contribution of R154 million (2009: R138 million) was included in the income statement for the year as part of the employee costs.

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31. COMMITMENTS

	2010 Rm	2009 Rm
Commitments in respect of capital expenditure approved by directors:		
Contracted for		
Stores to be opened	148.9	193.5
Stores to be refurbished	27.4	36.0
Purchase of new system software	15.5	5.4
Purchase of new hardware	4.1	17.8
Store relocations	11.6	14.8
Minor revamps	17.7	9.4
Purchase of plant and equipment	–	7.8
Other	1.7	2.2
	226.9	286.9
Not contracted for		
Stores to be opened	191.1	69.5
Stores to be refurbished	57.9	72.6
Purchase of new system software	136.6	28.3
Purchase of new hardware	10.2	18.7
Store relocations	25.9	12.3
Minor revamps	18.0	26.5
Store conversions	–	55.7
Purchase of plant and equipment	–	33.5
Other	10.8	2.9
	450.5	320.0
	677.4	606.9

f 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 R224.7 million (2009: R275.0 million). In the prior year, the minority interest in Cambridge Food, which was included in the R275.0 million, was recognised in the Group's statement of financial position as a put option. Further detail on the acquisition can be found in note 3 on page 174 and note 28 on page 200.

f Capital commitments will be funded using current facilities.

32. OPERATING LEASE COMMITMENTS

	2010 Rm	2009 Rm
Land and buildings		
Year 1	926.8	939.0
Years 2 to 5	3,774.1	4,358.5
Subsequent to year 5	3,831.7	3,175.3
	8,532.6	8,472.8
Plant and equipment		
Year 1	7.3	8.4
Years 2 to 5	9.2	13.5
	16.5	21.9
Other		
Year 1	10.3	8.6
Years 2 to 5	13.3	12.1
Subsequent to year 5	0.8	–
	24.4	20.7
	8,573.5	8,515.4

f Promissory notes that represent commitments under non-cancellable operating leases of R650.0 million (2009: R799.9 million) entered into by Masstores (Pty) Limited on behalf of certain Makro stores are included in operating lease commitments in land and buildings. These leases terminate in December 2020 and have a discounted present value of R485.1 million (2009: R554.1 million), discounted at 15% (2009: 15%). In accordance with IAS 17 *Leases*, the rentals paid are amortised over the entire remaining lease period on a straight-line basis.

33. CONTINGENT LIABILITIES

	2010 Rm	2009 Rm
	–	–

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

34. RELATED-PARTY TRANSACTIONS

	2010 Rm	2009 Rm
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 executive directors and other key management (defined as the 11-person Massmart Executive Committee) during the year was as follows:		
Short-term benefits (salaries, benefits and short-term incentives)	38.9	39.0
Retirement benefits	2.1	1.8
Other long-term benefits	16.9	20.1
Gains on exercise of share options	19.0	30.7
	76.9	91.6

f The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends. There was no movement in the number of members on the Executive Committee between the two years under review.

Other related-party transactions:

f 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 the Group's Chairman, Mark Lamberti.

f The Group holds cash reserves on behalf of the Group's Chairman, Lamberti Education Foundation Trust. Further details relating to these cash reserves can be found in note 28 on page 200.

f Loans to directors have been disclosed in note 17 on page 188.

f The post-retirement medical aid liability, Massmart Pension Fund and Massmart Provident Fund are managed for the benefit of past and current employees of the Group. Further details can be found in note 25 and note 30 on page 198 and page 203, respectively.

35. DIRECTORS' EMOLUMENTS

Remuneration of directors and executives

The comments below provide further background and context to the figures disclosed in this note, Directors' emoluments, and Interests of directors in the Company's Share Scheme (note 36 on page 207).

GM Pattison

Grant received a 5% increase to his salary and allowances for the 2010 financial year, from R2.88 million to R3.02 million. For the 2010 financial year Grant did not receive any bonus in terms of the Group's Short-term Executive Incentive Scheme which rewards the Group's executive directors based on annual growth in headline earnings per share (HEPS). The Remuneration and Nominations Committee awarded him a qualitative bonus of four months in recognition of his exceptional efforts strategically and operationally in a difficult economic and operating environment to minimise profit declines and enhance the Group's base for future growth. This bonus totalled R0.98 million. Grant's total cash remuneration for the year of R3.99 million is 6% lower than that for 2009.

Grant did not sell any Massmart shares or options during the 2010 financial year.

Through the Share Scheme, Grant has 1,562,298 Massmart shares and options. The average length of time that he has held these is 4.5 years and the average strike price is R50.02 per share. A family trust of which Grant is a beneficiary also owns 445,010 Massmart shares directly.

GRC Hayward

Guy received an 8% increase to his salary and allowances for the 2010 financial year, from R2.24 million to R2.42 million. For the 2010 financial year Guy did not receive any bonus in terms of the Group's Short-term Executive Incentive Scheme which rewards the Group's executive directors based on annual growth in HEPS. The Remuneration and Nominations Committee awarded him a qualitative bonus of four months in recognition of his exceptional efforts strategically and operationally in a difficult economic and operating environment to minimise profit declines and enhance the Group's base for future growth. This bonus totalled R0.81 million. Guy's total cash remuneration for the year of R3.23 million is 4% lower than that for 2009.

Guy did not sell any Massmart shares or options during the 2010 financial year.

Through the Share Scheme, Guy still has 1,032,898 Massmart shares and options. The average length of time that he has held these is 4.7 years and the average strike price is R48.75 per share. Guy also owns 22,000 Massmart shares directly.

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35. DIRECTORS' EMOLUMENTS continued

	Services as directors of Massmart Holdings Limited R000	Salary and allow- ances R000	Bonuses and per- formance- related payments ² R000	Other benefits R000	Retirement and related benefits R000	Other- wise in connection with the affairs of Massmart Holdings Limited R000	Sub-total R000	Fringe benefit of interest- free loans used to finance shares ³ R000	Gains on exercise of share options and on shares pur- chased by directors R000	Total R000
For the year ended June 2010										
Executive directors										
Pattison, GM	-	3,019	976	356	308	-	4,659	4,513	-	9,172
Hayward, GRC	-	2,419	806	298	254	-	3,777	3,733	-	7,510
	-	5,438	1,782	654	562	-	8,436	8,246	-	16,682
Non-executive directors										
Lamberti, MJ	793	-	-	-	-	-	793	-	-	793
Seabrooke, CS	727	-	-	-	-	-	727	-	-	727
Brand, MD	388	-	-	-	-	-	388	-	-	388
Combi, ZL ¹	167	-	-	-	-	-	167	-	-	167
Dlamini, KD	400	-	-	-	-	-	400	-	-	400
Gwagwa, NN	294	-	-	-	-	-	294	-	-	294
Hodkinson, JC	223	-	-	-	-	-	223	-	-	223
Langeni, P	519	-	-	-	-	-	519	-	-	519
Matthews, IN	719	-	-	-	-	40	759	-	-	759
Maw, P	437	-	-	-	-	-	437	-	-	437
Mokhobo, DNM	294	-	-	-	-	-	294	-	-	294
Rubin, MJ	200	-	-	-	-	-	200	-	-	200
	5,161	-	-	-	-	40	5,201	-	-	5,201
Total	5,161	5,438	1,782	654	562	40	13,637	8,246	-	21,883

1 Resigned 1 May 2010.

2 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.

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

For the year ended June 2009										
Executive directors										
Pattison, GM	-	2,875	1,356	334	292	-	4,857	6,344	2,951 ¹	14,152
Hayward, GRC	-	2,240	1,120	517	235	-	4,112	3,405	-	7,517
	-	5,115	2,476	851	527	-	8,969	9,749	2,951	21,669
Non-executive directors										
Lamberti, MJ	793	-	-	-	-	-	793	-	-	793
Seabrooke, CS	727	-	-	-	-	-	727	-	-	727
Brand, MD ⁴	388	-	-	-	-	-	388	-	-	388
Combi, ZL	350	-	-	-	-	-	350	-	1,700 ⁵	2,050
Dlamini, KD	400	-	-	-	-	-	400	-	1,673 ⁵	2,073
Gwagwa, NN	294	-	-	-	-	-	294	-	1,673 ⁵	1,967
Hodkinson, JC	223	-	-	-	-	85	308	-	-	308
Langeni, P	439	-	-	-	-	-	439	-	1,673 ⁵	2,112
Matthews, IN	719	-	-	-	-	40	759	-	-	759
Maw, P	437	-	-	-	-	-	437	-	-	437
Mokhobo, DNM	364	-	-	-	-	-	364	-	1,673 ⁵	2,037
Rubin, MJ	270	-	-	-	-	-	270	-	-	270
	5,404	-	-	-	-	125	5,529	-	8,392	13,921
Total	5,404	5,115	2,476	851	527	125	14,498	9,749	11,343	35,590

1 With these proceeds he acquired 33,210 Massmart shares.

2 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.

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

4 Individual recipient of 25% of fees – remaining fees paid to company.

5 Gain on shares sold to non-executive directors at par value. Further detail can be found on page 128.

36. INTERESTS OF DIRECTORS IN THE COMPANY'S SHARE SCHEME

Details of directors' shares and share options per director:

	Relevant date	Subscription price (R)	Market price (R)	Number of shares/share options	Gain on sale/exercise (R000s)	Expiry date
Pattison, GM						
Balance at the beginning of the previous year				1,931,386		
Shares traded*	13 November 2000	12.25		(400,000)		
Options exercised	27 May 2003	18.98	72.42	(55,219)	2,951	
New shares/options granted	27 May 2009	77.56		86,131		26 May 2015
Balance at the beginning of the year				1,562,298		
No shares were traded, exercised or granted in the current period				-		
Balance at the end of the year				1,562,298		
Comprising:						
	27 August 2001	10.95		150,000		26 August 2011
	26 May 2004	29.87		35,919		
	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
	27 May 2009	77.56		86,131		25 May 2015

* These shares were transferred to The Pattison Family Trust.

Hayward, GRC

Balance at the beginning of the previous year				817,697		
New shares/options granted	27 May 2009	77.56		215,201		26 May 2015
Balance at the beginning of the year				1,032,898		
No shares were traded, exercised or granted in the current period				-		
Balance at the end of the year				1,032,898		
Comprising:						
	10 March 2000	14.61		8,643		
	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		
	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
	27 May 2009	77.56		215,201		26 May 2015

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37. PRINCIPAL SUBSIDIARIES

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

Name of company	Number of shares in issue 000s	Place of incorporation and operation	Ownership %	Voting power %	Principal activity	Shares at book value	Indebtedness
2010							
De La Rey 1001 Building Materials (Pty) Limited	–	South Africa	100	100	Selling of building materials	28.4	154.6
Builders Trade Depot (Pty) Limited	–	South Africa	100	100	Wholesale and retail of DIY products	–	54.9
Jumbo Cash & Carry (Pty) Limited	–	South Africa	100	100	Wholesale cash and carry	74.5	–
Masscash Holdings (Pty) Limited	–	South Africa	100	100	Holding company	1.0	–
Massmart International Holdings Limited	–	Mauritius	100	100	Holding company	–	81.5
Massmart Management & Finance Company (Pty) Limited	–	South Africa	100	100	Management, investment and finance	–	(60.1)
Masstores (Pty) Limited	200	South Africa	100	100	Retailing, warehousing, mass merchandising	–	(478.0)
Servistar (Pty) Limited	–	South Africa	100	100	DIY retailer	–	112.7
						103.9	(134.4)
2009							
De La Rey 1001 Building Materials (Pty) Limited	–	South Africa	100	100	Selling of building materials	28.4	210.4
Builders Trade Depot (Pty) Limited	–	South Africa	100	100	Wholesale and retail of DIY products	–	51.9
Jumbo Cash & Carry (Pty) Limited	–	South Africa	100	100	Wholesale cash and carry	74.5	–
Masscash Holdings (Pty) Limited	–	South Africa	100	100	Holding company	1.0	–
Massmart International Holdings Limited	–	Mauritius	100	100	Holding company	–	81.5
Massmart Management & Finance Company (Pty) Limited	–	South Africa	100	100	Management, investment and finance	–	33.4
Masstores (Pty) Limited	200	South Africa	100	100	Retailing, warehousing, mass merchandising	–	(478.0)
Servistar (Pty) Limited	–	South Africa	100	100	DIY retailer	–	112.7
						103.9	11.9

f 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.

38. NOTES TO THE CASH FLOW STATEMENT

	2010 Rm	2009 Rm
38.1 Cash flow from trading		
Profit before taxation	1,820.0	1,902.0
Adjusted for:		
Depreciation, amortisation and impairment	386.5	344.7
Net loss on disposal of property, plant and equipment	3.6	1.7
Interest income	(45.9)	(64.2)
Interest expense	92.6	112.8
Investment income	(33.8)	(29.5)
Dividend income	(2.3)	(13.4)
Share-based payment expense	149.4	133.5
Unrealised foreign exchange loss	18.0	19.4
Other non-cash movements	(41.3)	(8.8)
	2,346.8	2,398.2
38.2 Working capital movements		
Increase in inventories	(629.9)	(82.6)
Increase in trade receivables and prepayments	(394.8)	(83.7)
Increase in trade payables	1,319.0	219.4
(Decrease)/increase in provisions	(1.7)	10.7
	292.6	63.8
38.3 Taxation paid		
Normal taxation:		
Amounts owing at the beginning of the year	(161.1)	(232.7)
Amounts owing at the end of the year	179.8	161.1
Receiver of Revenue balance acquired on current year acquisitions	2.8	(15.5)
Deferred tax balance acquired on current year acquisitions	-	(1.9)
Taxation charged to the income statement (excluding deferred taxation)	(574.3)	(611.3)
	(552.8)	(700.3)
38.4 Investment to maintain operations		
Land and buildings/leasehold improvements	(9.7)	(47.6)
Vehicles	(22.8)	(15.9)
Fixtures, fittings, plant and equipment	(125.5)	(204.6)
Computer hardware	(33.6)	(27.3)
Computer software	(92.4)	(59.1)
	(284.0)	(354.5)
38.5 Investment to expand operations		
Land and buildings/leasehold improvements	(40.8)	(145.9)
Vehicles	(14.6)	(11.8)
Fixtures, fittings, plant and equipment	(239.9)	(110.2)
Computer hardware	(33.3)	(35.5)
Computer software	(17.5)	(14.9)
Goodwill	-	(21.8)
	(346.1)	(340.1)
38.6 Proceeds on disposal of property, plant and equipment		
Land and buildings/leasehold improvements	-	0.6
Vehicles	3.9	6.4
Fixtures, fittings, plant and equipment	1.7	1.4
Computer equipment	0.3	0.6
Computer software	0.3	-
	6.2	9.0
38.7 Proceeds on disposal of assets classified as held for sale	-	174.3

f The profit on assets classified as held for sale in the prior year relates to the cash sale of the Massdiscounters' retail debtors' book effective from 30 June 2008, immediately after closing the 2008 financial year.

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38. NOTES TO THE CASH FLOW STATEMENT continued

	2010 Rm	2009 Rm
38.8 Investment in subsidiaries		
<i>Fair value of assets and liabilities acquired in subsidiaries:</i>		
Cash and cash equivalents	(9.4)	(1.0)
Inventories	(78.3)	(55.3)
Trade and other receivables and prepayments	(73.7)	(3.1)
Tangible assets	(205.8)	(33.0)
Intangible assets	(1.2)	-
Loans and investments	(25.2)	10.2
Taxation	(2.8)	15.5
Trade payables	176.5	72.5
Provisions	32.8	-
Long-term debt	15.2	-
Deferred taxation	13.3	-
Goodwill	(305.8)	(205.3)
Minorities	87.1	-
Other	(2.0)	-
Total purchase price	(379.3)	(199.5)
<i>Less: Cash and cash equivalents of subsidiary</i>	9.4	1.0
Cash impact of acquisition, net of cash and cash equivalents acquired	(369.9)	(198.5)
38.9 Disposal of subsidiary		
<i>Net assets at date of disposal:</i>		
Inventories	-	3.3
Trade and other receivables and prepayments	6.9	0.6
Goodwill	16.0	-
Total net assets at date of disposal	22.9	3.9
Gain on disposal	4.0	0.4
Cash and cash equivalents received on sale	26.9	4.3
^f The disposal of subsidiary in the current year relates to the sale of the cell phone contract business in CellShack (Masscash). The disposal in the prior year relates to the sale of the Jabulani Cash and Carry store (Masscash).		
38.10 Other investing activities		
Off-shore investment	(26.9)	46.5
Cost of acquiring minority interests	(212.8)	-
Treasury shares	91.1	14.3
Other	(15.2)	(52.7)
	(163.8)	8.1
38.11 Cash and cash equivalents at the end of the year		
Cash on hand and balances with banks	1,368.3	1,055.8
Bank overdrafts	(57.4)	(30.7)
Cash and cash equivalents at the end of the year	1,310.9	1,025.1

39. FINANCIAL INSTRUMENTS

39.1 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, other reserves and retained profit. (See notes 21 and 22, respectively, on pages 192 and 193).

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; and
- the desire of the Group to maintain its gearing within levels considered to be acceptable taking into account potential business opportunities and the position of the Group in the business cycle.

The Group has medium-term debt facilities that include certain covenants, including:

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

At year-end, of the Group's general banking facility of R1,911.9 million (2009: R1,701.0 million), only R57.4 million (2009: R30.7 million) had been utilised and thus R1,854.6 million (2009: R1,670.3 million) was still available.

39.2 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 162).

39.3 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

- f 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.
- f Loans and receivables
 These are held at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.
- f Held-to-maturity investments
 These are held at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.
- f Available-for-sale investments
 These are held at fair value and any adjustment to fair value is taken to equity.

Financial liabilities

- f 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 statement of cash flows or income statement of the Group.

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39. FINANCIAL INSTRUMENTS continued

	Total Rm	Financial instru- ment Rm	FVTPL Rm	Liability at amor- tised cost Rm	Loans and re- ceivables Rm	Held-to- maturity invest- ments Rm	Available- for sale financial assets Rm	Non- financial instrument Rm
2010								
Assets								
Non-current assets								
Property, plant and equipment	2,055.2	-	-	-	-	-	-	2,055.2
Goodwill	1,875.0	-	-	-	-	-	-	1,875.0
Other intangibles	220.8	-	-	-	-	-	-	220.8
Investments	315.3	313.6	307.7	-	4.9	0.7	0.3	1.7
Investment in associate	2.8	1.1	-	-	1.1	-	-	1.7
Bare dominium revaluation	60.8	60.8	60.8	-	-	-	-	-
Investment in offshore trading structure	223.6	223.6	223.6	-	-	-	-	-
Participation in insurance cell- captive on extended warranties	1.8	1.8	1.8	-	-	-	-	-
Participation in insurance cell- captive on premium contributions	21.5	21.5	21.5	-	-	-	-	-
Trencor export partnership	3.8	3.8	-	-	3.8	-	-	-
Other unlisted investments	0.7	0.7	-	-	-	0.7	-	-
Other listed investments	0.3	0.3	-	-	-	-	0.3	-
Other financial assets	270.3	270.3	-	-	270.3	-	-	-
Housing and staff loans	0.5	0.5	-	-	0.5	-	-	-
Employee share trust loans	216.1	216.1	-	-	216.1	-	-	-
Finance lease deposit	51.1	51.1	-	-	51.1	-	-	-
Other loans	2.6	2.6	-	-	2.6	-	-	-
Deferred taxation	238.3	-	-	-	-	-	-	238.3
Current assets								
Inventories	5,601.5	-	-	-	-	-	-	5,601.5
Trade, other receivables and prepayments	2,322.6	2,276.8	-	-	2,276.8	-	-	45.8
Trade and other receivables	2,276.8	2,276.8	-	-	2,276.8	-	-	-
Prepayments	45.8	-	-	-	-	-	-	45.8
Taxation	22.1	-	-	-	-	-	-	22.1
Cash and bank balances	1,368.3	1,368.3	-	-	1,368.3	-	-	-
Total assets	14,289.4	4,229.0	307.7	-	3,920.3	0.7	0.3	10,060.4
Liabilities								
Non-current liabilities								
Non-current liabilities – interest-bearing	385.8	385.8	-	385.8	-	-	-	-
Medium-term bank loans	309.1	309.1	-	309.1	-	-	-	-
Capitalised finance lease	76.7	76.7	-	76.7	-	-	-	-
Non-current liabilities – interest-free	423.5	0.7	-	0.7	-	-	-	422.8
Minority shareholders' loans	0.7	0.7	-	0.7	-	-	-	-
Operating lease liability	422.8	-	-	-	-	-	-	422.8
Non-current provisions	66.6	-	-	-	-	-	-	66.6
Deferred taxation	19.4	-	-	-	-	-	-	19.4
Current liabilities								
Trade and other payables	9,194.3	9,174.0	0.6	9,173.4	-	-	-	20.3
Trade payables	7,329.0	7,329.0	-	7,329.0	-	-	-	-
Operating lease liability	(6.0)	-	-	-	-	-	-	(6.0)
Income received in advance	26.3	-	-	-	-	-	-	26.3
Sundry payables and other accruals	1,845.0	1,845.0	0.6	1,844.4	-	-	-	-
Provisions	25.8	-	-	-	-	-	-	25.8
Taxation	201.9	-	-	-	-	-	-	201.9
Other current liabilities	322.9	322.9	-	322.9	-	-	-	-
Medium-term payable	80.0	80.0	-	80.0	-	-	-	-
Medium-term bank loans	217.9	217.9	-	217.9	-	-	-	-
Capitalised finance lease	25.0	25.0	-	25.0	-	-	-	-
Bank overdrafts	57.4	57.4	-	57.4	-	-	-	-
Total liabilities	10,697.6	9,940.8	0.6	9,940.2	-	-	-	756.8

39. FINANCIAL INSTRUMENTS continued

	Total Rm	Financial instru- ment Rm	FVTPL Rm	Liability at amor- tised cost Rm	Loans and re- ceivables Rm	Held-to- maturity invest- ments Rm	Available- for sale financial assets Rm	Non- financial instrument Rm
2009								
Assets								
Non-current assets								
Property, plant and equipment	1,696.6	-	-	-	-	-	-	1,696.6
Goodwill	1,588.2	-	-	-	-	-	-	1,588.2
Other intangibles	159.2	-	-	-	-	-	-	159.2
Investments	277.6	276.6	270.6	-	5.2	0.6	0.2	1.0
Investment in associate	2.2	1.2	-	-	1.2	-	-	1.0
Bare dominium revaluation	52.4	52.4	52.4	-	-	-	-	-
Investment in offshore trading structure	196.7	196.7	196.7	-	-	-	-	-
Participation in insurance cell-captive on extended warranties	4.5	4.5	4.5	-	-	-	-	-
Participation in insurance cell-captive on premium contributions	17.0	17.0	17.0	-	-	-	-	-
Trencor export partnership	4.0	4.0	-	-	4.0	-	-	-
Other unlisted investments	0.6	0.6	-	-	-	0.6	-	-
Other listed investments	0.2	0.2	-	-	-	-	0.2	-
Other financial assets	256.7	256.7	-	-	256.7	-	-	-
Housing and staff loans	2.7	2.7	-	-	2.7	-	-	-
Employee share trust loans	198.9	198.9	-	-	198.9	-	-	-
Finance lease deposit	51.8	51.8	-	-	51.8	-	-	-
Other loans	3.3	3.3	-	-	3.3	-	-	-
Deferred taxation	419.2	-	-	-	-	-	-	419.2
Current assets								
Inventories	4,893.2	-	-	-	-	-	-	4,893.2
Trade, other receivables and prepayments	1,851.1	1,766.2	-	-	1,766.2	-	-	84.9
Trade and other receivables	1,766.2	1,766.2	-	-	1,766.2	-	-	-
Prepayments	84.9	-	-	-	-	-	-	84.9
Taxation	329.3	-	-	-	-	-	-	329.3
Cash and bank balances	1,055.8	1,055.8	-	-	1,055.8	-	-	-
Assets classified as held for sale	-	-	-	-	-	-	-	-
Total assets	12,526.9	3,355.3	270.6	-	3,083.9	0.6	0.2	9,171.6
Liabilities								
Non-current liabilities								
Non-current liabilities – interest-bearing	149.7	149.7	-	149.7	-	-	-	-
Medium-term bank loans	63.4	63.4	-	63.4	-	-	-	-
Capitalised finance lease	86.3	86.3	-	86.3	-	-	-	-
Non-current liabilities – interest-free	504.4	0.7	-	0.7	-	-	-	503.7
Minority shareholders' loans	0.7	0.7	-	0.7	-	-	-	-
Income received in advance	40.1	-	-	-	-	-	-	40.1
Operating lease liability	463.6	-	-	-	-	-	-	463.6
Non-current provisions	55.7	-	-	-	-	-	-	55.7
Deferred taxation	148.5	-	-	-	-	-	-	148.5
Current liabilities								
Trade and other payables	7,670.3	7,628.3	32.2	7,596.1	-	-	-	42.0
Trade payables	6,128.2	6,128.2	-	6,128.2	-	-	-	-
Operating lease liability	(7.0)	-	-	-	-	-	-	(7.0)
Income received in advance	49.0	-	-	-	-	-	-	49.0
Sundry payables and other accruals	1,500.1	1,500.1	32.2	1,467.9	-	-	-	-
Provisions	22.2	-	-	-	-	-	-	22.2
Taxation	490.4	-	-	-	-	-	-	490.4
Other current liabilities	358.3	358.3	-	358.3	-	-	-	-
Medium-term payable	208.0	208.0	-	208.0	-	-	-	-
Medium-term bank loans	129.3	129.3	-	129.3	-	-	-	-
Capitalised finance lease	21.0	21.0	-	21.0	-	-	-	-
Bank overdrafts	30.7	30.7	-	30.7	-	-	-	-
Total liabilities	9,430.2	8,167.7	32.2	8,135.5	-	-	-	1,262.5

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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39. FINANCIAL INSTRUMENTS continued

39.4 Financial risk management

The Group does not trade in financial instruments, but in the ordinary course of business operations, the Group is exposed to a variety of financial risks arising from the use of financial instruments. These risks include:

- market risk (comprising interest rate risk, currency risk and other price risk);
- liquidity risk; and
- credit risk.

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 is responsible for risk management activities within the Group.

Market risk management

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risks that the Group is primarily exposed to include currency risk, interest rate risk, and other price risk. Market risk is managed by identifying and quantifying risks on the basis of current and future expectations and ensuring that all trading occurs within defined parameters. This involves the review and implementation of methodologies to reduce risk exposure. The reporting on the state of the risk and risk practices to executive management is part of this process. The processes set up to measure, monitor and mitigate these market risks are described below. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk since the prior period.

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 its own commercial bank facilities.

39. FINANCIAL INSTRUMENTS continued

39.4 Financial risk management continued

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 movement		Non-interest bearing Rm	Total Rm
	Fixed Rm	Floating Rm		
2010				
Financial assets				
Investments				
Investment in associate	–	–	1.1	1.1
Bare dominium revaluation	–	–	60.8	60.8
Investment in offshore trading structure	–	–	223.6	223.6
Participation in insurance cell-captive on extended warranties	–	–	1.8	1.8
Participation in insurance cell-captive on premium contributions	–	–	21.5	21.5
Trencor export partnership	–	3.8	–	3.8
Other unlisted investments	–	–	0.7	0.7
Other listed investments	–	–	0.3	0.3
Other financial assets				
Housing and staff loans	0.5	–	–	0.5
Employee share trust loans	–	–	216.1	216.1
Finance lease deposit	51.1	–	–	51.1
Other loans	–	–	2.6	2.6
Trade, other receivables and prepayments				
Trade and other receivables	–	–	2,276.9	2,276.9
Cash and bank balances				
	–	1,368.3	–	1,368.3
Total financial assets	51.6	1,372.1	2,805.3	4,229.0
Financial liabilities				
Non-current liabilities – interest-bearing				
Medium-term bank loans	309.1	–	–	309.1
Capitalised finance lease	76.7	–	–	76.7
Non-current liabilities – interest-free				
Minority shareholders' loans	–	–	0.7	0.7
Trade and other payables				
Trade payables	–	–	7,329.0	7,329.0
Sundry payables and other accruals	–	–	1,845.0	1,845.0
Other current liabilities				
Medium-term payable	80.0	–	–	80.0
Medium-term bank loans	217.9	–	–	217.9
Capitalised finance lease	25.0	–	–	25.0
Bank overdrafts				
	–	57.4	–	57.4
Total financial liabilities	708.7	57.4	9,174.7	9,940.8

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39. FINANCIAL INSTRUMENTS continued

39.4 Financial risk management continued

	Subject to interest rate movement		Non-interest bearing Rm	Total Rm
	Fixed Rm	Floating Rm		
2009				
Financial assets				
Investments				
Investment in associate	–	–	1.2	1.2
Bare dominium revaluation	–	–	52.4	52.4
Investment in offshore trading structure	–	–	196.7	196.7
Participation in insurance cell-captive on extended warranties	–	–	4.5	4.5
Participation in insurance cell-captive on premium contributions	–	–	17.0	17.0
Trencor export partnership	–	4.0	–	4.0
Other unlisted investments	–	–	0.6	0.6
Other listed investments	–	–	0.2	0.2
Other financial assets				
Housing and staff loans	2.7	–	–	2.7
Employee share trust loans	–	–	198.9	198.9
Finance lease deposit	51.8	–	–	51.8
Other loans	–	–	3.3	3.3
Trade, other receivables and prepayments				
Trade and other receivables	–	–	1,766.2	1,766.2
Cash and bank balances				
	–	1,055.8	–	1,055.8
Total financial assets	54.5	1,059.8	2,241.0	3,355.3
Financial liabilities				
Non-current liabilities – interest-bearing				
Medium-term bank loans	63.4	–	–	63.4
Capitalised finance lease	86.3	–	–	86.3
Non-current liabilities – interest-free				
Minority shareholders' loans	–	–	0.7	0.7
Trade and other payables				
Trade payables	–	–	6,128.2	6,128.2
Sundry payables and other accruals	–	–	1,467.9	1,467.9
Other current liabilities				
Medium-term payable	208.0	–	–	208.0
Medium-term bank loans	129.3	–	–	129.3
Capitalised finance lease	21.0	–	–	21.0
Bank overdrafts				
	–	30.7	–	30.7
Total financial liabilities	508.0	30.7	7,596.8	8,135.5

Interest rate sensitivity

The Group is sensitive to the movements in the SA Prime interest rate. The rates of sensitivity represent management's assessment of the possible change in interest rates. The average interest rate for the Group for the year was 8.0% (2009: 13.52%), and the variable interest paid was R24.8 million (2009: R28.9 million). If the SA Prime interest rate increased and decreased by 50 average basis points (2009: increased and decreased by 50 average basis points) at year-end, the income for the year would have decreased and increased by R1.6 million, respectively (2009: decreased and increased by R1.1 million, respectively).

39. FINANCIAL INSTRUMENTS continued

Currency risk management

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

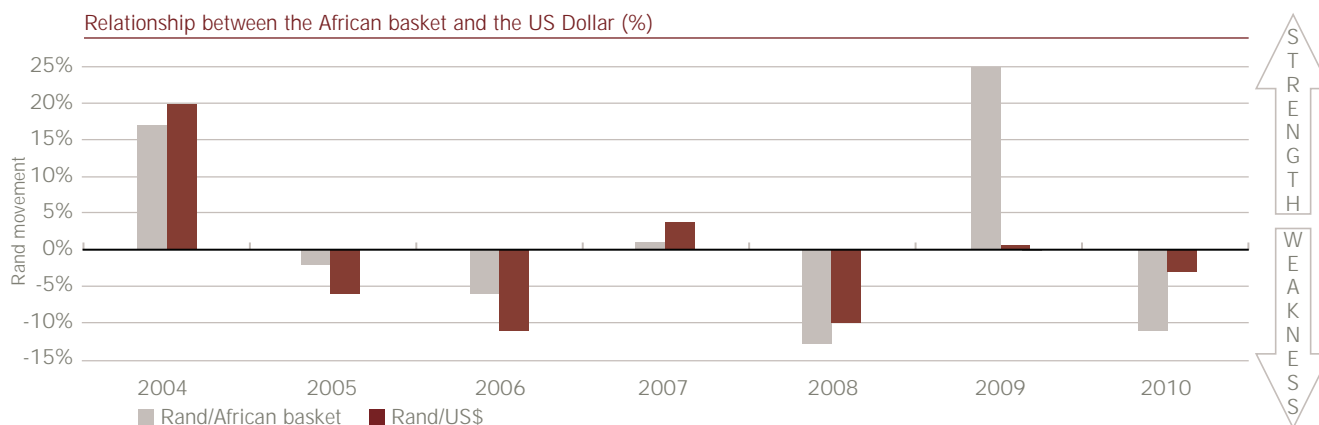
The carrying amount of the Group's foreign currency denominated monetary assets at balance sheet date is as follows:

	South African Rand Rm	US Dollar Rm	Euro Rm	Other Rm	Total Rm
2010					
Investments	90.0	223.6	–	–	313.6
Trade receivables	2,164.6	3.9	–	108.3	2,276.8
Cash and bank balances	1,066.0	(9.6)	24.5	230.0	1,310.9
	3,320.6	217.9	24.5	338.3	3,901.3
2009					
Investments	79.9	196.7	–	–	276.6
Trade receivables	1,762.6	–	–	3.6	1,766.2
Cash and bank balances	707.1	70.2	11.9	235.9	1,025.1
	2,549.6	266.9	11.9	239.5	3,067.9

Foreign currency sensitivity

The US Dollar is the primary currency to which the Group is exposed.

In the past, the US Dollar movement against the Rand has been a good proxy for the Group's exposure to the basket of African currencies. During the 2009 financial year, this relationship broke as the African currencies weakened considerably and can be seen in the graph below. In the 2010 financial year, the relationship was restored.



This graph shows the annual change of closing spot rates at each financial year-end.

As a result of the recent African currency volatility, we have extended the sensitivity calculation to include the sensitivity to the Group's three larger African currencies, namely the Malawian Kwacha, the Nigerian Naira and the Zambian Kwacha. The year-end spot rates were:

Currency	Spot rate June 2010	Spot rate June 2009
US Dollar	7.6740	7.9425
Malawian Kwacha	0.0524	0.0572
Nigerian Naira	0.0518	0.0541
Zambian Kwacha	0.0015	0.0015

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39. FINANCIAL INSTRUMENTS continued

The table below indicates the Group's sensitivity at year-end to movements in the relevant foreign currencies 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 represent management's assessment of the possible change in reporting foreign currency exchange rates.

	Rm 5% increase	Rm 5% decrease
2010		
US Dollar		
Profit/(loss)	6.7	(6.7)
Financial assets/(liabilities)	(6.7)	6.7
Malawian Kwacha		
Profit/(loss)	1.7	(1.7)
Financial assets/(liabilities)	(1.7)	1.7
Nigerian Naira		
Profit/(loss)	0.3	(0.3)
Financial assets/(liabilities)	(0.3)	0.3
Zambian Kwacha		
Profit/(loss)	0.2	(0.2)
Financial assets/(liabilities)	(0.2)	0.2
2009		
US Dollar		
Profit/(loss)	1.3	(1.3)
Financial assets/(liabilities)	(1.3)	1.3
Malawian Kwacha		
Profit/(loss)	0.8	(0.8)
Financial assets/(liabilities)	(0.8)	0.8
Nigerian Naira		
Profit/(loss)	0.7	(0.7)
Financial assets/(liabilities)	(0.7)	0.7
Zambian Kwacha		
Profit/(loss)	0.3	(0.3)
Financial assets/(liabilities)	(0.3)	0.3

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 27 June 2010 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
2010				
US Dollar	88.9	(0.6)	696.6	7.8
Sterling	0.1	-	1.7	11.4
Euro	0.2	-	1.6	9.9
		(0.6)	699.9	
2009				
US Dollar	41.7	(31.5)	369.5	8.9
Sterling	0.2	-	3.5	13.5
Euro	0.3	-	4.3	12.2
		(31.5)	377.3	

39. 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 movements in the US Dollar. The US Dollar is the primary currency in which the Group has entered into forward foreign exchange contracts. The rates of sensitivity are the rates used when reporting the currency risk to the Executive Committee of the Group and represent management's assessment of the possible change in foreign currency exchange rates. The Rand/US Dollar year-end rate was R7.67 (2009: R7.94).

	US Dollar	
	Rm 5% increase	Rm 5% decrease
2010		
Profit/(loss)	33.1	(36.5)
Derivative financial assets/(liabilities)	34.8	(34.8)
Equity	1.7	1.7
2009		
Profit/(loss)	4.5	(29.1)
Derivative financial assets/(liabilities)	16.9	(16.9)
Equity	12.4	12.2

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 24 on page 197). 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.

	Repayable within 1 year Rm	Repayable 2 – 5 years Rm	Repayable after 5 years Rm	Total Rm
2010				
Financial liabilities				
Non-current and current liabilities – interest-bearing				
Medium-term payable	80.0	–	–	80.0
Medium-term bank loans	260.6	340.3	–	600.9
Capitalised finance lease	34.2	91.8	–	126.0
Non-current liabilities – interest-free				
Minority shareholders' loans	–	–	0.7	0.7
Trade and other payables				
Trade payables	7,329.0	–	–	7,329.0
Sundry payables and other accruals	1,845.0	–	–	1,845.0
Bank overdrafts	57.4	–	–	57.4
Total undiscounted cash flows of the Group's financial liabilities	9,606.2	432.1	0.7	10,039.0
Less: Future finance charges				(98.2)
Total financial liabilities				9,940.8
2009				
Financial liabilities				
Non-current and current liabilities – interest-bearing				
Medium-term payable	88.0	–	–	88.0
Financial liability raised on a business acquisition	120.0	–	–	120.0
Medium-term bank loans	143.0	66.2	–	209.2
Capitalised finance lease	31.3	76.4	32.5	140.2
Non-current liabilities – interest-free				
Minority shareholders' loans	–	–	0.7	0.7
Trade and other payables				
Trade payables	6,128.2	–	–	6,128.2
Sundry payables and other accruals	1,500.1	–	–	1,500.1
Bank overdrafts	30.7	–	–	30.7
Total undiscounted cash flows of the Group's financial liabilities	8,041.3	142.6	33.2	8,217.1
Less: Future finance charges				(49.4)
Total financial liabilities				8,167.7

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39. FINANCIAL INSTRUMENTS continued

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. Further details relating to trade and other receivables can be found in note 20 on page 191.

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	
	2010 Rm	2009 Rm
Investments		
Trencor export partnership	3.8	4.0
Trade, other receivables and prepayments		
Trade and other receivables	2,276.8	1,766.2
Cash and bank balances	1,368.3	1,055.8
	<hr/> 3,648.9	<hr/> 2,826.0

40. 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

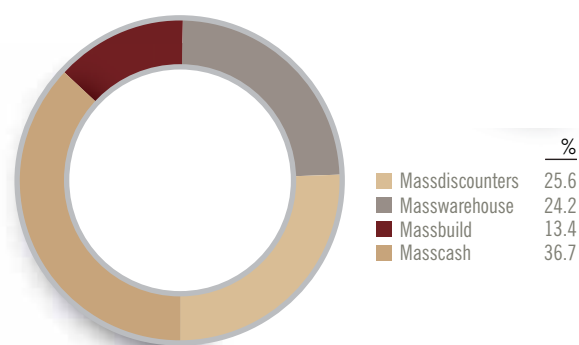
Masswarehouse – warehouse club

Massbuild – home improvement retailer and building materials supplier

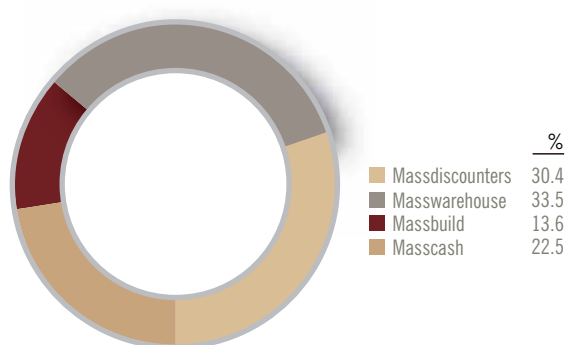
Masscash – food wholesaler, retailer and buying association

	Total Rm	Corporate Rm	Mass-discounters Rm	Mass-warehouse Rm	Massbuild Rm	Masscash Rm
2010						
Sales	47,451.0	–	12,164.9	11,501.2	6,366.9	17,418.0
Operating profit before interest and taxation	1,866.7	(69.7)	539.3	680.7	244.5	471.9
Trading profit before interest and taxation*	2,104.4	–	642.7	700.8	277.3	483.6
Net finance (costs)/income	(46.7)	(209.8)	47.6	57.8	31.2	26.5
Operating profit before taxation	1,820.0	(279.5)	586.9	738.5	275.7	498.4
Trading profit before taxation*	2,267.5	–	690.3	758.6	308.5	510.1
Inventory	5,601.5	7.8	2,134.7	1,161.0	943.6	1,354.4
Total assets	14,289.4	(2,364.2)	4,827.5	3,779.0	3,174.5	4,872.6
Total liabilities	10,697.6	(5,000.4)	4,784.1	4,011.1	2,818.5	4,084.3
Net capital expenditure**	623.9	22.7	285.1	77.3	143.2	95.6
Depreciation and amortisation	382.8	8.7	134.0	79.8	93.5	66.8
Impairment losses	3.7	–	1.5	–	0.7	1.5
Non-cash items other than depreciation and impairment	140.3	117.3	18.1	(28.8)	55.7	(22.0)
Cash flow from operating activities	1,253.6	397.2	290.6	246.3	165.4	154.1
Cash flow from investing activities	(1,130.7)	56.8	(285.0)	(72.4)	(387.5)	(442.6)
Cash flow from financing activities	193.8	(575.2)	146.6	18.4	315.0	289.0

Sales June 2010



Trading profit before taxation June 2010



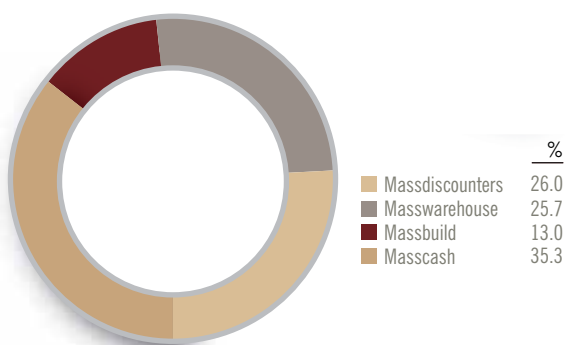
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 27 June 2010

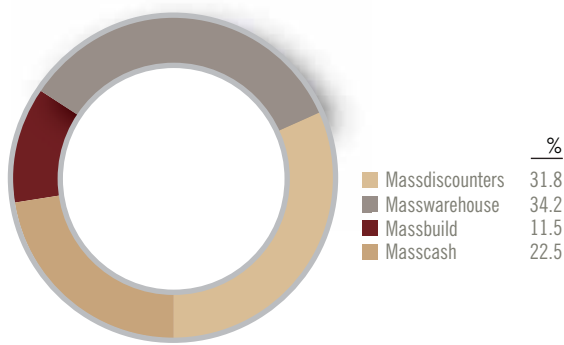
40. SEGMENTAL REPORTING continued

	Total Rm	Corporate Rm	Mass-discounters Rm	Mass-warehouse Rm	Massbuild Rm	Masscash Rm
2009						
Sales	43,128.7	–	11,206.0	11,102.4	5,604.6	15,215.7
Operating profit before interest and taxation	1,950.6	(66.9)	584.4	718.6	228.8	485.7
Trading profit before interest and taxation*	2,097.5	–	680.0	713.0	222.6	481.9
Net finance (costs)/income	(48.6)	(300.0)	66.6	89.6	47.5	47.7
Operating profit before taxation	1,902.0	(366.9)	651.0	808.2	276.3	533.4
Trading profit before taxation*	2,348.9	–	746.6	802.6	270.1	529.6
Inventory	4,893.2	(1.0)	1,856.0	1,159.2	801.4	1,077.6
Total assets	12,526.9	(2,149.9)	4,097.7	3,533.0	2,968.8	4,077.3
Total liabilities	9,430.2	(4,557.0)	4,052.2	3,781.5	2,689.3	3,464.2
Net capital expenditure**	685.6	108.1	212.2	102.3	145.3	117.7
Depreciation and amortisation	343.1	8.3	125.9	66.9	85.9	56.1
Impairment losses	1.6	–	–	–	–	1.6
Non-cash items other than depreciation and impairment	151.5	159.0	(14.1)	(54.6)	59.5	1.7
Cash flow from operating activities	888.6	187.5	110.5	145.5	137.1	308.0
Cash flow from investing activities	(697.4)	(93.8)	(37.8)	(106.1)	(192.1)	(267.6)
Cash flow from financing activities	(160.7)	(725.6)	15.3	56.0	102.5	391.1

Sales June 2009



Trading profit before taxation June 2009



- f The corporate column includes certain consolidation entries.
- f All inter-company transactions have been eliminated in the above results.
- f Additional information can be found in the Operational review on pages 66 to 99.

* Trading profit before taxation is earnings before corporate net interest, asset impairments, BEE transaction IFRS 2 charges and foreign exchange movements.

** Net capital expenditure is defined as capital expenditure less disposal proceeds.

Secondary geographic segments

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

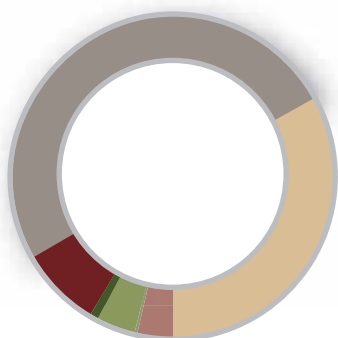
	Total 2010 Rm	South Africa 2010 Rm	Rest of Africa 2010 Rm	Total 2009 Rm	South Africa 2009 Rm	Rest of Africa 2009 Rm
Sales	47,451.0	43,843.4	3,607.6	43,128.7	39,368.0	3,760.7
Segment assets	14,289.4	13,442.7	846.7	12,526.9	11,688.8	838.1
Net capital expenditure	623.9	601.4	22.5	686.5	674.8	11.7

All inter-company transactions have been eliminated in the above results.

41. VALUE ADDED STATEMENT

	2010 June Rm	%	2009 June Rm	%
Sales, royalties, franchise fees, rentals and management and administration fees (inclusive of VAT)	51,990.8		47,923.7	
Cost of sales	(38,879.3)		(35,351.0)	
Interest and investment income	88.8		101.4	
Net costs of services and other operating expenses	(3,069.7)		(2,621.6)	
Value added	10,130.6		10,052.5	
Applied as follows:				
To employees as salaries, wages and other benefits	3,352.9	33.1	2,965.8	29.5
To government as taxation	5,090.6	50.2	5,349.1	53.2
To shareholders as dividends	822.4	8.1	867.4	8.6
To lenders as interest	92.6	0.9	112.8	1.1
Depreciation and amortisation	382.8	3.8	343.1	3.4
Minorities	35.4	0.3	32.7	0.3
Net earnings retained	353.9	3.5	381.6	3.8
	10,130.6	100.0	10,052.5	100.0

Value added statement



	%
To employees as salaries, wages and other benefits	33.1
To government as taxation	50.2
To shareholders as dividends	8.1
To lenders as interest	0.9
Depreciation and amortisation	3.8
Minorities	0.3
Net earnings retained	3.5

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 27 June 2010

42. 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 on page 162, 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

f Property, plant and equipment

Property, plant and equipment is depreciated over its useful life taking into account, where appropriate, residual values. Assessment of useful lives and residual values are performed annually, taking into account factors such as technological innovation, maintenance programmes, market information and management considerations. In assessing the residual values, the remaining life of the asset, its projected disposal value and future market conditions are taken into account. For more detail on property, plant and equipment, please see note 13 on page 182.

f Goodwill impairment

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 R1,875.0 million (2009: R1,588.2 million). A small impairment loss of R0.7 million was recognised in the current year. No impairment loss was recognised in the prior year. Details of the impairment loss calculation are provided in note 14 on page 184.

f Inventory provisions

Inventory provisions include shrinkage, obsolescence and write-downs which take into account historical information related to sales trends and stock counts and represent the expected write-down between the estimated net realisable value and the original cost. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. For more detail on the provisions, please see note 19 on page 190.

f Allowance for doubtful debts

The Group assesses its doubtful debt allowance at each reporting date. Key assumptions applied are the estimated debt recovery rates and the future market conditions that could affect recovery. For more detail on the allowance, please see note 20 on page 191.

f Fair value of options granted

The fair value of options granted in terms of IFRS 2 *Share-based Payment* is obtained using option pricing models. Assumptions include expected volatility, expected life, risk-free rate and expected dividend yield. By obtaining an external valuation by accredited valuers, management is of the opinion that the risk relating to estimation uncertainty has been mitigated. For more detail on the valuations, please see note 22 on page 193.

f Provision for post-retirement medical aid

Post-retirement healthcare benefits are provided to certain retired employees. Actuarial valuations are performed to assess the financial position of the fund. Assumptions used include the discount rate, healthcare cost inflation, mortality rates, withdrawal rates and membership. By obtaining an external valuation by accredited valuers, management is of the opinion that the risk relating to estimation uncertainty has been mitigated. Details can be found in note 25 on page 198.

43. EVENTS AFTER THE BALANCE SHEET DATE

On 27 September 2010, Massmart released an announcement describing a non-binding expression of interest received from Wal-Mart Stores, Inc, which could lead to Wal-Mart making a cash offer to acquire the entire issued share capital of our Company for a price of R148 per share. This has subsequently received extensive coverage in the local and international press.

Wal-Mart is currently conducting due diligence on the Group and the first time that any further announcements may be made in this regard will be on or about 8 November 2010. In the event that a firm offer is received from Wal-Mart, the directors of Massmart will obtain an independent opinion and express a view on the firm offer at that time.

44. SHAREHOLDER ANALYSIS

The following analysis of shareholders was extracted from the shareholders' register as at June 2010:

	Number	%	Number of shares	%
Shareholder spread				
1 – 1,000 shares	5,509	71.8	1,716,495	0.9
1,001 – 10,000 shares	1,740	22.7	5,209,631	2.6
10,001 – 100,000 shares	302	3.9	9,492,838	4.7
100,001 – 1,000,000 shares	94	1.2	26,878,657	13.3
1,000,001 shares and over	29	0.4	158,197,883	78.5
	7,674	100.0	201,495,504	100.0
Distribution of shareholders				
Unit trusts/Mutual fund	172	2.2	77,393,104	38.4
Pension funds	126	1.6	58,891,368	29.2
Other managed funds	48	0.6	13,900,026	6.9
Foreign government	20	0.3	11,902,359	5.9
Private investors	35	0.5	10,477,480	5.2
Custodians	19	0.2	8,356,461	4.2
Insurance companies	11	0.1	5,342,888	2.7
Charity	13	0.2	2,166,028	1.1
American Depositary Receipts	5	0.1	994,220	0.5
Investment trust	4	0.1	692,038	0.3
Local authority	1	–	85,978	–
Hedge fund	1	–	30,689	–
Remainder	7,219	94.1	11,262,865	5.6
	7,674	100.0	201,495,504	100.0
Public/non-public shareholders				
Non-public shareholders:				
Directors and Group Executives of the Company	10	0.1	3,709,706	1.8
Share trust	2	–	68,103	0.1
Public shareholders	7,662	99.9	197,717,695	98.1
	7,674	100.0	201,495,504	100.0
Custodians and managers holding 5% or more				
The following custodians and managers held beneficially, directly or indirectly, more than 5% of the Company's shares:				
† Aberdeen Asset Management Group			33,505,780	16.6
† Public Investment Corporation			27,857,154	13.8
† JP Morgan Asset Management			15,121,395	7.5
† Lazard Asset Management LLC Group			13,907,929	6.9
† Baillie Gifford & Co Ltd			10,900,981	5.4


Further details of the directors' shareholdings can be found in the Directors' report on page 155.

Company Financial Statements



Cambridge Kwa Mashu
KwaZulu-Natal





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INCOME STATEMENT

for the year ended 27 June 2010

	Notes	2010 Rm	2009 Rm
Revenue	1	904.5	616.3
Management and administration fees received		17.0	14.0
Dividends received		887.5	602.3
Employment costs		(11.5)	(8.3)
Net operating income		8.4	8.1
Operating profit	2	901.4	616.1
Finance costs		(0.4)	-
Net finance costs	3	(0.4)	-
Profit before taxation		901.0	616.1
Taxation	4	(67.7)	(58.2)
Profit for the year		833.3	557.9
Profit attributable to: Owners of the parent		833.3	557.9
Profit for the year		833.3	557.9
Dividend per share			
Interim		252.0	252.0
Final*		134.0	134.0
Total		386.0	386.0

* Declared after the financial year-end.

† Details of the dividend can be found in note 11 on page 181 in the Group financial statements.

† The accounting policies are in line with the Massmart Group accounting policies. Refer to note 1 on page 162 of the Group financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 27 June 2010

	2010 Rm	2009 Rm
Profit for the year	833.3	557.9
No movement	-	-
Total comprehensive income for the year	833.3	557.9
Total comprehensive income attributable to: Owners of the parent	833.3	557.9
Total comprehensive income for the year	833.3	557.9

STATEMENT OF FINANCIAL POSITION

as at 27 June 2010

	<i>Notes</i>	2010 Rm	2009 Rm
Assets			
Non-current assets		233.4	341.5
Interests in subsidiaries	5	223.3	336.1
Other financial assets	6	4.5	4.9
Deferred taxation	7	5.6	0.5
Current assets		22.1	2.6
Taxation		5.4	2.6
Cash and bank balances		16.7	-
Total assets		255.5	344.1
Equity and liabilities			
Capital and reserves		245.2	336.4
Share capital	8	2.0	2.0
Share premium	8	269.0	259.1
General reserves	9	6.9	4.1
Retained profit		(32.7)	71.2
Preference shares	8	0.2	0.2
Total equity		245.4	336.6
Current liabilities		10.1	7.5
Trade and other payables		10.0	7.4
Current liabilities		0.1	0.1
Total equity and liabilities		255.5	344.1

† The accounting policies are in line with the Massmart Group accounting policies. Refer to note 1 on page 162 of the Group financial statements.

STATEMENT OF CASH FLOWS

for the year ended 27 June 2010

	<i>Notes</i>	2010 Rm	2009 Rm
Cash flow from operating activities			
Operating cash before working capital movements	<i>11.1</i>	14.1	16.3
Working capital movements	<i>11.2</i>	2.6	10.4
Cash generated from operations		16.7	26.7
Interest paid		(0.4)	–
Investment income		887.5	602.3
Taxation paid	<i>11.3</i>	(75.6)	(79.6)
Dividends paid	<i>11.4</i>	(839.7)	(883.4)
Net cash outflow from operating activities		(11.5)	(334.0)
Loans to subsidiaries		(2.9)	(51.5)
Other investing activities		128.6	468.9
Net cash inflow from investing activities		125.7	417.4
Net acquisition of treasury shares	<i>11.5</i>	(97.5)	(82.2)
Net cash outflow from financing activities		(97.5)	(82.2)
Net increase in cash and cash equivalents		16.7	1.2
Cash and cash equivalents at the beginning of the year		–	(1.2)
Cash and cash equivalents at the end of the year		16.7	–

f The accounting policies are in line with the Massmart Group accounting policies. Refer to note 1 on page 162 of the Group financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 27 June 2010

	Share capital Rm	Share premium Rm	Preference shares Rm	General reserves Rm	Retained profit Rm	Total Rm
Balance as at 30 June 2008	2.0	264.7	0.2	3.7	478.9	749.5
Total comprehensive income	-	-	-	-	557.9	557.9
Share trust loss	-	-	-	-	(82.2)	(82.2)
Dividends paid	-	-	-	-	(883.4)	(883.4)
Realisation of prior year treasury shares	-	12.0	-	-	-	12.0
Treasury shares	-	(17.6)	-	-	-	(17.6)
Share-based payment reserve	-	-	-	0.4	-	0.4
Balance as at 30 June 2009	2.0	259.1	0.2	4.1	71.2	336.6
Total comprehensive income	-	-	-	-	833.3	833.3
Share trust loss	-	-	-	-	(97.5)	(97.5)
Dividends paid	-	-	-	-	(839.7)	(839.7)
Realisation of prior year treasury shares	-	17.3	-	-	-	17.3
Treasury shares	-	(7.4)	-	2.5	-	(4.9)
Share-based payment reserve	-	-	-	0.3	-	0.3
Balance as at 30 June 2010	2.0	269.0	0.2	6.9	(32.7)	245.4

f The accounting policies are in line with the Massmart Group accounting policies. Refer to note 1 on page 162 of the Group financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 27 June 2010

1. REVENUE

	2010 Rm	2009 Rm
Dividends received (included are dividends from subsidiary companies)	887.5	602.3
Management and administration fees received (included are management and administration fees from subsidiary companies)	17.0	14.0
	904.5	616.3

2. OPERATING PROFIT

	2010 Rm	2009 Rm
Credits to operating profit include:		
Foreign exchange profit	0.3	-
Charges to operating profit include:		
Foreign exchange loss	0.7	1.0
Share-based payment	0.3	0.4
Contribution to pension scheme	0.6	0.5

3. NET FINANCE COSTS

	2010 Rm	2009 Rm
Finance costs		
Interest on Group loans	(0.4)	-
Net finance costs	(0.4)	-

4. TAXATION

	2010 Rm	2009 Rm
Current year		
South African normal taxation		
Deferred taxation	(5.1)	(0.5)
Secondary Taxation on Companies	72.8	78.4
	67.7	77.9
Prior year overprovision:		
South African normal taxation		
Current taxation	-	(19.7)
	-	(19.7)
Total	67.7	58.2
	%	%
The rate of taxation is reconciled as follows:		
Standard corporate taxation rate	28.0	28.0
Exempt income	(27.6)	(28.1)
Disallowable expenditure	-	0.1
Secondary Taxation on Companies	7.5	12.7
Prior year adjustment	-	(3.2)
Other	(0.4)	-
Effective rate	7.5	9.5

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 27 June 2010

5. INTEREST IN SUBSIDIARIES

	2010 Rm	2009 Rm
Shares at cost less amounts written off	103.9	103.9
Amounts owing by subsidiaries	119.4	232.2
	223.3	336.1

f Details of net shares at cost can be found in note 37 on page 208 in the consolidated financial statements.

f These loans are unsecured, earn interest at variable rates and have no fixed terms of repayment.

6. OTHER FINANCIAL ASSETS

	2010 Rm	2009 Rm
Unlisted investments		
Investment in Imagegate Limited (UK)	4.0	4.5
Investment in Massmart Black Scarce Skills Trust and Massmart Thuthukani Empowerment Trust	0.2	0.2
Listed investments	0.3	0.2
	4.5	4.9

f The directors' value the unlisted investments at R4.2 million (2009: R4.7 million).

f The investment in Imagegate Limited (UK) has been classified as a 'loan and receivable' financial asset for IAS 39 purposes.

f For IAS 39 *Financial Instruments: Recognition and Measurement* accounting treatment of these financial assets, see note 39 on page 211 in the Group financial statements.

7. DEFERRED TAXATION

	2010 Rm	2009 Rm
The major movements during the year are analysed as follows:		
Net asset at the beginning of the year	0.5	–
Charge to profit or loss for the year	5.1	0.5
Net asset at the end of the year	5.6	0.5
The major components of deferred taxation are analysed as follows:		
Other temporary differences	5.6	0.5
	5.6	0.5

8. ISSUED CAPITAL

	Share capital		Share premium	
	2010 Rm	2009 Rm	2010 Rm	2009 Rm
Authorised				
500,000,000 (2009: 500,000,000) ordinary shares of 1 cent each	5.0	5.0	–	–
20,000,000 (2009: 20,000,000) non-redeemable cumulative non-participating preference shares of 1 cent each	0.2	0.2	–	–
18,000,000 (2009: 18,000,000) 'A' convertible redeemable non-cumulative participating preference shares of 1 cent each	0.2	0.2	–	–
4,000,000 (2009: 2,000,000) 'B' convertible redeemable non-cumulative participating preference shares of 1 cent each	–	–	–	–
Issued				
201,495,504 (2009: 201,302,639) ordinary shares of 1 cent each	2.0	2.0	269.0	259.1
17,673,670 (2009: 17,758,998) 'A' convertible redeemable non-cumulative participating preference shares of 1 cent each	0.2	0.2	–	–
3,871,523 (2009: 1,979,060) '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 June 2008		201,193,512	2.0	264.7
Shares issued in terms of the Massmart Thuthukani Empowerment Trust		109,127	–	–
Ordinary shares issued – June 2009		201,302,639	2.0	264.7
Issue of shares		–	–	12.0
Treasury shares		(1,360,836)	–	(17.6)
Ordinary shares issued excluding treasury shares – June 2009		199,941,803	2.0	259.1
Balance at June 2009		201,302,639*	2.0	259.1
Shares issued in terms of the Massmart Thuthukani Empowerment Trust		85,328	–	–
Shares issued in terms of the Massmart Black Scarce Skills Trust		107,537	–	–
Ordinary shares issued – June 2010		201,495,504	2.0	259.1
Issue of shares		–	–	17.3
Treasury shares		(60,056)	–	(7.4)
Ordinary shares issued excluding treasury shares – June 2010		201,435,448	2.0	269.0

* The number of shares is the ordinary shares issued before deducting treasury shares.

f Ordinary shares, which have a par value of 1 cent, carry one vote per share and carry the right to dividends.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 27 June 2010

8. ISSUED CAPITAL continued

	Number of shares	Share capital Rm	Share premium Rm
'A' convertible redeemable non-cumulative participating preference shares			
Balance at June 2008	17,868,125	0.2	-
Shares converted to ordinary shares	(109,127)	-	-
Balance at June 2009	17,758,998	0.2	-
Shares converted to ordinary shares	(85,328)	-	-
Balance at June 2010	17,673,670	0.2	-

f '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
'B' convertible redeemable non-cumulative participating preference shares			
Balance at June 2008	1,979,060	-	-
Shares converted to ordinary shares	-	-	-
Balance at June 2009	1,979,060	-	-
Net shares issued in terms of the Massmart BEE transaction	2,000,000	-	-
Shares converted to ordinary shares	(107,537)	-	-
Balance at June 2010	3,871,523	-	-

f '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

- f As at June 2010, executives and senior employees have options over 14,156,168 ordinary shares (of which 10,840,931 are unvested). As at June 2009, executives and senior employees had options over 16,055,227 ordinary shares (of which 13,195,878 are unvested).
- f 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 29 on page 200.
- f During the period under review, the only shares bought in the market were by the Share Trust whereby 1.2 million shares were bought at an average price of R114.44 totalling R137.2 million.
- f During the prior year, the total share buyback (including shares bought in the market by the Share Trust) was 1.6 million shares at an average price of R78.76 totalling R126.0 million.
- f 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.

9. GENERAL RESERVES

	2010 Rm	2009 Rm
Balance at the beginning of the year	4.1	3.7
Treasury shares	2.5	–
Share-based payment reserve	0.3	0.4
	6.9	4.1

The share-based payment reserve arises on the granting of share options to employees under the employee share incentive scheme. Details of the employee share incentive scheme can be found in note 29 on page 200 in the Group financial statements. The share-based payment valuation was performed by Alexander Forbes for all periods and the scheme is equity-settled.

10. CROSS-SURETYSHIPS AND PROMISSORY NOTES

	2010 Rm	2009 Rm
Cross-suretyships under banking and other financial facilities	4,837.0	4,717.7
	4,837.0	4,717.7

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 R650.0 million (2009: R799.9 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 R485.1 million (2009: R554.1 million), discounted at 15% (2009: 15%). 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.

11. NOTES TO THE CASH FLOW STATEMENT

	2010 Rm	2009 Rm
11.1 Cash flow from trading		
Profit before taxation	901.0	616.1
Adjustment for:		
Interest paid	0.4	–
Investment income	(887.5)	(602.3)
Share-based payment expense	0.3	0.4
Other non-cash movements	(0.1)	2.1
	14.1	16.3
11.2 Working capital movements		
Decrease in trade receivables and prepayments	–	16.8
Increase/(decrease) in trade and other payables	2.6	(6.4)
	2.6	10.4
11.3 Taxation paid		
Amounts owed at the beginning of the year	2.6	(18.3)
Amounts charged to the income statement	(67.7)	(58.2)
Deferred taxation	(5.1)	(0.5)
Amounts owed at the end of the year	(5.4)	(2.6)
	(75.6)	(79.6)
11.4 Dividends paid		
Amounts owing at the beginning of the year	–	–
Amounts charged to the income statement	(839.7)	(883.4)
Amounts owing at the end of the year	–	–
	(839.7)	(883.4)
11.5 Net acquisition of treasury shares		
Share trust losses	(97.5)	(82.2)
	(97.5)	(82.2)