MASSMART | Walmart

REVIEWED CONSOLIDATED RESULTS FOR THE 52 WEEKS ENDED 24 JUNE 2012

Massmart is a managed portfolio of four divisions, each focused on high-volume, low-margin, low-cost distribution of mainly branded consumer goods for cash, in 12 countries in sub-Saharan Africa comprising 348 stores.

The Group is the second largest distributor of consumer goods in Africa, the leading retailer of general merchandise, liquor and home improvement equipment and supplies, and the leading wholesaler of basic foods.

Overview

For the 52 weeks to June 2012, Massmart's total sales increased by 15.6%, operating profit by 21.0% and headline earnings by 38.0%. Excluding costs relating to the Walmart integration and transaction however, operating profit increased by 3.7% and headline earnings by 8.9%.

The underlying trading was resilient with comparable sales increasing by 9.6% and product inflation remained low at 1.8%. The derived 7.8% increase in comparable sales volumes was material and put pressure on operating costs, the impact of which was somewhat mitigated by supply chain efficiencies.

Although the Rand weakened against the Dollar during the financial year, the Group incurred a foreign exchange translation loss on its African businesses of R72.5 million due to the unrealised translation loss caused by the significant currency devaluation in Malawi in May 2012.

Underlying cost pressures remain a challenge. The Group's significant investment in new stores, the Food Retail conversions, and the new Regional Distribution Centers (RDCs) caused both occupancy costs and depreciation to increase ahead of sales growth. A secondary effect is the above-inflation increases in Local Government taxes and services.

Buoyed by a good working capital performance, cash generated by operations increased by 62.8% to R2.7 billion, financing a record R1.7 billion in capital spending on maintaining and growing operations and acquisitions.

Environment

Whilst South African GDP growth estimates declined throughout the year, Massmart's high comparable sales growth suggests a healthy overall consumer environment. Within the South African consumer-base however, middle-income consumers, particularly those that rely on unsecured credit to fund their purchases, came under increasing pressure and in Massdiscounters we saw a decline in credit spending on a comparable account basis. The large growth in new consumer credit accounts also points towards a trend of increasing use of unsecured credit.

Competition in most product categories increased as the battle for market share intensified, indicative of a healthy competitive environment. Most major retailers are being innovative in the search for growth by focusing on new categories, whilst the independent retailers remain nimble, exploiting opportunities in the market.

Wage settlements remain above inflation, requiring management to seek productivity gains. This puts downward pressure on employment in the comparable business whilst total employment will increase through organic store growth. The proposed amendments to Labour regulations will require us to manage flexi-time workers differently, although the regulations will not affect the balance between full-time and flexi-time employment. They will however, increase the costs of managing flexi-time employees, which will again require management to look for productivity gains.

Massmart's labour relations remain sound and our wage-agreements have, almost without exception, been concluded earlier than the case a year ago and, in some instances, with two-year agreements.

Our participation in the affairs of Government and Industry are of growing importance and we will increase our contribution to the policy debates on matters affecting business, trade and the economy at large.

Divisional operational review

Rm	June 2012 (Reviewed)	*% of sales*	June 2011 (Audited)	*% of sales*	*Year % growth*	*Comparable % sales growth*	*Estimated % sales inflation*
Sales	**61,209.1**		52,950.1		*15.6*	*9.6*	*1.8*
Massdiscounters	**14,805.7**		13,332.5		*11.0*	*4.4*	*(3.3)*
Masswarehouse	**15,370.6**		12,722.9		*20.8*	*11.6*	*1.9*
Massbuild	**8,138.0**		7,271.0		*11.9*	*9.3*	*1.4*
Masscash	**22,894.8**		19,623.7		*16.7*	*11.6*	*6.1*
Trading profit before interest and tax	**2,265.3**	*3.7*	2,182.9	*4.1*	*3.8*		
Massdiscounters	**749.8**	*5.1*	744.0	*5.6*	*0.8*		
Masswarehouse	**844.5**	*5.5*	749.0	*5.9*	*12.8*		
Massbuild	**389.8**	*4.8*	315.1	*4.3*	*23.7*		
Masscash	**281.2**	*1.2*	374.8	*1.9*	*(25.0)*		
Trading profit before tax	**2,456.8**	*4.0*	2,331.6	*4.4*	*5.4*		
Massdiscounters	**813.0**	*5.5*	782.0	*5.9*	*4.0*		
Masswarehouse	**906.3**	*5.9*	803.2	*6.3*	*12.8*		
Massbuild	**435.3**	*5.3*	354.7	*4.9*	*22.7*		
Masscash	**302.2**	*1.3*	391.7	*2.0*	*(22.8)*		

Trading profit excludes several items. A detailed reconciliation between trading and operating profit can be found below the 'Additional information' table over the page.

Massdiscounters – comprises the 107-store General Merchandise retail discounter Game, which trades in South Africa, Botswana, Ghana, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda and Zambia; and the 18-store Hi-tech retailer DionWired.

Comparable store sales increased by 4.4% with estimated product deflation of 3.3%. Total sales increased by 11.0% and trading profit before tax increased by 4.0%. Game South Africa's comparable sales growth was low as a result of the middle-income consumer, product deflation and some cannibalisation from the new Makro stores. Africa performed superbly and increased sales and profits significantly as the African currencies (with the exception of Malawi), strengthened. DionWired had another year of great sales and profit growth.

Foodco continues to expand and comprises 20 stores (including three in Africa), and is performing at or above expectations. Significantly, the third and final Massdiscounters RDC was commissioned which now completes the South African network. Whilst these facilities are expensive in the short term, they provide a significant opportunity for leverage in the medium to long term.

Eight Game stores and five DionWired stores opened, and one Game store closed, increasing space by 27,592 m² (7.1%).

Masswarehouse – comprises the 16-store Makro warehouse-club trading in Food, General Merchandise and Liquor in South Africa and now includes Fruitspot.

Comparable store sales increased by 11.6%, with estimated product inflation of 1.9%. Total sales grew by 20.8% and trading profit before tax increased by 12.8%.

This was a busy year with three new stores, an expanded DC and the January 2012 acquisition of Fruitspot. Despite the cost pressures of the three new stores and associated opening costs, the business remained tightly controlled and well managed. If adjusted for the once-off store opening costs, trading profit increased by 14.5%.

Three stores were opened and one closed, increasing space by 17,609 m² (13.7%). A further two stores will be opened during the period to December 2012.

Massbuild – comprises 84 outlets, trading in DIY, Home Improvement and Builders Hardware, under the Builders Warehouse, Builders Express and Builders Trade Depot brands in South Africa and Botswana.

Comparable store sales increased by 9.3% with estimated product inflation of 1.4%. Total sales increased by 11.9% and trading profit before tax increased by 22.7%.

The Builders Warehouse and Builders Express brands continued to transform the South African home improvement market. Builders Trade Depot's performance improved despite the depressed level of housing construction activity.

The first non-South African Builders Warehouse was opened in Gaborone, Botswana, and has traded better than expected. At least two other non-South African stores have been approved and should be opened in calendar 2013.

One Builders Warehouse store and two Builders Express stores were opened resulting in net trading space increasing by 8,602 m² (2.2%). One Builders Trade Depot store was converted to a Builders Express store.

Masscash – comprises 80 Wholesale Cash and Carry stores and 43 Retail Cash and Carry trading in South Africa, Botswana, Lesotho, Namibia and Swaziland; and Shield, a voluntary buying association.

Comparable store sales increased by 11.6% with estimated product inflation of 6.1%. Total sales increased by 16.7% but disappointingly trading profit before tax decreased by 22.8%.

This Division traded hard in a competitive environment and invested heavily in Food Retail stores, skills, distribution, IT systems and brand-building. This investment came at a cost, compounded by some operational errors and a failed small acquisition. Trading trends in the final quarter to June 2012 were encouraging and both the Wholesale and Retail parts of this Division are poised for growth. We look forward to improving profitability from the Wholesale Division, bolstered by food inflation, whilst investing for growth in the Retail Division.

Rhino, comprising 15 stores, was acquired with effect from March 2012 and is trading well.

One Wholesale store and five new Retail stores were opened, whilst one Wholesale store and two Retail stores were closed, bringing the total number of Wholesale stores to 80 and Retail stores to 43. Net trading space increased by 38,512 m² (11.2%).

Directorate

In line with the Walmart International regional reporting structure that was implemented post the Massmart-Walmart merger, Doug McMillon, who is the Chief Executive Officer and President of Walmart International Operations, resigned from the Massmart board of directors with effect from 20 August 2012. Doug was appointed to the Massmart board upon completion of the Massmart-Walmart transaction on 20 June 2011.

David Cheesewright, who is the Chief Executive Officer and President of Walmart's Europe Middle East Africa (EMEA) region into which Massmart reports, has been appointed in Doug's stead with effect from 20 August 2012. David was previously appointed as an alternate director on the Massmart board on 23 November 2011.

Financial review

UP BY 15.6%	UP BY 3.7%
R61,209m	**R2,135m**
SALES	OPERATING PROFIT BEFORE TRANSACTION COSTS
2011: R52,950m	2011: R2,059m
UP BY 62.8%	UP BY 8.9%
R2,669m	**R1,364m**
CASH GENERATED FROM OPERATIONS	HEADLINE EARNINGS BEFORE TRANSACTION COSTS
2011: R1,639m	2011: R1,253m
UP BY 2.8%	UP BY 3.1%
633 cents	**398 cents**
HEADLINE EPS BEFORE TRANSACTION COSTS	DIVIDEND PER SHARE
2011: 616 cents	2011: 386 cents

Statement of comprehensive income

Total Group sales growth for the year to June 2012 was 15.6% with comparable sales growth of 9.6%. Sales in our African businesses represented 7.8% of total sales and grew by 21.7% in Rands and 14.4% in local currencies.

The Group's product inflation was 1.8% for the year. This is the first year of product inflation since 2009. General Merchandise remained in deflation of 4.9%, while Food & Liquor's inflation increased to 6.5% and Home Improvement inflation increased to 1.4%.

During the year, five stores were closed, 25 stores opened and 15 acquired, resulting in a total of 348 stores at June 2012. Net trading space increased by 7.3% to a total of 1,350,300 m².

The Group's gross margin of 18.38% is higher than that of the prior year (18.26%). This is from improved gross margins in Massbuild and a higher contribution from Game Africa.

Due to the new stores, specifically the three Makro stores, the investment in Cambridge's supply chain and infrastructure, and IT upgrades across most Divisions, total expenses (excluding foreign exchange losses) increased by 19.8%. The impact of the Group's continued investment in growth can be seen in the 24.8% higher depreciation and amortisation charge and 23.7% increase in occupancy costs. Comparable expenses increased by 7.0%.

Included in operating profit are net realised and unrealised foreign exchange losses of R72.5 million (2011: R72.3 million loss). These are the net result of foreign exchange gains due to the weaker Rand being offset by the 50% devaluation of the Malawian Kwacha in May 2012.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 7.9% to R2.7 billion.

Direct costs incurred in connection with the Walmart integration were R185.4 million. This figure will reduce over the next 12 months to a permanent level of approximately R50.0 million annually.

Net interest paid of R115.1 million increased as a result of the Group's capital expenditure programme. At R1.62 billion, the Group's average net borrowings are 9.5% higher than the prior period's figure of R1,48 billion.

The Group's effective tax rate of 33.7% (2011: 38.9%) includes the effect of STC of 4.3% (2011: 5.2%). This STC charge now falls away with South Africa's introduction of withholding tax on dividends.

The minority interests comprise store managers' holdings in Masscash stores and minorities in acquired Masscash businesses. This year's minority figure has reduced due to the acquisition of several store managers' minority interests in Masscash Wholesale.

Headline earnings increased by 38.0% and headline EPS increased by 30.3%. Adjusting for the effect of the Walmart costs in both years however, reduces these to 8.9% and 2.8%, respectively. The lower earnings per share growth is caused by the higher weighted-average number of shares in issue as a consequence of the implementation of the Walmart transaction in June 2011.

Statement of financial position

Working capital continues to be effectively managed across the Group. Days in inventory at June 2012 were 50.5 (2011: 49.8 days) for the Group and supplier funding was at 57.1 days (2011: 55.9 days).

The net book value of property, plant and equipment increased by 29.5% compared to June 2011. During the year we acquired Fruitspot and Rhino for a combined net cash consideration of R326.7 million.

Despite the higher average interest-bearing debt, the Group's gearing ratio (debt: equity) was steady at 38.9% (2011: 39.9%).

The annual rolling return on equity was 29.2% at June 2012 (2011: 23.7%). Excluding the Walmart costs this figure was 32.8% (2011: 33.7%).

Statement of cash flows

Operating cash of R2.67 billion was 62.8% higher than the prior year, reflecting the strong cash-underpin to the Group's earnings as well as the stable working capital position. Total capital expenditure of R1.33 billion is 15.9% higher than the prior year, and comprises R620.4 million on replacement and R710.4 million on expansionary expenditure. This expansionary expenditure was incurred in three main areas being: new stores, Foodco-refurbishments and the Durban RDC in Massdiscounters (combined R358.0 million); three new Makro stores (R165.4 million); and new stores and supply chain capability in Masscash Retail (R94.7 million).

Strategic agenda

We have made good progress in our four priorities of: completing the Walmart transaction; Walmart integration; maintaining trading momentum; and being a good Corporate Citizen.

Legally, the Walmart transaction is complete, save for the anticipated final ruling from the Competition Appeal Court on the amount, purpose and governance of the Supplier Development Fund. The three other conditions from the Competition Tribunal have been implemented. 222 of the 503 previously retrenched Massdiscounters employees have been re-employed across the Group. We began implementing the Supplier Development Fund in terms of our commitments but, pending the Appeal Court ruling, have put any new commitments on hold.

The formal Integration project is complete. Governance and reporting have been aligned and the basic processes to continually extract value from the transaction are in place. The formal Integration process will wind down over the next 12 months whilst processes are handed over to line-management. About 368 Massmart employees attended the annual Walmart shareholders' conference, completing the process of welcoming Massmart into Walmart.

On Maintaining Trading Momentum, all strategic agenda projects have progressed well. We completed the Massdiscounters RDC network, opened the first Food RDC, improved our competence in Fresh, increased Private Label and Financial Services penetration, and continued with Food Retail.

On Corporate Citizenry, we maintained our Level 4 BBBEE status; have driven advocacy on environmental sustainability with our suppliers; reduced our Group's environmental footprint through investment in waste management and energy efficiency; and maintained our private-public partnership with Departments of Basic Education, South African Police Services, Agriculture, Forestry and Fisheries, Treasury, SABS and SANDF.

Prospects

For the eight weeks to 19 August 2012, total sales increased by 17.7% and comparable sales increased by 9.8%, continuing the trends experienced towards the close of the financial year.

With the coming change in Massmart's financial year-end, the next reporting period will be the 26-week "financial year" to December 2012. Sales and gross margins are expected to grow satisfactorily, although cost pressures will remain. Currently we expect no improvement in net trading margin for either the 26 weeks to December 2012 or for the year to December 2013.

Where value is extracted from Integration we will invest much of it in price.

Conclusion

The Group has invested, and continues to invest, for growth across all Divisions, but specifically in Food Retail, which will drive sales and market-share growth but which will suppress any expected margin growth in the short term.

The capital investments, our broad and growing relationship with Walmart, and our renewed focus on operating the business and delivering the strategy, positions the Group well for both growth in sales and trading margin in the medium-to-long term.

Distribution and dividend policy

Massmart's previous dividend policy was to declare and pay an interim and final cash dividend representing a 1.70 times dividend cover. In light of the new South African Dividend Tax introduced with effect from 1 April 2012 ("Dividend Tax"), the Group's dividend cover has been adjusted to reflect the benefit to the Company of no longer paying the Secondary Tax on Companies ("STC") on the net dividend. Consequently, Massmart's new dividend policy is to declare and pay an interim and final cash dividend representing a 1.55 times dividend cover unless circumstances dictate otherwise. There were no STC credits available for use as part of this declaration. The number of shares in issue at the date of this declaration is 216,146,751.

Notice is hereby given that a gross final cash dividend of 146.00 cents per share in respect of the period ended 24 June 2012 has been declared. The dividend will be subject to the Dividend Tax. The dividend has been declared out of income reserves. The dividend will be subject to the local dividend tax rate of 15% which will result in a net dividend to those shareholders who are not exempt from paying dividend tax of 124.10 cents per share. Massmart's tax reference number is 9900/196/71/9.

The salient dates relating to the payment of the dividend are as follows:

Last day to trade *cum* dividend on the JSE:	Friday, 7 September 2012
First trading day *ex* dividend on the JSE:	Monday, 10 September 2012
Record date:	Friday, 14 September 2012
Payment date:	Monday, 17 September 2012

Share certificates may not be dematerialised or rematerialised between Monday, 10 September 2012 and Friday, 14 September 2012, both days inclusive.

Massmart shareholders who hold Massmart ordinary shares in certificated form ("certificated shareholders") should note that dividends will be paid by cheque and by means of an electronic funds transfer ("EFT") method. Where the dividend payable to a particular certificated shareholder is less than R100, the dividend will be paid by EFT only to such certificated shareholder. Certificated shareholders who do not have access to any EFT facilities are advised to contact the Company's transfer secretaries, Computershare Investor Services at Ground Floor, 70 Marshall Street, Johannesburg 2001, PO Box 61051, Marshalltown 2107, (011) 370 5000, 086 110 09818, in order to make the necessary arrangements to take delivery of the proceeds of their dividend. Massmart shareholders who hold Massmart ordinary shares in dematerialised form will have their accounts held at their CSDP or broker credited electronically with the proceeds of their dividend.

A Thuthukani gross final cash dividend equivalent to 100% of the Massmart ordinary dividend per share (146.00 cents) will be paid to the Massmart Thuthukani Empowerment Trust on Monday, 17 September 2012.

On behalf of the Board

Grant Pattison	**Ilan Zwarenstein**
Chief Executive Officer	*Financial Director*

21 August 2012

Directorate
MJ Lamberti (Chairman),
CS Seabrooke (Deputy Chairman),
GM Pattison* (Chief Executive Officer),
D Cheesewright***,
JA Davis**,
NN Gwagwa,
GRC Hayward* (Chief Operating Officer),
P Langeni,
JP Suarez**,
I Zwarenstein* (Financial Director)
*Executive **USA ***UK

Massmart Holdings Limited
("the Company" or "the Group")

JSE code
MSM

ISIN
ZAE000152617

Company registration number
1940/014066/06

Registered office
Massmart House, 16 Peltier Drive
Sunninghill Ext 6, 2191

Company secretary
P Sigsworth

Sponsor
Deutsche Securities (SA) (Proprietary) Limited

Transfer secretaries
Computershare Investor Services
(Proprietary) Limited

Registered auditors
Deloitte & Touche

For more information
www.massmart.co.za

UP BY 15.6%
R61,209m
SALES
2011: R52,950m

UP BY 3.7%
R2,135m
OPERATING PROFIT BEFORE TRANSACTION COSTS
2011: R2,059m

UP BY 62.8%
R2,669m
CASH GENERATED FROM OPERATIONS
2011: R1,639m

UP BY 8.9%
R1,364m
HEADLINE EARNINGS BEFORE TRANSACTION COSTS
2011: R1,253m

UP BY 2.8%
633 cents
HEADLINE EPS BEFORE TRANSACTION COSTS
2011: 616 cents

UP BY 3.1%
398 cents
DIVIDEND PER SHARE
2011: 386 cents

HIGHLIGHTS

Condensed income statement

Rm	June 2012 (Reviewed)	June 2011 (Audited)	% change
Revenue	61,362.9	53,089.5	15.6
Sales	61,209.1	52,950.1	15.6
Cost of sales	(49,957.1)	(43,281.8)	(15.4)
Gross profit	11,252.0	9,668.3	16.4
Other income	153.8	139.4	10.3
Depreciation and amortisation	(594.2)	(476.3)	(24.8)
Impairment of assets (note 3)	(16.5)	(10.0)	(65.0)
Employment costs	(4,336.1)	(3,766.3)	(15.1)
Occupancy costs	(2,059.9)	(1,664.7)	(23.7)
Foreign exchange loss	(72.5)	(72.3)	(0.3)
Other operating costs	(2,192.0)	(1,759.4)	(24.6)
Operating profit before Walmart costs	2,134.6	2,058.7	3.7
Walmart transaction, integration and related costs (note 5)	(185.4)	(408.8)	54.6
Loss on disposal of Makro Zimbabwe	–	(38.6)	100.0
Operating profit	1,949.2	1,611.3	21.0
Finance costs	(183.9)	(140.4)	(31.0)
Finance income	68.8	33.2	107.2
Net finance costs	(115.1)	(107.2)	(7.4)
Profit before taxation	1,834.1	1,504.1	21.9
Taxation	(618.2)	(585.3)	(5.6)
Profit for the year	1,215.9	918.8	32.3
Profit attributable to:			
Owners of the parent	1,173.5	838.7	
Preference shareholders (note 6)	6.1	38.4	
Non-controlling interests	36.3	41.7	
Profit for the year	1,215.9	918.8	32.3
Basic EPS (cents)	544.4	412.1	32.1
Diluted basic EPS (cents)	532.7	390.7	36.3
Dividend (cents):			
– Interim	252.0	252.0	–
– Final	146.0	134.0	9.0
– Total	398.0	386.0	3.1

Headline earnings

Reconciliation of net profit for the year to headline earnings:			
Net profit attributable to equity holders of the parent	1,173.5	838.7	
Impairment of assets (note 3)	16.5	10.0	
Loss/(Profit) on disposal of fixed assets	12.6	(2.9)	
Loss on disposal of business	12.1	34.9	
Fair value adjustment on assets classified as held for sale	7.9	–	
Total tax effects of adjustments	(5.9)	1.2	
Headline earnings	1,216.7	881.9	38.0
Headline earnings before Walmart costs (taxed)	1,363.6	1,252.7	8.9
Headline EPS (cents)	564.5	433.3	30.3
Headline EPS before Walmart costs (taxed) (cents)	632.6	615.5	2.8
Diluted headline EPS (cents)	552.3	410.8	34.4
Diluted headline EPS before Walmart costs (taxed) (cents)	619.0	583.5	6.1

Statement of comprehensive income

Rm	June 2012 (Reviewed)	June 2011 (Audited)	% change
Profit for the year	1,215.9	918.8	
Foreign currency translation reserve	67.6	2.6	
Cash flow hedges	11.3	(2.2)	
Revaluation of listed shares	0.2	0.1	
Income tax relating to components of other comprehensive income	(3.2)	0.6	
Other comprehensive income for the year, net of tax	75.9	1.1	
Total comprehensive income for the year	1,291.8	919.9	40.4
Total comprehensive income attributable to:			
Owners of the parent	1,249.4	839.8	
Preference shareholders (note 6)	6.1	38.4	
Non-controlling interests	36.3	41.7	
Total comprehensive income for the year	1,291.8	919.9	40.4

Condensed statement of financial position

Rm	June 2012 (Reviewed)	June 2011 (Audited)	% change
ASSETS			
Non-current assets	7,175.8	5,846.7	
Property, plant and equipment	3,520.6	2,717.8	29.5
Goodwill and other intangible assets	2,868.5	2,358.4	
Investments and loans	456.5	505.5	
Deferred taxation	330.2	265.0	
Current assets	11,895.9	11,427.6	
Inventories	7,615.6	6,199.7	22.8
Trade, other receivables and prepayments	2,953.9	2,562.7	15.3
Taxation	21.0	22.5	
Cash and bank balances	1,305.4	1,549.1	
Restricted cash held on behalf of Massmart Employee Share Trusts' beneficiaries (note 9)	–	1,093.6	
Non-current assets classified as held for sale	103.2	–	
Total	19,174.9	17,274.3	
EQUITY AND LIABILITIES			
Total equity	4,564.8	4,181.7	
Equity attributable to equity holders of the parent	4,356.9	3,965.9	9.9
Minority interest	207.9	215.8	
Non-current liabilities	1,486.0	1,205.2	
Non-current liabilities: interest-bearing	852.7	598.7	
Other non-current liabilities and provisions (note 7)	604.8	584.3	
Deferred taxation	28.5	22.2	
Current liabilities	12,982.2	11,887.4	
Trade, other payables and provisions	11,441.7	9,416.7	21.5
Massmart Employee Share Trusts' beneficiaries liability (note 9)	–	1,093.6	
Taxation	259.0	170.6	
Bank overdrafts and short-term borrowings	1,281.5	1,206.5	
Non-current liabilities classified as held for sale	141.9	–	
Total	19,174.9	17,274.3	

Condensed statement of cash flows

Rm	June 2012 (Reviewed)	June 2011 (Audited)
Operating cash before working capital movements	2,614.6	2,264.8
Working capital movements	53.9	(625.4)
Cash generated from operations	2,668.5	1,639.4
Taxation paid	(595.6)	(645.1)
Net interest paid	(115.1)	(107.2)
Investment income	3.9	48.9
Dividends paid	(838.8)	(822.5)
Cash inflow from operating activities	1,122.9	113.5
Investment to maintain operations	(620.4)	(305.2)
Investment to expand operations	(710.4)	(843.0)
Businesses acquired	(327.9)	(171.0)
Other investing activities including minority interests acquired	50.7	21.3
Cash outflow from investing activities	(1,608.0)	(1,297.9)
Cash inflow from financing activities	345.9	615.3
Net decrease in cash and cash equivalents	(139.2)	(569.1)
Foreign exchange profit taken to other comprehensive income	67.6	2.6
Opening cash and cash equivalents	744.4	1,310.9
Closing cash and cash equivalents	672.8	744.4

Condensed statement of changes in equity

Year ended June 2012 (Reviewed) Rm	Ordinary share capital	Share premium	General reserves	Retained profit	Equity attributable to equity holders of the parent	Minority interest	Total
Opening balance	2.0	743.9	444.4	2,775.6	3,965.9	215.8	4,181.7
Issue of share capital (net of costs)	0.2	–	–	–	0.2	–	0.2
Dividends declared	–	–	–	(838.8)	(838.8)	(38.9)	(877.7)
Total comprehensive income	–	–	75.9	1,179.6	1,255.5	36.3	1,291.8
Changes in minority interests and distribution to minorities	–	–	–	–	–	(5.3)	(5.3)
Minorities relating to acquisitions	–	–	(20.5)	–	(20.5)	–	(20.5)
Share trust transactions and IFRS 2 charge	–	–	113.8	(127.0)	(13.2)	–	(13.2)
Treasury shares realised/ (acquired)	–	6.7	1.1	–	7.8	–	7.8
Total	2.2	750.6	614.7	2,989.4	4,356.9	207.9	4,564.8

Year ended June 2011 (Audited) Rm	Ordinary share capital	Share premium	General reserves	Retained profit	Equity attributable to equity holders of the parent	Minority interest	Total
Opening balance	2.0	142.0	464.6	2,861.1	3,469.7	122.1	3,591.8
Issue of share capital (net of costs)	–	481.6	–	–	481.6	–	481.6
Dividends declared	–	–	–	(822.4)	(822.4)	(27.5)	(849.9)
Total comprehensive income	–	–	1.1	877.1	878.2	41.7	919.9
Changes in minority interests and distribution to minorities	–	–	(40.5)	–	(40.5)	(1.0)	(41.5)
Minorities relating to acquisitions	–	–	(16.8)	–	(16.8)	80.5	63.7
Share trust transactions and IFRS 2 charge	–	–	180.8	(140.2)	40.6	–	40.6
Treasury shares realised/ (acquired)	–	120.3	(144.8)	–	(24.5)	–	(24.5)
Total	2.0	743.9	444.4	2,775.6	3,965.9	215.8	4,181.7

Additional information

	June 2012 (Reviewed)	June 2011 (Audited)
Net asset value per share (cents)	2,015.9	1,854.2
Ordinary shares (000's):		
– In issue	216,124	213,883
– Weighted average	215,539	203,516
– Diluted weighted average	220,284	214,683
Preference shares (000's):		
– Thuthukani Trust 'A' shares held by the participants (note 6)	1,053	4,176
– Black Scarce Skills Trust 'B' shares held by the participants (note 6)	1,740	890
Capital expenditure (Rm):		
– Authorised and committed	472.1	738.2
– Authorised not committed	598.3	593.1
Gross operating lease commitments (2013 – 2027) (Rm)	12,271.0	10,334.0
US dollar exchange rates: – year-end (R/$)	8.40	6.95
– average (R/$)	7.75	7.04

Reconciliation between trading and operating profit

Rm	June 2012 (Reviewed)	June 2011 (Audited)
Profit before interest and taxation		
Trading profit before interest and taxation	2,265.3	2,182.9
Asset impairments (note 3)	(16.5)	(10.0)
Walmart transaction, integration and related costs (note 5)	(185.4)	(408.8)
Loss on disposal of business	(12.1)	(38.6)
Fair value adjustment on assets classified as held for sale	(7.9)	–
BEE transaction IFRS 2 charge (note 4)	(21.7)	(41.9)
Foreign exchange loss	(72.5)	(72.3)
Operating profit before interest and taxation	1,949.2	1,611.3
Profit before taxation		
Trading profit before taxation	2,456.8	2,331.6
Corporate net interest	(306.6)	(255.9)
Asset impairments (note 3)	(16.5)	(10.0)
Walmart transaction, integration and related costs (note 5)	(185.4)	(408.8)
Loss on disposal of business	(12.1)	(38.6)
Fair value adjustment on assets classified as held for sale	(7.9)	–
BEE transaction IFRS 2 charge (note 4)	(21.7)	(41.9)
Foreign exchange loss	(72.5)	(72.3)
Operating profit before taxation	1,834.1	1,504.1

NOTES

1. *These condensed financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the AC 500 standards as issued by the Accounting Practices Board or its successor, the information as required by IAS 34 Interim Financial Reporting, the JSE Listing Requirements and the requirements, of the South African Companies Act 71 of 2008, using accounting policies that have been consistently applied to prior years.*
2. *During the current year, the only Massmart shares acquired in the market were by the Massmart Employee Share Trusts where 1.2 million shares (0.6% of average shares in issue) were bought at an average price of R166.28 totalling R206.7 million. During the prior year, the Massmart Employee Share Trusts acquired 2.1 million shares (1.0% of average shares in issue) at an average price of R131.60 totalling R273.9 million.*
3. *The impairment of assets in the current and prior year relates to the impairment of certain acquired goodwill in Masscash.*
4. *The Massmart BEE transaction, which came into operation in October 2006, gave rise to an IFRS 2 Share-based Payment charge of R21.7 million (2011: R64.7 million, R22.8 million of which arose from the accelerated IFRS 2 Share-based Payment charge as a result of the Walmart Transaction and is included in the R70.1 million in note 5 below). The 'A' and 'B' preference shares were issued to the Thuthukani Trust and the Black Scarce Skills Trust respectively.*
5. *Walmart transaction, integration and related costs comprise professional fees, expatriate costs, share-based payments and other direct expenses relating to the Walmart transaction.*
6. *The preference shareholders' dividend amount of R6.1 million (2011: R38.4 million) represents the 2011 final cash dividend of 134 cents (2010: 134 cents) and the 2012 interim cash dividend of 252 cents (2011: 252 cents) paid to all Thuthukani beneficiaries. The Thuthukani dividend was equivalent to 100% of the ordinary dividend for the current and prior year.*
7. *Other non-current liabilities and provisions include the lease smoothing liability of R342.8 million (2011: R414.3 million).*
8. *The net asset value of the businesses acquired during the year was R44.9 million (2011: R46.0 million) on the date of acquisition.*
9. *Included in the 2011 year-end current assets and current liabilities in the Statement of Financial Position were two amounts of R1,093.6 million each. These amounts represent the net cash proceeds held in the three Massmart Employee Share Trusts, and the corresponding liability to the beneficiaries, as a result of the Walmart Transaction. The cash was distributed to beneficiaries shortly after 26 June 2011. The Massmart Employee Share Trusts are consolidated with the Group results.*
10. *Massmart and its Divisions enter into certain transactions with related parties in the normal course of business. Details of these are, and will be, disclosed in Massmart's Integrated Annual Reports.*
11. *These results have been reviewed by independent external auditors, Deloitte & Touche, and their unmodified review report is available for inspection at the registered office. The review was performed in accordance with ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's external auditors. The preparation of the Group's condensed consolidated reviewed results was supervised by the Financial Director, Ilan Zwarenstein, BCom, BAcc, CA(SA).*

MASSMART | Walmart

ince