MASSMART | Walmart

REVIEWED CONSOLIDATED RESULTS FOR THE 26 WEEKS ENDED 25 DECEMBER 2011

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 330 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

During our first six months as a subsidiary of Walmart, Group sales increased by 15.0%, operating profit by 15.3% and headline earnings by 21.1%. The weaker Rand during the period boosted foreign exchange translation gains and we began incurring costs related to the integration of Massmart into Walmart. Excluding these two items, operating profit would have increased by 4.8% and headline earnings by 8.7%.

Group trading was resilient with comparable sales increasing by 9.2%, indicating, when measured against national retail sales growth of approximately 8.7%, a gain in overall market share. With internal product inflation of only 1.1%, the Group's volume growth remained high.

We experienced cost pressures, which increased by 14.4%, as a result of our investments in: refurbished and new stores (space growth of 6.0%); supply chain facilities and capability; and Food Retail; as well as above-inflation increases in local taxes and service costs.

Management has been focused on maintaining operating momentum whilst aligning our Governance and Reporting processes with Walmart.

We await the rulings in both South Africa and Namibia regarding the separate legal challenges to the Walmart acquisition which followed the approvals issued in June 2011 in both countries.

Environment

The trends in the health of the consumer appear to be improving, underpinned by real wage increases and improving employment, but dampened by signs of over-indebtedness within the middle-income consumer.

Whilst inflation, as measured by CPI, rose above the upper limit of the SARB target of 6.0%, consumers have enjoyed a much lower inflation rate (only 1.1%) in the products they bought through our stores. Driven partly by the weaker Rand and by increased commodity prices, our Food inflation of 2.0% was the highest of our main categories during the period. General Merchandise remained in deflation and was 6.1% caused mostly by continued imported deflation and the benefits of hedging our imports.

The increasing complexity of the regulatory environment has required an investment in compliance. Given the high costs of compliance, these trends have inadvertently made it more difficult for smaller retailers and suppliers to compete.

The underlying cost pressures in services, electricity and transport require a greater investment in productivity gains. This, at the same time as the proposed onerous labour legislation, will put a strain on employment levels and labour relations.

The political stability on the African continent remains variable with some of the gains of the last ten years being lost as countries struggle with political transitions.

Divisional operational review

Rm	26 weeks December 2011 (Reviewed)	% of sales	26 weeks December 2010 (Reviewed)	% of sales	Period % growth	Comparable % sales growth	Estimated % sales inflation	52 weeks June 2011 (Audited)	% of sales
Sales	31,492.2		27,375.8		*15.0*	*9.2*	*1.1*	52,950.1	
Massdiscounters	7,819.2		6,993.9		*11.8*	*4.6*	*(5.0)*	13,332.5	
Masswarehouse	7,799.9		6,593.3		*18.3*	*11.6*	*2.3*	12,722.9	
Massbuild	4,240.1		3,782.4		*12.1*	*8.7*	*0.5*	7,271.0	
Masscash	11,633.0		10,006.2		*16.3*	*10.9*	*5.2*	19,623.7	
Trading profit before interest and tax	1,335.7	*4.2*	1,284.7	*4.7*	*4.0*			2,182.9	*4.1*
Massdiscounters	498.3	*6.4*	473.6	*6.8*	*5.2*			744.0	*5.6*
Masswarehouse	446.2	*5.7*	397.1	*6.0*	*12.4*			749.0	*5.9*
Massbuild	215.8	*5.1*	189.5	*5.0*	*13.9*			315.1	*4.3*
Masscash	175.4	*1.5*	224.5	*2.2*	*(21.9)*			374.8	*1.9*
Trading profit before tax	1,424.7	*4.5*	1,355.6	*5.0*	*5.1*			2,331.6	*4.4*
Massdiscounters	528.0	*6.8*	486.6	*7.0*	*8.5*			782.0	*5.9*
Masswarehouse	474.7	*6.1*	422.4	*6.4*	*12.4*			803.2	*6.3*
Massbuild	236.8	*5.6*	209.8	*5.5*	*12.9*			354.7	*4.9*
Masscash	185.2	*1.6*	236.8	*2.4*	*(21.8)*			391.7	*2.0*

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 106-store General Merchandise retail discounter Game, which trades in South Africa, Botswana, Ghana, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda and Zambia; and the 16-store Hi-tech retailer DionWired.

Comparable store sales increased by 4.6% with estimated deflation of 5.0%. Total sales increased by 11.8% and trading profit before tax increased by 8.5%. Game South Africa's sales growth was lower than expected, indicative of pressure on middle-income consumers but also continued product deflation and the anticipated cannibalisation of some stores' sales to other Massmart brands. Our African stores are trading well with comparable Rand sales up 18.1% (and 12.4% in constant currency) and DionWired performed exceptionally.

Foodco continues to expand with 15 stores (nine refurbished and six new) now in the format, including two in Africa, and is performing at or above expectations.

With seven Game stores and three DionWired stores opening, and one Game store closing, trading space increased by 5.9%.

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

Comparable store sales increased by 11.6% with estimated inflation of 2.3%, while total sales increased by 18.3% and trading profit before tax increased by 12.4%. Trading profit includes store pre-opening costs which were R22 million higher than in the prior period.

Makro had an excellent performance, particularly as three new stores were opened, and one closed, with the associated management distraction and initial cost inefficiencies. All new stores include the Fresh offering and one store was converted, bringing to five the number of Makro stores trading with Fresh.

The acquisition of Fruitspot was effective 2 January 2012 and will assist Makro with its procurement and distribution of fresh and processed fruit and vegetables.

With three stores opened and one closing, trading space increased by 15.9%.

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 8.7% with estimated inflation of 0.5%. Total sales increased by 12.1% and trading profit before tax increased by 12.9%.

This was a strong performance in a weak market, suggesting further market share gains in South Africa. The first non-South African Builders Warehouse store opened in Gaborone, Botswana, and has received phenomenal local support, indicating great potential for this format elsewhere in Africa.

With one Builders Warehouse store and two Builders Express stores opened, trading space increased by 2.2%.

Masscash – comprises 80 Wholesale stores and 28 Retail stores, including Cambridge Food, trading in South Africa, Botswana, Lesotho, Namibia and Swaziland, and Shield, a voluntary buying association.

Divisional comparable store sales increased by 10.9% with estimated inflation of 5.2%. Total sales increased by 16.3% but, disappointingly, trading profit before tax decreased by 21.8%.

Despite a good sales performance, trading profit declined as a result of our investments in growth, price and capacity as we build the Cambridge and Saverite brands and supply chains.

The acquisition of Rhino Cash & Carry, comprising 14 stores, will be effective 1 March 2012, and will increase our total annualised Retail Cash & Carry sales to approximately R5 billion. It is a condition of the Competition Tribunal's ruling that Rhino needs to dispose of four stores by the end of June 2012, with the possibility of a further three-month extension.

With five new Retail stores opened and two closed, trading space increased by 3.2%.

Financial review

Statement of comprehensive income

Total Group sales growth for the period to December 2011 was 15.0% with comparable sales growth of 9.2%. Sales in our African businesses represented 7.7% of total Group sales and total African sales grew by 21.3% in Rands and 12.8% in local currencies.

The Group's product inflation was 1.1% for the period, and this is the first time we have moved into product inflation since 2009. General Merchandise remained strongly in deflation and was 6.1%, while Food and Liquor's inflation increased slightly to 2.3% and Home Improvement inflation was steady at 0.6%.

During the six-month period, four stores were closed and 21 opened resulting in a total of 330 stores at December 2011. Net trading space increased by 5.0% to a total of 1,321,233m².

The Group's gross margin of 17.70% is lower than that of the prior period (18.06%). Margins were steady in Makro and Masscash but slightly lower in Massbuild due to clearance activity and in Massdiscounters due to high sales growth in the lower-margin Hi-tech and Appliances categories and as promotional sales mix increased slightly.

Due to the Foodco roll-out, the three new Makro stores and the investment in Cambridge's supply chain and infrastructure, total expenses (excluding foreign exchange gains and losses) increased by 14.4%. Comparable expenses increased by 9.4%. Amongst other areas, the impact of the Group's continued investment in growth can be seen in the 24.4% higher depreciation and amortisation charges and excluding these charges, the Group's expenses as a percentage of sales improved from 12.9% to 12.8%.

Included in operating profit are net realised and unrealised foreign exchange gains of R82.4 million (December 2010: R79.5 million loss), caused by the weaker Rand. The translation of Massdiscounters' African balance sheets accounted for R25.4 million of this (2010: R57.8 million loss) and there was a net gain from other foreign monetary balances of R57.0 million (2010: R21.7 million loss).

Direct costs incurred by the Group in connection with the Walmart integration totalled R41.7 million.

Net interest paid of R48.1 million increased as a result of the Group's capital expenditure programme. Working capital levels are optimal across the Divisions. At R1.34 billion, the Group's average net borrowings are 15.5% higher than the prior period's figure of R1.16 billion.

The Group's effective tax rate of 31.2% (2010: 31.7%) includes the effect of STC of 1.9% (2010: 2.6%).

The minority interests comprise store managers' holdings in Masscash stores and minorities in acquired Masscash businesses. This period's minority figure has reduced due to the Group's acquisition of several store managers' minority interests in Masscash Wholesale and of the Kangela 49% minority interest.

Headline earnings increased by 21.1% and headline EPS increased by 13.7%. Adjusting for the effect of foreign exchange translation in both periods however, reduces these to 4.9% and -1.4% respectively. The lower earnings per share growth is caused by the higher number of shares in issue, as a consequence of the implementation of the Walmart transaction in June 2011.

Statement of financial position

As noted earlier, working capital levels have returned to optimal levels. Days in inventory at December 2011 were 59.0 (2010: 59.7 days) for the Group, and inventory days are higher only in Masscash.

The net book value of property, plant and equipment increased by 32.4% compared to December 2010 as we invested for growth. No businesses were acquired during the period.

Despite the higher average interest-bearing debt, the Group's gearing ratio was steady at 31.6% (2010: 31.4%).

The annual rolling return on equity was 33.1% at December 2011.

Statement of cash flows

Operating cash of R1.64 billion was 19.9% higher than the prior period. Cash from operations of R3.58 billion was 60.4% higher, reflecting the Group's improved working capital position. Supplier funding levels are, however, approximately R600 million higher than normal and adjusting for this results in a more representative 33.5% increase in cash from operations. Total capital expenditure of R752.2 million is 32.9% higher than the prior period, and comprises R324.3 million on replacement and R427.9 million on expansionary expenditure. This expenditure was incurred in three main areas, being from new and Foodco-refurbished stores in Massdiscounters (R249.1 million), three new Makro stores (R209.6 million), and new stores and supply chain capability in Masscash Retail (R122.9 million).

Impact of New Tax Treatment on Dividends

The proposed amendments to the South African tax treatment of dividends becomes effective on 1 April 2012 and so will affect Massmart's final dividend payable in September 2012 and thereafter. Following these amendments, Massmart's dividend policy will likely be adjusted in response to the effect of the new tax on shareholders.

Strategic agenda

Our strategic agenda included four areas. The first being to maintain the momentum of improving the Group's operating disciplines and implementing planned improvements in Supply Chain, Private Label and Financial Services.

Our second priority has been to complete the Walmart transaction and we await the conclusion of the next steps in the process being the rulings of the South African Competition Appeal Court and the Namibian Minister of Trade and Industry respectively. We are applying the appropriate resources to ensure that we comply with the conditions in the Competition Tribunal merger approval.

Our third priority has been to commence the integration of Massmart into Walmart. As one would expect in these endeavours, however, two things become apparent: the impact of upfront costs and investments, and that accurately measuring the resultant value can be difficult. Despite these challenges, we are encouraged that these endeavours will ultimately benefit the Group, our staff and our customers in the years ahead. We have made good progress on Governance, Culture and Values.

Our final priority has been to continue to act as a good corporate citizen and so we continue to invest in our three accountability themes: to enable sustainable supply and consumerism; to minimise the Group's environmental footprint; and to champion social equality initiatives.

We have sought out opportunities to work with Government in areas where we can leverage our Group capabilities to mutual benefit. This has resulted in a multitude of partnerships. We are improving the quality of goods in partnership with the Department of Trade and Industry through SABS. We are working with the Department of Finance through SARS to assist with understanding and enabling efficient procurement. We are working with the Department of Agriculture exploring ways to support small emerging farmers with the end-objective of integrating them into the Massmart supply chain. We are working with local suppliers to assist them in taking advantage of opportunities to export locally manufactured goods to Walmart's global operations.

We are working with the Department of Safety and Security focusing on supporting orphans of policemen and women killed in the line of duty, but also responding to broader SAPS requests for assistance. We are working alongside the Department of Basic Education helping them to meet infrastructural needs associated with their school-feeding programme. We continue working with the Department of Defense, providing Christmas food hampers to the families of soldiers on peace-keeping operations in foreign countries.

Prospects

For the 34 weeks to 19 February 2012, total sales increased by 15.1% and comparable sales increased by 9.2%, continuing the trends experienced at the close of the last financial period.

The current trends of investment in growth and capacity, including Integration costs, will continue through to the end of the year, with sales performing well, but with operating margin under pressure.

We are pleased with the trading performance and are confident that the current period of investment will bear fruit in future years.

The financial information on which this outlook statement is based has not been reviewed or reported on by the Company's external auditors.

Distribution and dividend policy

Massmart's current dividend policy is to declare and pay an interim and final cash dividend representing a 1.7 times dividend cover unless circumstances dictate otherwise. For the period to December 2011, the Board has resolved to pay an interim dividend equal to that of the prior period, notwithstanding the resultant lower dividend cover, due to the strong liquidity position of the Group and its growth prospects.

Notice is hereby given that an interim cash dividend of 252 cents per share in respect of the period ended 25 December 2011 has been declared payable to the holders of ordinary shares recorded in the share register of the Company on Friday, 16 March 2012. The last day to trade cum-dividend will therefore be Friday, 9 March 2012 and Massmart shares will trade ex-dividend from Monday, 12 March 2012. Payment of the cash dividend will be made on Monday, 19 March 2012. Share certificates may not be dematerialised or rematerialised between Monday, 12 March 2012 and Friday, 16 March 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 0933, 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 dividend equivalent to 100% of the Massmart ordinary dividend per share (252 cents) will be paid to the Massmart Thuthukani Empowerment Trust on Monday, 19 March 2012.

On behalf of the Board

Grant Pattison
Chief Executive Officer

Guy Hayward
Chief Financial Officer

21 February 2012

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

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

JSE code
MSM

ISIN
ZAE000152617

Company registration number
1940/014066/06

Registered office
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Sunninghill Ext 6, 2191

Company secretary
I Zwarenstein

Sponsor
Deutsche Securities (SA) (Proprietary) Limited

Transfer secretaries
Computershare Investor Services
(Proprietary) Limited

Registered auditors
Deloitte & Touche

For more information
www.massmart.co.za

SALES

+15.0 %

TO R31,492 MILLION

OPERATING PROFIT BEFORE FOREX AND INTEGRATION COSTS

+4.8 %

TO R1,326 MILLION

CASH GENERATED FROM OPERATIONS

+60.4 %

TO R3,580 MILLION

HEADLINE EARNINGS

+21.1 %

TO R895 MILLION

HEADLINE EPS

+13.7 %

TO 416 CENTS

HIGHLIGHTS

Income statement

Rm	26 weeks December 2011 (Reviewed)	26 weeks December 2010 (Reviewed)	% change	52 weeks June 2011 (Audited)
Revenue	31,547.1	27,458.8	*14.9*	53,089.5
Sales	31,492.2	27,375.8	*15.0*	52,950.1
Cost of sales	(25,917.3)	(22,431.5)	*(15.5)*	(43,281.8)
Gross profit	5,574.9	4,944.3	*12.8*	9,668.3
Other income	54.9	83.0	*(33.9)*	139.4
Depreciation and amortisation	(275.6)	(221.5)	*(24.4)*	(476.3)
Impairment of assets (note 3)	(0.3)	–	–	(10.0)
Employment costs	(2,137.1)	(1,836.5)	*(16.4)*	(3,766.3)
Occupancy costs	(989.0)	(827.1)	*(19.6)*	(1,664.7)
Foreign exchange profit/(loss)	82.4	(79.5)	–	(72.3)
Other operating costs	(902.2)	(877.7)	*(2.8)*	(1,759.4)
Operating profit before Transaction and Integration costs	1,408.0	1,185.0	*18.8*	2,058.7
Transaction costs (note 5)	–	–	–	(408.8)
Integration costs	(41.7)	–	–	–
Loss on disposal of Makro Zimbabwe	–	–	–	(38.6)
Operating profit	1,366.3	1,185.0	*15.3*	1,611.3
Finance costs	(72.5)	(58.3)	*(24.4)*	(140.4)
Finance income	24.4	17.6	*38.6*	33.2
Net finance costs	(48.1)	(40.7)	*(18.2)*	(107.2)
Profit before taxation	1,318.2	1,144.3	*15.2*	1,504.1
Taxation	(410.9)	(362.5)	*(13.4)*	(585.3)
Profit for the period	907.3	781.8	*16.1*	918.8
Profit attributable to:				
Owners of the parent	893.0	738.5	*20.9*	838.7
Preference shareholders (note 6)	2.5	16.9		38.4
Non-controlling interests	11.8	26.4		41.7
Profit for the period	907.3	781.8	*16.1*	918.8
Basic EPS (cents)	414.9	365.3	*13.6*	412.1
Diluted basic EPS (cents)	406.3	342.6	*18.6*	390.7
Dividend (cents):				
– Interim	252.0	252.0	–	252.0
– Final				134.0
– Total	252.0	252.0	–	386.0

Headline earnings

Rm	26 weeks December 2011 (Reviewed)	26 weeks December 2010 (Reviewed)	% change	52 weeks June 2011 (Audited)
Reconciliation of net profit for the period to headline earnings:				
Net profit attributable to equity holders of the parent	893.0	738.5		838.7
Impairment of assets (note 3)	0.3	–		10.0
Loss/(Profit) on disposal of fixed assets	2.4	0.8		(2.9)
Loss on disposal of business	–	–		34.9
Release of negative goodwill	–	(0.2)		–
Loss on sale of assets classified as held for sale	–	0.7		–
Total tax effects of adjustments	(0.5)	(0.3)		1.2
Headline earnings	895.2	739.5	*21.1*	881.9
Headline earnings before foreign exchange	835.9	796.7	*4.9*	933.9
Headline EPS (cents)	416.0	365.8	*13.7*	433.3
Headline EPS before foreign exchange (cents)	388.4	394.1	*(1.4)*	458.9
Diluted headline EPS (cents)	407.3	343.0	*18.7*	410.8
Diluted headline EPS before foreign exchange (cents)	380.3	369.6	*2.9*	435.0

Statement of comprehensive income

Rm	26 weeks December 2011 (Reviewed)	26 weeks December 2010 (Reviewed)	% change	52 weeks June 2011 (Audited)
Profit for the period	907.3	781.8		918.8
Foreign currency translation reserve	86.7	(5.9)		2.6
Cash flow hedges	16.2	(30.6)		(2.2)
Revaluation of listed shares	0.1	0.1		0.1
Income tax relating to components of other comprehensive income	(4.5)	8.6		0.6
Other comprehensive income for the period, net of tax	98.5	(27.8)		1.1
Total comprehensive income for the period	1,005.8	754.0	*33.4*	919.9
Total comprehensive income attributable to:				
Owners of the parent	991.5	710.7		839.8
Preference shareholders (note 6)	2.5	16.9		38.4
Non-controlling interests	11.8	26.4		41.7
Total comprehensive income for the period	1,005.8	754.0	*33.4*	919.9

Statement of financial position

Rm	December 2011 (Reviewed)	December 2010 (Reviewed)	% change	June 2011 (Audited)
ASSETS				
Non-current assets	6,291.6	5,536.0		5,846.7
Property, plant and equipment	3,236.1	2,443.8	*32.4*	2,717.8
Goodwill and other intangible assets	2,348.9	2,224.8		2,358.4
Investments and loans	458.1	616.6		505.5
Deferred taxation	248.5	250.8		265.0
Current assets	14,972.3	12,440.6		11,427.6
Inventories	8,385.2	7,336.1	*14.3*	6,199.7
Trade, other receivables and prepayments	3,522.5	2,953.1	*19.3*	2,562.7
Taxation	54.4	33.8		22.5
Cash and bank balances	3,010.2	2,117.6		1,549.1
Restricted cash held on behalf of Massmart Employee Share Trusts' beneficiaries (note 9)	–	–		1,093.6
Assets classified as held for sale	–	4.6		–
Total	21,263.9	17,981.2		17,274.3
EQUITY AND LIABILITIES				
Total equity	4,864.6	4,009.7		4,181.7
Equity attributable to equity holders of the parent	4,658.1	3,857.5	*20.8*	3,965.9
Minority interest	206.5	152.2		215.8
Non-current liabilities	928.9	859.8		1,205.2
Non-current liabilities: interest-bearing	376.8	353.2		598.7
Other non-current liabilities and provisions (note 7)	527.7	487.4		584.3
Deferred taxation	24.4	19.2		22.2
Current liabilities	15,470.4	13,111.7		11,887.4
Trade, other payables and provisions	14,554.7	12,503.7	*16.4*	9,408.6
Massmart Employee Share Trusts' beneficiaries liability (note 9)	–	–		1,093.6
Taxation	235.7	267.7		170.6
Bank overdrafts and short-term borrowings	680.0	340.3		1,214.6
Total	21,263.9	17,981.2		17,274.3

Statement of cash flows

Rm	26 weeks December 2011 (Reviewed)	26 weeks December 2010 (Reviewed)	52 weeks June 2011 (Audited)
Operating cash before working capital movements	1,640.3	1,368.3	2,264.8
Working capital movements	1,939.4	863.7	(625.4)
Cash generated from operations	3,579.7	2,232.0	1,639.4
Taxation paid	(363.2)	(316.9)	(645.1)
Net interest paid	(48.1)	(40.7)	(107.2)
Investment income	3.8	34.3	48.9
Dividends paid	(291.1)	(286.9)	(822.5)
Cash inflow from operating activities	2,881.1	1,621.8	113.5
Investment to maintain operations	(324.3)	(215.9)	(305.2)
Investment to expand operations	(427.9)	(350.1)	(843.0)
Businesses acquired	–	(87.0)	(171.0)
Other investing activities including minority interests acquired	47.7	(24.0)	21.3
Cash outflow from investing activities	(704.5)	(677.0)	(1,297.9)
Cash (outflow)/inflow from financing activities	(157.5)	(249.9)	615.3
Net increase/(decrease) in cash and cash equivalents	2,019.1	694.9	(569.1)
Foreign exchange profit/(loss) taken to other comprehensive income	86.7	(5.9)	2.6
Opening cash and cash equivalents	744.4	1,310.9	1,310.9
Closing cash and cash equivalents	2,850.2	1,999.9	744.4

Statement of changes in equity

Six months ended December 2011 (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	–	–	–	(291.1)	(291.1)	(19.6)	(310.7)
Total comprehensive income	–	–	98.5	895.5	994.0	11.8	1,005.8
Changes in minority interests and distribution to minorities	–	–	(3.0)	–	(3.0)	(1.5)	(4.5)
Share trust transactions and IFRS 2 charge	–	–	41.3	(57.3)	(16.0)	–	(16.0)
Treasury shares (acquired)/realised	–	6.2	1.9	–	8.1	–	8.1
Total	2.2	750.1	583.1	3,322.7	4,658.1	206.5	4,864.6
Six months ended December 2010 (Reviewed) Rm							
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)	–	–	–	–	–	–	–
Dividends declared	–	–	–	(286.9)	(286.9)	–	(286.9)
Total comprehensive income	–	–	(27.8)	755.4	727.6	26.4	754.0
Changes in minority interests and distribution to minorities	–	–	–	–	–	(11.8)	(11.8)
Cost of acquiring minority interests	–	–	(24.9)	–	(24.9)	–	(24.9)
Minorities relating to acquisitions	–	–	–	–	–	15.5	15.5
Share trust transactions and IFRS 2 charge	–	–	52.7	(98.8)	(46.1)	–	(46.1)
Treasury shares (acquired)/realised	–	111.4	(93.3)	–	18.1	–	18.1
Total	2.0	253.4	371.3	3,230.8	3,857.5	152.2	4,009.7
Year ended June 2011 (Audited) Rm							
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 (acquired)/realised	–	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

	26 weeks December 2011 (Reviewed)	26 weeks December 2010 (Reviewed)	52 weeks June 2011 (Audited)
Net asset value per share (cents)	2,158.0	1,893.2	1,854.2
Ordinary shares (000's):			
– In issue	215,853	203,754	213,883
– Weighted average	215,209	202,185	203,516
– Diluted weighted average	219,778	215,581	214,683
Preference shares (000's):			
– Thuthukani Trust 'A' shares held by the participants (note 6)	1,395	9,190	4,176
– Black Scarce Skills Trust 'B' shares held by the participants (note 6)	1,425	2,154	890
Capital expenditure (Rm):			
– Authorised and committed	386.3	562.2	738.2
– Authorised not committed	529.9	209.0	593.1
Operating lease commitments (2012 – 2026) (Rm)	11,812.7	9,736.8	10,334.0
US dollar exchange rates – period end (R/$)	8.16	6.79	6.95
– average (R/$)	7.57	7.16	7.04

Reconciliation between trading and operating profit

Rm	26 weeks December 2011 (Reviewed)	26 weeks December 2010 (Reviewed)	52 weeks June 2011 (Audited)
Profit before interest and taxation			
Trading profit before interest and taxation	1,335.7	1,284.7	2,182.9
Asset impairments	(0.3)	–	(10.0)
Transaction costs (note 5)	–	–	(408.8)
Integration costs	(41.7)	–	–
Loss on disposal of Makro Zimbabwe	–	–	(38.6)
BEE transaction IFRS 2 charge (note 4)	(9.8)	(20.2)	(41.9)
Foreign exchange profit/(loss)	82.4	(79.5)	(72.3)
Operating profit before interest and taxation	1,366.3	1,185.0	1,611.3
Profit before taxation			
Trading profit before taxation	1,424.7	1,355.6	2,331.6
Corporate net interest	(137.1)	(111.6)	(255.9)
Asset impairments	(0.3)	–	(10.0)
Transaction costs (note 5)	–	–	(408.8)
Integration costs	(41.7)	–	–
Loss on disposal of Makro Zimbabwe	–	–	(38.6)
BEE transaction IFRS 2 charge (note 4)	(9.8)	(20.2)	(41.9)
Foreign exchange profit/(loss)	82.4	(79.5)	(72.3)
Operating profit before taxation	1,318.2	1,144.3	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 and the requirements of the Companies Act 71 of 2008, as amended. These condensed financial statements are in accordance with IAS 34 Interim Financial Reporting, using accounting policies that have been consistently applied to prior periods.*

2. *During the period under review, the only Massmart shares acquired in the market were by the Massmart Employee Share Trusts where 0.6 million shares (0.3% of shares in issue) were bought at an average price of R154.99 totalling R86.3 million. In the prior period, the only shares bought in the market were by the Massmart Employee Share Trusts where 1.4 million shares (0.7% of shares in issue) were bought in the market at an average price of R126.84 totalling R175.2 million.*

3. *The impairment of assets in the current period relates to the closure of the Game Mauritius store. There was no impairment of assets in the prior period. The impairment of assets in the 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 R9.8 million (2010: R20.2 million). The 'A' and 'B' preference shares were issued to the Thuthukani Trust and the Black Scarce Skills Trust respectively.*

5. *The 2011 year-end Walmart Transaction costs were made up as follows:*

	Rm
Advisors' fees	*238.7*
Accelerated share-based payment charge	*70.1*
Supplier fund	*100.0*
	408.8

6. *The preference shareholders' dividend amount of R2.5 million (2010: R16.9 million) represents the June 2011 final cash dividend of 134 cents paid to all Thuthukani beneficiaries. The Thuthukani dividend was equivalent to 100% of the ordinary dividend for the current and prior periods.*

7. *Other non-current liabilities and provisions include the lease smoothing liability of R354.5 million (2010: R418.6 million).*

8. *There were no businesses acquired during the period. The net asset value of the businesses acquired in the prior period was R62.9 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. *Related party transactions include private aircraft, used from time to time, in the normal course of business by Massmart and its divisions and hired from competitively selected charter companies, two of which operate aircraft indirectly beneficially owned by Mr MJ Lamberti.*

11. *Post-balance sheets events include the acquisition of 100% of Fruitspot which became effective on 2 January 2012 and the acquisition of 100% of Rhino Cash & Carry which will be effective from 1 March 2012.*

12. *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 the JSE Limited Listings Requirements and ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. The preparation of the Group's condensed consolidated reviewed results was supervised by the Chief Financial Officer, Guy Hayward, BCom, CTA, CA(SA).*