

MASSMART

Dedicated to Value

Audited Consolidated Results for the year ended 30 June 2002

SixtyOnePointTwo*

Massmart, is a unique, managed portfolio of nine wholesale or retail chains, each focused on high-volume, low margin, low cost distribution of mainly branded consumer goods for cash, in eight countries in Southern Africa. The Group is the third largest distributor of consumer goods in Southern Africa, the leader in general merchandise and liquor and the fourth largest in food.

44

% increase
in Sales to
R16 709m

95

% increase in
Trading Profit
to R539m

67

% increase in
Headline Earnings
to R362m

44

% increase in Headline
Earnings before Acquisitions
to R305m

67

% increase in
Headline EPS
to 183,2c

97

% increase in Cash
Flow from Operations
to R677m

Overview

In every respect, Massmart experienced the best year in its twelve year history.

The Jumbo, Browns, Weirs and Furnex acquisitions, contributed to Massmart's 11th consecutive half-year of record sales and headline earnings growth.

The highlights of the year were:

- Fifty-three week sales exceeding R16bn, profits exceeding R500m and cash from operations exceeding R600m, for the first time.
- Pre-interest operating profit as a percentage of sales at 3,2% exceeding 3% for the first time.
- Record sales, trading profits and pre- and post-interest trading margins in all divisions.
- Comparable store and comparable member sales growth of 22%.
- Non-South African sales approaching R1,4bn.
- The earnings accretive R528m acquisition, enhancement of profitability and almost total integration, of three major businesses.
- The segmentation of the group's nine chains into four coherent divisions, based on similar target markets and business models.
- The refinement of Massmart's 2002 to 2005 growth strategies and the establishment of a Vision for Growth.
- The establishment of several strategic alliances with key suppliers.
- An exceptional growth of sales, profits and returns from both Game and Dion, resulting primarily from new superior leadership and a re-structured executive team in Massdiscounters.
- Sustained high performance by Makro, resulting in profit before tax of 2,9% of sales and a four-year compound annual growth in profit before interest and tax of 36%, with no new stores opened over that period.
- An excellent performance from CCW and the total integration of Browns and Weirs to form CBW.
- Notwithstanding conservative Massmart accounting policies, an improved result from Jumbo.

SixtySevenPointSeven**

- Collaboration with the South African Revenue Services to reach rapid conclusion on the outcome of the R18m VAT fraud perpetrated on Shield.
- A solid trading performance from Shield, culminating recently in the formation of Masstrade and the integration of Furnex under one management team in a new head office.
- The unbundling of Wooltru with effect from the 26th June 2002, resulting in the percentage of Massmart shares held by the public and institutional investors rising from 20% to 58%.
- The strengthening of the board with the appointment of three new non-executive directors, two of whom are independent.
- The strengthening of governance with the formation of the King and Risk Sub-Committees of the Board.

Strategy and Implementation

Massmart is dedicated to creating shareholder value through high quality, strategically aligned, organic and acquisitive growth, which renders superior operating margins, cash flow and returns on capital.

Massmart's performance relies on the achievement of two major objectives. The first - growth through aggressive development of a portfolio of focused chains; the second - collaboration between the chains to create value in addition to that which they could achieve as stand alone entities.

This strategy emphasises the imperative for the management of each chain to be dedicated to the needs of a well defined target market, while concurrently participating in collaborative activities which enhance value by leveraging the resources, influence and talent of the Group. The delicate balance between these seemingly contrary objectives is ensured by structures, processes and incentives which fuel entrepreneurship at the expense of bureaucracy.

The successful implementation of this strategy is entirely dependent on the 13 570 people who choose to devote their intellect, energy, passion and commitment to Massmart every day. We are deeply indebted to them.

Operating Performance

The South African wholesale and retail economy improved steadily throughout the financial year, as improving real personal disposable income fuelled consumer confidence, which reached seven-year highs in the second quarter of 2002.

Competitive activity was nevertheless aggressive.

Massmart's growth rate accelerated throughout the year. Sales before acquisitions grew 23%. Sales of general merchandise grew 28% with food and liquor growth enhanced by the acquisitions, at 60% and 36% respectively.

Massmart registered significant gains in market share in many categories.

Operating profit before tax and before acquisitions at R445m, compares to R276m last year. The impact of inflation on the group's pre-tax profits in the second half was estimated to be approximately R20m.

The performance of each chain was enhanced by specific Group initiatives in the areas of procurement, cost reduction, market penetration and executive development.

Massdiscounters comprises retail general merchandise discounters **Game** (54 stores) and **Dion** (11 stores). Aggressive procurement, merchandising and advertising resulted in comparable store sales growth of 27%. This together with sound expense, margin and asset control resulted in excellent progress towards the division's targeted profit before tax return on sales of 5%.

OneHundredAndFourteenPointOne***

Makro is a 12 store warehouse club, trading in food, liquor and general merchandise. Comparable store sales growth of 16% and excellent control of margins, assets and costs resulted in a strong growth of profits, approaching the company's targeted profit before tax return on sales of 3%. The anticipated benefits of revised trading strategies and the SAP Retail software implementation have encouraged **Makro** to raise the medium term targeted profit before tax return on sales to 4%.

Masscash comprises wholesale cash and carry outlets **CCW** (21 food and liquor outlets), **Browns** (11 food and liquor outlets), **Weirs** (11 food and liquor outlets) and **Jumbo** (6 food and cosmetics outlets). Comparable store sales growth of 29% and the effect of 3 stores opened in the previous year, resulted in strong sales growth in CCW. The performance of the Jumbo, Browns and Weirs chains is reported on below. Margins, expenses, shrinkage and working capital were well controlled resulting in the division exceeding its targeted return on sales of 3,5%.

Masstrade comprises voluntary buying organisations **Shield** (serving 400 independent food traders) and **Furnex** (serving 415 independent furniture and appliance traders). Despite a major new system implementation, the restructuring of the staff complement and the VAT fraud, **Shield's** sales and profits improved in the second half as new members were recruited and debtors were well controlled. Post-interest profits were reduced by a decapitalisation, in line with group policy to fund only fixed assets with equity. The division remains committed to its targeted return on sales of 3%. The R18m payment to SARS, arising out of the fraud perpetrated on **Shield**, has been included in headline earnings but treated as an exceptional item at a Group level and excluded from **Shield's** trading results, to prevent distortion of the latter. All legal avenues are being pursued to recover this amount. The performance of **Furnex** is reported on below.

	(Audited) 30 June 2002 Rm	(Audited) 30 June 2001 Rm	% Change
Trading Profit Before Tax	549,8	291,9	88,4
<i>As a % of Sales</i>	<i>3,3</i>	<i>2,5</i>	
Massdiscounters	178,0	84,4	110,9
Makro	130,0	98,4	32,1
Masscash	185,6	62,8	195,5
Masstrade	56,2	46,3	21,4

Acquisition Performance and Integration

Combined full year sales from the 6 Jumbo, 11 Browns and 11 Weirs stores totalled R2,6bn, contributing pre-tax profits of R117m, R72m after acquisition financing costs. This profit, together with the R23m pre-tax profit (R11m after acquisition financing costs) produced by Jumbo in the three months to June 2001, validates Massmart's acquisition criteria and the R483m transaction.

Jumbo's performance was enhanced by a strengthening of management: the refurbishment of the Crown Mines store; new marketing and promotional activity and enhanced asset management. Jumbo is in the final stages of integration some six months ahead of plan and details of its growth strategies will be announced during 2003. Appropriate merchandising and the rapid adoption of the trading policies and controls of CCW by the

management of the Browns and Weirs stores, resulted in their rapid and total integration into the Group.

Furnex, purchased for R45m with effect from 1st January 2002, generated sales of R297m and pre-tax profit of R9m for the six months, R6m after acquisition financing costs. The major aspects surrounding the integration of **Furnex** and **Shield** to form **Masstrade** will be completed by the end of 2002 with full integration targeted by June 2003.

Growth Vision

Buoyed by the successful achievement of the strategic objectives established in 1990, the Massmart 2002 to 2005 Strategic Review culminated in a Vision for Growth that would result in sales approaching R30bn and operating profit of R1bn by June 2005, assuming performance commensurate with the Group's historic track record.

TwentyEightPointTwo***

The sales growth target will be realised through: real sales growth from existing outlets, significant new store development opportunities for CBW and Jumbo in South Africa and Game in Africa; expansion into new categories and formats; and selected acquisitions that conform to Massmart's strategic and acquisition criteria. Improved efficiencies throughout the supply chain and inter divisional collaboration will enable margin growth to exceed sales growth.

This Vision for Growth will be realised by Massmart attracting, developing, retaining and leading the best available talent in South African distribution.

The budgets for the current year, including four confirmed new store openings, together with the acquisitions currently under consideration, reflect sound progress towards this objective.

Prospects

Sound fiscal and monetary management has shielded South Africa from much of the economic turbulence worldwide. There is reason for cautious optimism over the coming year.

Within the South African retail and wholesale sector, the rationalisation of assets, formats and outlets together with the clarification of the consumer proposition, is resulting in a polarisation of profitability around those predominantly cash based participants who adapt to efficiently satisfy the evolving consumer profile with exceptional value. Within Africa, traditionally underserved or exploited markets respond enthusiastically to similar value.

Massmart intends remaining at the forefront of these seminal trends through superior merchandising, cost control and asset management, with continuing emphasis on cash generation and the acquisition and integration of businesses that will benefit from our ownership.

Although we remain confident that Massmart will produce a real growth in earnings per share at the forefront of the retail sector, shareholder's attention is drawn to the past year's exceptional second half growth arising from the acquisitions; an additional two months sales contribution from **Makro Woodmead**; a 53rd week; and some inflationary pressure in selected product categories. Second half growth in the current year is therefore likely to be relatively muted.

Sales growth for the 7 weeks to Sunday 18th August is 30% and 37% including **Furnex**.

Dividend Policy and Declaration

Massmart's dividend policy is to declare and pay an interim dividend representing a four times dividend cover but a total annual dividend of three times cover, unless circumstances dictate otherwise.

Notice is hereby given that a final dividend of 36,0 cents per share in respect of the year ended 30th June 2002 has been declared payable to the holders of ordinary shares recorded in the books of the company on 13th September 2002. The last date to trade cum-dividend will therefore be 6th September 2002 and Massmart shares will trade ex-dividend from 9th September 2002. Payment of the dividend will be made on 16th September 2002. Share certificates may not be dematerialised or rematerialised between 9th September 2002 and 13th September 2002, both days inclusive.

On behalf of the board

Mark J Lamberti - Executive Chairman
21 August 2002

Guy Hayward - Chief Financial Officer

INCOME STATEMENT

	(Audited) 30 June 2002 Rm	(Audited) 30 June 2001 Rm	% Change
Sales	16 709,2	11 568,4	44,4
Massdiscounters	5 285,2	4 183,9	26,3
Makro	4 459,8	3 903,0	14,3
Masscash	4 730,3	1 784,6	165,1
Masstrade	2 233,9	1 696,9	31,7
Trading Profit Before Interest	538,8	277,0	94,5
<i>As a % of Sales</i>	3,2	2,4	
Massdiscounters	209,4	114,3	83,2
Makro	109,8	70,7	55,3
Masscash	167,2	54,9	204,6
Masstrade	52,4	37,1	41,2
Goodwill Amortisation	(39,7)	(9,1)	
Exceptional Items (note 1)	5,2	(30,6)	
Net Interest (Paid) / Received	(14,1)	9,4	
Profit Before Tax	490,2	246,7	98,7
Taxation	(164,4)	(63,0)	161,0
Profit After Tax	325,8	183,7	77,4
Associate Company	(1,2)	(0,1)	
Minorities	(2,9)	(3,9)	
Net Profit for the Year	321,7	179,7	79,0
Headline Earnings Adjustments (after Tax and Minorities)			
Exceptional Items	(1,3)	22,6	
Shield Bad Debt on VAT Settlement	(11,1)		
Goodwill Amortisation	39,2	9,1	
Restraint of Trade Payments	7,9		
Loss on Sale of Fixed Assets	5,2	4,6	
Headline Earnings	361,6	216,0	67,4
Headline EPS (cents)	183,2	109,9	66,7
Diluted Headline EPS (cents)	181,9	109,8	65,7
Attributable EPS (cents)	163,0	91,4	78,3
Diluted Attributable EPS (cents)	161,8	91,3	77,2
Dividend (cents):			
- Interim	25,0	15,0	
- Final (declared and paid after the financial year-end)	36,0	21,0	
Ordinary Shares (000's):			
- In Issue	197 824	197 077	
- Weighted-Average	197 339	196 529	
- Diluted Weighted-Average	198 793	196 730	

BALANCE SHEET

	(Audited) 30 June 2002 Rm	(Audited) 30 June 2001 Rm	% Change
Assets			
Property, Plant and Equipment	380,7	368,2	3,4
Goodwill	383,7	340,2	12,8
Investments and Loans	229,5	185,9	23,5
Deferred Tax	236,2	339,3	(30,4)
Inventories	1 981,9	1 555,7	27,4
Accounts Receivable and Prepayments	1 109,4	835,9	32,7
Cash and Bank Balances	623,5	518,2	20,3
Total	4 944,9	4 143,4	19,3
Equity and Liabilities			
Shareholders' Equity	1 414,0	1 204,6	17,4
Minority Interests	12,7	11,1	14,4
Long Term Liabilities - Interest Bearing	236,6	6,9	-
Other Long Term Liabilities and Provisions	34,2	58,8	-
Deferred Tax	11,1	5,6	-
Accounts Payable and Accruals	3 111,8	2 839,2	9,6
Bank Overdraft and Short Term Borrowings	124,5	17,2	-
Total	4 944,9	4 143,4	19,3
Net Asset Value per Share (cents)	714,8	611,2	17,0

CASH FLOW STATEMENT

	(Audited) 30 June 2002 Rm	(Audited) 30 June 2001 Rm	% Change
Cash Inflow from Trading	637,7	335,6	90,0
Working Capital Movement	38,9	8,8	
Cash Flow from Operations	676,6	344,4	96,5
Cash Outflow from Other Operating Activities	(103,9)	(34,3)	-
Dividends Paid	(90,7)	(48,0)	89,0
Investment In and Replacement of Fixed Assets	(110,1)	(120,0)	(8,3)
Other Investing Activities	(86,5)	(525,8)	-
Net Financing Activities	(233,9)	965,9	-
Opening Cash and Cash Equivalents	498,8	(83,4)	-
Closing Cash and Cash Equivalents	550,3	498,8	10,3

STATEMENT OF CHANGES IN EQUITY

Opening Balance	1 204,6	576,7	108,9
Exchange Differences	7,9	3,2	
Dividends Paid	(90,7)	(29,5)	207,5
Net Profit for the Year	321,7	179,7	79,0
Shares Issued	5,5	474,5	
Reduction of Deferred Tax Asset	(38,3)	-	
Share Trust Income and Other	3,3	-	
Closing Balance	1 414,0	1 204,6	17,4

ADDITIONAL INFORMATION

Trading Profit Before Item Below:	645,0	360,0	79,2
- Depreciation	(106,2)	(83,0)	28,0
Trading Profit Before Interest	538,8	277,0	94,5
Capital Expenditure:			
- Authorised and Committed	41,4	31,3	
- Authorised not Committed	46,1	102,9	
Contingent Liabilities (note 6)	258,0	225,6	
Operating Lease Commitments	4 693,3	4 066,4	

NOTES

1. Exceptional items comprise net insurance proceeds received on assets destroyed in the Makro Woodmead fire and CCW Maseru riots, the loss on disposal of Sip'n Save, an impairment on the investment in Affinity Logic and a bad debt relating to VAT settlement.
2. Included in trading profit is R3,4m in net realised foreign exchange translation gains.
3. With the exception of depreciation on land and buildings applied for the first time this year, these financial statements have been prepared on a basis consistent with prior periods, in accordance with South African Statements of Generally Accepted Accounting Practice.
4. Due to Christmas trading, Massmart's earnings are weighted towards the 6 months to December.
5. In light of the foreign currency situation in Zimbabwe, the results of Makro Zimbabwe are not consolidated. Earnings are accounted for on a cash received basis.
6. Included in contingent liabilities are obligations under FEC's of R148,4m (2001:R119,1m).

* **SixtyOnePointTwo** percent increase in trading profit before tax and acquisitions.

** **SixtySevenPointSeven** percent five year compound annual growth of headline earnings per share.

*** **OneHundredAndFourteenPointOne** million rand average annual sales per Massmart store.

**** **TwentyEightPointTwo** percent five year compound annual growth of sales.

Directorate: M.J Lamberti (Executive Chairman), C.S Seabrooke (Deputy Chairman), D.G Barrett*(Deputy Chief Executive), G.R.C Hayward, W Kirsh, S Leggatt*,I.N Matthews, D.N.M Mokhobo, M Msimang, M .J Rubin, F Schukken** (alternate D.C Doijer**).*United Kingdom, **Netherlands.
Massmart Holdings Ltd. JSE Code - MSM.ISIN - ZAE000029534. Company Registration Number - 1940/014066/06, Registered Office - Massmart House, 16 Peltier Drive, Sunninghill Ext 6, 2157. Company secretary: R.A McKee.

For more information www.massmart.co.za