For more information www.massmart.co.za

House, 16 Peltier Drive, Sunninghill Ext 6, 2157. Company secretary: R.A McKee.

reached seven-year highs in the second quarter of 2002.

The South African wholesale and retail economy improved steadily throughout the financial year, as improving real personal disposable income fuelled consumer confidence, which in turn buoyed retail spending.

S Leggatt*, I.N Matthews, D.N.M Mokhobo, M Msimang, M.J Rubin, F Schukken** (alternate D.C Doijer**). *United Kingdom, **Netherlands.

An exceptional growth of sales, profits and returns from both Game and Massdiscounters.

Result from Jumbo.

• Notwithstanding conservative Massmart accounting policies, an improved result from Game, Shield, Browns, and Browns/Carnival.

• An excellent performance from CCW and the total integration of Browns and Shield.

• An exceptional growth of sales, profits and returns from both Game and Massdiscounters.

• A solid trading performance from Shield, culminating recently in the acquisition of Browns and Carnival.

This strategy emphasises the imperative for the management of each chain to be dedicated to the needs of its target market, while concurrently participating in collaborative activities which enhance the achievement of corporate objectives and which are focused on the development of strategies to add value.

Notwithstanding conservative Massmart accounting policies, an improved result from punjabs.

Strategy and Implementation

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

Massmart performance and the achievement of two major objectives.

- Authorised and Committed 41,4 31,3
- Contingent Liabilities (note 6) 258,0 225,6
- Capital Expenditure: - Authorised and Committed 41,4 31,3
- Authorised not Committed 46,1 102,9

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.

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, and an impairment on the investment in Affinity Logic and a loan asset relating to VAT settlement.

2. Includes in trading profit is R9,3m in net unrealised foreign exchange 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 FICs of R14,6m (2001:R13,8m).

CASH FLOW STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>(Audited) 20 June 200</th>
<th>(Audited) 20 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cash Inflow from Trading</td>
<td>631,7</td>
<td>335,6</td>
</tr>
<tr>
<td>Working Capital Movements</td>
<td>38,9</td>
<td>8,8</td>
</tr>
<tr>
<td>Cash Flow from Operations</td>
<td>674,6</td>
<td>344,4</td>
</tr>
<tr>
<td>Cash Outflow from Other Operating Activities</td>
<td>(103,9)</td>
<td>(34,3)</td>
</tr>
<tr>
<td>Dividends Paid</td>
<td>(50,7)</td>
<td>(48,0)</td>
</tr>
<tr>
<td>Investment In and Replacement of Fixed Assets</td>
<td>(110,1)</td>
<td>(120,0)</td>
</tr>
<tr>
<td>Other Investing Activities</td>
<td>(86,5)</td>
<td>(52,5)</td>
</tr>
<tr>
<td>Net Financing Activities</td>
<td>(233,9)</td>
<td>965,9</td>
</tr>
<tr>
<td>Operating Cash and Cash Equivalents</td>
<td>498,8</td>
<td>(92,4)</td>
</tr>
<tr>
<td>Closing Cash and Cash Equivalents</td>
<td>550,3</td>
<td>498,8</td>
</tr>
</tbody>
</table>

STATEMENT OF CHANGES IN EQUITY

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>1 204,6</td>
<td>576,7</td>
</tr>
<tr>
<td>Exchange Differences</td>
<td>7,9</td>
<td>5,2</td>
</tr>
<tr>
<td>Net Profit for the Year</td>
<td>321,7</td>
<td>179,7</td>
</tr>
<tr>
<td>Shares Issued</td>
<td>5,5</td>
<td>475,5</td>
</tr>
<tr>
<td>Reduction of Deferred Tax Asset</td>
<td>(38,3)</td>
<td>-</td>
</tr>
<tr>
<td>Shareholders' Equity and Reserves</td>
<td>1 414,0</td>
<td>1 204,6</td>
</tr>
</tbody>
</table>

ADDITIONAL INFORMATION

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
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</thead>
<tbody>
<tr>
<td>Trading Profit Before Item Below</td>
<td>645,0</td>
<td>360,0</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(106,2)</td>
<td>(83,0)</td>
</tr>
<tr>
<td>Trading Profit Before Interest</td>
<td>538,8</td>
<td>277,0</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>1 204,6</td>
<td>1 204,6</td>
</tr>
</tbody>
</table>

NOTES

1. 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, and an impairment on the investment in Affinity Logic and a loan asset relating to VAT settlement.

2. The definition of profit includes net foreign exchange gains.

3. Due to limited profit, no dividend was paid.

4. Depreciation is stated in accordance with the statement of Generally Accepted Accounting Practice.

5. Earnings are calculated on a company basis, which renders superior operating margins, cash flow and returns on capital.

6. Included in contingent liabilities are obligations under FICs of R14,6m (2001:R13,8m).

60

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, and an impairment on the investment in Affinity Logic and a loan asset relating to VAT settlement.

2. Includes in trading profit is R9,3m in net unrealised foreign exchange 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. Depreciation is charged to the income statement, which renders superior operating margins, cash flow and returns on capital.

5. Earnings are calculated on a company basis, which renders superior operating margins, cash flow and returns on capital.

6. Included in contingent liabilities are obligations under FICs of R14,6m (2001:R13,8m).

SixtyOnePointTwo**

SixtyOnePointSeven**

SixtyEightPointTwo**

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, and an impairment on the investment in Affinity Logic and a loan asset relating to VAT settlement.

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5. Earnings are calculated on a company basis, which renders superior operating margins, cash flow and returns on capital.

6. Included in contingent liabilities are obligations under FICs of R14,6m (2001:R13,8m).

SixtyOnePointTwo**

SixtyOnePointSeven**

SixtyEightPointTwo**

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, and an impairment on the investment in Affinity Logic and a loan asset relating to VAT settlement.
### Income Statement

<table>
<thead>
<tr>
<th></th>
<th>(Audited) 30 June 2002</th>
<th>(Audited) 30 June 2001</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>16 799,2 Rm</td>
<td>15 586,6 Rm</td>
<td>7.7%</td>
</tr>
<tr>
<td>Materials</td>
<td>5 285,2 Rm</td>
<td>4 183,9 Rm</td>
<td>26.3%</td>
</tr>
<tr>
<td>Makro</td>
<td>4 459,8 Rm</td>
<td>3 903,0 Rm</td>
<td>14.3%</td>
</tr>
<tr>
<td>Masscash</td>
<td>4 473,0 Rm</td>
<td>1 784,6 Rm</td>
<td>165.1%</td>
</tr>
<tr>
<td>Massmade</td>
<td>2 233,9 Rm</td>
<td>1 696,9 Rm</td>
<td>31.7%</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>3 338,3 Rm</td>
<td>277,0 Rm</td>
<td>1185%</td>
</tr>
<tr>
<td>Taxation</td>
<td>490,2 Rm</td>
<td>(164,4) Rm</td>
<td>279.7%</td>
</tr>
<tr>
<td>Profit After Tax</td>
<td>2 848,1 Rm</td>
<td>902,6 Rm</td>
<td>215.4%</td>
</tr>
<tr>
<td>Associate Company</td>
<td>(1,2) Rm</td>
<td>(0,1) Rm</td>
<td>100.0%</td>
</tr>
<tr>
<td>Minority</td>
<td>(2,9) Rm</td>
<td>(3,9) Rm</td>
<td>33.3%</td>
</tr>
<tr>
<td>Net Profit</td>
<td>325,8 Rm</td>
<td>183,7 Rm</td>
<td>77.4%</td>
</tr>
<tr>
<td>As % of Sales</td>
<td>2.0%</td>
<td>1.2%</td>
<td>66.7%</td>
</tr>
</tbody>
</table>

**TwentyEightPointTwo****

### Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>(Audited) 30 June 2002</th>
<th>(Audited) 30 June 2001</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>4 844,9 Rm</td>
<td>4 143,4 Rm</td>
<td>17.3%</td>
</tr>
<tr>
<td>Equity and Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders' Equity</td>
<td>1 640,8 Rm</td>
<td>1 385,6 Rm</td>
<td>18.4%</td>
</tr>
<tr>
<td>Minority Interests</td>
<td>71,8 Rm</td>
<td>111,2 Rm</td>
<td>-17.9%</td>
</tr>
<tr>
<td>Total Equity</td>
<td>1 712,6 Rm</td>
<td>1 496,8 Rm</td>
<td>14.5%</td>
</tr>
<tr>
<td>Liabilities</td>
<td>3 132,3 Rm</td>
<td>2 647,6 Rm</td>
<td>18.5%</td>
</tr>
</tbody>
</table>

**Notice to Shareholders new 22/08/02 11:36 AM Page 2**
Twenty Eight Point Two

The Group’s core business, which comprises cash and carry outlets, achieved profits before tax of R582m (2001: R533m), with a growth rate of 8%.

The Group’s performance continued to impress with recognised growth in all its businesses. Although the year has been one of the most challenging for the group in recent years, the Group has managed to improve its performance and increase its profitability.

The Group’s performance was enhanced by the acquisition of the following businesses:

- Furnex, purchased for R45m with effect from 1st January 2002, generated sales of R297m (2001: R167m) in its first year of operation.
- Browns, purchased for R70m with effect from 1st May 2002, generated sales of R147m (2001: R83m) in its first year of operation.
- Weirs, purchased for R70m with effect from 1st May 2002, generated sales of R113m (2001: R71m) in its first year of operation.
- Jumbo, purchased for R195m with effect from 1st April 2002, generated sales of R717m (2001: R421m) in its first year of operation.
- CCW, purchased for R230m with effect from 1st April 2002, generated sales of R179m (2001: R106m) in its first year of operation.
- Makro, purchased for R265m with effect from 1st May 2002, generated sales of R271m (2001: R130m) in its first year of operation.
- Masscash, purchased for R85m with effect from 1st May 2002, generated sales of R145m (2001: R80m) in its first year of operation.
- Masstrade, purchased for R50m with effect from 1st May 2002, generated sales of R114m (2001: R37m) in its first year of operation.
- CCW, purchased for R230m with effect from 1st April 2002, generated sales of R179m (2001: R106m) in its first year of operation.
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Massmart, 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.

In every respect, Massmart experienced the best year in its twelve year history. The commodity-driven, buying and finance acquisitions, contributed to Massmart's third consecutive half-year of record sales and headline earnings growth. The highlights of the year were:

- Fifty three-week sales exceeding R5bn, 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 margins and pre- and post-interest trading margins in all divisions.
- Comparable store and comparable member sales growth of 22%.
- The segmentation of the group's nine chains into four coherent divisions, and almost total integration, of three major businesses.

Strategy and Implementation

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

Massmart performances on the achievement of two major objectives. First - growth through aggressive development of a portfolio of focused, mature - the record - growth between the chains to create value and advantage which they could not achieve on their own.

This strategy places the operational focus on the management of each channel dedicated to the needs of its specific target market, with each concurrently participating in cooperative activities and enhanced leveraging of resources, in accordance with the Group's divisional balance between strong unity of corporate objectives and ensuring structure, processes, and incentive which suit entrepreneurs at the ground level. This coalescence of this strategy is entirely dependent on the Group's people who choose to devote their intellect, energy and commitment to the Group every day. We thank them all.

Notchforth, the experience of continuous acquisition, in an environment of turmoil and uncertainty, has improved our consolidated entity through the pace and nature of the changes, and a more solid and integrated organisation.

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.