MASSMART | Walmart

REVIEWED CONSOLIDATED RESULTS FOR THE 53 WEEKS ENDED 29 DECEMBER 2013

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 376 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 53 weeks ended on 29 December 2013, Massmart's total sales increased by 9.8% over the previous year's 52-week period. Boosted by the additional week's sales and the foreign exchange translation profit caused by the weakening Rand, operating profit increased by 26.0% and headline earnings increased by 29.9%.

The difficult South African consumer environment was reflected in 52-week comparable stores' sales of 3.8% with product inflation of 2.7%. This is the sixth year that Massmart's product inflation has been below South African Consumer Price Inflation.

Adjusting for foreign exchange translation movements in both years, Walmart transaction costs in the prior year and the 53rd week, the Group's underlying operating profit performance decreased by 7.0%. This was an improvement on the half-year's performance as management responded with greater cost control and margin management given the deteriorating sales environment.

All Divisions performed well relative to their chosen markets other than Game South Africa which was caught in the very difficult trading environment of selling durable goods to financially challenged low- and middle-income consumers.

Pleasing progress was made in the implementation of the Group's strategies and operationally and strategically we are much better positioned than a year ago.

ENVIRONMENT

Commentators are forecasting a difficult South African consumer economy in 2014. The recent interest rate hike seems certain to make things more difficult for middle-income customers who, as suggested by the consumer credit statistics, are in a weak financial position. By contrast, the upper-income customer appears to be in a better financial position but their spending will be dependent on their confidence levels.

We seem to be in an unusual retail cycle. Retailers' recent results confirm that sales of non-durables and semi-durables are out-performing those of durables, a situation typical of a higher interest rate cycle where interest rates had been increased to curb inflation. But interest rates have until recently been at historical lows and so one might expect the opposite sales trends. This suggests that cyclical retailers are starting a rising interest rate cycle already under some pressure, and so managing cyclicality is becoming a key management skill.

As the economic landscape is changing, so is the customer landscape, particularly in our historically core categories of General Merchandise and Wholesale Food. The change in technology to tablets and smart phones, for example, is changing the spending patterns in many of the General Merchandise categories including digital cameras, laptops and toys. This mega-trend, amongst many other minor ones in General Merchandise categories, requires us to reposition both our offering and space allocation. The 2012 demise of a major South African wholesale food competitor and its subsequent disposal to independent operators is changing the distribution patterns of basic food across South Africa and requires us to trade in new ways.

In both the Home Improvement and Food Retail industries we are leading change, albeit being relatively new entrants into Food Retail.

The economic performances of countries outside South Africa have been mostly positive. The weaker Rand bolstered our reported Rand performance of our non-South African operations. Currency liquidity and pricing remains the greatest risk.

DIVISIONAL OPERATIONAL REVIEW

MASSDISCOUNTERS

Comprises the 121-store General Merchandise discounter and Food retailer Game, which trades in South Africa, Botswana, Ghana, Lesotho, Malawi, Mocambique, Namibia, Nigeria, Tanzania, Uganda and Zambia; and the 22-store Hi-tech retailer DionWired.

Total Divisional sales for the 53-week period increased by 8.6%. Comparable sales for the 52-week period increased by 1.0% with product inflation of 0.5%.

Given the hardening middle-income environment, Game South Africa's comparable sales showed a decline of 2.6% which caused severe pressure on profitability and so Massdiscounters' trading profit before interest and tax decreased by 39.3%. The roll-out of Dry Groceries and Fresh continues with 48 Game stores now offering both these categories. Food sales growth in these comparable stores is exceptionally strong.

DionWired's total sales growth was 19.5% and this brand has become the destination store within this category. Game Africa's total Rand sales and sales in local currencies increased by 22.0% and by 14.7%, respectively. Profit growth in both businesses was slightly below sales growth.

Three DionWired stores and 11 Game stores were opened, and four Game stores were closed, increasing space by 33,949m^2 (7.7%).

MASSWAREHOUSE

Comprises the 19-store Makro warehouse-club trading in Food, General Merchandise and Liquor in South Africa; and Fruitspot.

Total Divisional sales for the 53-week period increased by 14.4%. Comparable sales for the 52-week period increased by 4.0% with product inflation of 2.1%. The new Alberton, Johannesburg, store is trading exceptionally well. The relocated Amanzimtoti, Durban, store is also trading well but, as with most store relocations, has not yet seen significant new incremental sales and is carrying higher current costs. Makro's trading profit before interest and tax increased by 13.4%.

Two stores were opened and one store was closed, increasing space by 16,592m^2 (9.3%).

MASSBUILD

Comprises 92 stores, trading in DIY, Home Improvement and Building Materials, under the Builders Warehouse, Builders Express, Builders Trade Depot and Builders Superstore brands in South Africa, Botswana and Mocambique.

Total Divisional sales for the 53-week period increased by 11.9%. Comparable sales for the 52-week period increased by 8.2% with product inflation of 4.1%. Despite its leading market position, Massbuild invested heavily in its operating capacity this year: opening the highest number of stores ever; converting Builders Trade Depot onto our SAP IT platform; opening a national Distribution Centre in Johannesburg; opening two stores of the new format, Builders Superstore, aimed at lower-income consumers; and opening a new store in Botswana and two new stores in Mocambique. Trading profit before interest and tax increased by 26.7%.

Six Builders Warehouse stores were opened; five Builders Express stores were opened and two closed; three Builders Trade Depot stores were closed and one was sold; and two Builders Superstores were opened, resulting in net trading space increasing by 14,675 m^2 (3.7%).

MASSCASH

Comprises 75 Wholesale Cash and Carry and 47 Retail Cash and Carry stores trading in South Africa, Botswana, Lesotho, Mocambique, Namibia and Swaziland; and Shield, a voluntary buying association.

Total Divisional sales for the 53-week period increased by 6.5%. Comparable sales for the 52-week period increased by 3.8 % with product inflation of 4.2%. Trading in the Wholesale environment was difficult given the pressure on lower-income consumers, low product inflation and a very competitive market. Our first store in Mocambique is trading well and we continue to seek more sites in this and other southern African countries. Cambridge management has done an exceptional task of stabilising the control environment and installing a common IT platform and this business began to show strong trading performances towards the end of the financial year. Comparable sales growth was 7.8%. Masscash's trading profit before interest and tax increased by 4.1%.

One Wholesale store and five Retail stores were opened; and three Wholesale and two Retail stores were closed. Net trading space increased by 2,519m^2 (0.6%).

Rm	**53 weeks Dec 2013 (Reviewed)**	*% of sales*	**52 weeks Dec 2013 *(Pro forma)***	*% of sales*	52 weeks Dec 2012 (Reviewed)*	*% of sales*	*53 weeks % growth*	*52 weeks % growth*	*52 weeks comparable % sales growth*	*Estimated % sales inflation*	26 weeks Dec 2012 (Audited)*	*% of sales*
Sales	**72,263.4**		**70,790.7**		65,839.5		*9.8*	*7.5*	*3.8*	*2.7*	36,122.6	
Massdiscounters	**16,740.6**		**16,294.2**		15,408.6		*8.6*	*5.7*	*1.0*	*0.5*	8,422.1	
Masswarehouse	**19,675.1**		**19,271.7**		17,200.9		*14.4*	*12.0*	*4.0*	*2.1*	9,630.2	
Massbuild	**9,583.6**		**9,441.3**		8,561.0		*11.9*	*10.3*	*8.2*	*4.1*	4,663.1	
Masscash	**26,264.1**		**25,783.5**		24,669.0		*6.5*	*4.5*	*3.8*	*4.2*	13,407.2	
Trading profit before interest and tax	**2,145.4**	*3.0*	**1,994.4**	*2.8*	2,147.8	*3.3*	*(0.1)*	*(7.1)*			1,361.9	*3.8*
Massdiscounters	**366.6**	*2.2*	**326.9**	*2.0*	604.2	*3.9*	*(39.3)*	*(45.9)*			406.5	*4.8*
Masswarehouse	**990.2**	*5.0*	**939.5**	*4.9*	873.0	*5.1*	*13.4*	*7.6*			502.5	*5.2*
Massbuild	**507.6**	*5.3*	**467.6**	*5.0*	400.7	*4.7*	*26.7*	*16.7*			257.5	*5.5*
Masscash	**281.0**	*1.1*	**260.4**	*1.0*	269.9	*1.1*	*4.1*	*(3.5)*			195.4	*1.5*

Trading profit excludes several items. A detailed reconciliation between trading and operating profit can be found below the 'Headline Earnings' table on page 3.

** including effect of Walmart integration and related costs and excluding Walmart transaction costs.*

To make comparisons with the prior financial year meaningful, all current year income statement figures in this announcement are given as 52-week and 53-week results, and certain comparisons are based on the 52-week results.

STORE PROFILE UPDATE:

MASSDISCOUNTERS	MASSWAREHOUSE	MASSBUILD	MASSCASH
+10 STORES	+1 STORE	+7 STORES	+1 STORE
FROM 133 TO 143	FROM 18 TO 19	FROM 85 TO 92	FROM 121 TO 122
INCREASE IN TRADING SPACE: +7.7%	INCREASE IN TRADING SPACE: +9.3%	INCREASE IN TRADING SPACE: +3.7%	INCREASE IN TRADING SPACE: +0.6%
TOTAL COVERAGE: 475,331 SQM	TOTAL COVERAGE: 195,794 SQM	TOTAL COVERAGE: 410,546 SQM	TOTAL COVERAGE: 399,637 SQM

FINANCIAL REVIEW

Statement of comprehensive income

Total Group sales growth for the 53-week period ended 29 December 2013 was 9.8%. For the 52–week period, total and comparable sales growths were 7.5% and 3.8% respectively.

The Group's product inflation was 2.7% for the year suggesting real comparable volume growth of 1.1%. General Merchandise's inflation slowed to 0.1%, Food and Liquor's inflation slowed to 4.1% and Home Improvement inflation increased to 3.7%. Sales in our African businesses represented 7.7% of total sales and increased by 16.6% in Rands and 10.9% in local currencies.

During the year, 15 stores were closed, one store was sold and 35 stores were opened, resulting in a total of 376 stores at December 2013. Net trading space increased by 4.8% to a total of 1,481,308m^2.

The Group's gross profit of 18.46% is lower than that of the prior year of 18.65%. This is as a result of a combination of an increased contribution from Game Africa and an improved margin performance in Massbuild; both of which were offset by the difficult trading conditions in Wholesale Food, a greater overall Food contribution at a lower margin and General Merchandise margins in Game SA being under pressure throughout the year.

Total expenses (excluding foreign exchange movements and Walmart transaction, integration and related costs) increased by 10.4% over the comparable 52-week period. Employment costs, the Group's most significant cost, increased by 14.3% for the 52-week period. The impact of the Group's continued investment in capacity and growth can be seen in the 10.6% higher depreciation and amortisation charge and the 10.8% increase in occupancy costs. These increases relate to the opening of the Massbuild National Distribution Centre and 35 new stores. During the year new store pre-opening costs amounted to R108.5 million (2012: R70.3 million). Comparable expenses increased by 7.2%. During the prior year the Group incurred a cost of R140.0 million relating to increasing the value of the Supplier Development Fund as required by the Competition Appeal Court.

Included in operating profit are net realised and unrealised foreign exchange translation gains of R67.8 million (December 2012: R231.6 million loss). During the year the Rand weakened against the Group's basket of African currencies. The loss in the prior year related in most part to the devaluation of the Malawian Kwacha.

Excluding foreign exchange movements, earnings before interest, tax, depreciation and amortisation (EBITDA) of R2.9 billion increased over the prior year by 9.0% (52 weeks: 3.2%).

Net interest paid of R255.1 million increased as a result of the Group's capital expenditure programme, including the acquisition of certain key properties, and some inefficiencies in working capital levels. At R4.3 billion, the Group's average borrowings are higher than the prior year's figure of R3.2 billion and approximately R600.0 million of this relates to acquired properties.

The Group's effective tax rate of 29.3% (December 2012: 34.8%) should normalise at just below 30.0%.

The minority interests comprise store managers' holdings in Masscash stores and minorities in acquired Masscash businesses.

Headline earnings increased by 29.9% (52 weeks: 19.9%) and headline EPS increased by 29.5% (52 weeks: 19.5%) over the prior year. Adjusting for the effect of the foreign exchange movements in both years results in an increase in headline earnings of 7.7% (52 weeks: decrease of 0.9%).

Statement of financial position

Working capital was managed effectively in all Divisions other than Massdiscounters which is over-stocked given the lower sales in Game SA. Days in inventory at December 2013 were 63.7 (December 2012: 65.9 days) for the Group.

The net book value of property, plant and equipment increased by 54.8% compared to December 2012. This was largely the result of the R575.0 million acquisition of seven Makro stores.

The Group's gearing ratio (debt:equity) increased to 39.8% (December 2012: 28.5%). The annual rolling return on equity was 26.9% at December 2013 (December 2012: 21.9%). Excluding foreign exchange movements, this figure was 25.9% (December 2012: 25.4%).

Statement of cash flows

Operating cash generated of R3.7 billion is a combination of growth in cash-earnings coupled with an improved working capital performance. Total capital expenditure of R2.1 billion is significantly higher than the prior year, and comprises R752.1 million on maintenance and R1.3 billion on expansionary expenditure. This increase is largely a result of the R575.0 million acquisition of seven Makro stores.

Acquisition of properties

Massmart has continued with its stated intention to acquire strategic properties from which it operates. There are currently two separate transactions to acquire properties, totalling approximately R550.0 million, where we are awaiting transfer.

DIRECTORATE

The Group's non-Executive Chairman, Mark Lamberti, has been appointed CEO of the Imperial Group, from 1 March 2014. As a consequence, he has chosen to relinquish his directorships of other public companies and has advised that he will in due course resign as Chairman of Massmart. A Board-led succession process is underway.

STRATEGIC PRIORITIES

We have made good progress on our five strategic priorities of: Improving margins; Strategic discipline; Africa expansion; Innovation; and Building trust.

As part of these priorities, in 2014 the Group will invest in new retail formats and new categories. We will be trialing new formats in East and West Africa; will open more low-income home improvement stores in South Africa; and will launch new e-commerce offerings in our brands. New or extended categories include Fresh; Clothing; and Food Retail. Additionally, we will focus on owning more of our stores, will rationalise some stores in certain over-traded markets, and will continue to invest in product quality and safety.

PROSPECTS

For the 8 weeks to 23 February 2014, total sales increased by 9.5% and comparable sales increased by 7.7%, a much stronger start to the financial year than we anticipated.

Whilst too early to be confident about this new trend, the strong start suggests a better overall performance this year than last year. Whilst we remain cautious about the economy, we are much more positive about the business as we reap the rewards from the operational focus of last year.

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 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 217,109,044.

Notice is hereby given that a gross final cash dividend of 275.00 cents per share in respect of the period ended 29 December 2013 has been declared. The dividend has been declared out of income reserves and will be subject to the Dividend Tax rate of 15% which will result in a net dividend of 233.75 cents per share to those shareholders who are not exempt from paying Dividend Tax. 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:	Thursday, 13 March 2014
First trading day *ex* dividend on the JSE:	Friday, 14 March 2014
Record date:	Thursday, 20 March 2014
Payment date:	Monday, 24 March 2014

Share certificates may not be dematerialised or rematerialised between Friday, 14 March 2014 and Thursday, 20 March 2014, 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, on (011) 370 5000, or on 086 110 09818 (fax), 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.

On behalf of the Board

Grant Pattison
Chief Executive Officer

Ilan Zwarenstein
Group Financial Director

26 February 2014

FINANCIAL HIGHLIGHTS:

UP BY 9.8%	UP BY 7.5%	UP BY 96.0%	UP BY 7.7%	UP BY 29.9%	421 cents
R72,263.4 million	R2,084.7 million	R3,736.6 million	R1,285.7 million	R1,334.5 million	
SALES	OPERATING PROFIT BEFORE FOREX	CASH GENERATED FROM OPERATIONS	HEADLINE EARNINGS BEFORE FOREX	HEADLINE EARNINGS AFTER FOREX	DIVIDEND PER SHARE
2012: R65,840 million	2012: R1,940 million	2012: R1,906 million	2012: R1,194 million	2012: R1,027 million	2012: 421 cents

CONDENSED CONSOLIDATED INCOME STATEMENT

Rm	**53 weeks December 2013 (Reviewed)**	53rd week *pro forma* adjustment	**52 weeks December 2013 *(Pro forma)***	52 weeks December 2012 (Reviewed)	53 weeks *% change*	52 weeks *% change*	26 weeks December 2012 (Audited)
Revenue	**72,512.9**	1,477.6	**71,035.3**	66,050.3	*9.8*	*7.5*	36,234.5
Sales	**72,263.4**	1,472.7	**70,790.7**	65,839.5	*9.8*	*7.5*	36,122.6
Cost of sales	**(58,926.4)**	(1,192.6)	**(57,733.8)**	(53,563.0)	*(10.0)*	*(7.8)*	(29,523.2)
Gross profit	**13,337.0**	280.1	**13,056.9**	12,276.5	*8.6*	*6.4*	6,599.4
Other income	**249.5**	4.9	**244.6**	210.8	*18.4*	*16.0*	111.9
Depreciation and amortisation	**(731.1)**	–	**(731.1)**	(661.2)	*(10.6)*	*(10.6)*	(342.6)
Impairment of assets (note 3)	**(41.6)**	–	**(41.6)**	(21.6)	*(92.6)*	*(92.6)*	(5.4)
Employment costs	**(5,423.5)**	(66.0)	**(5,357.5)**	(4,686.5)	*(15.7)*	*(14.3)*	(2,487.5)
Occupancy costs	**(2,555.3)**	(10.8)	**(2,544.5)**	(2,296.5)	*(11.3)*	*(10.8)*	(1,225.6)
Foreign exchange profit/(loss)	**67.8**	–	**67.8**	(231.6)			(76.7)
Walmart transaction, integration and related costs (note 4)	**–**	–	**–**	(348.9)	*100.0*	*100.0*	(205.2)
Other operating costs	**(2,750.3)**	(57.2)	**(2,693.1)**	(2,533.0)	*(8.6)*	*(6.3)*	(1,243.2)
Operating profit	**2,152.5**	151.0	**2,001.5**	1,708.0	*26.0*	*17.2*	1,125.1
Finance costs	**(283.8)**	(5.4)	**(278.4)**	(217.4)	*(30.5)*	*(28.1)*	(106.0)
Finance income	**28.7**	0.1	**28.6**	90.0	*(68.1)*	*(68.2)*	45.6
Net finance costs	**(255.1)**	(5.3)	**(249.8)**	(127.4)	*(100.2)*	*(96.1)*	(60.4)
Profit before taxation	**1,897.4**	145.7	**1,751.7**	1,580.6	*20.0*	*10.8*	1,064.7
Taxation	**(555.3)**	(42.7)	**(512.6)**	(549.6)	*(1.0)*	*6.7*	(342.3)
Profit for the year	**1,342.1**	103.0	**1,239.1**	1,031.0	*30.2*	*20.2*	722.4
Profit attributable to:							
Owners of the parent	**1,283.0**	103.0	**1,180.0**	972.3			691.8
Preference shareholders (note 5)	**–**	–	**–**	5.0			1.4
Non-controlling interests	**59.1**	–	**59.1**	53.7			29.2
Profit for the year	**1,342.1**	103.0	**1,239.1**	1,031.0	*30.2*	*20.2*	722.4
Basic EPS (cents)	**591.4**	47.5	**543.9**	449.8	*31.5*	*20.9*	319.7
Diluted basic EPS (cents)	**585.1**	47.0	**538.1**	443.2	*32.0*	*21.4*	315.4
Dividend (cents):			**–**				
– Interim	**146.0**		**146.0**	–			–
– Final	**275.0**		**275.0**	421.0			275.0
– Total	**421.0**		**421.0**	421.0	–	–	275.0

HEADLINE EARNINGS

Reconciliation of net profit for the year to headline earnings							
Net profit attributable to owners of the parent	**1,283.0**	103.0	**1,180.0**	972.3			691.8
Impairment of assets (note 3)	**41.6**	–	**41.6**	21.6			5.4
Loss on disposal of fixed assets	**11.9**	–	**11.9**	16.4			6.2
Loss on disposal of business	**1.8**	–	**1.8**	16.5			4.4
Fair value adjustment on assets classified as held for sale	**–**	–	**–**	8.3			0.4
Total tax effects of adjustments	**(3.8)**	–	**(3.8)**	(8.1)			(2.7)
Headline earnings	**1,334.5**	103.0	**1,231.5**	1,027.0	*29.9*	*19.9*	705.5
Headline earnings before foreign exchange (taxed)	**1,285.7**	103.0	**1,182.7**	1,193.8	*7.7*	*(0.9)*	760.7
Headline EPS (cents)	**615.2**	47.5	**567.7**	475.2	*29.5*	*19.5*	326.0
Headline EPS before foreign exchange (taxed) (cents)	**592.7**	47.5	**545.2**	552.3	*7.3*	*(1.3)*	351.5
Diluted headline EPS (cents)	**608.6**	47.0	**561.6**	468.1	*30.0*	*20.0*	321.7
Diluted headline EPS before foreign exchange (taxed) (cents)	**586.4**	47.0	**539.4**	544.1	*7.8*	*(0.9)*	346.9

RECONCILIATION BETWEEN TRADING AND OPERATING PROFIT

Profit before interest and taxation					
Trading profit before interest and taxation	**2,145.4**	151.0	**1,994.4**	2,356.7	1,427.1
Walmart integration and related costs (note 4)	**–**	–	**–**	(208.9)	(65.2)
Trading profit before interest and taxation*	**2,145.4**	151.0	**1,994.4**	2,147.8	1,361.9
Asset impairments (note 3)	**(41.6)**	–	**(41.6)**	(21.6)	(5.4)
Walmart transaction costs (note 4)	**–**	–	**–**	(140.0)	(140.0)
Loss on disposal of business	**(1.8)**	–	**(1.8)**	(16.5)	(4.4)
Fair value adjustment on assets classified as held for sale	**–**	–	**–**	(8.3)	(0.4)
BEE transaction IFRS 2 charge (note 6)	**(17.3)**	–	**(17.3)**	(21.8)	(9.9)
Foreign exchange profit/(loss)	**67.8**	–	**67.8**	(231.6)	(76.7)
Operating profit before interest and taxation	**2,152.5**	151.0	**2,001.5**	1,708.0	1,125.1

** including effect of Walmart integration and related costs*

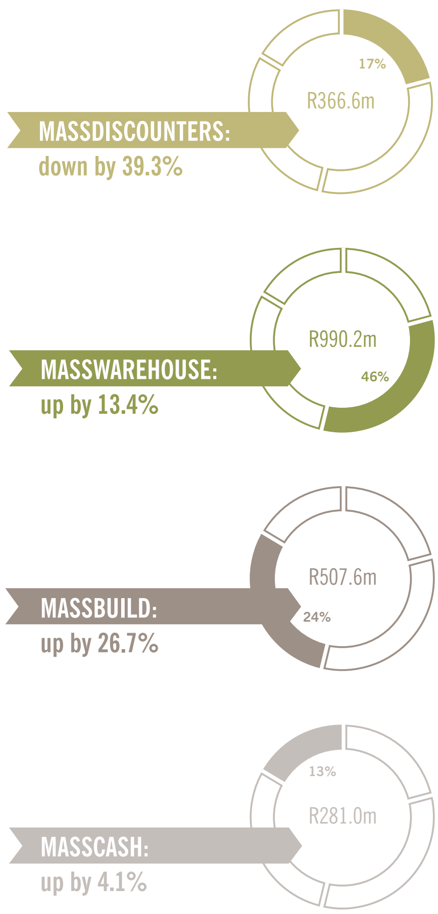
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Rm	**53 weeks December 2013 (Reviewed)**	53rd week *pro forma* adjustment	**52 weeks December 2013 *(Pro forma)***	52 weeks December 2012 (Reviewed)	53 weeks *% change*	52 weeks *% change*	26 weeks December 2012 (Audited)
Profit for the year	**1,342.1**	103.0	**1,239.1**	1,031.0			722.4
Other comprehensive income							
Items that will not be re-classified subsequently to the income statement							
PRMA actuarial profit	**5.7**	–	**5.7**	–			–
Items that will be re-classified subsequently to the income statement:							
Foreign currency translation reserve	**47.2**	–	**47.2**	6.0			25.1
Cash flow hedges	**7.0**	–	**7.0**	(10.7)			(5.8)
Revaluation of available for sale investments	**4.7**	–	**4.7**	1.7			1.6
Income tax relating to components of other comprehensive income	**(3.1)**	–	**(3.1)**	2.9			1.6
Other comprehensive income for the year, net of tax	**55.8**	–	**55.8**	(0.1)			22.5
Total comprehensive income for the year	**1,403.6**	103.0	**1,300.6**	1,030.9	*36.2*	*26.2*	744.9
Total comprehensive income attributable to:							
Owners of the parent	**1,344.5**	103.0	**1,241.5**	972.2			714.3
Preference shareholders (note 5)	**–**	–	**–**	5.0			1.4
Non-controlling interests	**59.1**	–	**59.1**	53.7			29.2
Total comprehensive income for the year	**1,403.6**	103.0	**1,300.6**	1,030.9	*36.2*	*26.2*	744.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rm	**December 2013 (Reviewed)**	December 2012 (Audited)	*% change*
ASSETS			
Non-current assets	**10,111.8**	7,595.1	
Property, plant and equipment	**5,988.1**	3,868.2	*54.8*
Goodwill and other intangible assets	**2,928.8**	2,945.3	
Investments and loans	**522.8**	385.3	
Deferred taxation	**672.1**	396.3	
Current assets	**16,036.1**	15,422.2	
Inventories	**10,115.5**	9,691.5	*4.4*
Trade, other receivables and prepayments	**3,712.5**	3,681.7	*0.8*
Taxation	**12.0**	17.0	
Cash and bank balances	**2,196.1**	2,032.0	
Non-current assets classified as held for sale	**–**	2.5	
Total	**26,147.9**	23,019.8	
EQUITY AND LIABILITIES			
Total equity	**5,369.6**	4,915.3	
Equity attributable to equity holders of the parent	**5,173.0**	4,739.7	*9.1*
Non-controlling interests	**196.6**	175.6	
Non-current liabilities	**2,206.4**	1,183.4	
Long-term interest-bearing borrowings	**1,178.7**	671.8	
Other non-current liabilities and provisions (note 7)	**941.1**	474.9	
Deferred taxation	**86.6**	36.7	
Current liabilities	**18,571.9**	16,921.1	
Trade, other payables and provisions	**17,101.2**	15,669.3	*9.1*
Taxation	**331.3**	298.5	
Bank overdrafts	**607.8**	392.1	
Short-term interest-bearing borrowings	**531.6**	561.2	
Total	**26,147.9**	23,019.8	

TRADING PROFIT BEFORE INTEREST AND TAX:



ADDITIONAL INFORMATION

	53 weeks Year ended December 2013 (Reviewed)	52 weeks Year ended December 2012 (Reviewed)	26 weeks Year ended December 2012 (Audited)
Net asset value per share (cents)	**2,382.7**	2,185.1	2,185.1
Ordinary shares (000's):			
– In issue	**217,109**	216,910	216,910
– Weighted average	**216,935**	216,142	216,414
– Diluted weighted average	**219,268**	219,393	219,313
Preference shares (000's):			
– Black Scarce Skills Trust 'B' shares held by the participants (note 6)	**2,348**	1,755	1,755
Capital expenditure (Rm):			
– Authorised and committed	**1,249.3**	954.8	954.8
– Authorised not committed	**783.4**	715.5	715.5
Gross operating lease commitments (2014 – 2028) (Rm)	**14,445.7**	13,383.4	13,383.4
US dollar exchange rates: – year-end (R/$)	**10.52**	8.59	8.59
– average (R/$)	**9.61**	8.20	8.47

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Rm	**53 weeks December 2013 (Reviewed)**	52 weeks December 2012 (Reviewed)	26 weeks December 2012 (Audited)
Operating cash before working capital movements	**2,984.0**	2,681.8	1,707.5
Working capital movements	**752.6**	(775.5)	1,110.0
Cash generated from operations	**3,736.6**	1,906.3	2,817.5
Taxation paid	**(732.8)**	(601.5)	(369.1)
Net interest paid	**(255.1)**	(127.4)	(60.4)
Investment income	**79.2**	0.1	–
Dividends paid	**(913.4)**	(864.7)	(317.0)
Cash inflow from operating activities	**1,914.5**	312.8	2,071.0
Net investment to maintain operations	**(752.1)**	(629.4)	(333.3)
Investment to expand operations	**(1,306.8)**	(685.1)	(402.6)
Businesses acquired	**–**	(383.6)	–
Other net investing activities	**(247.4)**	33.4	(25.3)
Cash outflow from investing activities	**(2,306.3)**	(1,664.7)	(761.2)
Cash inflow from financing activities	**293.0**	135.6	(367.8)
Net (decrease)/increase in cash and cash equivalents	**(98.8)**	(1,216.3)	942.0
Foreign exchange movements	**47.2**	6.0	25.1
Opening cash and cash equivalents	**1,639.9**	2,850.2	672.8
Closing cash and cash equivalents	**1,588.3**	1,639.9	1,639.9

FAIR VALUES OF FINANCIAL INSTRUMENTS

For financial instruments traded in an active market (level 1), fair value is determined using stock exchange quoted prices. For other financial instruments (level 2), appropriate valuation techniques, including recent market transaction and other valuation models, have been applied and significant inputs include market yield curves and exchange rates.

Fair value hierarchy Financial instruments in the statement of financial position:	**December 2013 (Rm)**	Level 1 (Rm)	Level 2 (Rm)
Assets			
Financial assets at fair value through profit or loss	**244.3**	–	244.3
Investment in a trading and logistics structure	**117.4**	–	117.4
Investment in insurance cell captive on extended warranties	**44.5**	–	44.5
Investment in insurance cell captive on premium contributions	**55.9**	–	55.9
FEC asset	**26.5**	–	26.5
Available-for-sale financial assets – listed investments	**12.2**	12.2	–
Total	**256.5**	12.2	244.3
Liabilities			
Financial liabilities at fair value through profit or loss – FEC liability	**2.7**	–	2.7
Total	**2.7**	–	2.7

There were no transfers between Level 1 and Level 2 fair value measurements during the 12 months ending December 2013 and no transfers into or out of Level 3.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rm	Ordinary share capital	Share premium	General reserves	Retained profit	**Equity attributable to equity holders of the parent**	Non-controlling interests	**Total**
Balance as at December 2011 (Reviewed)	2.2	750.1	583.1	3,322.7	**4,658.1**	206.5	**4,864.6**
Dividends declared	–	–	–	(864.7)	**(864.7)**	(58.9)	**(923.6)**
Total comprehensive income	–	–	(0.1)	977.3	**977.2**	53.7	**1,030.9**
Changes in non-controlling interests and distribution to minorities	–	–	(10.6)	–	**(10.6)**	(25.7)	**(36.3)**
Non-controlling interests relating to acquisitions	–	–	(20.5)	–	**(20.5)**	–	**(20.5)**
Share trust transactions and IFRS 2 charge	–	–	(151.6)	150.3	**(1.3)**	–	**(1.3)**
Release of amotisation of trrademark reserve	–	–	(76.5)	76.5	**–**	–	**–**
Treasury shares realised/(acquired)	–	2.0	(0.5)	–	**1.5**	–	**1.5**
Balance as at December 2012 (Reviewed)	2.2	752.1	323.3	3,662.1	**4,739.7**	175.6	**4,915.3**
Dividends declared	–	–	–	(913.4)	**(913.4)**	(30.9)	**(944.3)**
Total comprehensive income	–	–	61.5	1,283.0	**1,344.5**	59.1	**1,403.6**
Changes in non-controlling interests and distribution to minorities	–	–	3.8	–	**3.8**	(7.2)	**(3.4)**
Share trust transactions and IFRS 2 charge	–	–	129.0	(121.8)	**7.2**	–	**7.2**
Treasury shares realised/(acquired)	–	(8.8)	–	–	**(8.8)**	–	**(8.8)**
53 weeks ended December 2013 (Reviewed)	2.2	743.3	517.6	3,909.9	**5,173.0**	196.6	**5,369.6**
Balance as at June 2012 (Audited)	2.2	750.6	614.7	2,989.4	**4,356.9**	207.9	**4,564.8**
Dividends declared	–	–	–	(317.0)	**(317.0)**	–	**(317.0)**
Total comprehensive income	–	–	22.5	693.2	**715.7**	29.2	**744.9**
Changes in non-controlling interests and distribution to minorities			(13.6)	–	**(13.6)**	(61.5)	**(75.1)**
Share trust transactions and IFRS 2 charge	–	–	(224.1)	220.0	**(4.1)**	–	**(4.1)**
Release of amortisation of trademark reserve	–	–	(76.5)	76.5	**–**	–	**–**
Treasury shares realised/(acquired)	–	1.5	0.3	–	**1.8**	–	**1.8**
26 weeks ended December 2012 (Audited)	2.2	752.1	323.3	3,662.1	**4,739.7**	175.6	**4,915.3**

NOTES

1. These condensed consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Council, presentation and disclosure as required by IAS 34 Interim Financial Reporting, the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The accounting policies are consistent in all material respects with those of the previous financial year, except for:
   IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7
   IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
   IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
   IFRS 12 Disclosure of Interests in Other Entities
   IFRS 13 Fair Value Measurement
   IAS 19 Employee Benefits (Revised)
2. During the current year, the only Massmart shares acquired in the market were by the Massmart Employee Share Trust where 1.2 million shares (0.6% of average shares in issue) were bought at an average price of R186.76 totalling R223.0 million. During the prior year, the Massmart Employee Share Trust acquired 1.4 million shares (0.6% of average shares in issue) at an average price of R174.61 totalling R244.5 million.
3. The impairment of assets in the current year relates to the impairment of acquired goodwill in Masscash and tangible assets in Masscash and Makro, as a result of store closures. The impairment of assets in the prior period relates to the impairment of acquired goodwill and tangible assets in Masscash, as a result of store closures.
4. Walmart transaction, integration and related costs in the prior year comprise professional fees, integration costs, expatriate employment costs, share-based payments, travel, consulting costs and other direct expenses relating to the Walmart transaction, as well as the additional R140.0 million being the increase in the Supplier Development Fund required by the judgement of the Competition Appeal Court. Only the R140.0 million has been excluded from the prior year trading profit numbers. At December 2013 the Supplier Development Fund has a closing balance of R202.5 million (December 2012: R225.4 million). Of the Walmart integration and related costs, a net amount of R126.0 million remains unpaid to Walmart (December 2012: R76.2 million) and has been accounted for in trade and other payables. The Walmart transaction costs are behind us and integration costs are now included as part of our normal operating costs.
5. The preference shareholders' dividend amount of R5.0 million in the prior year represents the December 2011 interim cash dividend of 252 cents, and the June 2012 final cash dividend of 146 cents, paid to all Thuthukani beneficiaries. The Thuthukani dividend was equivalent to 100% of the ordinary dividend for the prior year. On 1 October 2012, the final conversion of 'A' preference shares to ordinary shares through the Thuthukani Trust occurred and as such there was no preference dividend paid in the current year.
6. The Massmart BEE transaction, which came into operation in October 2006, gave rise to an IFRS 2 Share-based Payment charge of R17.3 million (December 2012: R21.8 million). The 'A' and 'B' preference shares were issued to the Thuthukani Trust and the Black Scarce Skills Trust respectively. On 1 October 2012, the final conversion of 'A' preference shares to ordinary shares through the Thuthukani Trust occurred.
7. Other non-current liabilities and provisions include the net lease smoothing liability of R822.2 million (December 2012: R302.7 million).
8. There were no businesses acquired in the current year. The net asset value of the businesses acquired during the prior comparative year was R67.7 million on the date of acquisition.
9. Massmart finalised the acquisition of Capensis Investments 241 (Pty) Ltd on 25 January 2013, and now controls seven Makro properties previously lease held. The impact is: an increase in PPE of R1,354.6 million; a release of both the lease smoothing position of R437.0 million and the bare dominium option of R122.0 million; and a final cash outflow during this year of R575.0 million.
10. There were no significant subsequent events after the year-end.
11. 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 Report. Transactions between the Company and Walmart (its Holding Company), were accounted for in Walmart transaction, integration and related costs in the prior years in the condensed consolidated income statement. Further detail relating to these costs is disclosed in note 4 above. During the year the Group secured a medium-term loan with Walmart repayable after five years. Interest of 7.46% is repaid quarterly. The loan of R600.0 million is accounted for under interest-bearing non-current liabilities. As a 52% shareholder, Walmart will also be receiving a dividend based on their number of shares held.
12. The *pro forma* financial effects, for which the directors of Massmart are responsible, are provided for illustrative purposes only to show the effect of the additional week of trading in the current year on the financial information of Massmart allowing for a like-on-like comparison of the 52-week periods. These *pro forma* adjustments are not expected to have a continuing effect as they will only occur in every 53-week year.
   Because of its nature, the *pro forma* financial effects may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.
   The *pro forma* financial effects have been prepared using accounting policies that comply with International Financial Reporting Standards. The accounting policies are consistent with those applied in the previous financial year.
   The *pro forma* financial effects have been compiled from the financial information for the 53 weeks ended December 2013.
13. Due to Christmas trading, Massmart's earnings are weighted towards the six months to December. In the 53 weeks ended December 2013, Christmas fell into the 53rd week of trading in the financial year, and so is excluded from the 52-week like-on-like comparison numbers.
14. Independent external auditors, Ernst & Young Inc. have reviewed the results of the 53 weeks ended December 2013 and the 52 weeks ended December 2012, as well as the *pro forma* results of the 52 weeks ended December 2013. Their unmodified review report is available for inspection at the Company's registered office. The reviews were performed in accordance with ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISAE 3420- Assurance engagements to report on the compilation of *pro forma* financial information included in a prospectus. 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 financial statements was supervised by the Group Financial Director, Ilan Zwarenstein, BCom, BAcc, CA(SA).

MASSDISCOUNTERS

GENERAL MERCHANDISE DISCOUNTER AND FOOD RETAILER

UP BY 8.6% R16,740.6 m SALES

DOWN BY 39.3% R366.6 m TRADING PROFIT BEFORE INTEREST AND TAX

Game, Foodco, Game Liquor — STORES: 121

SOUTH AFRICA, BOTSWANA, GHANA, LESOTHO, MALAWI, MOCAMBIQUE, NAMIBIA, NIGERIA, TANZANIA, UGANDA, ZAMBIA

DionWired — STORES: 22

SOUTH AFRICA

MASSWAREHOUSE

WAREHOUSE CLUB

UP BY 14.4% R19,675.1 m SALES

UP BY 13.4% R990.2 m TRADING PROFIT BEFORE INTEREST AND TAX

Makro, The Fruitspot, Makro logistics services — STORES: 19

SOUTH AFRICA

MASSBUILD

HOME IMPROVEMENT RETAILER AND BUILDING MATERIALS SUPPLIER

UP BY 11.9% R9,583.6 m SALES

UP BY 26.7% R507.6 m TRADING PROFIT BEFORE INTEREST AND TAX

Builders Warehouse — STORES: 34 — SOUTH AFRICA, BOTSWANA, MOCAMBIQUE

Builders Express — STORES: 36 — SOUTH AFRICA

Builders Trade Depot — STORES: 20 — SOUTH AFRICA

Builders Superstore — STORES: 2 — SOUTH AFRICA

MASSCASH

FOOD WHOLESALER, RETAILER AND BUYING ASSOCIATION

UP BY 6.5% R26,264.1 m SALES

UP BY 4.1% R281.0 m TRADING PROFIT BEFORE INTEREST AND TAX

MASSCASH WHOLESALE

CBW, Jumbo, Trident — STORES: 75

SOUTH AFRICA, BOTSWANA, LESOTHO, MOCAMBIQUE, NAMIBIA, SWAZILAND

MASSCASH RETAIL

Cambridge Food, Rhino Cash & Carry — STORES: 47

SOUTH AFRICA

BUYING ASSOCIATION

Shield

SOUTH AFRICA, BOTSWANA, SWAZILAND

Saverite Supermarket, Liquorland

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* (Group 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
Ernst & Young Inc.

For more information
www.massmart.co.za

Share Data: 24/02/2014

MSM Share Price	113.00
MSM 53-week high*	208.00
MSM 53-week low*	110.00
MSM market cap (m)	24,533.32
Reuters: MSMJ.J	
Bloomberg: MSM SJ	

** taking into account intra-day high and low prices.*