Reviewed consolidated results

For the 52 weeks ended
27 December 2015

Massmart + Walmart

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 13 countries in sub-Saharan Africa, comprising 403 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.

For the year ended 27 December 2015 Massmart's total sales were R84.7 billion, an increase of 8.4% over the prior year. Comparable stores' sales growth was 6.7% and product inflation 3.0%, reflecting continued good volume growth.

Pleasingly, Group operating profit, excluding foreign exchange movements and interest, grew by 14.1% to R2.3 billion. This performance was achieved by effective margin management and good expense control across all Divisions, as well as margin recovery in Game. Higher net interest paid from funding significant property acquisitions in 2012-14, and an adverse movement in foreign exchange translations, resulted in headline earnings increasing by 1.2% to R1.1 billion while headline earnings, excluding foreign exchange movements, increased by 7.7%.

During the year, 21 stores were opened, including five outside South Africa, representing new space growth of 4.2%. Ten stores were closed, resulting in a net space increase of 0.7%. Our total portfolio of 403 stores includes 38 stores outside South Africa at December 2015. We continue to carefully review store lease renewals and are closing stores we consider incapable of achieving sustainable profitability.

Our financial highlights:

Sales
R84,731.8 m
↑ UP BY 8.4%
2014: R78,173.2m

Headline earnings before forex (taxed)
R1,229.8 m
↑ UP BY 7.7%
2014: R1,141.4 m

Operating profit before forex and interest
R2,300.2 m
↑ UP BY 14.1%
2014: R2,015.9

Headline earnings after forex (taxed)
R1,118.8 m
↑ UP BY 1.2%
2014: R1,105.5 m

Operating profit before interest
R2,150.4 m
↑ UP BY 9.4%
2014: R1,966.1 m

Total dividend per share
258.2 cents
↓ DOWN BY 38.7%
2014: 421.0 cents

South African environment

In our June 2015 results commentary we voiced our concerns about the deteriorating South African consumer economy. Unfortunately the outlook has weakened considerably and we anticipate further negative pressures, including poor economic growth, higher inflation from the weaker Rand, and higher interest rates. The impact of the drought across large parts of South Africa is likely to be severe, potentially causing the price of a basic monthly shopping basket to increase.

It is too early to tell whether the very welcome recent efforts to avoid a domestic economic recession and a potential credit ratings downgrade will be successful. Regardless, the global environment remains a significant detractor with weakening economic growth across all our trading partners, compounded by low international commodity prices for most key mineral exports from Africa.

As with most local retailers, Massmart's sales growth slowed in the latter period to December 2015, in our case caused mainly by softening sales in General Merchandise and DIY. By contrast Food sales' growth accelerated on the back of effective trading in Masscash Retail and Wholesale. Average Food inflation remained steady but is expected to increase in the early part of 2016.

The weaker Rand and declining upper-income consumer confidence levels will adversely impact sales of large appliances, hi-tech, multimedia and home improvement products. Our businesses are responding with an intense focus on sourcing well-priced merchandise and formulating deals that offer our customers exceptional value. We remain driven by our commitment to Saving Customers Money So They Can Live Better.

African environment

Many countries in sub-Saharan Africa are struggling with economic challenges from the stronger US Dollar and weaker commodity prices, which also bring currency weakness and volatility, and shortages of foreign currency. Most currencies strengthened against the Rand in the latter part of 2015. Despite this, sales in our non-SA stores remain robust with total sales growth in local currencies of 13.8% (12.6% in Rands) and comparable sales growth of 5.6% (4.8% in Rands).

Non-SA sales currently represent 19.7% of Game's total sales, 6.2% of Massbuild and 12.9% of Masscash Wholesale respectively. We remain excited, but measured, about the long-term growth opportunities across selected African countries and expect to open five new stores outside South Africa during 2016.

Divisional operational review

Massdiscounters

comprises the 137-store General Merchandise and Food discounter Game, which trades in South Africa, Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda and Zambia; and the 24-store Hi-tech retailer DionWired.

Total sales for the year increased by 8.7%. Comparable sales grew by 3.9% with product inflation of 1.7%. Trading profit before interest and tax increased by 30.3% from improving margin management, great expense control and a good performance from Game Africa.

Game SA traded well in a difficult consumer environment and reported total sales growth of 7.8% and trading profit up 29.8%. Game Africa's total Rand sales and sales in local currencies increased by 13.5% and 17.5% respectively, with trading profit up 23.8%. We are particularly pleased with the trading performances of our new Game stores in Zambia and Mozambique. Despite the difficult economic situation in Nigeria, we are trading at acceptable levels in all four stores. The central bank's restrictions on foreign currency have had minimal impact on our sourcing because more than 80% of our product is procured locally.

DionWired has consolidated its position as South Africa's best Appliances and Electronics' boutique. Given the difficult upper-income consumer environment we are pleased with total sales growth of 7.8% and saw trading profit growing at a similar level.

The roll-out of Fresh continues with 84 Game stores now offering this category, and Food and Liquor sales comprise 21.3% of Game's total sales. Our SAP project takes a material step forward in the second half of 2016 when we commence the point-of-sale software replacement across our stores. The more critical SAP ERP implementation is scheduled for 2017.

There have been several developments regarding lease exclusivities that appear to entrench the incumbent food supermarkets in certain localities. In 2014 Massmart formally requested the Competition Commission to investigate these market practices and in mid-2015 self-referred this complaint to the Competition Tribunal. At about the same time the Commission announced its intention to hold a formal inquiry into these tenancy arrangements and, last week, announced the names of the panel members who will lead this process. Finally, we have appealed the November 2015 decision of the Supreme Court of Appeal regarding lease exclusivities at the Cape Gate shopping centre.

Eight Game stores (including one each in Kenya, Mozambique, Nigeria and Zambia) were opened and one store was closed; and two DionWired stores were opened and one store was closed, increasing trading space by 5.3% to 533,078m².

Masswarehouse

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

With no new stores in 2014 or 2015, Makro's total and comparable sales growth for the period was 9.8%, with product inflation of 3.4%. The suggested volume growth of 6.4% shows how our customers, both retail and wholesale, continue to respond strongly to Makro's value proposition. The growth in Makro's trading profit before interest and tax was good at 14.8% and was assisted by excellent expense control in the face of margin pressure.

Online sales now represent about 2% of total sales in those categories that form part of the online offering. It is noteworthy that Makro's customer card data indicates that online shoppers continue to visit and shop our stores. We are delighted with the response to our new B2B online commercial customer offering launched in November 2015.

We are looking forward to opening a new store in April 2016 near Carnival Mall in the east of Johannesburg.

Massbuild

comprises 102 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, Mozambique and Zambia.

Massbuild grew total sales for the period by 11.0%, with comparable sales increasing by 7.4% and product inflation of 3.8%. Sales growth in Builders Warehouse has slowed amongst our retail customers and there is a marked drop-off in commercial and contractor sales particularly to those serving local and provincial governments. Also impacting sales growth, by about 1%, is significantly lower generator sales following the welcome stabilisation of South African electricity supply. Builders Express sales remain robust. Given that the South African housing market may come under pressure this year, there is potential for low but positive sales growth in this division.

The success and consumer acceptance of the Builders Warehouse format outside South Africa continues to exceed expectations. Total sales in non-SA stores grew by almost 50% and annualised sales may reach R1 billion soon.

Massbuild's trading profit before interest and tax increased by 29.0% on the back of focused margin management and effective expense control.

Divisional operational review

Rm	December 2015 (Reviewed)	% of sales	December 2014 (Audited)	% of sales	Year % growth	Comparable % sales growth	% sales inflation
Sales	**84,731.8**		78,173.2		*8.4*	*6.7*	*3.0*
Massdiscounters	**19,514.1**		17,955.2		*8.7*	*3.9*	*1.7*
Masswarehouse	**23,675.9**		21,554.8		*9.8*	*9.8*	*3.4*
Massbuild	**12,010.6**		10,822.8		*11.0*	*7.4*	*3.8*
Masscash	**29,531.2**		27,840.4		*6.1*	*5.8*	*2.9*
Trading profit before interest and tax	**2,349.7**	***2.8***	2,061.7	*2.6*	*14.0*		
Massdiscounters	**235.4**	***1.2***	180.7	*1.0*	*30.3*		
Masswarehouse	**1,198.7**	***5.1***	1,044.3	*4.8*	*14.8*		
Massbuild	**693.6**	***5.8***	537.6	*5.0*	*29.0*		
Masscash	**222.0**	***0.8***	299.1	*1.1*	*(25.8)*		

Trading profit excludes certain items. A detailed reconciliation between trading and operating profit can be found below the 'Condensed consolidated income statement' table.

Four Builders Warehouse stores were opened (including one in Zambia); two Builders Express stores were opened and two closed; and two Builders Trade Depot stores were closed. Net trading space increased by 2.9% to 449,133m².

Masscash

comprises 70 Wholesale Cash & Carry and 51 Retail stores trading in South Africa, Botswana, Lesotho, Mozambique, Namibia and Swaziland; and Shield, a voluntary buying association.

In the very competitive South African Wholesale and Retail Food environments, total sales increased by 6.1%. Comparable sales increased by 5.8% with product inflation of 2.9%. Product inflation increased in the latter part of 2015 as commodity prices escalated. This may unfortunately now accelerate as categories like maize, sugar and potatoes are likely to be affected by further product inflation.

As a consequence of more aggressive trading, Masscash Wholesale's sales growth accelerated towards the end of the financial year. Masscash Retail, through the Cambridge and Rhino formats, traded well, reporting comparable sales growth of 7.3%. Sales growth in these formats was also higher in the second half of 2015.

Masscash's trading profit before interest and tax decreased by 25.8% as a consequence of intense margin and expense pressure in the Wholesale business, while Masscash Retail grew profit.

Three Wholesale stores were closed and a number were re-sized; whilst five Retail stores were opened and one was closed, resulting in net trading space decreasing by 7.0% to 372,714m².

Financial review

Financial performance

Total Group sales increased by 8.4% over the prior year, with comparable sales growing by 6.7%. Product inflation was 3.0%, suggesting real comparable volume growth of 3.7%. Inflation in General Merchandise, Food & Liquor and Home Improvement decreased to 2.5%, 3.2% and 3.8% respectively. Our African businesses represented 8.4% (2014: 8.1%) of total sales and increased by 12.6% in Rands.

During the year, 21 stores were opened, including five in Africa, and 10 were closed, resulting in a total of 403 stores at December 2015. Net trading space increased by 0.7% to 1,550,719m².

The Group's gross margin of 18.9% is slightly higher than that of the prior year of 18.6%. Most of this is the portfolio effect where our highest margin business, Massbuild, grew sales fastest but also from better margin management in Game.

Total operating expenses increased by 9.3% over the prior year and comparable expenses increased by only 6.0%. Employment costs, the Group's biggest cost category, increased by 11.1% (with a comparable increase of 7.7%), partly due to new stores which led to a 1.7% increase in full-time equivalent personnel. Despite new stores in 2014 and 2015, occupancy costs increased by only 7.0% showing the benefit of acquiring key lease-held stores over the past three years. Depreciation and amortisation increased by 11.8% over the prior year, while other operating expenses increased by 7.0%. The cost of our investment in IT infrastructure is included in this category.

Included in operating profit are net realised and unrealised foreign exchange losses of R149.8 million (2014: R49.8 million loss). As our African footprint has expanded, so too has our exposure to foreign currency fluctuations and in response, we are actively managing the value and currency of our foreign-denominated loan balances, where practicable, and we take out foreign exchange contracts on select exposures. All foreign exchange denominated inventory orders are however automatically covered forward.

Excluding foreign exchange movements, earnings before interest, tax, depreciation and amortisation (EBITDA) of R3.3 billion increased over the prior year by 13.3%.

Average interest-bearing debt increased to R3.5 billion (2014: R2.9 billion). The Group's strategy to own key properties and continued store expansion have been drivers of the balance, more specifically, three property transactions in the second half of 2014, which occurred at an aggregate cost of R737.5 million. Over and above these acquisitions, property, plant and equipment has increased by R878.6 million during the current year as the Group continued to invest in new stores and to refurbish existing stores. The result is that net finance costs have grown to R475.3 million (2014: R345.3 million), partly aggravated by two interest rate increases during 2015.

The Group's effective tax rate of 30.2% (2014: 29.8%) is in line with expectations.

Headline earnings and Headline EPS increased by 1.2% and 1.3% respectively over the prior year. Adjusting for the effect of the foreign exchange movements in both years, Headline earnings and Headline EPS increased by 7.7% and 7.8% respectively.

Financial position

Although inventories have increased year-on-year as a result of new stores, effective inventory management resulted in inventory days decreasing from 64 days to 63 days. Despite the 9.5% increase in trade and other receivables, debtors' days have remained stable at 9 days.

The net book value of property, plant and equipment increased by 12.1% since 2014, mainly as a result of our investment in new stores and the refurbishment of some of our existing stores.

The Group's gearing ratio (average debt:equity) increased to 54.6% (2014: 44.5%) for the reasons explained above. The annual rolling return on equity was 20.4% for 2015 (2014: 21.0%). Excluding foreign exchange movements, this figure was 22.4% (2014: 21.7%).

Cash generated from operations amounted to R3.8 billion, an improvement of 39.7% on the prior year and driven by improved profitability and working capital management. Total capital expenditure of R1.7 billion comprises: R1.0 billion on replacement expenditure including store refurbishments and our IT systems' investment; and R0.7 billion on expansionary expenditure, and is in line with expectations.

Our people

The retail and wholesale environments in South Africa and many African countries have recently been difficult. This places additional pressure on our 48,000 colleagues whose dedication and hard work ensure Massmart's ability to consistently exceed the expectations of the customers who shop in our stores. It is as a direct result of the commitment of our staff that Massmart has been able to report this improved financial performance. We would like to thank every one of them for their customer service and support. During 2016 we anticipate finalising the insourcing of several categories of employees currently employed by labour-brokers. We anticipate that this decision, which we consider to be the right thing to do for those employees, will place some pressure on our employment costs.

Directorate

We are pleased to announce the appointment of Mr. Enrique Ostale to the Board of Directors of Massmart with effect from 24 February 2016. Enrique is the President and Chief Executive Officer of the WalMart Latam, India and Africa Region. During 2015 there were separate announcements concerning the appointments of Messrs. Johannes van Lierop and Moses Kgosana, as well as the resignations of Mrs. Shelley Broader and Mr. Ilan Zwarenstein

Strategic priorities

Our areas of strategic focus remain unchanged:

- To drive the growth and profitability of the core South African business over the medium-term. Although we are making good progress, the current trading environment will make this more challenging;
- To expand further into Food Retail and the Fresh categories through new stores and our existing formats, and to increase Builders Warehouse's market presence in South Africa;
- Measured sub-Saharan African expansion remains a priority and in the next two years we anticipate opening five new stores representing African space growth of about 9.1%; and
- We continue to expand and improve our ecommerce offerings. Presently these are in DionWired, Makro and Masscash Wholesale. A Massbuild online project to serve the contractor and professional market is in the advanced stages.

Prospects

For the 8 weeks to 21 February 2016, total sales increased by 8.9% and comparable sales increased by 6.9%. We are seeing exceptionally strong sales growth from our non-SA stores, and excluding these stores shows South Africa-only total and comparable sales growths of 6.9% and 6.0% respectively.

For 2016 and possibly 2017, the anticipated South African economic environment will constrain consumer spending across several key Group categories including General Merchandise and Home Improvement / DIY, whilst our substantial Food and Liquor categories may perform relatively better. There may be severe pricing pressure on lower-income households and we are resolved to keep our baskets affordable for those households.

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

Dividend

In August 2015 we indicated to shareholders that we would likely be changing the Group's future dividend policy to levels similar to our SA retail peers. This adjustment to the Group's capital structure is necessary as a result of significant property acquisitions between 2012 and 2014 and our store growth into Africa which increasingly can entail investing in that real estate. With effect from this dividend cycle therefore, the Massmart dividend cover is amended to 2.00 x cover.

Notice is hereby given that a gross final cash dividend of 112.16 cents per share, in respect of the year ended December 2015 has been declared. The proposed dividend, when combined with the interim dividend of 146.00 cents, will result in cover of 2.00 x for the full year. The number of shares in issue at the date of this declaration is 217,136,334.

The dividend has been declared out of income reserves as defined in the Income Tax Act, 1962, and will be subject to the South African dividend withholding tax ("DWT") rate of 15% which will result in a net dividend of 95.336 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:
Friday, 11 March 2016

First trading day ex dividend on the JSE:
Monday, 14 March 2016

Record date:
Friday, 18 March 2016

Payment date:
Tuesday, 22 March 2016

Share certificates may not be dematerialised or rematerialised between Monday, 14 March 2016 and Friday, 18 March 2016, 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

Guy Hayward
Chief Executive Officer
24 February 2016

Johannes van Lierop
Chief Financial Officer

Condensed consolidated income statement

Rm	December 2015 (Reviewed)	December 2014 (Audited)	% change
Revenue	84,857.4	78,319.0	8.3
Sales	84,731.8	78,173.2	8.4
Cost of sales	(68,689.6)	(63,610.8)	(8.0)
Gross profit	16,042.2	14,562.4	10.2
Other income	125.6	145.8	(13.9)
Depreciation and amortisation	(946.2)	(846.6)	(11.8)
Impairment of assets (note 3)	(25.7)	(24.6)	(4.5)
Employment costs	(6,784.3)	(6,109.0)	(11.1)
Occupancy costs	(2,865.6)	(2,678.8)	(7.0)
Other operating costs	(3,245.8)	(3,033.3)	(7.0)
Operating profit before foreign exchange movements and interest	2,300.2	2,015.9	14.1
Foreign exchange loss (note 4)	(149.8)	(49.8)	
Operating profit before interest	2,150.4	1,966.1	9.4
– Finance costs	(507.7)	(386.8)	(31.3)
– Finance income	32.4	41.5	(21.9)
Net finance costs	(475.3)	(345.3)	(37.6)
Profit before taxation	1,675.1	1,620.8	3.4
Taxation	(505.9)	(483.4)	(4.7)
Profit for the year	1,169.2	1,137.4	2.8
Profit attributable to:			
– Owners of the parent	1,112.8	1,079.8	3.1
– Non–controlling interests	56.4	57.6	(2.1)
Profit for the year	1,169.2	1,137.4	2.8
Basic EPS (cents)	513.5	497.8	3.2
Diluted basic EPS (cents)	506.1	492.9	2.7
Dividend (cents):			
– Interim	146.0	146.0	–
– Final	112.2	275.0	(59.2)
– Total	258.2	421.0	(38.7)

Reconciliation between trading profit and operating profit before foreign exchange movements, interest and taxation

Rm	December 2015 (Reviewed)	December 2014 (Audited)
Profit before interest and taxation		
Trading profit before interest and taxation	2,349.7	2,061.7
Impairment of assets (note 3)	(25.7)	(24.6)
BEE transaction IFRS 2 charge	(23.8)	(21.2)
Operating profit before foreign exchange movements and interest	2,300.2	2,015.9

Headline earnings

Rm	December 2015 (Reviewed)	December 2014 (Audited)	% change
Reconciliation of profit for the year to headline earnings			
Profit for the year attributable to owners of the parent	1,112.8	1,079.8	3.1
Impairment of assets (note 3)	25.7	24.6	
Loss on disposal of tangible and intangible assets	2.3	1.4	
Profit on sale of assets classified as held for sale	(5.2)	–	
Compensation from 3rd parties for items of PP&E that were impaired, lost or given up	(1.2)	–	
Foreign currency translation reserve re-classified to the Income Statement	(12.7)		
Total tax effects of adjustments	(2.9)	(0.3)	
Headline earnings	1,118.8	1,105.5	1.2
Foreign exchange loss after tax	111.0	35.9	
Headline earnings before foreign exchange (taxed)	1,229.8	1,141.4	7.7
Headline EPS (cents)	516.3	509.7	1.3
Headline EPS before foreign exchange (taxed) (cents)	567.5	526.2	7.8
Diluted headline EPS (cents)	508.8	504.7	0.8
Diluted headline EPS before foreign exchange (taxed) (cents)	559.3	521.1	7.3

Condensed consolidated statement of comprehensive income

Rm	December 2015 (Reviewed)	December 2014 (Audited)	% change
Profit for the year	1,169.2	1,137.4	2.8
Items that will not subsequently be re-classified to the income statement:	5.0	(8.9)	
Net post retirement medical aid actuarial profit/(loss)	5.0	(8.9)	
Items that will subsequently be re-classified to the income statement:	(21.2)	(55.6)	
Foreign currency translation reserve	(24.2)	(53.7)	
Cash flow hedges - effective portion of changes in fair value	4.4	1.4	
Fair value movement on available-for-sale financial assets	(3.5)	(3.7)	
Income tax relating to components of other comprehensive income	2.1	0.4	
Total other comprehensive loss for the year, net of tax	(16.2)	(64.5)	
Total comprehensive income for the year	1,153.0	1,072.9	7.5
Total comprehensive income attributable to:			
– Owners of the parent	1,096.6	1,015.3	
– Non-controlling interests	56.4	57.6	
Total comprehensive income for the year	1,153.0	1,072.9	7.5

Condensed consolidated statement of financial position

Rm	December 2015 (Reviewed)	December 2014 (Audited)	% change
ASSETS			
Non-current assets	**12,031.2**	11,018.3	
Property, plant and equipment	**8,117.8**	7,239.2	*12.1*
Goodwill and other intangible assets	**2,999.1**	2,958.7	
Investments and other financial assets	**165.1**	158.2	
Deferred taxation	**749.2**	662.2	
Current assets	**18,687.6**	17,870.1	
Other current financial assets (note 6)	-	229.3	
Inventories	**11,934.5**	11,228.8	*6.3*
Trade, other receivables and prepayments	**4,697.4**	4,288.3	*9.5*
Taxation	**50.8**	56.3	
Cash on hand and bank balances	**2,004.9**	2,067.4	
Non-current assets classified as held for sale	**11.5**	18.0	
Total assets	**30,730.3**	28,906.4	
EQUITY AND LIABILITIES			
Total equity	**5,791.1**	5,527.2	
Equity attributable to owners of the parent (note 7)	**5,636.0**	5,334.4	*5.7*
Non-controlling interests	**155.1**	192.8	
Non-current liabilities	**3,053.4**	3,236.8	
Interest-bearing borrowings	**1,819.6**	2,133.9	
Deferred taxation	**73.5**	61.3	
Other non-current liabilities and provisions (note 8)	**1,160.3**	1,041.6	
Current liabilities	**21,885.8**	20,142.4	
Trade, other payables and provisions	**20,077.7**	18,518.9	*8.4*
Taxation	**155.6**	208.3	
Bank overdrafts	**446.4**	584.0	
Interest-bearing borrowings	**1,206.1**	831.2	
Total equity and liabilities	**30,730.3**	28,906.4	

Condensed consolidated statement of cash flows

Rm	December 2015 (Reviewed)	December 2014 (Audited)
Operating cash before working capital movements	**3,384.4**	2,983.4
Working capital movements	**372.0**	(295.1)
Cash generated from operations	**3,756.4**	2,688.3
Taxation paid	**(631.0)**	(683.4)
Net interest paid	**(437.0)**	(345.3)
Investment income	**40.3**	–
Dividends paid	**(958.3)**	(914.0)
Cash inflow from operating activities	**1,770.4**	745.6
Investment to maintain operations	**(983.7)**	(857.4)
Investment to expand operations	**(710.7)**	(1,322.1)
Investment in subsidiaries	**(16.9)**	(14.4)
Proceeds on disposal of property, plant and equipment	**38.7**	32.5
Proceeds on disposal of assets classified as held for sale	**23.1**	–
Other net investing activities	**3.9**	14.9
Cash outflow from investing activities	**(1,645.6)**	(2,146.5)
Cash (outflow)/inflow from financing activities	**(25.5)**	1,349.7
Net increase/(decrease) in cash and cash equivalents	**99.3**	(51.2)
Foreign exchange movements	**(24.2)**	(53.7)
Opening cash and cash equivalents	**1,483.4**	1,588.3
Closing cash and cash equivalents	**1,558.5**	1,483.4

Condensed consolidated statement of changes in equity

Rm	Share capital	Share premium	Other reserves	Retained profit	Equity attributable to owners of the parent	Non-controlling interests	Total
Balance as at December 2013 (Audited)	2.2	743.3	517.6	3,909.9	**5,173.0**	196.6	**5,369.6**
Dividends declared	–	–	–	(914.0)	**(914.0)**	–	**(914.0)**
Total comprehensive income	–	–	(64.5)	1,079.8	**1,015.3**	57.6	**1,072.9**
Changes in non-controlling interests	–	–	(27.6)	–	**(27.6)**	(11.0)	**(38.6)**
Distribution to non-controlling interests	–	–	–	–	**–**	(50.4)	**(50.4)**
IFRS 2 charge and Share Trust transactions	–	–	125.1	(27.4)	**97.7**	–	**97.7**
Treasury shares acquired	–	(9.9)	(0.1)	–	**(10.0)**	–	**(10.0)**
Balance as at December 2014 (Audited)	**2.2**	**733.4**	**550.5**	**4,048.3**	**5,334.4**	**192.8**	**5,527.2**
Dividends declared	–	–	–	(914.1)	**(914.1)**	–	**(914.1)**
Total comprehensive income	–	–	(16.2)	1,112.8	**1,096.6**	56.4	**1,153.0**
Changes in non-controlling interests	–	–	(18.7)	–	**(18.7)**	(41.4)	**(60.1)**
Distribution to non-controlling interests	–	–	–	–	**–**	(52.7)	**(52.7)**
IFRS 2 charge and Share Trust transactions	–	–	218.5	(23.6)	**194.9**	–	**194.9**
Treasury shares acquired	–	(58.3)	1.2	–	**(57.1)**	–	**(57.1)**
Year ended December 2015 (Reviewed)	**2.2**	**675.1**	**735.3**	**4,223.4**	**5,636.0**	**155.1**	**5,791.1**

Fair value hierarchy

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 transactions and other valuation models, have been applied and significant inputs include market yield curves and exchange rates. For non-current assets classified as held for sale (level 3) fair value less costs to sell, in terms of IFRS 5, has been determined based on the sale agreements. The table below reflects 'Financial instruments' and 'Non-current assets classified as held for sale' carried at fair value, and those 'Financial instruments' and 'Non-current assets classified as held for sale' that have carrying amounts that differ from their fair values, in the Statement of Financial Position.

Rm	December 2015 (Reviewed)	Level 1	Level 2	Level 3	December 2014 (Audited)	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	188.1	–	188.1	–	155.1	–	155.1	–
– Investment in cell captives and other	139.3	–	139.3	–	125.2	–	125.2	–
– FEC asset (de-designated)	48.8	–	48.8	–	29.9	–	29.9	–
Financial asset designated as a cash flow hedging instrument	20.7	–	20.7	–	13.7	–	13.7	–
– FEC asset	20.7	–	20.7	–	13.7	–	13.7	–
Loans and receivables	13.8	–	13.8	–	30.3	–	30.3	–
– Employee share trust loans	13.8	–	13.8	–	30.3	–	30.3	–
Available-for-sale financial assets	5.0	5.0	–	–	8.4	8.4	–	–
– Listed investments	5.0	5.0	–	–	8.4	8.4	–	–
Non–current assets classified as held for sale	11.5	–	–	11.5	22.0	–	–	22.0
	239.1	5.0	222.6	11.5	229.5	8.4	199.1	22.0
Financial liabilities at amortised cost	2,522.0	–	2,522.0	–	2,653.0	–	2,653.0	–
– Medium-term loan and bank loans	2,522.0	–	2,522.0	–	2,653.0	–	2,653.0	–
Financial liabilities at fair value through profit or loss	5.6	–	5.6	–	4.5	–	4.5	–
– FEC liability (de-designated)	5.6	–	5.6	–	4.5	–	4.5	–
Financial liability designated as a cash flow hedging instrument	2.1	–	2.1	–	2.2	–	2.2	–
– FEC liability	2.1	–	2.1	–	2.2	–	2.2	–
	2,529.7	–	2,529.7	–	2,659.7	–	2,659.7	–

There were no transfers of financial instruments between Level 1, Level 2 and Level 3 fair value measurements during the year ended December 2015.

Additional information

	December 2015 (Reviewed)	December 2014 (Audited)
Net asset value per share (cents)	2,595.6	2,456.9
Ordinary shares (000's):		
– In issue	217,136.3	217,118.1
– Weighted average (net of treasury shares)	216,688.8	216,907.6
– Diluted weighted average	219,892.9	219,055.0
Preference shares (000's):		
– Black Scarce Skills Trust 'B' shares in issue	2,840.5	2,858.7
Capital expenditure (Rm):		
– Authorised and committed	953.4	864.1
– Authorised not committed	1,033.9	1,155.1
Operating lease commitments (2016 – 2030) (Rm)	15,575.7	15,482.1
US dollar exchange rates: – year end (R/$)	15.23	11.60
– average (R/$)	12.74	10.83

Share Data

29 Dec 2014 - 24 Dec 2015
Closing share price at 24 Dec 2015 **R103.20**
Share price (52 week high) **R175.00**
Share price (52 week low) **R95.59**
Market cap **R22.4bn**
Reuters **MSMJ.J**
Bloomberg **MSM SJ**

Source: I-Net

Notes

1. These provisional reviewed condensed consolidated results 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 Standards Council, presentation and disclosure as required by International Accounting Standard (IAS) 34 Interim Financial Reporting, the JSE Limited Listings Requirements and the requirements of the Companies Act 71 of 2008 of South Africa. The accounting policies and methods of computation used in the preparation of the provisional reviewed condensed consolidated results are in terms of IFRS and are consistent in all material respects with those applied in the most recent annual financial statements, as none of the amendments coming into effect in the current financial year have had an impact on the financial reporting of the Group, besides impacting disclosure within the annual financial statements.
2. During the current year, 0.9 million (0.4% of average shares in issue) Massmart shares were acquired in the market by the Massmart Employee Share Trust at an average price of R148.88 totalling R135.5 million. During the prior year, the Massmart Employee Share Trust acquired 0.6 million shares (0.3% of average shares in issue) at an average price of R128.22 totalling R73.7 million.
3. The impairment of assets in the current and prior periods relate to the impairment of tangible assets in Masscash as a result of store closures.
4. During the current year the Group reassessed the designation of a number of its intercompany loans to its foreign operations in Africa, as per IAS 21 *The Effects of Changes in Foreign Exchange Rates*. As a result, certain loans were designated as part of the Group's net investment in these foreign operations and the associated foreign exchange gains and losses have been recognised in the foreign currency translation reserve on a prospective basis. Massmart's foreign exchange loss of R149.8 million (December 2014: R49.8 million) arose as a result of its foreign- and Rand-denominated intercompany loans to its African subsidiaries, as well as its US-Dollar-denominated liabilities. In the current year, a combination of Massmart's increased investment into the rest of Africa; the weakening of the average basket of other African currencies against the Rand; the weakening of the average basket of African currencies against the US Dollar; and the weakening of the Rand against the US Dollar, resulted in a significant increase in Massmart's foreign exchange loss.
5. There were no significant business combinations during the current or prior years.
6. Massmart entered into an agreement in 2013 to acquire a Makro store. A current loan of R214.2 million was provided to the seller in 2014 in anticipation of the transfer of the property. Transfer of the property was approved in February 2015 and as a result the current loan was reversed and the property was recognised.
7. The Massmart Employee Share Awards Scheme, which came into operation in September 2013, gave rise to an IFRS 2 Share-based Payment charge of R149.9 million (December 2014: R54.2 million).
8. Other non-current liabilities and provisions include the lease smoothing liability of R1,023.2 million (December 2014: R912.5 million).
9. The Group concluded a Term Loan Facility Agreement with Standard Bank as lender in February 2016. In terms of the agreement Standard Bank will advance R2 billion to the Group on 26 February 2016. The agreement includes a R600m facility that will mature in three years and a R1.4 billion facility that will mature in five. With the exception of this, there were no significant subsequent events after the year end.
10. Massmart and its divisions enter into certain transactions with related parties in the normal course of business. Details of these are, and will be, disclosed in Massmart's Integrated Annual Report. At December 2015, the Supplier Development Fund had a closing balance of R111.6 million (December 2014: R157.2 million). A net amount of R292.7 million remains unpaid to Walmart (December 2014: R206.2 million), which has been accounted for in 'trade, other receivables and prepayments' and 'trade, other payables and provisions'. The Group has a medium-term loan with Walmart repayable after five years, on which interest of 7.46% is paid quarterly. The loan of R600.0 million is accounted for under interest-bearing non-current liabilities. As a 52.4% shareholder, Wal-Mart Stores, Inc. will also be receiving a dividend based on their number of shares held.
11. Due to Christmas trading, Massmart's earnings are weighted towards the six months to December.
12. These provisional reviewed condensed consolidated results have been reviewed by independent external auditors, Ernst & Young Inc. and their unmodified review report is available for inspection at the Company's registered office. The review was performed in accordance with ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's external auditors. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the Group's registered office. The preparation of the Group's provisional reviewed condensed consolidated financial statements was supervised by the Chief Financial Officer, Johannes van Lierop, Bachelor of Business Economics, RA (Amsterdam).

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

JSE code MSM

ISIN ZAE000152617

Company registration number
1940/014066/06

Registered office
Massmart House,
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Sunninghill Ext 6, 2191

Company secretary
P Sigsworth

Sponsor
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3 Exchange Square, 87 Maude Street,
Sandton, Johannesburg, 2196, South Africa

Transfer secretaries
Computershare Investor Services
Proprietary Limited,
70 Marshall Street, Johannesburg, 2001
South Africa

Registered auditors
Ernst & Young Inc.
102 Rivonia Road, Sandton,
Johannesburg, 2196, South Africa

Directorate
K Dlamini (Chairman), CS Seabrooke (Deputy Chairman), GRC Hayward* (Chief Executive Officer), A Clarke***, NN Gwagwa, R Kgosana, P Langeni, E Ostale****, JP Suarez**, J van Lierop* (Chief Financial Officer)
** Executive ** USA *** UK ****Chile*

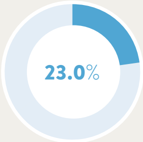
Massdiscounters	Masswarehouse	Massbuild	Masscash
General merchandise discounter and food retailer	Warehouse club	Home improvement retailer and building materials supplier	Food wholesaler, retailer and buying association

Sales

Massdiscounters

R19,514.1 m

UP BY 8.7%

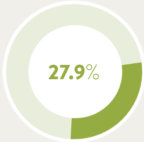


2014: R17,955.2 m

Masswarehouse

R23,675.9 m

UP BY 9.8%

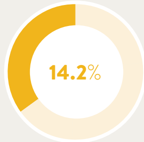


2014: R21,554.8 m

Massbuild

R12,010.6 m

UP BY 11.0%

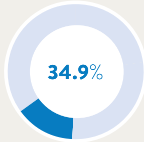


2014: R10,822.8 m

Masscash

R29,531.2 m

UP BY 6.1%



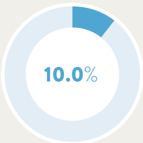
2014: R27,840.4 m

Trading profit before interest and tax

Massdiscounters

R235.4 m

UP BY 30.3%

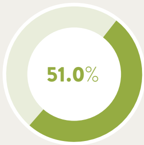


2014: R180.7 m

Masswarehouse

R1,198.7 m

UP BY 14.8%

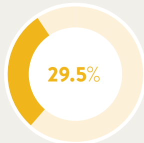


2014: R1,044.3 m

Massbuild

R693.6 m

UP BY 29.0%

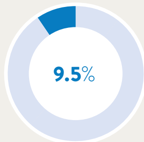


2014: R537.6 m

Masscash

R222.0 m

DOWN BY 25.8%



2014: R299.1 m

Stores

Massdiscounters

161 STORES

+8 FROM 153

533,078 SQM

game / game Liquor

137 STORES

South Africa, Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda, Zambia

DionWired

24 STORES

South Africa

Masswarehouse

19 STORES

UNCHANGED

195,794 SQM

makro / The Fruitspot

19 STORES

South Africa

Massbuild

102 STORES

+2 FROM 100

449,133 SQM

builders WAREHOUSE

39 STORES

South Africa, Botswana, Mozambique, Zambia

builders EXPRESS

41 STORES

South Africa

builders TRADE DEPOT

14 STORES

South Africa

builders SUPERSTORE

8 STORES

South Africa

Masscash

121 STORES

+1 FROM 120

372,714 SQM

CBW / Jumbo Cash and carry / Trident

70 WHOLESALE STORES

South Africa, Botswana, Lesotho, Mozambique, Namibia, Swaziland

Cambridge food / Rhino Cash & Carry

51 RETAIL STORES

South Africa

Shield / Liquorland / Saverite Supermarket

BUYING ASSOCIATIONS

South Africa, Botswana, Namibia, Swaziland