Massmart powered by Walmart

Saving our customers money so they can live better

Reviewed Interim Results
for the 26 weeks ended
27 June 2021

Massmart is an African retail group, with total Group half-year sales of R41.3 billion. Through our widely recognised and differentiated retail and wholesale formats, represented in 411 Retail and Wholesale stores in 13 sub-Saharan countries, we have leading market shares in the general merchandise, liquor, home improvement and wholesale food markets. The Group's key foundations of high volume, low cost, responsible business and operational excellence enable our price leadership.

MASSMART GROUP

Massmart Retail
powered by Walmart

- builders
- game
- Cambridge food – save money. live better
- RHINO – THE NAME YOU CAN TRUST

Massmart Wholesale
powered by Walmart

- makro – BIG on life
- JUMBO WHOLESALE – THE GIANT OF AFRICA
- Shield
- THE Fruitspot

Performance summary

for the 26 weeks ended 27 June 2021

↑ 6.1%

SALES FROM CONTINUING OPERATIONS*
R37.4 BILLION
2020: R35.3 BILLION

↑ 45.4%

EBITDA, BEFORE NON-TRADING ITEMS FROM CONTINUING OPERATIONS*
R2,114.8 MILLION
2020: R1,454.6 MILLION

↑ 760.0%

TRADING PROFIT BEFORE INTEREST AND TAX FROM CONTINUING OPERATIONS*
R792.1 MILLION
2020: R92.1 MILLION

↑ 66.6%

HEADLINE LOSS BEFORE REORGANISATION, RESTRUCTURE AND FOREIGN EXCHANGE COSTS (TAXED) FROM CONTINUING OPERATIONS*
(R235.2 MILLION)
2020: (R704.3 MILLION)

↑ 56.8%

HEADLINE LOSS FROM CONTINUING OPERATIONS*
(R358.5 MILLION)
2020: (R830.5 MILLION)

↑ 14.0%

LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS*
(R774.1 MILLION)
2020: (R899.6 MILLION)

↑ 40.8%

TOTAL GROUP HEADLINE LOSS
(R645.4 MILLION)
2020: (R1,090.3 MILLION)

↑ 8.1%

TOTAL GROUP LOSS FOR THE PERIOD
(R1,072.5 MILLION)
2020: (R1,166.8 MILLION)

↑ IMPROVEMENT ↓ DETERIORATION

* *The comparative numbers have been restated in terms of IFRS 5 due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. All statistics reported are from continuing operations, unless stated otherwise. Refer to note 3.*

Massmart Reviewed Interim Results

for the 26 weeks ended 27 June 2021

Total Group performance

Massmart's total Group sales for the 26-weeks ended 27 June 2021 of R41.3 billion represents total growth of 4.4% and comparable store sales growth of 4.8%. Gross margin increased by 43 basis points, and expenses decreased by 1.8%. This resulted in trading profit of R444.2 million, an increase of 266.6% from the previous year. The Group recognised an impairment expense of R597.7 million, the majority of which related to Game's SAP S/4 HANA ERP system software asset. The net impact of the fair value adjustment on the fully hedged USD denominated loan, as well as African currency weakness, resulted in foreign exchange losses of R87.9 million, a 21.7% decrease from June 2020. A decrease in average borrowings and lower interest rates resulted in net interest expenses of R870.1 million, which reduced by 5.1% from the prior period. Cash interest (excluding those related to lease liabilities) reduced by 36.5% to R220.5 million. As a result of the above, the Group incurred a net loss of R1,072.5 million, an improvement of 8.1% from the prior period loss of R1,166.8 million. The headline loss amounted to R645.4 million, a 40.8% improvement from the prior period headline loss of R1,090.3 million.

Appreciation

We are appreciative to our 41,000 associates who continue to contribute to our Group's performance and put our customers first, especially during the challenging environment we have experienced as a result of the Covid-19 pandemic. We are thankful to our customers for their ongoing support and loyalty.

We are also thankful to our Board and Management teams for their continued guidance and leadership.

Discontinued operations

It was previously announced that the Board made the decision to dispose of the Group's Cambridge, Rhino and Massfresh (comprising The Fruitspot and a meat processing facility) assets.

Following this, the Cambridge, Rhino and Massfresh businesses have been classified as one disposal group and reported as discontinued operations in terms of IFRS 5. As such, the following results and commentary relate to continuing operations only, unless stated otherwise. Refer to note 3.

Operating environment and Covid-19 impact

The easing of the most severe trading restrictions imposed by Government, in an attempt to curb the spread of the Covid-19 virus, slightly improved trading conditions during this reporting period.

Consumer spend however, remained muted as uncertainties around the third wave of Covid-19 infections, extended levels of lockdowns and curfews, the slow pace of the vaccine rollout and rising unemployment adversely impacted consumer confidence. Lower activity levels in the corporate, hospitality, restaurant and catering sectors continued.

Under Government regulations, Liquor sales were prohibited from 28 December 2020 until 1 February 2021. For the month of February 2021, Liquor sales were permitted from Mondays to Thursdays between 10am and 6pm. From the beginning of March 2021 until mid-June 2021, Liquor sales were not restricted, with the exception of the ban on Liquor sales over the Easter weekend. From mid-June 2021 Liquor sales were again restricted to the above mentioned trading days and hours.

While restrictions have eased, the ban and restrictions on Liquor trading impacted the Group by an estimated R770 million in lost Liquor sales during the reporting period (June 2020: R2.1 billion). Liquor sales contributed 14% of total sales during the period.

Additional costs associated with ensuring a safe shopping and workplace environment for customers and associates amounted to R32.5 million (June 2020: R76.2 million). Government-supported Temporary Employment Relief Scheme (TERS) benefits and negotiated rental relief of R50.5 million (June 2020: R230.0 million) were received by the Group during the period.

Group overview from continuing operations

Financial review

Massmart's total sales for the 26 weeks to 27 June 2021 of R37.4 billion represents an increase of 6.1%, and an increase of 6.6% on a comparable store sales basis, with year-to-date internal sales inflation of 6.4%. Sales from our South African stores increased by 8.1%, while comparable store sales increased by 8.9%. Total sales from our rest of Africa stores decreased by 10.1% in Rands, and increased by 1.6% in constant currencies. On a comparable store basis, our rest of Africa store sales decreased by 11.2% in Rands and increased by 0.3% in constant currencies. Sales performance in the Rest of Africa, in Rands, has been impacted by significant currency fluctuations, especially relating to our stores operating in Zambia, Mozambique and Malawi.

The sales performance across our major categories is reflective of consumer purchasing patterns during the Covid-19 pandemic, trading restrictions (relative to the prior year) as well as continued lower activity in certain sectors, and among the commercial and wholesale customers we serve. Food and Liquor sales of R18.9 billion increased by 0.1% (June 2020: R18.8 billion), Home Improvement sales of R7.2 billion increased by 24.0% (June 2020: R5.8 billion) and General Merchandise sales of R11.3 billion increased by 7.0% (June 2020: R10.7 billion).

The 11bps increase in gross margin to 20.6% was supported by the ongoing focus on trading discipline, driving everyday low prices while maintaining the Group's competitive price gap, and the positive impact from changes to sales mix.

Our efforts towards implementing sustainable cost saving initiatives continue. Our Cost Reset programmes have delivered good results. Total operating costs reduced by 2.4% and increased by 0.2% on a comparable store basis.

Employment costs, the Group's biggest cost category, increased by 4.6% (with a comparable increase of 1.6%). This was impacted by the differential in the receipt of the South African Government TERS and skills development levy relief in the current year, compared to the same period in the prior year.

Occupancy costs increased by only 0.5% (with a comparable increase of 4.7%). Included in June 2020 is the once-off rental relief, of R97 million, received from landlords in light of the Covid-19 pandemic. Further rental renegotiations and reduced utility costs achieved through our sustainability initiatives offset this year-on-year increase.

Depreciation and amortisation decreased by 2.7% (and by 3.8% on a comparable store basis) due to a reduced footprint. A net of 12 stores were either closed or sold during the period.

The Group's continued sustainable cost saving initiatives resulted in other operating costs decreasing by 15.2%.

The above resulted in a trading profit of R792.1 million compared to a trading profit of R92.1 million in the same period in 2020.

During the period, the Group incurred reorganisation and restructure costs of R73.4 million, compared to R26.4 million in the prior period. This mainly related to the previously announced S189 and S189A (of the Labour Relations Act) process of reorganising certain corporate support functions into centralised Centres of Excellence.

Impairment losses of R593.1 million were recognised during the period. This primarily related to Game's corporate assets, the most significant of which is the SAP S/4 HANA ERP system software asset.

Although fluctuations in African currencies continue to negatively impact the Group, the losses incurred, primarily in Malawi and Zambia, were mostly offset by a gain in Mozambique, resulting in an overall impact that was largely neutral for the period. This, together with the net R82.0 million impact of the fair value adjustment on the fully hedged USD denominated loan, resulted in a foreign exchange loss of R87.9 million, compared to a loss of R112.3 million in the prior period.

Total cash interest expense, excluding those related to lease liabilities, of R220.5 million was incurred in relation to the Group's financiers and decreased by 36.5% compared to the same period last year. Total net finance costs (including those related to lease liabilities) decreased by 4.5% to R826.2 million as a result of an 8.0% decrease in average net debt and lower interest rates.

The Group's effective tax rate of 1.8% (June 2020: 6.5%) is mainly a result of the limitation of the recognition of certain deferred tax assets, disallowed expenses relating to depreciation on non-allowance assets, interest limitations and goodwill impairments.

The Group reported a net loss of R774.1 million for the period, compared to a loss of R899.6 million during the prior period, while reporting a headline loss of R358.5 million for the period compared to a headline loss of R830.5 million during the prior period.

Financial position

During 2020, capital expenditure on projects was deferred, where possible, to preserve cash in an attempt to mitigate against the impacts of Covid-19 on the business. The Group continues to invest cash responsibly. Total capital expenditure for the period amounted to R552.6 million, up 56.1% from the same period in 2020. Expansionary capital expenditure amounted to R226.2 million. Of this, expenditure incurred on land, buildings and leasehold improvements amounted to R140.5 million, which mostly related to the refurbishment of selected existing stores. Maintenance capital expenditure amounted to R326.4 million. Overall property, plant and equipment decreased by 12.4% which was driven primarily by the impairments recognised and the classification of the balances related to the discontinued operations as held-for-sale.

The Group's inventory balance increased by 5.5%, while inventory days decreased by one day. Trade receivables increased by 1.0% since June 2020, and debtors days decreased to eight days. Trade creditors days decreased by six days while the trade creditors balance decreased by 5.0% since June 2020.

This was largely a result of renegotiated terms with our suppliers in June 2020, due to the impact of Covid-19 on the business, which reverted to standard trading terms this year.

Total operating cash inflows before working capital movements of R943.3 million decreased by 51.0% over the prior period. This decrease was impacted by the adjustment for non-cash unrealised foreign exchange gains in the current period, compared to unrealised losses in the prior period. The current period's unrealised foreign exchange gains arose largely as a result of the fair value adjustment on the fully hedged USD denominated loan. This has been offset by the inflow in working capital as a result of realised foreign exchange losses, which arose on the settlement of foreign exchange contracts of R582.4 million linked to the loan, and has been recorded in financing activities.

Despite the Group incurring a R774.1 million net loss during the period, ongoing focus on liquidity, and pro-active management of cash flows resulted in a decrease in average net debt (excluding debt related to lease liabilities) of R675.8 million, which represents an 8.0% decrease compared to the prior period.

Closing net debt increased by R1,553.7 million compared to June 2020. This was negatively impacted in the month of June 2021 by the third wave of Covid-19 infections that resulted in subdued trading and certain trading restrictions. The Group also made a strategic investment in certain stock lines and capital expenditure.

Directorate

On 14 April 2021, the appointment of JP Suarez as an alternate Director to Susan Muigai was announced, effective 6 April 2021. Susan Muigai notified the Board of her intention to take a leave of absence.

No further changes were made to the Directorate as at the approval date of this report.

Outlook

Sales for the 7-week period post reporting date have been subdued. In addition to an increased national lockdown level which impacted commercial activity, a full restriction of Liquor sales during the month of July, stricter curfews and renewed limitations on trading conditions of the hospitality and restaurant sectors, have further impacted sales performance. In light of heightening levels of the third wave of Covid-19 infections in South Africa, consumers have remained reluctant to visit crowded spaces and, as we have seen before, shifted their spending towards essential items, as opposed to spending on durable items.

As mentioned, the civil unrest and looting have directly impacted 43 of our stores, with the majority of these stores still in the process of being re-opened. Sales in these stores were approximately R708.0 million lower compared to the same 7-week period in 2020.

Total sales, from continuing operations, for the 33 weeks to 15 August 2021 of R46.7 billion represents an increase of 4.9% (5.9% on a comparable store sales basis), slowing down from the 6.1% sales growth reported for the 26-week period. Excluding the impact of damaged stores, sales for the 33-week period increased by 5.8% from the same period in 2020 (6.9% on a comparable store sales basis). The slowdown in sales growth is mainly driven by the factors set out above.

Total sales, from discontinued operations, for the 33 weeks to 15 August 2021 of R4.6 billion represents a decrease of 15.2% (down 11.7% on a comparable store sales basis), a further deterioration of the 10.0% contraction reported for the 26-week period. Excluding the impact of damaged stores, sales for the 33-week period decreased by 10.3% from the same period in 2020 (decreased by 6.0% on a comparable store sales basis), mostly in line with the trend we have seen for this year so far.

Consequently, total Group sales for the 33-weeks to 15 August 2021 of R51.3 billion represents a sales increase of 2.7%, with a 4.1% increase in comparable store sales.

With the impact of Covid-19 related trading restrictions, levels of infections as the third wave moves throughout the country, the slow pace of the Covid-19 vaccine rollout and the impacts of the recent civil unrest, we expect the subdued economic environment to persist. While this will present its own set of challenges, we are confident in our ability to successfully navigate through them. We expect the trends in SG&A and GP margin performance achieved during this reporting period to continue into the second half of the year, and expect that the majority of the stores damaged by the civil unrest will be operational for peak trading during the fourth quarter.

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

Dividend

Our current dividend policy is to declare and pay an interim and final cash dividend representing a 2.0 times dividend cover, unless circumstances dictate otherwise. Due to the headline loss reported and the need to preserve cash, as a result of the subdued economic outlook as well as the continued evaluation of the civil unrest impact, no interim dividend has been declared. No interim dividend was declared in June 2020.

Mitchell Slape
Chief Executive Officer

Mohammed Abdool-Samad
Chief Financial Officer
26 August 2021

Condensed consolidated income statement

Rm	26 weeks June 2021 (Reviewed)	26 weeks June 2020 (Reviewed) (Restated)*	Period % change	52 weeks December 2020 (Reviewed) (Restated)*
Revenue	**37,585.5**	35,385.4	*6.2*	77,808.7
Sales	**37,445.0**	35,290.0	*6.1*	77,568.5
Cost of sales	**(29,736.7)**	(28,065.5)	*(6.0)*	(61,644.8)
Gross profit	**7,708.3**	7,224.5	*6.7*	15,923.7
Other income	**140.5**	95.4	*47.3*	239.2
Depreciation and amortisation	**(1,314.8)**	(1,351.5)	*2.7*	(2,717.6)
Employment costs	**(3,585.2)**	(3,426.6)	*(4.6)*	(7,217.0)
Occupancy costs	**(511.2)**	(508.5)	*(0.5)*	(1,028.9)
Other operating costs	**(1,645.5)**	(1,941.2)	*15.2*	(3,586.4)
Trading profit before interest and taxation	**792.1**	92.1	*760.0*	1,613.0
Reorganisation and restructure cost	**(73.4)**	(26.4)	*(178.0)*	(107.8)
Impairment of assets	**(593.1)**	(50.6)	*(1,072.1)*	(173.0)
Insurance proceeds on items in PP&E	**–**	–	–	1.0
Operating profit before foreign exchange movements and interest	**125.6**	15.1	*731.8*	1,333.2
Foreign exchange loss (note 7)	**(87.9)**	(112.3)	*21.7*	(381.1)
Operating profit/(loss) before interest	**37.7**	(97.2)	*138.8*	952.1
– Finance costs	**(831.3)**	(876.3)	*5.1*	(1,690.5)
– Finance income	**5.1**	11.1	*(54.1)*	41.1
Net finance costs	**(826.2)**	(865.2)	*4.5*	(1,649.4)
Loss before taxation	**(788.5)**	(962.4)	*18.1*	(697.3)
Taxation (note 13)	**14.4**	62.8	*(77.1)*	(330.6)
Loss for the period from continuing operations	**(774.1)**	(899.6)	*14.0*	(1,027.9)
Discontinued operations				
Loss for the period from discontinued operations	**(298.4)**	(267.2)	*(11.7)*	(725.5)
Loss for the period	**(1,072.5)**	(1,166.8)	*8.1*	(1,753.4)
Loss attributable to:				
– Owners of the parent	**(1,085.8)**	(1,161.1)	*6.5*	(1,737.7)
Loss for the period from continuing operations	**(790.6)**	(907.7)	*12.9*	(1,033.6)
Loss for the period from discontinued operations	**(295.2)**	(253.4)	*(16.5)*	(704.1)
– Non-controlling interests	**13.3**	(5.7)	*333.3*	(15.7)
Profit for the period from continuing operations	**16.5**	8.1	*103.7*	5.7
Loss for the period from discontinued operations	**(3.2)**	(13.8)	*76.8*	(21.4)
Loss for the period	**(1,072.5)**	(1,166.8)	*8.1*	(1,753.4)
Basic EPS (cents)	**(502.6)**	(534.2)	*5.9*	(802.3)
Continuing operations	**(366.0)**	(417.6)	*12.4*	(477.2)
Discontinued operations	**(136.6)**	(116.6)	*(17.2)*	(325.1)
Diluted basic EPS (cents)	**(502.6)**	(534.2)	*5.9*	(802.3)
Continuing operations	**(366.0)**	(417.6)	*12.4*	(477.2)
Discontinued operations	**(136.6)**	(116.6)	*(17.2)*	(325.1)
Dividend (cents):				
– Interim	**–**	–	–	–
– Final	**–**	–	–	–
– Total	**–**	–	–	–

* *The comparative numbers have been restated in terms of IFRS 5 due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3.*

Headline earnings

Rm	26 weeks June 2021 (Reviewed)	26 weeks June 2020 (Reviewed) (Restated)*	Period % change	52 weeks December 2020 (Reviewed) (Restated)*
Reconciliation of loss for the period to headline loss				
Loss for the period attributable to owners of the parent (IAS 33 earnings)	**(1,085.8)**	(1,161.1)	6.5	(1,737.7)
Write-off of tangible and intangible assets	**616.7**	56.3	*995.4*	814.6
Continuing operations	**597.4**	51.4	*1,062.3*	188.9
Discontinued operations	**19.3**	4.9	*293.9*	625.7
Net (profit)/loss on disposal of tangible and intangible assets	**(17.2)**	15.0	*(214.7)*	30.4
Continuing operations	**(6.0)**	14.3	*(142.0)*	30.5
Discontinued operations	**(11.2)**	0.7	*(1,700.0)*	(0.1)
Insurance proceeds on items of PP&E	**–**	–	–	(1.4)
Continuing operations	**–**	–	–	(1.0)
Discontinued operations	**–**	–	–	(0.4)
Total tax effects of adjustments	**(159.1)**	(0.5)	*(31,720.0)*	(30.2)
Continuing operations	**(159.3)**	11.5	*(1,485.2)*	(15.8)
Discontinued operations	**0.2**	(12.0)	*101.7*	(14.4)
Headline loss	**(645.4)**	(1,090.3)	*40.8*	(924.3)
Continuing operations	**(358.5)**	(830.5)	*56.8*	(831.0)
Discontinued operations	**(286.9)**	(259.8)	*(10.4)*	(93.3)
Reorganisation and restructure costs after taxation	**54.0**	19.0	*184.2*	77.6
Headline loss before reorganisation and restructure costs (taxed) from continuing operations	**(304.5)**	(811.5)	*62.5*	(753.4)
Foreign exchange after taxation	**69.3**	107.2	*(35.4)*	333.9
Headline loss before reorganisation, restructure and foreign exchange costs (taxed) from continuing operations	**(235.2)**	(704.3)	*66.6*	(419.5)
Headline EPS (cents)	**(298.8)**	(501.6)	*40.4*	(426.8)
Continuing operations	**(166.0)**	(382.1)	*56.6*	(383.7)
Discontinued operations	**(132.8)**	(119.5)	*(11.1)*	(43.1)
Headline EPS before reorganisation, restructure and foreign exchange costs (taxed) from continuing operations (cents)	**(108.9)**	(324.0)	*66.4*	(193.7)
Diluted headline EPS (cents)	**(298.8)**	(501.6)	*40.4*	(426.8)
Continuing operations	**(166.0)**	(382.1)	*56.6*	(383.7)
Discontinued operations	**(132.8)**	(119.5)	*(11.1)*	(43.1)
Diluted headline EPS before reorganisation, restructure and foreign exchange costs (taxed) from continuing operations (cents)	**(108.9)**	(324.0)	*66.4*	(193.7)

* *The comparative numbers have been restated in terms of IFRS 5 due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3.*

Condensed consolidated statement of comprehensive income

Rm	26 weeks June 2021 (Reviewed)	26 weeks June 2020 (Reviewed) (Restated)*	Period % change	52 weeks December 2020 (Reviewed) (Restated)*
Loss for the period	**(1,072.5)**	(1,166.8)	*8.1*	(1,753.4)
Items that will not subsequently be re-classified to the Income Statement:	**–**	–	–	11.9
Net post retirement medical aid actuarial profit	**–**	–	–	11.9
Items that will subsequently be re-classified to the Income Statement:	**13.7**	33.0	*(58.5)*	8.9
Foreign currency translation reserve	**54.3**	61.8	*(12.1)*	(13.6)
Fair value movement on OCI financial assets	**0.1**	(0.2)	*150.0*	(0.1)
Income tax relating to components of other comprehensive income	**(40.7)**	(28.6)	*(42.3)*	22.6
Total other comprehensive income for the period, net of tax	**13.7**	33.0	*(58.5)*	20.8
Total comprehensive loss for the period	**(1,058.8)**	(1,133.8)	*6.6*	(1,732.6)
Total comprehensive loss attributable to:				
– Owners of the parent	**(1,072.1)**	(1,128.1)	*5.0*	(1,716.9)
Total comprehensive loss for the period from continuing operations	**(776.9)**	(874.7)	*11.2*	(1,012.8)
Total comprehensive loss for the period from discontinued operations	**(295.2)**	(253.4)	*(16.5)*	(704.1)
– Non-controlling interests	**13.3**	(5.7)	*333.3*	(15.7)
Total comprehensive profit for the period from continuing operations	**16.5**	8.1	*103.7*	5.7
Total comprehensive loss for the period discontinued operations	**(3.2)**	(13.8)	*76.8*	(21.4)
Total comprehensive loss for the period	**(1,058.8)**	(1,133.8)	*6.6*	(1,732.6)

* *The comparative numbers have been restated in terms of IFRS 5 due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3.*

Condensed consolidated statement of financial position

Rm	26 weeks June 2021 (Reviewed)	26 weeks June 2020 (Reviewed) (Restated)**	Period % change	52 weeks December 2020 (Audited)
ASSETS				
Non-current assets	**19,777.1**	21,887.5	*(9.6)*	21,804.4
Property, plant and equipment, including investment property	**7,341.3**	8,382.7	*(12.4)*	8,206.9
Lease assets	**8,041.7**	8,201.9	*(2.0)*	8,590.0
Goodwill and other intangible assets	**2,369.9**	3,899.9	*(39.2)*	3,272.6
Investments and other financial assets	**221.1**	140.8	*57.0*	176.1
Deferred taxation	**1,803.1**	1,262.2	*42.9*	1,558.8
Current assets	**15,141.4**	15,432.5	*(1.9)*	18,446.9
Inventories	**11,349.7**	10,935.5	*3.8*	11,880.6
Trade, other receivables and prepayments	**2,925.8**	2,971.2	*(1.5)*	3,126.3
Taxation	**80.3**	130.5	*(38.5)*	90.8
Cash on hand and bank balances	**785.6**	1,395.3	*(43.7)*	3,349.2
Non-current assets classified as held for sale	**2,596.0**	95.0	*2,632.6*	488.3
Total assets	**37,514.5**	37,415.0	*0.3*	40,739.6
EQUITY AND LIABILITIES				
Total equity	**1,806.1**	3,635.2	*(50.3)*	2,951.5
Equity attributable to owners of the parent	**1,731.9**	3,629.8	*(52.3)*	2,991.3
Non-controlling interests	**74.2**	5.4	*1,274.1*	(39.8)
Non-current liabilities	**11,688.4**	9,214.4	*26.8*	10,188.4
Interest-bearing borrowings	**2,268.7**	–	*100.0*	277.8
Lease liability	**9,129.7**	8,987.8	*1.6*	9,659.9
Deferred taxation	**193.0**	137.0	*40.9*	153.0
Other non-current liabilities and provisions	**97.0**	89.6	*8.3*	97.7
Current liabilities	**22,256.1**	24,565.4	*(9.4)*	27,599.7
Trade, other payables and provisions	**13,660.7**	14,368.3	*(4.9)*	20,252.0
Taxation	**113.0**	150.1	*(24.7)*	394.1
Bank overdrafts and debt facilities (note 12)	**222.4**	120.3	*84.9*	95.3
Interest-bearing borrowing	**7,025.5**	8,452.3	*(16.9)*	5,550.9
Lease liability	**1,234.5**	1,474.4	*(16.3)*	1,307.4
Non-current liabilities directly associated with assets held for sale	**1,763.9**	–	*100.0*	–
Total equity and liabilities	**37,514.5**	37,415.0	*0.3*	40,739.6

** *Restated due to reclassification of certain rebate receivable balances against trade payables. Refer to note 5.*

The Statement of Financial Position has not been restated in terms of IFRS 5. IFRS 5 requires only the discontinued operations of the Cambridge, Rhino and Massfresh businesses to be restated in the Income Statement. Refer to note 3.

Condensed consolidated statement of cash flows

Rm	June 2021 (Reviewed)	June 2020 (Reviewed)	December 2020 (Audited)
Operating cash before working capital movements	**943.3**	1,927.0	4,559.5
Working capital movements	**(4,076.6)**	(4,645.5)	(187.9)
Cash (utilised by)/generated from operations	**(3,133.3)**	(2,718.5)	4,371.6
Taxation paid	**(373.4)**	(63.9)	(105.9)
Net interest paid	**(847.6)**	(851.8)	(1,707.0)
Dividends paid	**(7.5)**	(4.0)	(39.9)
Cash (outflow)/inflow from operating activities	**(4,361.8)**	(3,638.2)	2,518.8
Investment to maintain operations	**(326.4)**	(111.2)	(269.9)
Investment to expand operations	**(226.2)**	(242.9)	(764.2)
Investment in subsidiaries	**–**	(0.2)	(0.2)
Proceeds on disposal of property, plant and equipment	**32.4**	4.0	19.4
Proceeds on disposal of assets classified as held for sale	**86.9**	–	–
Proceeds on disposal of intangible assets	**4.6**	1.3	2.0
Other net investing activities	**–**	7.6	7.5
Cash outflow from investing activities	**(428.7)**	(341.4)	(1,005.4)
Interest-bearing borrowings and debt facilities raised	**3,590.0**	4,879.5	7,544.2
Interest-bearing borrowings and debt facilities repaid	**(582.4)**	–	(5,288.3)
Lease liabilities repaid	**(772.4)**	(756.4)	(1,537.9)
Non-controlling interests acquired	**(87.9)**	–	–
Net acquisition of treasury shares	**–**	(58.6)	(66.2)
Cash inflow arising from other non-current liabilities	**–**	–	26.3
Cash inflow from financing activities	**2,147.3**	4,064.5	678.1
Net (decrease)/increase in cash and cash equivalents	**(2,643.2)**	84.9	2,191.5
Foreign exchange movements on cash and cash equivalents	**(7.9)**	39.5	(88.2)
Cash and cash equivalents classified as held-for-sale	**(39.6)**	–	–
Opening cash and cash equivalents	**3,253.9**	1,150.6	1,150.6
Closing cash and cash equivalents	**563.2**	1,275.0	3,253.9

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 2019 (Audited)	2.2	209.8	763.7	3,809.8	4,785.5	15.3	4,800.8
Dividends declared	–	–	–	–	–	(39.9)	(39.9)
Total comprehensive income	–	–	20.8	(1,737.7)	(1,716.9)	(15.7)	(1,732.6)
Changes in non-controlling interests	–	–	–	–	–	0.5	0.5
IFRS 2 charge and treasury shares acquired	–	(86.9)	6.9	2.7	(77.3)	–	(77.3)
Balance as at December 2020 (Audited)	**2.2**	**122.9**	**791.4**	**2,074.8**	**2,991.3**	**(39.8)**	**2,951.5**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**(7.5)**	**(7.5)**
Total comprehensive income	**–**	**–**	**13.7**	**(1,085.8)**	**(1,072.1)**	**13.3**	**(1,058.8)**
Changes in non-controlling interests	**–**	**–**	**(194.3)**	**–**	**(194.3)**	**108.2**	**(86.1)**
IFRS 2 charge and treasury shares acquired	**–**	**(15.1)**	**22.9**	**(0.8)**	**7.0**	**–**	**7.0**
Balance as at June 2021 (Reviewed)	**2.2**	**107.8**	**633.7**	**988.2**	**1,731.9**	**74.2**	**1,806.1**
Balance as at December 2019 (Audited)	2.2	209.8	763.7	3,809.8	4,785.5	15.3	4,800.8
Dividends declared	–	–	–	–	–	(4.0)	(4.0)
Total comprehensive income	–	–	33.0	(1,161.1)	(1,128.1)	(5.7)	(1,133.8)
Changes in non-controlling interests	–	–	–	–	–	(0.2)	(0.2)
IFRS 2 charge and treasury shares acquired	–	(68.8)	39.8	1.4	(27.6)	–	(27.6)
Balance as at June 2020 (Reviewed)	2.2	141.0	836.5	2,650.1	3,629.8	5.4	3,635.2

Discontinued operations

In an effort to optimise the Group's store portfolio, in line with the revised strategy, and to take a focused approach to deliver sustainable, profitable growth and best serve our customers, the Board made the decision to dispose of the Group's Cambridge, Rhino and Massfresh (comprising The Fruitspot and a meat processing facility) assets. Refer to note 3.

The results of the Cambridge, Rhino and Massfresh discontinued operations, excluding the impact of Corporate allocations as well as the impact of intercompany transactions, are as follows:

Rm	June 2021 (Reviewed)	June 2020 (Reviewed)	December 2020 (Reviewed)
Revenue	**3,878.1**	4,321.6	8,955.2
Sales	**3,878.6**	4,309.2	8,917.0
Cost of sales	**(3,090.6)**	(3,561.9)	(7,212.6)
Gross profit	**788.0**	747.3	1,704.4
Other income	**(0.5)**	12.4	37.9
Depreciation and amortisation	**(146.0)**	(168.6)	(313.3)
Employment costs	**(413.5)**	(455.1)	(893.8)
Occupancy costs	**(109.5)**	(94.5)	(204.1)
Other operating costs	**(466.4)**	(400.2)	(771.4)
Trading loss before interest and taxation	**(347.9)**	(358.7)	(440.3)
Reorganisation and restructure cost	**21.0**	(21.0)	(24.7)
Impairment of assets	**(4.6)**	(4.9)	(625.7)
Insurance proceeds on items in PP&E	**–**	–	0.4
Operating loss before interest	**(331.5)**	(384.6)	(1,090.3)
– Finance costs	**(44.1)**	(51.9)	(89.3)
– Finance income	**0.2**	0.5	0.7
Net finance costs	**(43.9)**	(51.4)	(88.6)
Loss before taxation	**(375.4)**	(436.0)	(1,178.9)
Taxation	**77.0**	168.8	453.4
Loss for the period from discontinued operations	**(298.4)**	(267.2)	(725.5)
Total loss for the period attributable to:			
– Owners of the parent	**(295.2)**	(253.4)	(704.1)
– Non-controlling interests	**(3.2)**	(13.8)	(21.4)
Loss for the period from discontinued operations	**(298.4)**	(267.2)	(725.5)
Net cash inflows/(outflows) from discontinued operations			
Operating activities	**76.0**	152.3	296.4
Investing activities	**61.7**	(31.6)	(108.6)
Financing activities	**(156.5)**	(126.4)	(163.4)
Net (decrease)/increase in cash and cash equivalents	**(18.8)**	(5.7)	24.4

Assets and liabilities classified as held for sale

Assets classified as held for sale			
Property, plant and equipment	**595.0**	25.6	70.0
Lease assets	**503.8**	–	–
Goodwill and other intangible assets	**442.6**	–	–
Inventories	**879.5**	69.4	418.3
Trade, other receivables and prepayments	**135.5**	–	–
Cash on hand and bank balances	**39.6**	–	–
Total assets classified as held for sale	**2,596.0**	95.0	488.3
Liabilities directly associated with assets held for sale			
Lease liability	**669.7**	–	–
Trade, other payables and provisions	**1,094.2**	–	–
Total liabilities directly associated with assets held for sale	**1,763.9**	–	–

The balances classified as held for sale include assets and liabilities related to the Cash & Carry business unit, in addition to those of the discontinued operations.

The lease related balances of the discontinued operations are in Management's view directly associated to the proposed disposal and would therefore form part of any disposal. These balances are therefore included as assets and liabilities classified as held for sale.

On 20 August 2021, the Group announced that a sale of business agreement had been entered into in terms of which the Group will sell the businesses of Cambridge, Rhino and Massfresh as well as 12 Cash & Carry stores to Shoprite Checkers Proprietary Limited ("Shoprite"). Refer to note 3. The terms of this agreement provided specificity to the assets and liabilities that will be acquired, which was not evident at the reporting period-end. Consequently assets to the value of R308.2 million and liabilities to the value R987.5 million will not form part of the disposal to Shoprite.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments identified below. 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:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

	June 2021 (Reviewed)					June 2020 (Reviewed)					December 2020 (Audited)				
Rm	Total carrying amount	Total Fair Value	Level 1	Level 2	Level 3	Total carrying amount	Total Fair Value	Level 1	Level 2	Level 3	Total carrying amount	Total Fair Value	Level 1	Level 2	Level 3
Financial assets															
Financial assets at fair value through profit or loss	**252.7**	**252.7**	**–**	**32.5**	**220.2**	157.5	157.5	–	17.6	139.9	227.7	227.7	–	52.5	175.2
Financial assets at fair value through OCI	**0.9**	**0.9**	**0.9**	**–**	**–**	0.6	0.6	0.6	–	–	0.7	0.7	0.7	–	–
Non-current assets classified as held for sale	**2,596.0**	**2,596.0**	**–**	**–**	**2,596.0**	95.0	95.0	–	–	95.0	488.3	488.3	–	–	488.3
	2,849.6	**2,849.6**	**0.9**	**32.5**	**2,816.2**	253.1	253.1	0.6	17.6	234.9	716.7	716.7	0.7	52.5	663.5
Financial liabilities															
Financial liabilities at amortised cost	**2,268.7**	**2,335.7**	**–**	**2,335.7**	**–**	2,328.7	2,441.6	–	2,441.6	–	2,277.8	2,348.9	–	2,348.9	–
Financial liabilities at fair value through profit or loss	**91.8**	**91.8**	**–**	**91.8**	**–**	21.0	21.0	–	21.0	–	500.3	500.3	–	500.3	–
Non-current liabilities classified as held for sale	**1,763.9**	**1,763.9**	**–**	**–**	**1,763.9**	–	–	–	–	–	–	–	–	–	–
	4,124.4	**4,191.4**	**–**	**2,427.5**	**1,763.9**	2,349.7	2,462.6	–	2,462.6	–	2,778.1	2,849.2	–	2,849.2	–

There were no transfers between Level 1, Level 2 and Level 3 fair value categories during the current or previous financial periods.

The financial assets and financial liabilities have been presented based on an analysis of their respective natures, characteristics and risks.

The valuation techniques and significant inputs driving the fair value determination have remained unchanged since the Group's December 2020 year-end. For more detail in this regard, refer to the 2020 Massmart Group audited consolidated annual financial statements available on the Group's website.

The Group has considered the significant unobservable inputs, the sensitivities attached to them as well as any possible interrelationship between significant unobservable inputs. Currently it is assessed that no such material inputs exist and that no reasonable movement in such an input would result in a material impact for the Group.

Fair value measurements categorised within Level 3 reconciliation

	Financial assets measured at fair value through profit or loss			Non-current assets and liabilities classified as held for sale		
Rm	June 2021 (Reviewed)	June 2020 (Reviewed)	December 2020 (Audited)	June 2021 (Reviewed)	June 2020 (Reviewed)	December 2020 (Audited)
Opening balance	**175.2**	126.2	126.2	**488.3**	159.5	159.5
Fair value adjustments recognised in the Income Statement	**45.0**	13.7	49.0	**–**	–	–
Held for sale assets sold during the period	**–**	–	–	**(86.9)**	–	–
Assets and liabilities transferred as held for sale during the period	**–**	–	–	**430.7**	75.5	468.8
Held for sale assets transferred to property, plant and equipment during the period	**–**	–	–	**–**	(140.0)	(140.0)
Closing balance	**220.2**	139.9	175.2	**832.1**	95.0	488.3

Business unit operational review

Rm	26 weeks June 2021 (Reviewed)	% of sales	26 weeks June 2020 (Reviewed) Restated*	% of sales	Period % growth	Comparable % sales growth	Estimated % sales inflation#	52 weeks December 2020 (Reviewed) Restated*	% of sales
Total sales**	**41,323.6**		39,599.2		*4.4*	4.8	6.6	86,485.5	
Sales from continuing operations**	**37,445.0**		35,290.0		*6.1*	6.6	6.4	77,568.5	
Game	**7,581.8**		8,303.9		*(8.7)*	(6.9)	7.1	16,721.1	
Builders	**7,239.6**		5,836.8		*24.0*	22.0	7.8	13,926.0	
Massmart Wholesale^+	**22,623.6**		21,149.3		*7.0*	7.6	5.7	46,921.4	
Sales from discontinued operations**	**3,878.6**		4,309.2		*(10.0)*	(10.3)	8.3	8,917.0	
Sales Disaggregation	**41,323.6**		39,599.2		*4.4*			86,485.5	
South Africa continuing operations	**33,923.6**		31,372.4		*8.1*			69,634.0	
Food and Liquor	**17,073.7**		16,788.2		*1.7*			36,245.5	
Durables	**16,849.9**		14,584.2		*15.5*			33,388.5	
South Africa discontinued operations	**3,878.6**		4,309.2		*(10.0)*			8,917.0	
Food and Liquor	**3,821.2**		4,243.6		*(10.0)*			8,783.5	
Durables	**57.4**		65.6		*(12.5)*			133.5	
Rest of Africa	**3,521.4**		3,917.6		*(10.1)*			7,934.5	
Food and Liquor	**1,780.1**		2,054.3		*(13.3)*			4,097.9	
Durables	**1,741.3**		1,863.3		*(6.5)*			3,836.6	
Trading profit/(loss) before interest and taxation***	**444.3**	**1.1**	(266.6)	(0.7)	*(266.7)*			1,172.7	1.4
Trading profit/(loss) before interest and taxation from continuing operations***	**813.1**	**2.2**	122.4	0.3	*564.3*			1,672.2	2.2
Game	**(347.3)**	**(4.6)**	(416.3)	(5.0)	*(16.6)*			(532.5)	(3.2)
Builders	**607.6**	**8.4**	214.3	3.7	*183.5*			1,032.6	7.4
Massmart Wholesale+	**552.8**	**2.4**	324.4	1.5	*70.4*			1,172.1	2.5
Trading loss before interest and taxation from discontinued operations***	**(368.8)**	**(9.5)**	(389.0)	(9.0)	*(5.2)*			(499.5)	(5.6)

Business unit assets and liabilities

Rm	Total	Game	Builders	Massmart Wholesale+	Other	Sale Businesses##
June 2021 (Reviewed)						
Total Assets	**37,514.5**	**9,217.0**	**7,252.5**	**10,218.6**	**7,980.4**	**2,846.0**
South Africa	**33,244.9**					
Rest of Africa	**4,269.6**					
Total Liabilities	**35,708.4**	**6,398.8**	**5,238.2**	**10,084.5**	**12,197.6**	**1,789.3**
South Africa	**31,794.6**					
Rest of Africa	**3,913.8**					
June 2020 (Reviewed and Restated)*^^						
Total Assets	37,415.0	9,115.0	7,126.1	11,987.8	5,518.2	3,667.9
South Africa	32,949.5					
Rest of Africa	4,465.5					
Total Liabilities	33,779.8	6,461.6	5,217.4	11,500.7	8,690.9	1,909.2
South Africa	30,933.8					
Rest of Africa	2,846.0					
December 2020 (Reviewed and Restated)*						
Total Assets	40,739.6	9,352.0	7,584.7	11,568.1	9,173.9	3,060.9
South Africa	37,266.0					
Rest of Africa	3,473.6					
Total Liabilities	37,788.1	7,632.1	6,270.8	13,295.5	8,746.6	1,843.1
South Africa	35,222.3					
Rest of Africa	2,565.8					

* *Massfresh was previously disclosed as part of the Massmart Wholesale operating segment but has been included as part of the discontinued operations for presentation purposes due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3.*

** *At an individual business unit level intercompany sales do reflect and are included in the measure of business unit profit or loss. In the above table and at a consolidated level all intercompany sales are completely eliminated. Only the Massmart Wholesale business unit and the Massfresh business made material intercompany sales during the current period. The Massmart Wholesale intercompany sales amounted to R188.5 million (June 2020: R102.7 million; December 2020: R313.4 million) while the Massfresh intercompany sales amounted to R217.7 million (June 2020: R237.9 million; December 2020: R508.3. million).*

*** *Business unit trading profit/(loss) includes Corporate allocations.*

\# *Group sales inflation is a weighted inflation.*

^ *Included in the sales number is R131.7 million commission income (June 2020: R147.3 million; December 2020: R321.1 million) earned by acting as an agent through the Shield arrangement (a voluntary buying association). In cases where the Group acts as an agent in a transaction and where sales are recognised on a net basis, the contractual terms of such arrangements do not meet the requirements that allow offsetting financial instruments resulting in the related receivable and payable balances being disclosed on a gross basis.*

\+ *Massmart Wholesale comprises one operating segment due to their underlying brands sharing similar economic characteristics per the IFRS 8 criteria.*

\## *These balances include all the assets and liabilities of the Cambridge Food business, the Rhino Cash and Carry business, the Fruitspot business as well as the Massfresh Meat business. Assets of R250.0 million and Liabilities of R25.4 million, which mainly consists of tax related balances, have been included in the segment operating results but do not form part of the disposal group. Subsequent to the announcement that these businesses would be sold, the composition of the Group's reportable segments changed and have therefore been restated in terms of the requirements of IFRS 8. The Fruitspot, as well as the Massfresh Meat businesses were previously disclosed as part of the Massmart Wholesale operating segment, but has been combined with the previously disclosed Cambridge operating segment results to form the Sale Businesses operating segment. Refer to note 2.*

^^ *Restated due to reclassification of certain rebate receivable balances against trade payables. Refer to note 5.*

Massmart Retail powered by Walmart

Business unit performance

TRADING GENERAL MERCHANDISE, FOOD AND LIQUOR

↓ 8.7%	↑ 70bps	↑ 16.6%
R7.6bn	27.4%	(R347.3m)
SALES	GP MARGIN	TRADING LOSS*
2020: R8.3bn	2020: 26.7%	2020: (R416.3m)

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

DEC 2020: 149

Game's total sales for the 26 weeks of R7.6 billion was 8.7% lower than June 2020, while comparable store sales contracted by 6.9%.

Foot traffic in many super and regional malls and retail centres remained constrained compared to pre-pandemic levels, as consumers preferred local and more convenient shopping options in light of Covid-19 infection concerns. This dynamic, in conjunction with sub-optimal in-stocks resulting from system integration challenges, the decommissioning of Fresh and Frozen food offerings and shift to apparel departments, and the relay of a significant number of Game stores during the first half, negatively impacted sales during the period. Additionally, lost Liquor sales from Covid-19 related restrictions is estimated to be R35.0 million. Online sales increased by 101.3% compared to the prior period. While total sales from the South African Game stores declined by 4.6%, sales excluding Food grew by 3.3%. Sales from the rest of Africa stores decreased by 18.6% in Rands and by 5.0% in constant currencies, due to continued currency weaknesses during the period. The 70bps margin improvement is attributable to continued improvements in the balance of EDLP and promotional margin mix.

Expenses decreased by 2.0% and increased by 0.3% on a comparable store basis. Impairment losses of R575.0 million were recognised and related primarily to corporate assets, the most significant of which was the SAP S/4 HANA ERP system software asset.

Two Game stores were closed during the period resulting in trading space being reduced by 1.4% to 515,841m^2 (December 2020: 523,151m^2)^.

TRADING DIY, HOME IMPROVEMENT AND BUILDING MATERIALS

↑ 24.0%	↑ 140bps	↑ 183.5%
R7.2bn	35.4%	R607.6m
SALES	GP MARGIN	TRADING PROFIT*
2020: R5.8bn	2020: 34.0%	2020: R214.3m

120 stores in South Africa, Botswana, Kenya, Mozambique and Zambia

DEC 2020: 120

Builders total sales of R7.2 billion represents an increase of 24.0% compared to the same period in 2020, while comparable store sales increased by 22.0%.

Increased sales levels over the prior year were driven in part by the trading restrictions in 2020, in which all South African Builders stores were closed during the month of April 2020. Sales from South African stores increased by 25.5% and by 24.0% on a comparable store sales basis. Total sales from the rest of Africa stores increased by 11.0% in Rand terms and by 32.7% on a constant currency basis, and increased by 3.4% and 23.7% respectively on a comparable store sales basis. Upgrades and performance enhancements to the online shopping portal, combined with increased assortment and improved merchandising, resulted in online sales increasing by 85.4% compared to the prior period.

The 140bps margin improvement compared to the prior year is a result of continuing upgrades to our EDLP approach, as well as a higher retail sales contribution in the first half, relative to construction trade.

Expenses increased by 11.3% and by 10.0% on a comparable store basis.

During the period, one Builders Warehouse store was opened and one Builders Express store was closed, both in South Africa. This resulted in a 0.5% increase in trading space to 365,458m^2 (December 2020: 363,558m^2)^.

↑ IMPROVEMENT ↓ DETERIORATION

** Business unit trading profit/(loss) includes Corporate allocations.*

^ Trading space has been remeasured based on updated measurement criteria, and comparatives re-presented.

Massmart Wholesale powered by Walmart

Business unit performance*

TRADING GENERAL MERCHANDISE, FOOD (INCLUDING WHOLESALE) AND LIQUOR; AND BUYING ASSOCIATION

↑ 7.0%	↑ 10bps	↑ 70.4%
R22.6bn	**15.4%**	**R552.8m**
SALES	GP MARGIN	TRADING PROFIT**
2020: R21.1bn	2020: 15.3%	2020: R324.4m

22 Makro stores in South Africa

DEC 2020: 22

66 Jumbo/Shield stores in South Africa

DEC 2020: 69

Makro's total sales of R13.3 billion increased by 14.5% compared to June 2020, and by the same percentage on a comparable store sales basis. Margins improved by 10bps to 18.5% compared to June 2020. This is due largely to sales mix during the period, favoring more retail business.

Wholesale Cash & Carry total sales of R9.3 billion decreased by 2.3% compared to June 2020, with comparable store sales decreasing by 1.0%. Trading margin decreased by 30bps to 11.1% compared to June 2020.

Commercial and wholesale sales continued to be impacted by the lower activity in the corporate, tourism and hospitality, restaurant and catering sectors as a result of the Covid-19 pandemic.

Lost Liquor sales due to Covid-19 related trading restrictions, for both Makro and Cash & Carry, is estimated to be R646.4 million.

Softer online sales growth was reported in Makro during the period. The current period online sales increase is measured against a 2020 comparative period, which included a surge in online sales due to the lockdown restrictions associated with the Covid-19 pandemic.

Cost saving initiatives resulted in decreased expenses of 0.1%, and by 4.9% on a comparable store basis.

No new Makro stores were opened or closed during the period, while one Cash & Carry store was closed and two Cash & Carry stores were sold during the period. Makro's trading space remained unchanged at 260,171m^2 while Cash & Carry's trading space decreased by 4.9% to 240,421m^2 (December 2020: 252,253m^2)^.

↑ IMPROVEMENT ↓ DETERIORATION

*Massfresh was previously disclosed as part of the Massmart Wholesale operating segment but has been included as part of the discontinued operations for presentation purposes due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3.

** Business unit trading profit/(loss) includes Corporate allocations.

^ Trading space has been remeasured based on updated measurement criteria, and comparatives re-presented.

Discontinued operations*

FOOD RETAILER

↓ 10%	↓ 41bps	↑ 5.2%
R3.9bn	**17.6%**	**(R368.8m)**
SALES	**GP MARGIN**	**TRADING LOSS****
2020: R4.3bn	2020: 18.0%	2020: (R389.0m)

56 stores in South Africa
DEC 2020: 63

Total sales from discontinued operations were R3.9 billion, representing a decline of 10.0%, (and by 10.3% on a comparable store sales basis). Lost Liquor sales from Covid-19 related trading restrictions in the Cambridge and Rhino businesses are estimated to be R88.6 million.

Customers in this lower LSM segment of the market were significantly impacted by increased unemployment and lower disposable income. Gross profit margin decreased by 41bps to 17.6%, and was impacted by category mix and pricing.

Expenses decreased by 0.1% and by 4.9% on a comparable store basis.

Three Cambridge stores and four Rhino stores were sold during the period, as previously announced. This resulted in a 7.5% decrease in trading space to 114,683m² (December 2020: 123,259m²).

↑ IMPROVEMENT ↓ DETERIORATION

* *Massfresh was previously disclosed as part of the Massmart Wholesale operating segment but has been included as part of the discontinued operations for presentation purposes due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3.*

** *Business unit trading profit/(loss) includes Corporate allocations.*

Additional information

	June 2021 (Reviewed)	June 2020 (Reviewed)	December 2020 (Audited)
Net asset value per share (cents)	**790.3**	1,656.4	1,365.0
Ordinary shares (000's):			
– In issue	**219,138.8**	219,138.8	219,138.8
– Weighted average (net of treasury shares)	**216,019.9**	217,361.4	216,580.3
– Diluted weighted average	**227,348.6**	220,143.5	222,666.0
Preference shares (000's):			
– Black Scarce Skills Trust 'B' shares in issue	**2,797.7**	2,797.7	2,797.7
Capital expenditure (Rm):			
– Authorised and committed	**315.8**	601.2	326.5
– Authorised not committed	**838.6**	1,041.2	1,312.7
US dollar exchange rates: – period end (R/$)	**14.14**	17.30	14.62
– average (R/$)	**14.53**	16.45	16.36

Share Data: 28 Dec 2020 - 27 Jun 2021

Closing price, 27 Jun 2021	R 65.00
Share price (26 week high)	R 70.30
Share price (26 week low)	R 38.30
Market Cap (billions)	R 14.20
Shares in issue (millions)	216.1
Shares traded (millions)	56.2
Percentage of shares traded	26.0%
Reuters	MSMJ.J
Bloomberg	MSM SJ

Notes

1. These reviewed interim 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 'Provisional 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 reviewed interim 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.

2. The Group operating model comprises Massmart Retail (incorporating Game, Builders, Cambridge and Rhino) and Massmart Wholesale (incorporating Makro, The Fruitspot and Wholesale Cash & Carry). The Group's reportable segments comprise Game; Builders (incorporating the Builders Warehouse Builders Express Builders Trade Depot and Builders Superstore brands); Massmart Wholesale (incorporating the Makro, Jumbo, Trident, Jumbo Shield and Saverite brands); and the Sale Businesses (incorporating the Cambridge Food and Rhino brands, as well as The Fruitspot).

3. As previously reported, the Board made a decision to dispose of the Group's Cambridge, Rhino and Massfresh businesses, as well as to divest its interest in 14 Cash & Carry stores in an effort to optimise the Group's store portfolio, and to take a focused approach to deliver sustainable profitable growth and best serve our customers. As a result of the status of these disposals, these businesses and stores are now classified as held-for-sale with the income statement results of the Group's Cambridge, Rhino and Massfresh businesses being re-presented as discontinued operations in terms of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. On 20 August 2021, the Group announced that a sale of business agreement had been entered into with K2019389785 (South Africa) Proprietary Limited, a subsidiary of Shoprite Checkers Proprietary Limited in terms of which the Group sells, as a going concern, the businesses of Cambridge, Rhino and Massfresh as well as 12 Cash & Carry stores for a maximum consideration of R1,360.0 million. The consideration is payable in cash as soon as the agreement becomes unconditional, which is anticipated to be by the first quarter of 2022, once all the conditions precedent have been met. Also refer to the Discontinued operations and Assets and liabilities classified as held for sale disclosures included in these reviewed interim condensed consolidated results for additional details regarding this transaction.

4. As previously reported, the Group entered into a binding offer with the minority shareholders to purchase the remaining 49.8% non-controlling interest in Sunshine Powersave Proprietary Limited that the Group does not own, as well as the immovable properties from which the four Sunshine stores trade. All conditions precedent were met and the sale became effective on 02 July 2021. The purchase consideration amounted to R347.0 million, of which R200.0 million related to the acquisition of the additional equity interest and R147.0 million related to the purchase of four properties located in Roodepoort.

5. As part of the Group's continued IFRS 9 'Financial Instruments' compliance assessment it was noted that the Group has historically presented certain rebate receivable balances from vendors as part of the 'Trade, other receivables and prepayments' balance as opposed to offsetting these against the 'Trade, other payables and provisions' line as required by the accounting standard. This error was identified and rectified during the 2020 financial year-end. As such, only June 2020 has been restated with R960.4 million of rebate receivable balances being reclassified from the 'Trade, other receivables and prepayments' line to the 'Trade, other payables and provisions' line as follows:

	June 2020 Reviewed 26 weeks		
Rm	Previously reported	Effect of change	Restated
Statement of financial position			
Trade, other receivables and prepayments	3,931.6	(960.4)	2,971.2
Total current assets	**16,392.9**	**(960.4)**	**15,432.5**
Total assets	**38,375.4**	**(960.4)**	**37,415.0**
Trade, other payables and provisions	15,328.7	(960.4)	14,368.3
Total current liabilities	**25,525.8**	**(960.4)**	**24,565.4**
Total liabilities	**34,740.2**	**(960.4)**	**33,779.8**

6. In May 2020, the International Accounting Standards Board issued an amendment to IFRS 16 'Leases', dealing specifically with Covid-19 related rent concessions. In line with the practical expedient provided in the amendment, the Group recognised R241 thousand (June 2020: R97.0 million) rental relief in the occupancy costs line of the condensed consolidated income statement relating to rent concessions meeting the conditions specified and occurring as a direct consequence of the Covid-19 pandemic.

7. Although fluctuations in African currencies continue to negatively impact the Group, the losses incurred, primarily in Malawi and Zambia, were mostly offset by a gain in Mozambique, resulting in an overall impact that was largely neutral for the period. This, together with the net R82.0 million impact of the fair value adjustment on the fully hedged USD denominated loan, resulted in a foreign exchange loss of R87.9 million.

8. As previously announced, during March 2021 the managed services agreement involving Genpact (a strategic partner of Walmart Enterprise Services) managing Massmart's financial transaction processing activities became effective (MSA). The MSA covers a period of eight years and will incur a total of USD16.2 million transformational costs, of this USD13.36 million is payable within the first two years of the contract. Walmart, through its wholly owned Irish subsidiary, Newgrange Platinum Services, LTD. ("NGPS"), entered into a contract to assist Massmart to manage the resultant cash outflow by entering into an agreement with Genpact to pay the upfront transformational costs and charging these to Massmart over the contract period of eight years. Consequently, Massmart entered into a back-to-back agreement with NGPS reflecting these terms. The net effect of this agreement will provide cash flow relief to Massmart of USD11.34 million over the first two years of the MSA. As at June 2021, an amount of R4.8 million was paid to NGPS in terms of this agreement.

9. Massmart and its business units enter into certain transactions with related parties in the normal course of business. As a 52.8% shareholder, Main Street 830 Proprietary Limited, a subsidiary of Walmart, is entitled to a dividend based on their number of shares held. No dividend was declared in the current period, and as such no dividend remains payable. A net amount of R3.5 billion remains payable to Walmart, largely due to the loan advanced during the previous financial year. Non-loan related amounts due to and from Walmart are accounted for in 'trade, other payables and provisions' and 'trade, other receivables and prepayments' respectively.

10. Massmart offers a diverse range of retail offerings to the market consisting of Food & Liquor, General Merchandise and Home Improvement. Due to the cyclical nature of this industry, higher revenues and operating profits are usually expected in the second half of the year rather than in the first six months. Higher sales during the period October to December are mainly attributed to the increased demand for our non-Food categories where we see an increase in discretionary spend leading up to the Black Friday and Christmas holiday periods. This information is provided to allow for a better understanding of the results.

11. The constant currency information included in these reviewed interim condensed consolidated results has been presented to illustrate the Group's underlying rest of Africa business performance excluding the effect of foreign currency fluctuations. In determining the application of constant currency, sales for the prior comparable financial reporting period have been adjusted to take into account the average monthly exchange rate for the current period. The table below depicts the percentage change in sales in both reported currency and constant currency for the given material currencies. The constant currency information incorporated in these interim reviewed condensed consolidated results has not been audited or reviewed or otherwise reported on by our external auditors. The constant currency information is the responsibility of the Directors of Massmart. It has been prepared for illustrative purposes only and due to its nature, may not present Massmart's financial position, changes in equity, results of operations or cash flows.

Sales growth in:	**Reported currency**	**Constant currency**
Botswana Pula	(6.6%)	0.3%
Mozambican Metical	(10.4%)	3.2%
Nigerian Naira	(9.4%)	9.8%
Zambian Kwacha	(13.8%)	29.9%
Kenyan Shilling	16.3%	37.7%
Rest of Africa	**(8.1%)**	**8.3%**

12. Total interest-bearing borrowings and debt facilities, including bank overdrafts and lease liabilities, increased by R845.9 million compared to June 2020. The June 2021 closing position was negatively impacted in the month of June by the third wave of Covid-19 infections, which resulted in subdued trading and certain trading restrictions. The Group also made a strategic investment in certain stock lines and capital expenditure. Average net debt for the six months decreased by R675.8 million compared to the prior year period.

13. In terms of IAS 34, the interim period tax expense is calculated by applying the tax rate that would be applicable to the expected total annual earnings, which is the estimated average annual effective income tax rate (AETR), to the interim period loss. The Group's continuing operations AETR estimated at 1.8% (June 2020: 6.5%) is mainly as a result of estimating drivers of the AETR, which include the limitation of the recognition of certain deferred tax assets, disallowed expenses relating to depreciation on non-allowance assets, interest limitations and goodwill impairments. Deferred tax assets (arising from unutilised tax losses in trading entities) are recognised as a result of the reassessment of the recoverable amount of the deferred tax asset as at the interim reporting date. The assessment considers the probability of forecasted future taxable income, which may include future tax planning opportunities.

14. Subsequent to the Group's reporting period, incidents of civil unrest and looting in South Africa impacted our business, particularly in the Gauteng and KwaZulu Natal provinces. Protests and looting have affected eighteen Cambridge stores, ten Game stores, eight Builders stores, five Cash & Carry stores, two Makro stores and two Distribution Centres (both of which are leased). Seven of these stores and facilities have had significant damage due to arson.

    Massmart's insured loss is broadly categorised into two areas: Material Damage and Business Interruption. In total Massmart has an insurance limit of R2 billion split between Material Damage of R1 billion and Business Interruption of R1 billion.

    Preliminary estimates of the Business Interruption claim are that the losses will be covered fully by the Business Interruption insurance. The estimated inventory loss, as a result of arson and looting, is approximately R1.3 billion. Other asset write-offs, which include buildings, property, plant and equipment, fixtures and fittings and cash are still being assessed. As a result of the inventory loss being in excess of the R1 billion Material Damage limit, the insurance cover in place will not fully offset the losses suffered. Once the assessment of the full extent of the damage is finalised, and all other covers considered, the extent of the uncovered losses will be determined, after which a further update will be provided.

15. As previously announced, the Group is conducting a portfolio review of the stores outside SADC (Southern African Development Community) and as part of this review the Group has identified 14 stores in East and West Africa it intends to dispose. A service provider has been appointed to assist the Group with these disposals with a further update to be provided in due course.

16. Impairment losses of R593.1 million were recognised during the period and related primarily to Game's corporate assets (R507.2 million), the most significant of which is the SAP S/4 HANA ERP system software asset. The corporate assets impairment was assessed on a consistent basis to the fair-value-less-cost-to-dispose methodology as articulated in the 2020 audited consolidated Group Annual Financial Statements available on the Group's website. The most significant driver of the impairment was Game's revenue growth which was much lower than Management's forecast as at December 2020 and the resultant impact this had on trading profit. The remaining key inputs, being the average margin (between 27% and 29%) and expense growth (between 1% and 5%) over the 5-year forecast period as well as the discount rate (16.4%), were within Management's sensitivity ranges. Included in the corporate assets impairment is goodwill amounting to R9.0 million.

17. The USD denominated Walmart loan was extended on 26 July 2021 for a further three months on the same contractual terms as disclosed in the Group's 2020 annual financial statements. This will provide the Group with sufficient headroom in the upcoming months to focus and deliver timeously on the reopening efforts of the stores affected by the civil unrest.

18. On 25 August 2021 the Group announced that it has entered into negotiations which, if successfully concluded, may result in the Group acquiring a controlling stake in OneCart Pty Ltd ("OneCart"). OneCart is a fast moving consumer goods market place and logistics platform that partners with leading retailers in South Africa to enable fast, flexible and efficient online sales and

home delivery to consumers across the country. In keeping with the Group's strategy to invest in and accelerate its eCommerce presence, this potential acquisition will allow the Group to further expand its capabilities in the fast growing on-demand delivery segment, while continuing to support OneCart's independent retailer marketplace model. Negotiations are at an advanced stage and the Group is hopeful to conclude discussions in the coming weeks pending finalisation of a few key matters.

19. These reviewed interim 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 Chief Financial Officer, Mohammed Abdool-Samad CA (SA), supervised the preparation of the Group's reviewed interim condensed consolidated results.

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