mr price group limited

Interim Results - Supplementary Information
26 weeks ended 1 October 2016

Mr Price Group Limited

(Incorporated in the Republic of South Africa)
Registration number: 1933/004418/06
Tax reference number: 9285/130/20/0
JSE code: MRP
ISIN: ZAE000200457

Registered Office

Upper Level, North Concourse
65 Masabalala Yengwa Avenue
Durban, 4001

PO Box 912, Durban, 4000

Website

www.mrpricegroup.com

Sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)

Transfer Secretaries

Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg, 2001
PO box 61051, Marshalltown, 2017

Auditors

Ernst & Young Inc.

mr price group limited

UNAUDITED GROUP RESULTS AND INTERIM CASH DIVIDEND DECLARATION FOR THE 26 WEEKS ENDED 1 OCTOBER 2016

This short-form announcement is the responsibility of the Mr Price Group Limited board of directors and is a summary of the information in the detailed results announcement released on SENS on 14 November 2016 and the presentation to the Investment Analysts Society. These documents are available on the Group's website at www.mrpricegroup.com and copies may be requested from the Company Secretary (hgrosvenor@mrpg.com or +27 31 310 8000) at the Company's registered office. Any investment decision in relation to the Company's shares should be based on the full announcement.

Results

	2016	2015	% change	
26 weeks ended	1 Oct	26 Sept	Statutory	Normalised
Profitability				
Operating profit (R'm)	1 251	1 445	(13.4)	(4.2)
Operating margin (%)	13.7	16.1		
Earnings per share				
Basic (c)	361.8	426.2	(15.1)	(6.5)
Headline (c)	362.3	427.6	(15.3)	(6.8)
Diluted headline (c)	351.2	406.8	(13.7)	(4.9)
Dividend				
Dividend per share (c)	228.2	248.0	(8.0)	
Dividend payout ratio (%)	63.0	58.0		

Interim Cash Dividend Declaration

The interim dividend of 228.20 cents per share (193.97c net of dividend withholding tax of 15% for shareholders who are not exempt), is based on an increased interim payout ratio, in line with the company's stated aim of aligning this with the annual ratio of 63%. The dividend has been declared from income reserves. The salient dates for the dividend are as follows:

Last date to trade 'cum' dividend	Tuesday	6 December 2016
Date trading commences 'ex' dividend	Wednesday	7 December 2016
Record date	Friday	9 December 2016
Payment date	Monday	12 December 2016

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 7 December 2016 and Friday, 9 December 2016, both dates inclusive.

Commentary

Normalised earnings exclude foreign exchange (FX) differences reflected in administration expenses in both periods. Due to exchange rate fluctuations, imported merchandise commitments are fully hedged. At the interim stage last year, we were required to mark these foreign exchange contracts (FEC's) to market, resulting in a significant gain in that period in the income statement. As a result of the Group's subsequent adoption of cash flow hedge accounting, this adjustment is now accounted for in equity. Losses were, however, incurred relating to the proportion of hedges that were less than 100% effective and reclassified to the income statement, as well as foreign currency surrendered. Statutory earnings include the FX differences in administration expenses.

Total revenue grew by 1.5% to R9.2bn with retail sales increasing by 0.4% (comparable stores -3.2%) to R8.6bn. Cash sales grew by 1.9% and constitute 82.6% of total sales, whilst credit sales continued to be affected by the introduction of new credit regulations in September 2015, and declined by 6.2%. Selling price inflation was 11.4% and unit sales were 10.2% lower. Weighted average trading space increased by 2.2%. Other income, derived mainly from the financial services division, MRP Money, increased by 27.9% to R543.4m.

The merchandise gross margin decreased by 0.9% to 39.8%, impacted by a weak and volatile currency and higher markdowns. The cellular margin improved from 2.1% to 13.1% due to scale and product mix. Normalised selling and administrative expenses were well controlled and increased by 2.2%, however this was insufficient to offset the lower gross profit and normalised operating profit was down 4.2% at R1.3bn.

Four of the six trading divisions performed well. Despite the challenges brought about by a poor economy and resulting constrained consumer environment, they held or improved their GP%'s, managed costs and delivered good profit growth. However, MRP Apparel, which represents 59.3% of Group sales, and Miladys performed well below expectations.

Sales in MRP Apparel declined by 0.5% (comparable -4.1%) to R5.1bn. The poor economic environment, revised credit-granting regulations, late arrival of winter weather and higher prices caused by the weak rand were all contributing factors. While trade at month ends is up on the previous year, during the middle of the month discretionary spending on apparel has been significantly curtailed, indicating considerable pressure on consumers and diversion of spending to food and other essentials. In this tighter environment competition has intensified and customers have become accustomed to heightened promotional activity and price discounting.

Winter markdowns should have been taken earlier. Merchandise assortments and marketing should also have been more focused on value rather than fashion in this climate. A drive to enhance our value offer is currently being implemented by the merchandise teams.

Miladys is undergoing a change in merchandise fashion pitch to refocus on its core customer. This was expected to impact current performance but the situation was exacerbated by it being a predominantly credit business and the dynamics currently playing out in the retail environment. Sales decreased by 11.0% (comparable -12.4%) to R582.4m, but there are signs that the repositioning is starting to gain traction in the summer season.

Good profit growth was achieved in our other businesses. MRP Sport grew sales by 13.3% (comparable 2.1%) to R634.5m, while in the homewares segment, which constitutes 26.5% of Group sales, MRP Home grew sales by 1.6% (comparable -0.7%) to R1.6bn and Sheet Street by 4.0% (comparable 3.3%) to R680.3m. MRP Money grew revenue by 27.9% to R524.9m and improved profitability despite the lower level of credit sales.

In the last two years the Group has spent R1.8bn on capital expenditure to build the necessary infrastructure to support its growth plans and expand into new markets. In Australia, the two MRP Apparel test stores have provided good insights into which product categories to focus on in a smaller format test store, while sales performance in the MRP Home test store which opened 3 weeks ago looks promising. To supplement organic growth, acquisition opportunities continue to be assessed and extreme care is being taken to ensure any target meets our clearly defined criteria.

The Group's balance sheet remains healthy. Free cash flow generated during the period of R745m increased by 8.1% and cash resources at period end were R1.1bn. The provision for impairment of the debtors' book of 7.4% is comfortably ahead of the net bad debt rate of 5.8%. Although gross inventories are 3.8% lower than March, markdowns will be required to clear stock carry over, mainly in the MRP Apparel chain.

Trading conditions are expected to remain difficult in the second half, with no relief in sight for the embattled consumer. Much will depend on the Christmas trading period and when the major sales of summer merchandise in the apparel sector start. All our businesses are adapting rapidly to the changed and more difficult trading environment and will be fighting to maintain or increase their market shares in the months ahead.

mrp · mrpsport · MILADYS · mrphome · sheet street · mrpmoney

Mr Price Group Limited	Registration Number: 1933/004418/06 · Incorporated in the Republic of South Africa · ISIN: ZAE000200457 · JSE Code: MRP
Directors	SB Cohen* (Honorary chairman), NG Payne* (Chairman), SI Bird (CEO), MM Blair (CFO), N Abrams*^, SA Ellis^, K Getz*, MR Johnston*, RM Motanyane*, D Naidoo*, MJD Ruck*, WJ Swain*, * Non-executive director, ^ Alternate director
Sponsor	Rand Merchant Bank (a division of FirstRand Bank Limited)
Transfer Secretaries	Computershare Investor Services (Pty) Ltd

PRESS RELEASE

MR PRICE GROUP LIMITED REPORTS INTERIM RESULTS (26 weeks ended 1 October 2016)

[Durban, 14 November 2016] Mr Price announced normalised diluted headline earnings per share of 360.4 cents, down 4.9% from the prior year (normalised earnings exclude the impact of foreign exchange (FX) differences reflected in administration expenses in both periods). On a statutory reporting basis, which includes the FX impacts, diluted HEPS of 351.2c was 13.7% lower than the corresponding period. The interim dividend of 228.2c per share is down 8.0% and is based on an increased interim payout ratio of 63%, in line with the company's stated aim of aligning this to the annual payout ratio.

Total revenue grew by 1.5% to R9.2bn with retail sales increasing by 0.4% (comparable stores -3.2%) to R8.6bn. Cash sales grew by 1.9% and constitute 82.6% of total sales, whilst credit sales continued to be affected by the introduction of new credit regulations in September 2015, and declined by 6.2%. Selling price inflation was 11.4% and unit sales were 10.2% lower. Weighted average trading space increased by 2.2%, while net of closures and reductions, space was up 3.6%. Other income, derived mainly from the financial services division, MRP Money, increased by 27.9% to R543.4m, driven by cellular which increased by 73.9%, while insurance and debtors' interest and fees was up 9.4%.

The merchandise gross margin decreased by 0.9% to 39.8%, impacted by a weak and volatile currency and higher markdowns. The cellular margin improved from 2.1% to 13.1% due to scale and product mix. On a normalised basis selling and administrative expenses were well controlled and increased by 2.2%, however this was insufficient to offset the lower gross profit and normalised operating profit was down 4.2% at R1.3bn.

"We were happy with the earnings growth in four of our six trading divisions," said CEO Stuart Bird. "Despite the challenges brought about by a poor economy and resulting constrained consumer environment, they held or improved their GP%'s, managed costs and delivered good profit growth. However MRP Apparel, which represents 59.3% of Group sales, and Miladys performed well below expectations."

Sales in MRP Apparel declined by 0.5% (comparable -4.1%) to R5.1bn. The poor economic environment, revised credit-granting regulations, late arrival of winter weather and higher prices caused by the weak rand were all contributing factors. While trade at month ends is up on the previous year, during the middle of the month discretionary spending on apparel has been significantly curtailed, indicating considerable pressure on consumers and diversion of spending to food and other essentials. In this tighter environment competition has intensified and customers have become accustomed to heightened promotional activity and price discounting. "We should have taken winter markdowns earlier. Our assortments and marketing should also have been more focused on value rather than fashion in this climate. A drive to enhance our value offer is currently being implemented by the merchandise teams at MRP," said Bird.

Miladys is undergoing a change in merchandise fashion pitch to refocus on its core customer. This was expected to impact current performance but the situation was exacerbated by it being a predominantly credit business and the dynamics currently playing out in the retail environment. Sales decreased by 11.0% (comparable -12.4%) to R582.4m, but there are signs that the repositioning of the merchandise offer is starting to gain traction in the summer season.

MRP Sport grew sales by 13.3% (comparable 2.1%) to R634.5m, delivering a good trading result in difficult conditions.

In the homewares segment, which constitutes 26.5% of Group sales, MRP Home grew sales by 1.6% (comparable -0.7%) to R1.6bn and Sheet Street by 4.0% (comparable 3.3%) to R680.3m, with both chains delivering sound profit growth. MRP Money also improved profitability despite the lower level of credit sales.

Due to exchange rate fluctuations, we fully cover our imported merchandise commitments. At the interim stage last year, we were required to mark these foreign exchange contracts (FEC's) to market, resulting in a significant gain in that period in the income statement. As a result of the Group's subsequent adoption of cash flow hedge accounting, this adjustment is now accounted for in equity. Losses were, however, incurred relating to the proportion of hedges that were less than 100% effective and reclassified to the income statement, as well as foreign currency surrendered.

In the last two years the group has spent R1.8bn on capital expenditure to build the necessary infrastructure to support its growth plans and expand into new markets. In Australia, the two MRP Apparel test stores have provided good insights into which product categories to focus on in a smaller format test store, while sales performance in the MRP Home test store which opened three weeks ago looks promising. To supplement organic growth, acquisition opportunities continue to be assessed, with extreme care being taken to ensure any target meets our clearly defined criteria.

The Group's balance sheet remains healthy. Free cash flow generated during the period of R745m increased by 8.1% and cash resources at period end were R1.1bn. The provision for impairment of the debtors' book of 7.4% is comfortably ahead of the net bad debt rate of 5.8%. Although gross inventories are 3.8% lower than March, markdowns will be required to clear stock carry over, mainly in the MRP Apparel chain.

"We expect trading conditions to remain difficult in the second half with no relief in sight for the embattled consumer. Much will depend on the Christmas trading period and when the major sales of summer merchandise in the apparel sector start. All our businesses are adapting rapidly to the changed and more difficult trading environment and will be fighting to maintain or increase their market shares in the months ahead," Bird concluded.

ENDS

Contact

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INTERIM CASH DIVIDEND DECLARATION

Notice is hereby given that an interim gross cash dividend of 228.20 cents per share has been declared for the 26 weeks ended 1 October 2016. As the dividend has been declared from income reserves, shareholders, unless exempt or who qualify for a reduced withholding tax rate, will receive a net dividend of 193.97 cents per share.

The issued share capital at the declaration date is 255 195 880 listed ordinary and 9 745 081 unlisted B ordinary shares. The tax reference number is 9285/130/20/0.

The salient dates for the dividend will be as follows:

Last date to trade 'cum' the dividend	Tuesday	6 December 2016
Date trading commences 'ex' the dividend	Wednesday	7 December 2016
Record date	Friday	9 December 2016
Payment date	Monday	12 December 2016

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 7 December 2016 and Friday, 9 December 2016, both dates inclusive.

The dividend was approved on behalf of the Board on 14 November 2016 in Durban by:

NG Payne – Chairman
SI Bird - Chief Executive Officer

DIRECTORS

SB Cohen* (Honorary Chairman), NG Payne* (Chairman), SI Bird (CEO), MM Blair (CFO), N Abrams*^, SA Ellis^, K Getz*, MR Johnston*, RM Motanyane*, D Naidoo*, MJD Ruck*, WJ Swain*

* Non-executive director ^ Alternate director

UNAUDITED GROUP RESULTS FOR THE 26 WEEKS ENDED 1 OCTOBER 2016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'm	**2016 1 Oct**	2015 26 Sept	2016 2 April
Assets			
Non-current assets	**2 458**	1 604	2 241
Property, plant and equipment	**1 903**	1 083	1 672
Intangible assets	**399**	368	373
Long-term receivables	**38**	6	18
Defined benefit fund asset	**41**	40	41
Deferred taxation assets	**77**	107	137
Current assets	**5 449**	6 218	5 822
Inventories	**2 073**	1 887	2 168
Trade and other receivables	**2 104**	2 037	2 136
Reinsurance assets	**174**	184	99
Cash and cash equivalents	**1 098**	2 110	1 419
Total assets	**7 907**	7 822	8 063
Equity and liabilities			
Equity attributable to shareholders	**5 530**	4 801	5 620
Non-current liabilities	**235**	225	244
Lease obligations	**158**	164	174
Deferred taxation liabilities	**1**	8	8
Long-term liabilities	**48**	28	36
Post retirement medical benefits	**28**	25	26
Current liabilities	**2 142**	2 796	2 199
Trade and other payables	**1 733**	2 369	1 987
Derivative financial instruments	**135**	-	118
Reinsurance liabilities	**30**	31	30
Current portion of lease obligations	**63**	62	60
Taxation	**181**	334	4
Total equity and liabilities	**7 907**	7 822	8 063

CONDENSED CONSOLIDATED INCOME STATEMENT

R'm	**2016 1 Oct 26 weeks**	2015 26 Sept 26 weeks	% change	2016 2 April 53 weeks
Revenue	**9 167**	9 030	1.5	20 004
Retail sales	**8 588**	8 558	0.4	19 038
Other income	**543**	425	27.9	885
Retail sales and other income	**9 131**	8 983	1.6	19 923
Costs and expenses	**7 880**	7 538	4.5	16 320
Cost of sales	**5 347**	5 194	3.0	11 314
Selling expenses	**1 914**	1 815	5.5	3 848
Administrative and other operating expenses	**619**	529	17.0	1 158
Profit from operating activities	**1 251**	1 445	(13.4)	3 603
Net finance income	**35**	47	(24.0)	81
Profit before taxation	**1 286**	1 492	(13.9)	3 684
Taxation	**365**	422	(13.6)	1 042
Profit after taxation	**921**	1 070	(13.9)	2 642
Profit/loss attributable to non-controlling interests	**0**	6	99.0	3
Profit attributable to equity holders of parent	**921**	1 076	(14.4)	2 645
Weighted average number of shares in issue	**254 562**	252 439	0.8	252 786
Earnings per share (cents)				
Reported				
- basic	**361.8**	426.2	(15.1)	1 046.5
- headline	**362.3**	427.6	(15.3)	1 057.8
- diluted basic	**350.7**	405.2	(13.4)	1 002.1
- diluted headline	**351.2**	406.8	(13.7)	1 012.9
Normalised*				
- basic	**371.3**	397.0	(6.5)	1 030.6
- headline	**371.8**	398.7	(6.8)	1 041.9
- diluted basic	**360.0**	377.4	(4.6)	986.9
- diluted headline	**360.4**	379.1	(4.9)	997.7
Dividends per share (cents)	**228.2**	248.0	(8.0)	667.0
Dividend payout ratio	**63.0**	58.0		63.1

* Normalised earnings represents earnings excluding business defined exceptional items (refer page 11).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'm	**2016 1 Oct 26 weeks**	2015 26 Sept 26 weeks	2016 2 April 53 weeks
Profit attributable to equity holders of parent	**921**	1 076	2 645
Other comprehensive income:			
Currency translation adjustments	**(71)**	7	31
Defined benefit fund net actuarial loss	**(1)**	(1)	(2)
Net loss on hedge accounting	**(60)**	-	(85)
Total comprehensive income	**789**	1 082	2 589

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'm	**2016 1 Oct**	2015 26 Sept	2016 2 April
Total equity attributable to shareholders at beginning of the period	**5 620**	5 021	5 021
Total comprehensive income for the period			
Profit for the period	**921**	1 076	2 645
Other comprehensive income	**(132)**	6	(56)
- currency translation adjustments	**(71)**	7	31
- loss on hedge accounting	**(83)**	-	(118)
- deferred tax thereon	**23**	-	33
- defined benefit fund actuarial losses	**(1)**	(1)	(3)
- deferred tax thereon	**-**	-	1
Treasury share transactions	**151**	(400)	(500)
Recognition of share-based payments	**59**	52	105
Dividends to shareholders	**(1 089)**	(948)	(1 592)
Non-controlling interests	**-**	(6)	(3)
Total equity attributable to shareholders at end of the period	**5 530**	4 801	5 620

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'm	**2016 1 Oct 26 weeks**	2015 26 Sept 26 weeks	2016 2 April 53 weeks
Cash flows from operating activities			
Operating profit before working capital changes	**1 159**	1 320	3 596
Working capital changes	**(176)**	(36)	(813)
Net interest received	**206**	235	465
Taxation paid	**(50)**	(432)	(1 340)
Net cash inflows from operating activities	**1 139**	1 087	1 908
Cash flows from investing activities			
Net advances in respect of long-term receivables	**(20)**	-	(12)
Additions to and replacement of intangible assets	**(45)**	(62)	(119)
Property, plant and equipment			
- replacement	**(13)**	(66)	(104)
- additions	**(338)**	(272)	(921)
- proceeds on disposal	**2**	2	2
Net cash outflows from investing activities	**(414)**	(398)	(1 154)
Cash flows from financing activities			
Increase in long-term liabilities	**12**	13	22
Net sale/(purchase) of shares by staff share trusts	**392**	(372)	(421)
Net deficit on treasury share transactions	**(302)**	(43)	(132)
Dividends to shareholders	**(1 089)**	(948)	(1 592)
Net cash outflows from financing activities	**(987)**	(1 350)	(2 123)
Change in cash and cash equivalents	**(262)**	(661)	(1 369)
Cash and cash equivalents at beginning of the period	**1 419**	2 764	2 764
Exchange (losses)/gains	**(59)**	7	24
Cash and cash equivalents at end of the period	**1 098**	2 110	1 419

SEGMENTAL REPORTING

For management purposes, the Group is organised into business units based on their products and services, and has four reportable segments as follows:

- The Apparel segment retails clothing, sportswear, footwear, sporting equipment and accessories;
- The Home segment retails homewares;
- The Financial Services and Cellular segment manages the Group's trade receivables and sells financial services and cellular products; and
- The Central Services segment provides services to the trading segments including information technology, internal audit, human resources, group real estate and finance.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Net finance income and income taxes are managed on a group basis and are not allocated to operating segments.

R'm	**2016 1 Oct**	2015 26 Sept * Restated	% change	2016 2 April
Retail sales and other income				
Apparel	**6 319**	6 338	(0.3)	14 139
Home	**2 281**	2 229	2.3	4 922
Financial Services and Cellular	**524**	412	27.2	854
Central Services	**7**	4	78.4	8
Total	**9 131**	8 983	1.6	19 923
Profit from operating activities				
Apparel	**779**	1 063	(26.7)	2 630
Home	**364**	302	20.4	793
Financial Services and Cellular	**181**	174	4.1	345
Central Services	**(73)**	(94)	(22.0)	(165)
Total	**1 251**	1 445	(13.4)	3 603
Segment assets				
Apparel	**2 284**	2 073	10.2	2 424
Home	**702**	648	8.3	696
Financial Services and Cellular	**2 068**	1 867	10.8	2 001
Central Services	**2 853**	3 234	(11.8)	2 942
Total	**7 907**	7 822	1.1	8 063

* The mrpMoney division, which includes the Financial Services and Cellular operations, was classified as a separate reporting segment for the first time at 2 April 2016. The 26 September 2015 comparatives have been restated accordingly.

SUPPLEMENTARY INFORMATION

	2016 1 Oct	2015 26 Sept	2016 2 April
Total number of shares issued (000)	**264 941**	264 629	264 629
Number of Ordinary shares (000)	**255 196**	253 184	253 684
Number of B Ordinary shares (000)	**9 745**	11 445	10 945
Less: shares held by share trusts (000)	**9 664**	12 883	11 099
Net number of shares in issue (000)	**255 277**	251 746	253 530
Weighted average number of shares in issue (000)	**254 562**	252 439	252 786
Net asset value per share (cents)	**2 166**	1 907	2 217
Reconciliation of headline earnings (R'm)			
Attributable profit	**921**	1 076	2 645
Loss on disposal and impairment of property, plant and equipment and intangible assets	**2**	5	40
Taxation adjustment	**(1)**	(1)	(11)
Headline earnings	**922**	1 080	2 674
Reconciliation of normalised earnings (R'm)			
Attributable profit	**921**	1 076	2 645
Foreign exchange included in administrative expenses, net of taxation	**24**	(74)	(39)
Normalised earnings	**945**	1 002	2 606

Notes:

1. There was an allotment and issue in May 2016 of 2 312 013 shares to various share option schemes.

2. 2 000 000 shares were repurchased in terms of a special resolution approved by shareholders at the annual general meeting on 31 August 2016. These shares were subsequently cancelled and returned to the status of authorised and unissued.

3. The results at September 2016 and 2015, for which the Directors take full responsibility, have not been audited. The abridged consolidated results at 2 April 2016, which are not itself audited, have been correctly extracted from the audited annual financial statements upon which Ernst & Young Inc. issued an unqualified opinion. The results were prepared under the supervision of Mr MM Blair, CA(SA), Chief Financial Officer.

4. The accounting policies and estimates applied are in compliance with IFRS including IAS 34 Interim Financial Reporting, as well as the SAICA Financial Reporting Guides and Financial Pronouncements as issued by the Financial Reporting Standards Council and are consistent with those applied in the 2016 annual financial statements. All new and revised Standards and Interpretations that became effective during the period were adopted and did not lead to any material changes in accounting policies.

5. The financial statements have been prepared in accordance with the Companies Act of South Africa.

6. During the 2009 financial year, the Company was advised by SARS that it intended holding the Company accountable as the ‘deemed importer’ in relation to the underpayment of import duties in 2005 and 2006 by one of its previous suppliers to the value of R43.6 million. The Company submitted a formal response to SARS’ letter on 18 September 2009. SARS responded to the Company’s denial of liability on 24 April 2015, more than 5 years later, and demanded that the Company settle the alleged liability, the value of which had been revised to R74.4 million. On 13 October 2015 the Company filed a formal appeal against SARS’ letter of demand. SARS Customs National Appeals Committee (CNAC) responded on 24 May 2016 and advised that due to the complexity of the matter, a meeting was required in order to ascertain the issues that are agreed upon by the parties and the issues that are still in dispute. On 14 June 2016, the Company advised that it had previously provided at least two detailed responses which have specifically highlighted where it differs from SARS’ assertions. The Company is

now awaiting correspondence from SARS detailing a list of the facts or issues which they deem to be in dispute. A meeting date will be set once this response has been received.

The Company's view, supported by legal advice, is to impugn the Commissioner's decision. No adjustments have been made to the financial statements as the Directors are of the opinion that it is unlikely that any liability will be incurred.

7. Normalised earnings exclude foreign exchange (FX) differences reflected in administration expenses in both periods. Due to exchange rate fluctuations, imported merchandise commitments are fully hedged. At the interim stage last year, the Group was required to mark these foreign exchange contracts (FEC's) to market, resulting in a significant gain in that period in the income statement. As a result of the Group's subsequent adoption of cash flow hedge accounting, this adjustment is now accounted for in equity. Losses were, however, incurred relating to the proportion of hedges that were less than 100% effective and reclassified to the income statement, as well as foreign currency surrendered. Statutory earnings include the FX differences in administration expenses.

8. Mrs Helen Ellis Grosvenor has resigned as Company Secretary and will remain in the role until 28 February 2017. Mrs Janis Peta Cheadle has been appointed as Group Company Secretary and Head of Governance, with effect from 1 March 2017.

14 November 2016

Sponsor:
Rand Merchant Bank (a division of FirstRand Bank Limited)