MR PRICE GROUP LIMITED

Registration number 1933/004418/06 • Incorporated in the Republic of South Africa • ISIN: ZAE 000026951 • JSE share code: MPC

AUDITED GROUP RESULTS FOR YEAR ENDED 31 MARCH 2007

Highlights

- **COMPARABLE HEADLINE EARNINGS PER SHARE UP 27%**
- **RETAIL SALES UP 24%**
- **DISTRIBUTIONS PER SHARE UP 25%**
- **80 NEW STORES OPENED**

The comparable increase is calculated on a base year adjusted to exclude the impact of the 53rd week

COMMENTARY

RESULTS

The strong economic environment that has prevailed during recent years has continued to fuel consumer demand and the group is reaping the benefits of its store expansion and revamp programme embarked upon almost five years ago. Cash retailers, in particular, are benefiting fully from the trading conditions which initially favoured credit-oriented chains.

The current year saw the successful launch of two new concepts, namely Mr Price Sport and the Franchise division. The existing retail chains, Mr Price, Mr Price Home, Miladys and Sheet Street, all performed well during the year under review, and recorded improvements in operating profit.

Compared against 53 weeks in the previous year, headline earnings per share increased by 19%. However, comparable headline earnings per share which compare 52 weeks against 52 weeks was up by 27%.

In order to aid comparison and assess true performance, the balance of this commentary is relative to a 52 week base, thereby excluding the impact of the additional trading week in the prior year.

Retail sales from continuing operations grew by 24% to R6,1 billion for the year ended March 2007. Comparable store sales grew by 11,6% and weighted average trading space by 17,8%. The favourable trading conditions outlined above have allowed the group to adopt an investment approach that should further extend our excellent track record of profitable sales growth and increased shareholder wealth, whilst maintaining the operating margin above 10%. These additional investments include the:

- anticipated start-up losses of the two new concepts referred to above;
- increase in structural costs following the expansion into the new distribution centre in Durban;
- implementation of a Voice over Internet Protocol (VOIP) communication system, which duplicates costs in the transitional year, but substantially reduces costs and improves communication in future periods; and
- incurring of additional salary costs relating to new concepts as well as Project Redgold, an initiative aimed at supply chain improvement.

Operating margin growth was inhibited by the abovementioned investments, the benefits of which will be felt in future years.

The total distribution of 101,0 cents per share, based on a cover of 1,9 times, represents an increase of 25% on last year's 81,0 cents per share. The compound annual growth in distributions to shareholders over the past five years has been 41%. In lieu of a final dividend, the group will make a distribution by way of a reduction of its share premium account.

TRADING

The apparel chains (Mr Price, Mr Price Sport and Miladys) grew sales by 20%, with retail selling price inflation of 3,4%. Operating profits grew by 22%. Sales in the home chains (Mr Price Home and Sheet Street) were 32% higher, with retail selling price inflation of 14,3%. Operating profits were 29% higher. The number of stores operated by the group increased from 761 to 829.

The **Mr Price** chain grew sales by 19,1% to R3,1 billion with weighted average trading space growing by 10,3%. Comparable sales were 14,7% higher with retail selling price inflation of 3,8%. The division tested a new store design concept which generated sales well in excess of feasibility, and which will be rolled out further in the forthcoming year. Improvements in merchandise assortments, the positive performance of departments such as footwear and ladies intimatewear, coupled with excellent fashion interpretations, resulted in a strong profit performance which has continued into the new financial year.

Mr Price Sport opened eight stores during the latter part of the year, which generated sales of R63 million off a closing trading space of 10 334 square metres. The market has embraced this value-offer of sporting apparel, footwear and equipment and although positive store contributions are being generated, the division has not yet reached the critical mass that enables the costs of the full infrastructure to be recovered.

Miladys sales were 12,8% higher at R0,9 billion, with a growth in weighted average trading space of 9,0% and comparable sales growth of 4,5%. The division experienced retail selling price deflation of 3,0% and a 17,7% growth in units. The store revamp programme continued in the current year and 60% of stores now sport the new look, which has produced a marginal return on operating assets in excess of 30%.

Mr Price Home grew sales by 30% to R1,5 billion and weighted average trading space increased by 31,1% during the year. With retail selling price inflation of 18,7%, caused by the growing contribution of furniture and other changes in merchandise mix, comparable sales were 9,4% higher. Building on the success of the ultra stores (>2 500 square metres) in the prior year, the division opened three super stores of 6 000 square metres each during the year, one in November 2006 and two in March 2007 and these stores are trading above targeted levels.

Sheet Street increased sales by 39% to R0,6 billion with weighted average trading space increasing by 27,2%. Comparable sales were 12,0% higher with retail selling price inflation of 5,4%. The number of units sold increased by 28,2%.

Mr Price Franchising opened a Mr Price test store in Lusaka, Zambia in October 2006 and in Maputo, Mozambique shortly after year end. The sales generated by the Zambian store were well in excess of our expectations, placing the store performance in the upper quartile had it been an owned Mr Price store. A further eight franchise stores have been confirmed for opening in Africa in the new financial year, with several other opportunities being explored in both Africa and the Middle East.

FINANCE

The balance sheet remains strong with cash resources of R570,9 million. These resources and future cash flows will allow the group to continue its expansion programme and capital expenditure of approximately R1,5 billion is planned to be invested in new stores, expansions, revamps and new concepts over the next five years.

During the year the group completed the roll-out of credit to the former cash divisions. Despite the debtors book growing to R450 million, cash sales as a percentage of total sales has only dropped marginally from 89% to 84% and the group is expected to remain a predominantly cash retailer. Bad debt less recoveries amounted to 2,3% of credit sales or 5,1% of the debtors book, with an impairment provision of 7,8% of the debtors book at year end.

PROSPECTS

Prospects for the coming year are positive and another year of earnings growth is anticipated. The group has set revised five year targets of R15 billion revenue and an operating margin in excess of 12%. The revenue targets are planned to be achieved via a mix of expanded and new stores, as well as new concepts, two of which are expected to be launched over the next two years.

On behalf of the board

S B Cohen – Joint chairman
L J Chiappini – Joint chairman — Durban
A E McArthur – Chief executive officer — 31 May 2007

DECLARATION OF CASH DISTRIBUTION

The directors have proposed a cash distribution to shareholders of 70,6 cents per ordinary and unlisted B ordinary share, in lieu of a final dividend for the year ended 31 March 2007, by way of a reduction of the share premium account ('the distribution'). The distribution is in terms of the general authority granted to directors at the annual general meeting held on 27 July 2006.

The following dates are applicable:

Last date to trade 'cum' the distribution	Friday	22 June 2007
Shares trade 'ex' the distribution	Monday	25 June 2007
Record date	Friday	29 June 2007
Payment to shareholders on	Monday	2 July 2007

Shareholders may not dematerialise or rematerialise their share certificates between Monday 25 June 2007 and Friday 29 June 2007, both dates inclusive.

On behalf of the board — Durban
C S Yuill – Group secretary — 31 May 2007

DIRECTORS

L J Chiappini* (Joint chairman), S B Cohen* (Joint chairman), A E McArthur (Chief executive officer), S A Ellis (Joint managing director), S van Niekerk (Joint managing director), M M Blair, K Getz*, C Hultzer*, M R Johnston*, Prof. L J Ring* (USA), W J Swain*, C S Yuill

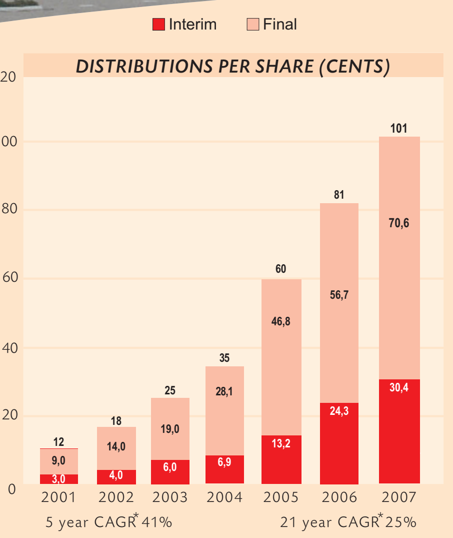
*Non-executive director

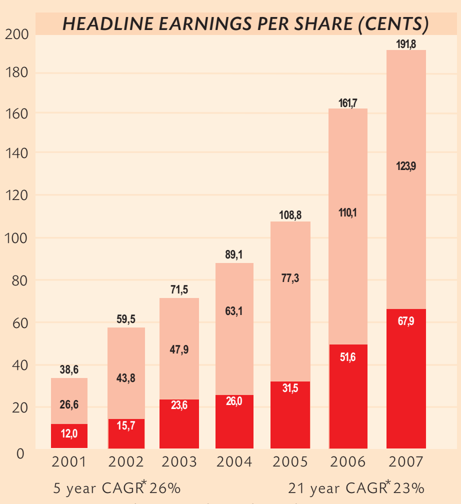
TRANSFER SECRETARIES

Computershare Investor Services 2004 (Pty) Ltd

SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)





*Compound annual growth rate

Mr Price Sport

sheet street — lots of linen for less!

MILADYS — style of a woman

Consolidated Income Statement

R'000	2007 March 52 weeks	2006 March 53 weeks	% change
Revenue	6 225 595	5 302 880	17
Continuing operations	6 154 963	5 066 681	21
Discontinued operations	-	170 850	
Finance income	70 632	65 349	8
Continuing operations			
Retail sales	6 056 757	5 007 591	21
Other income	98 206	59 090	66
Total revenue	6 154 963	5 066 681	21
Costs and expenses	5 542 311	4 532 616	22
Cost of sales	3 632 203	2 991 146	21
Selling expenses	1 472 949	1 170 475	26
Administrative and other operating expenses	437 159	370 995	18
Profit from operating activities	612 652	534 065	15
Net finance income	32 806	31 087	6
Profit after net finance income	645 458	565 152	14
Net amortised cost adjustment of contributions to export partnerships	26 706	15 201	76
Profit before taxation	672 164	580 353	16
Taxation	193 050	193 489	-
Profit from continuing operations	479 114	386 864	24
Discontinued operations			
Profit from operating activities	–	8 350	
Profit arising from discontinuance	33	1 376	
Net finance income/(costs)	37	(98)	
Profit before taxation	70	9 628	
Taxation	20	4 022	
Profit from discontinued operations	50	5 606	
Total group			
Profit attributable to shareholders	479 164	392 470	22
Weighted average number of shares in issue (net of shares held by staff share trust) (000)	250 553	245 697	2
Earnings per share (cents)			
(52 weeks on 53 weeks)			
– basic	191,2	159,7	20
– headline	191,8	161,7	19
– diluted basic	183,0	152,8	20
– diluted headline	183,6	154,7	19
(52 weeks on 52 weeks)			
– basic	191,2	149,3	28
– headline	191,8	151,3	27
– diluted basic	183,0	142,8	28
– diluted headline	183,6	144,7	27
Distribution cover (times)	1,9	2,0	
Distributions per share (cents)	101,0	81,0	25

Statement of changes in equity

R'000	2007 March	2006 March
Total equity attributable to shareholders at 1 April	1 025 647	770 951
Shares issued	14 279	30 856
Recognition of share-based payments	9 432	6 776
Currency translation adjustments	(368)	(3 897)
Profit for the year	479 164	392 470
Transfer to insurance reserve	(2 142)	
Increase in insurance reserve	2 142	
Defined benefit fund net actuarial gain	4 969	
Distributions to shareholders	(216 315)	(171 509)
Total equity attributable to shareholders	1 316 808	1 025 647

Consolidated Balance Sheet

R'000	2007 March	2006 March
Assets		
Non-current assets	712 485	570 810
Property, plant and equipment	464 082	344 007
Intangible assets	5 335	6 137
Long-term receivables and prepayments	216 161	216 096
Defined benefit fund asset	24 045	
Deferred taxation assets	2 862	4 570
Current assets	1 781 177	1 456 029
Inventories	741 229	535 467
Trade and other receivables	469 003	296 039
Cash and cash equivalents	570 945	624 523
Total assets	2 493 662	2 026 839
Equity and liabilities		
Equity attributable to shareholders	1 316 808	1 025 647
Non-current liabilities	231 263	280 340
Lease obligations	112 663	101 673
Deferred taxation liabilities	110 784	171 554
Post retirement medical benefits	7 816	7 113
Current liabilities	945 591	720 852
Trade and other payables	821 139	550 904
Current portion of lease obligations	20 215	16 347
Taxation	104 237	153 601
Total equity and liabilities	2 493 662	2 026 839

Segmental reporting

Business segments

The group's retail activities are organised into two divisions for operational and management purposes.

R'000	2007 March 52 weeks	2006 March 53 weeks	% change
Revenue from continuing and discontinued operations			
Continuing operations	6 154 963	5 066 681	21
Apparel	4 039 248	3 431 000	18
Home	2 098 975	1 615 855	30
Central services	58 618	34 649	
Eliminations	(41 878)	(14 823)	
Discontinued operations	–	170 850	
Total	6 154 963	5 237 531	18
Profit from operating activities of continuing and discontinued operations			
Continuing operations	612 652	534 065	15
Apparel	505 551	442 031	14
Home	171 998	143 569	20
Central services	(65 343)	(53 960)	
Other	(1 891)	(155)	
Eliminations	2 337	2 580	
Discontinued operations	–	8 350	
Total	612 652	542 415	13

Consolidated Cash Flow Statement

R'000	2007 March 52 weeks	2006 March 53 weeks
Cash flows from operating activities		
Operating profit before working capital changes	697 853	606 135
Working capital changes	(98 551)	(132 027)
Net interest received	92 168	65 427
Restraints of trade	–	(48 333)
Taxation paid	(303 525)	(162 284)
Net cash inflows from operating activities	387 945	328 918
Continuing operations	387 995	319 356
Discontinued operations	(50)	9 562
Cash flows from investing activities		
Net advances in respect of long-term receivables	(8 044)	(59 154)
Acquisition of subsidiary	–	(4 800)
Disposals of discontinued operations	–	187 670
Additions to and replacement of intangible assets	(3 824)	(3 799)
Property, plant and equipment		
– replacement	(48 812)	(106 708)
– additions	(177 166)	(61 056)
– proceeds on disposal	465	145
Net cash outflows from investing activities	(237 381)	(47 702)
Continuing operations	(237 381)	(231 455)
Discontinued operations	–	183 753
Cash flows from financing activities (continuing operations)		
Proceeds from issue of share capital	14 279	30 856
Proceeds from disposal of investments by staff share trust	303	726
Decrease in lease obligations	(1 958)	(6 550)
Distributions to shareholders	(216 315)	(171 509)
Net cash outflows from financing activities	(203 691)	(146 477)
Change in cash and cash equivalents	(53 127)	134 739
Cash and cash equivalents at beginning of the year	624 523	493 131
Exchange losses	(451)	(3 347)
Cash and cash equivalents at end of the year	570 945	624 523

Supplementary information

	2007 March	2006 March
Number of shares in issue (000) (net of shares held by staff share trust)	251 882	248 756
Net asset value per share (cents)	523	412
Reconciliation of headline earnings (R'000)		
Attributable profit	479 164	392 470
Profit from discontinuance	(33)	(1 376)
Loss on disposal of property, plant and equipment in continuing operations	2 102	3 187
Taxation adjustment	(589)	3 098
Headline earnings	480 644	397 379
Capital expenditure		
– expended during the year	229 802	171 563
– authorised or committed at year end	297 292	181 485

Notes:

1. The results have been audited by Ernst & Young Inc. A copy of their unqualified audit report is available for inspection at the company's registered office.
2. There has been no material change to the guarantees provided by the company as disclosed in the 2006 annual financial statements.
3. The accounting policies and estimates applied are in compliance with IFRS and are consistent with those applied in the 2006 annual financial statements, except for:
   - the adoption of the revised IAS 39 Financial Instruments : Recognition and Measurement in respect of financial guarantee contracts;
   - the change in accounting policy in respect of the treatment of actuarial gains and losses arising from the group's defined benefit fund in terms of IAS 19 Employee Benefits; and
   - the change in estimate relating to the amortisation period of restraint of trade payments made in the prior year.

   The net impact of these changes on profit for the year was not material.

This report and the supporting presentation are available on our website: www.mrpricegroup.com