our report

2014

ANNUAL INTEGRATED REPORT

APR 2013 - MAR 2014

mr pricegrouplimited

mr pricegrouplimited

contents

Scope & boundary

about the report

"The Group is committed to integrating social, environmental and governance principles with financial performance in accordance with the King Code of Governance for South Africa, 2009 (King III)."

All matters that are considered to be material to the business have been incorporated into this report. Material matters have been identified and prioritised after taking into consideration:

- Items that are top of mind to the Board and executive management
- Issues derived from key stakeholder engagement
- Strategic objectives and key business risks arising from the Group's Strategic Planning Framework
- Our business model and values
- External factors that impact on the Group's ability to create value in the short, medium and long-term.

The International Integrated Reporting Framework has also provided guidance on identifying issues material to long-term sustainability.

This year we have printed and distributed an abridged report to our shareholders with the full Annual Integrated Report only being made available online. Additional information pertaining to the Group is available on our website *www.mrpricegroup.com*.

scope and boundary

This Annual Integrated Report, for the 52 week period ended 29 March 2014, includes the financial results of Mr Price Group Limited trading in South Africa, Botswana, Namibia, Lesotho, Swaziland, Ghana and Nigeria as well as the income received from franchise operations trading elsewhere in Africa. The geographical footprint of our operations is detailed on page 16.

The Annual Financial Statements have been prepared on the historic cost and going concern bases, and in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act of South Africa (71 of 2008) and the JSE Listings Requirements.

The Group's social investment is focused on South African national priorities and the carbon footprint incorporates only South African operations at this point.

assurance

The Group's consolidated Annual Financial Statements were audited by the independent external auditor, Ernst & Young Inc. Their unqualified report can be found on page 80.

The independent external auditor also verified the information in the Remuneration Report on page 63.

The South African Broad-Based Black Economic Empowerment (B-BBEE) accreditation level has been externally verified by a SANAS accredited organisation, BEESCORE (Pty) Ltd.

The Group's Internal Audit Division has verified the disclosures contained in Our People Report (page 20) and Our Corporate Citizenship Report (page 24).

The Board is satisfied with the level of integrated reporting, but recognises that it is premature to subject the Annual Integrated Report to external assurance at this point.

directors' responsibility

The Board acknowledges its responsibility to ensure the integrity of the Annual Integrated Report. The Board has applied its mind to the Annual Integrated Report and confirms that it addresses all material matters, and presents fairly the integrated performance and impact of the Group. The Annual Integrated Report has been prepared in line with best practice pursuant to the recommendations of the King III Code (principle 9.1) and in accordance with the International Integrated Reporting Framework.

The Board authorised the Annual Integrated Report for release on 27 May 2014.

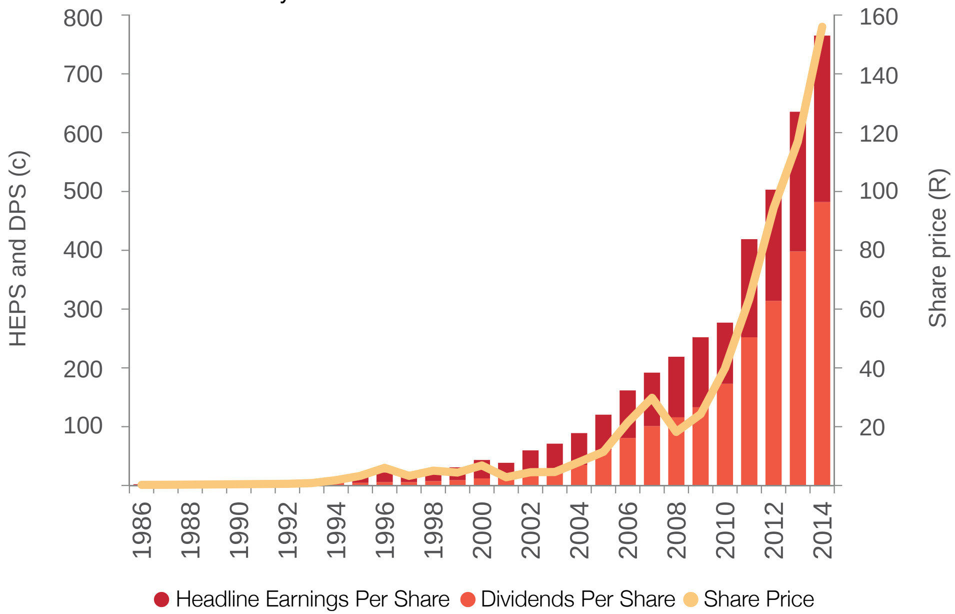
NG Payne	SI Bird	MM Blair
CHAIRMAN	CEO	CFO

2014 highlights

operating profit	+	22.6%
diluted headline earnings per share	+	22.4%
dividends per share	+	21.1%
revenue	+	15.2%
new channels (online) & markets (West Africa)	+	125.1%
return on equity		52.2%
cash resources		R2.3 bn

COMPOUND ANNUAL GROWTH RATE

	HEPS	DPS	SP
28 years	23.4%	25.2%	27.1%
10 years	24.0%	30.0%	34.7%
5 years	24.9%	29.4%	45.1%



whoweare

A high growth, omni-channel, fashion value retailer:

- **Targeting younger customers** in the mid to upper LSM categories
- Retail predominantly **own branded merchandise**
- **+80%** of sales are for cash
- **1 079 stores and online channels** offering full product assortments
- 28-year CAGR in HEPS and **dividends +20%**
- **Market capitalisation of R39 billion**, ranked 42^{nd} on JSE
- Included in **MSCI Emerging Markets Index**
- **50% of shares** held by **international investors** (USA 23%, UK 13%)
- **3^{rd} in Financial Mail Top Companies 2013** and 6^{th} in Sunday Times Top 100 Companies
- **Finalist in World Retail Awards** 'Emerging Market Retailer of the Year' 2013

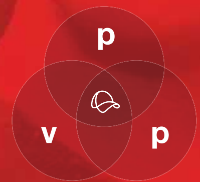
ourvision

To become a top performing international, omni-channel retailer.

ourpurpose

To add value to our customers' lives and worth to our partners' lives, whilst caring for the communities and the environments in which we operate.

ourvalues



PASSION • VALUE • PARTNERSHIP

These are the 3 key values upon which the Group has been built. They are the foundation stones of the business and never change. By staying true to PASSION, VALUE and PARTNERSHIP, we ensure that we are building a sustainable business as we progress towards our vision and fulfilling our dreams for our partners – our Mr Price family.

PASSION is our engine. This means ordinary people doing extraordinary things. It is the positive attitude and enthusiasm of all our associates who approach each day bright-eyed, smiling and projecting a positive image – believing that work is fun.

VALUE is the heart of our business. Our success has been, and will continue to be, built on our ability to add value to our customers' lives. But it is more than just price. It's about quality, fashion, being in stock of the wanted item and delighting our customers by doing more than what is expected.

PARTNERSHIP Mutual respect is integral to the ethos of the Group. We therefore refer to our co-workers as "associates" and, once they own shares or share options, they are referred to as "partners". Partnership is sharing the ownership and success of the Company with all our associates and fostering solid and long-term partnerships with our suppliers. Without our customers, we don't have a business and they are one of our most valued partners. We partner with our community by investing in strategic initiatives that improve the lives of those who are less fortunate, particularly children and youth.

chairman's report

Nigel Payne

CHAIRMAN

On behalf of the Board, I am privileged to report to our people, customers, suppliers, shareholders and to all other stakeholders. Another year of pleasing operational and financial performance is reported on by our CEO, Stuart Bird and CFO, Mark Blair.

The Annual Integrated Report contains a wealth of information about our DNA and values, our vision to become a top performing international omni-channel retailer, our strategy to get there and the related risks we are embracing and mitigating. When read together with our previous Annual Integrated Reports, it is clear that, not only have our intentions remained the same with a well defined strategic plan to guide our journey, but we have largely implemented the things we said we would. We continue this phase of our journey with the same conviction we had when we embarked upon it, but now with even greater assurance that the path we have chosen is the correct one, and that we will attain the goals we pursue.

The Annual Integrated Report also details how we govern the Group, appoint and evaluate the Board, deploy the skills of our Directors in various Board Committees, align the remuneration of the executives to the achievement of earnings targets and strategic milestones, and ensure that we invest appropriately for the future. I believe that these structures, processes and outcomes remain appropriate. I again thank Lead Independent Director, Bobby Johnston, for shouldering much of the corporate governance responsibilities, most of which takes place outside the boardroom. This allows me to focus on ensuring that the Board's role in relation to strategy and risk management is appropriate, and that most of the Board's meeting time is devoted to these issues.

"Another year of pleasing operational and financial performance"

"Our opportunities for growth are exciting, and are not based upon chasing diminishing marginal returns."

nigel payne, chairman

Our Mr Price people have again demonstrated how much can be achieved by a committed team, with a common purpose, in an energised environment. This report, and our 28-year history of earnings growth, is a celebration of our people, and evidence of the power of an effective team. Well done and thank you to our leaders and to every member of the Mr Price family.

The global and South African economies are currently not stable, predictable or safe. Turbulent times are to the advantage of those who are alert, lean, disciplined and prepared. The fact that the vast majority of our management and staff have an ownership stake in the Company equips us better than most to tackle more challenging times.

Securing sustainable economic growth requires countries to make tough choices to avoid populism, take bold action to implement structural reforms, deregulate labour and product markets, remove tariff barriers to employment and trade, increase transparency and competitiveness, and remove disincentives to hard work and entrepreneurship.

The retail industry is in the early phases of a number of disruptive trends, including the integration of online with other channels to market, fast fashion and the globalisation of customers and suppliers. We have made it our business to be one of the disruptors, with much of our efforts over the past few years being devoted to these opportunities. Even as societies in some advanced economies are ageing rapidly, there are millions of emerging consumers aspiring to own fashionable goods, available where they live and at prices they can afford - ideal Mr Price customers. Our opportunities for growth are exciting, and are not based upon chasing diminishing marginal returns. Our value focus remains on offering our merchandise at prices that people can afford, at the leading edge of fashion, so they will be desired, and on an overwhelmingly cash sales basis, so as to continuously recycle our working capital and avoid the various traps related to credit and debt. Increasing innovation in our business model, coupled with ongoing investment in our merchandising, supply chain, logistics and information technology backbones, are aimed at achieving our targeted rates of sales and profit growth for many years to come. This is notwithstanding any short-term impact of having to invest ahead of such growth.

The Board has devoted a significant amount of its time to ensuring that we remain true to our values, with an appropriate strategy and the best possible leadership team to implement it. Our recruitment, development and reward mechanisms are all tailored to this end. I believe that our remuneration policies and practices, are well conceived, have been fairly and consistently applied, and serve the best interests of the Company in the short, medium and long-term. Refer to the Remuneration Report on page 63 for more details.

No company can survive apart from the society in which it operates. We thus continue to passionately drive our many corporate social investment initiatives via RedCap Foundation, in conjunction with other funders who have chosen the Foundation as a custodian for their CSI investments. We are very proud to be working in partnership with you.

I believe that the Board and each individual Director have functioned effectively during the year, have made a valuable contribution to the Group, and have earned their Directors' fees. The culture in the boardroom is robust, based upon transparency and mutual respect, but with significant space for challenge and independent thinking, and with no tolerance for sloth or mediocrity. Particular thanks are due to the Chairmen of our Board Committees for their ongoing commitment to excellence.

I am thoroughly enjoying my role as Chairman, with such passionate and talented people, a special business model built upon a robust value system, and a world of opportunities awaiting us. Thank you to our Mr Price people, our shareholders and other stakeholders for your engagement with the Board and with me during the year. We appreciate being entrusted with the leadership and governance of your Company into its exciting future.

> Our formula of great fashion and quality at excellent prices, has again delivered good results in our established markets

ceo's report

Stuart Bird

CHIEF EXECUTIVE OFFICER

We have made good progress over this reporting period towards realising our vision of being a top performing international retailer as measured against our global peers.

The consumer environment in South Africa continued to deteriorate over this reporting period. Despite this, our formula of great fashion and quality at excellent prices, has again delivered good results in our established markets, as well as giving us pleasing growth in the new markets and channels we have entered.

current trade

The Mr Price Apparel division has had a very good year, continuing to gain momentum throughout the period as well as making good progress with the major projects of the online business, corporate stores in West Africa and the enhancements to the supply chain.

Despite some lessons being learnt and further improvements required to get our West African business operating at the desired level, the positive results achieved confirm our view of the long-term potential in the region.

The online business is now expected to be in our top 10 stores with current monthly growths in excess of 100%. After opening the site to international customers in June 2013, we have successfully shipped to over 130 countries and the international portion is now approximately 25% of online sales. In March 2014, an online site was launched in Nigeria with fulfilment from our Ikeja store. The results to date have been pleasing, as well as proving that we can successfully operate an online business within specific markets without having to install major infrastructures.

Mr Price Home had another good year, exceeding expectations in a difficult market. The division also successfully launched its online business locally in November 2013.

Despite the discretionary nature of their markets, Mr Price Sport and Sheet Street also delivered solid results.

After a satisfactory first half, Miladys has unfortunately had a difficult second half. Whilst the higher margin and credit-based segment in which they operate has undoubtedly been difficult, much of the slower performance was a consequence of the product assortment not being at the level their customers required. We are expecting to see an improvement as we progress into the new period.

investing for the future

We aim to be an internationally competitive, omni-channel retailer. To realise these plans, significant investment in our systems, processes and supply chain capabilities is required.

The project to implement new core IT systems is well advanced, with the selection and design phases complete. The build phase is now underway, with the first division, Mr Price Sport, expected to "go live" in April 2015, followed by the Mr Price Apparel division, with their target to be operational before peak trade in December 2015.

The plans to have our new distribution centre operational by August 2015 were unfortunately disrupted by the final municipal zoning approval not being obtained, despite the municipality having indicated during the entire process that approval would be given. Fortunately, contingency plans were in place for such an eventuality and no disruptions are expected, particularly over the forthcoming peak periods. A new site that the municipality is in favour of has since been sourced, for which zoning approval is now awaited. Completion date is now expected to be August 2016.

the Mr Price way

"Our achievements, both past and in the future, are and will be as a consequence of our people and the culture we have in the business, no matter where we operate. We see both our people and our culture as precious assets that require constant care, attention and investment. To this end, our associates have attended over 28 800 courses, aimed at personal development and to instil our culture of Passion, Value and Partnership."

We strongly subscribe to transformation and have made good progress towards our employment equity targets and improved our B-BEEE status from a level 6 to a level 5 contributor. We remain of the view that, for our transformation strategy to be meaningful and sustainable, there is no quick fix. Our approach is to consistently invest in and develop people both within our Group and in related businesses outside the Group to grow and transition them meaningfully.

The Group has always been committed to investing in the communities in which it operates, not only through employment, but also through positively impacting the lives of children and youth through RedCap Foundation's national imperatives. In August 2013, RedCap Foundation's JumpStart Manufacturing Programme was launched. This is a partnership between Mr Price Apparel, Miladys, RedCap Foundation and 5 selected strategic suppliers, to develop the skills in the local clothing and footwear manufacturing sector, including quick response as a key strategy to build a sustainable supply chain. The Group's local commitment was rewarded when the Department of Trade and Industry (dti) approved both cluster applications aimed at strengthening the competitiveness of the South African Clothing, Footwear and Textile Industry.

The Group joined the Ethical Trading Initiative as a Foundation Stage Member during the year as well as the Supplier Ethical Data Exchange. Social responsibility and a deeper understanding of our supply chain are critical to a sustainable business that creates value over the short, medium and long-term.

as we look ahead

The challenging economic and consumer environment is expected to continue for the foreseeable future, particularly in our current major market of South Africa.

Nonetheless, by continuing to deliver on our formula of great fashion and quality at excellent prices and continuing to build our capacity to further execute this formula, I am confident that we will satisfy our customers in both current and new markets and deliver positive future results.

In closing, I would like to thank all our wonderful associates across the Group, who have not only played their role in delighting our customers and consequently delivering the results that we have achieved, but also for making this such a special place to work.

cfo's report

Mark Blair

CHIEF FINANCIAL OFFICER

highlights

		% change
Revenue	**R15 892m**	+15.2%
Gross profit margin	**42.0%**	0.0%
Profit from operating activities	**R2 537m**	+22.6%
Group operating margin	**16.7%**	+1.1%
Headline earnings per share	**765.1c**	+20.5%
Diluted headline earnings per share	**715.1c**	+22.4%
Dividends per share - annual	**482.0c**	+21.1%
- final	**314.0c**	+18.5%
Cash resources	**R2 252m**	+95.9%
Return on shareholders' equity	**52.2%**	+1.1%

economic and retail environment

The challenging retail environment that we experienced last year has continued into the current reporting period. Although all retailers have previously benefitted from the tailwinds driven by credit extension and strong real wage growth, these have now slowed. Consumers, particularly those in the lower income groups, are being financially stretched and will avoid or postpone spending where possible, especially on big ticket durable items. In such circumstances our positioning, being a value retailer targeting customers mainly in the mid to upper LSM categories, is a distinct advantage.

change in accounting policies and disclosures

The Group adopted IFRS 10 in the current year, which impacted the accounting for its 100% interest in the equity shares of the Financial Services cell captives. As a result of no longer meeting the requirements for consolidation, IFRS 4 has been applied to account for the cell captives as reinsurance contracts. Full disclosure of the impact on the income statement and financial position is provided in the Annual Financial Statements. The prior year's reported earnings were restated, reducing by an immaterial amount of R2.8 million.

Airtime sales have been reclassified in the current and prior period into other income and cost of sales, whereas previously the net income was included in 'other income'. This was a disclosure change only and had no impact on profit.

financial performance

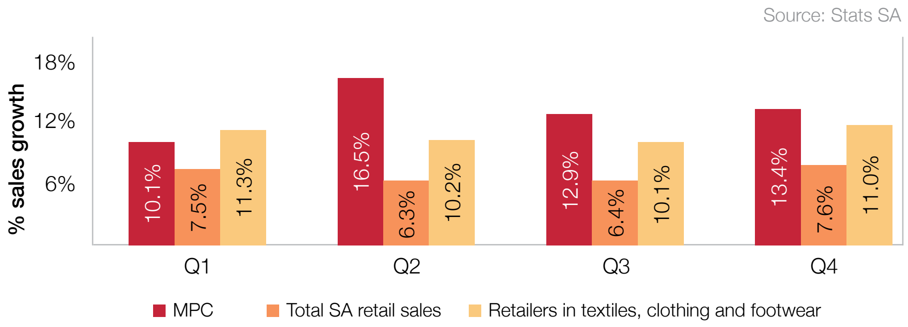
Total Group revenue increased by 15.2% to **R15.9 billion** primarily due to increases in:

- retail sales of 14.8% (comparable 10.6%) to R15.2 billion
- financial services income growth of 27.8% to R582.5 million.

We are delighted that the Group has produced a strong set of results on the back of a good performance in the prior year, despite:

- the challenging retail environment
- incurring costs that will position the Group to realise its long-term growth goals
- a planned curtailment of credit sales growth, which increased by only 9.6% compared to cash sales which were up 16.1%.

Retail sales for the Group reflected growth of 14.8% highlighting the appeal of our merchandise offer. The Group's South African retail sales increased by 13.4% compared with the total retail sector which grew by 6.9%.



Growth in our new channels delivered encouraging results:

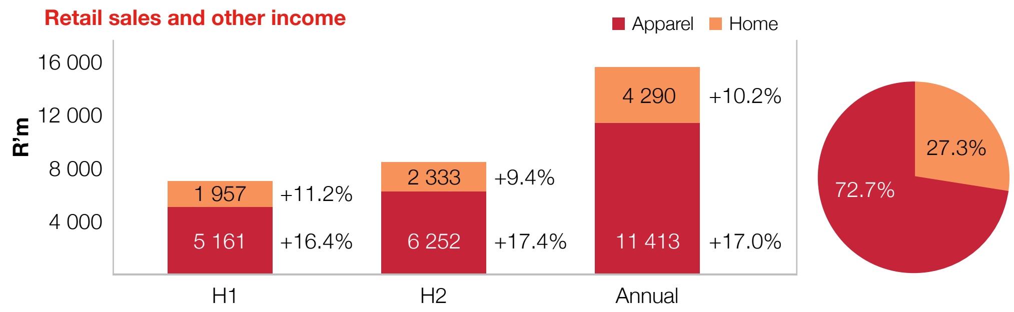
- Online sales were up by **293.4%**
- International sales increased by 37.6% and now account for 7.3% of Group retail sales. In the key West African markets of Nigeria and Ghana, **sales were up by 98.2%.**

Retail selling price (RSP) inflation was 9.7%, which comprised input price inflation of 5.3% and product mix inflation of 4.4%. Unit sales were up by 4.9% to 216.9 million.

Trading space continued to expand, with 68 new stores being opened and 18 non-performing stores being closed. At year end there were 1 079 corporate-owned and 23 franchise stores. Gross space added in the form of new stores and expansions represents an increase of 4.8% over the prior year. After store closures and space reductions, weighted average trading space increased by 3.4%.

Financial Services delivered a strong performance despite tightening credit limits and limiting new account growth. Revenues increased by growing insurance premium income by 38.1%, airtime sales by 41.7% and debtors' interest and fees by 19.2%.

Segmental analysis



The Apparel chains retail sales and other income increased by 17.0% to R11.4 billion with comparable sales up by 11.9%. Retail selling price inflation was 9.3% and 157.0 million units were sold. Mr Price Apparel opened 24 new stores and recorded sales growth of 18.9% (comparable 13.0%) to R8.6 billion. The division's excellent second half performance significantly outperformed the market, with comparable sales increasing by 15.3%. In contrast, Miladys had a disappointing second half which had the effect of reducing annual sales growth to 7.0% (comparable 7.2%) to R1.4 billion. Mr Price Sport recorded sales growth of 14.2% (comparable 6.5%) to R962.4 million.

The Home chains increased retail sales and other income by 10.2% to R4.3 billion with comparable sales up by 7.3%. Retail selling price inflation was 10.9% and 59.8 million units were sold. Mr Price Home increased sales by 10.5% (comparable 8.2%) to R2.9 billion and Sheet Street by 8.9% (comparable 5.4%) to R1.3 billion.

costs and expenses

The gross profit margin remained in line with last year at 42.0% (after adjusting for the reclassification of airtime sales and related costs discussed earlier), while the merchandise gross profit percentage in both periods was 42.2%.

Selling expenses increased by 11.9% and constituted 22.0% of retail sales compared with 22.6% in the prior year. Significant factors driving this expense growth were an increase in net bad debt, store rentals (as a consequence of performance-based turnover rental clauses and weighted average space growth), increased computer licence fees relating to the new human capital management and e-commerce systems, and staff costs, which rose in line with salary inflation and space growth. Higher performance-based store incentives were paid.

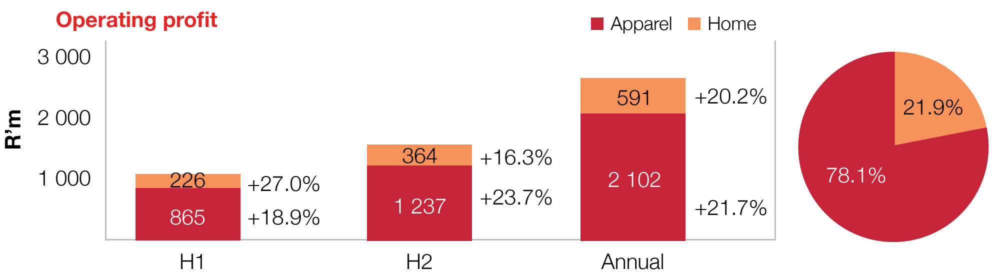
Administrative expenses increased by 10.3% and comprised 6.8% of retail sales, an improvement on last year's 7.0%. Staff costs relating to building online and merchandise trending teams, higher incentives paid as a result of divisional and Group performance and a reduction in foreign exchange gains were the significant movements.

The effective taxation rate for the year was 28.2%, higher than the prior year (27.8%) primarily due to a capital gains tax release in the base period.

operating profit

Group operating profit increased by 22.6% and the operating margin increased from 15.6% to 16.7% of retail sales.

Segmental analysis



The Apparel chains' operating profit grew by 21.7% to R2.1 billion and the operating margin increased from 18.3% to 19.1% of retail sales. The Home chains' operating profit rose by 20.2% to R590.6 million and the operating margin increased from 12.9% to 14.0% of retail sales.

earnings and dividends per share

The number of shares in issue at year end increased by 2.0 million due to the decreased number of treasury shares held. Treasury shares sold (4 649 937 shares) as a result of share options vesting exceeded treasury share purchases during the year (2 649 714 shares at an average cost of R137.70 per share totaling R364.9 million).

Headline earnings per share increased by 20.5% to 765.1 cents. The dilution impact has reduced from 50.6 cents last year to 50.0 cents this year as a result of the increase in the weighted average share price for the year (R139.41) being more than offset by the reduced number of shares and options outstanding. Accordingly, diluted headline earnings per share increased by 22.4%. The Group is pleased to have performed in line with its long-term performance, which is a 28-year CAGR in HEPS of 23.4%.

The annual dividend payout ratio has risen from 62.7% to 63.0%, resulting in a dividend of 482.0 cents per share, an increase of 21.1%, marginally higher than the increase in HEPS of 20.5%. The final dividend to be paid in June 2014 will be 314.0 cents per share, an increase of 18.5%, which is lower than the increase in the interim dividend and 2nd half HEPS growth due to the closer alignment of interim and annual dividend payout ratios. In the current year, the interim payout ratio was increased from 52.5% to 55.1%. Dividend withholding tax of 15.0% will be applicable to shareholders who are not exempt.

The return on equity of 52.2% and the return on net worth (RONW) of 47.6% are the highest achieved to date, and over the last 5 years. The latter has been driven mainly by an increased net profit margin as follows:

		2014	2009
Net profit margin	%	**12.3**	7.2
Asset turn	times	**2.3**	2.6
Return on assets	%	**28.3**	18.7
Leverage	times	**1.7**	1.9
RONW	%	**47.6**	34.9

financial position

Additions to **property, plant and equipment** for the year amounted to R253 million, of which furniture, fittings, equipment and vehicles constituted 83% and computer equipment 13%. Disposals totaling R30 million related primarily to the sale of a retail property. The depreciation charge for the year was R162.2 million.

Intangible asset additions amounted to R151 million and related primarily to e-commerce and ERP systems. The amortisation charge for the year amounted to R29.1 million.

Gross inventories were well managed, increasing by 12.3% relative to a 14.8% increase in retail sales and Group stock turn increased from 6.4 to 6.8 times.

Trade and other receivables increased by 10.6% to R1.7 billion. Prepayments decreased from the prior period, while gross trade receivables increased by 13.1% to R1.8 billion. Despite the net bad debt increasing from 6.5% to 7.6% of the debtors' book, external benchmarking has reflected the Group's book to be one of the best performing in the industry. Since December 2013, an improved ageing profile of the Group's debtors has been encouraging. However, until such time that the economic conditions detailed in the outlook section below show signs of improvement, and the improvement in ageing profiles of the Group's trade receivables are considered sustainable, the provision for impairment, currently at 9.8%, will continue to be conservatively set.

Cash balances ended the year at R2.3 billion, which was impacted by substantial trade creditor payments being made after the year end cut-off date. After creditor and SARS payments in the subsequent week, cash balances were approximately R1.5 billion. Cash sales remained high at 80.8% of total sales. The Group seeks to strike a balance between:

- maintaining a strong balance sheet by having adequate cash resources to fund the working capital and capital expenditure requirements to maintain and expand its operations, without the need to incur debt
- hedging its obligations to participants in the various share schemes. An ongoing repurchase programme is in place that spreads the purchase of shares over an extended period and limits the percentage of daily trade to ensure that there is no impact on the share price. During the year treasury shares to the value of R364.9 million were purchased and the hedged ratio at year end was 65.2%
- returning funds to shareholders in the form of dividends.

Equity attributable to shareholders has increased by R613 million to R3.9 billion. The movement is made up as follows (R'm):

Opening balance	**3 309**
Total comprehensive income for the year	**1 880**
Treasury share transactions	**(247)**
The purchase of treasury shares to partially cover options granted	**(365)**
The net credit on vesting of options	**77**
Taxation relating to grants from the Company to share trusts	**41**
Recognition of share-based payments	**75**
Dividends to shareholders	**(1 094)**
Non-controlling interests	**(1)**
Closing balance	**3 922**

Long-term lease obligations comprise the long-term portion of straight line lease liabilities.

Trade and other payables increased by 56.1% to R2 billion. Trade payables grew by 74.9% to R1.2 billion (2013: R673.3 million) as a result of the timing of creditor payments referred to above. Accruals and other payables increased by 34.8% to R804.2 million mainly as a result of stock in transit, increased incentive accruals and higher turnover rentals due.

mr pricegrouplimited

outlook

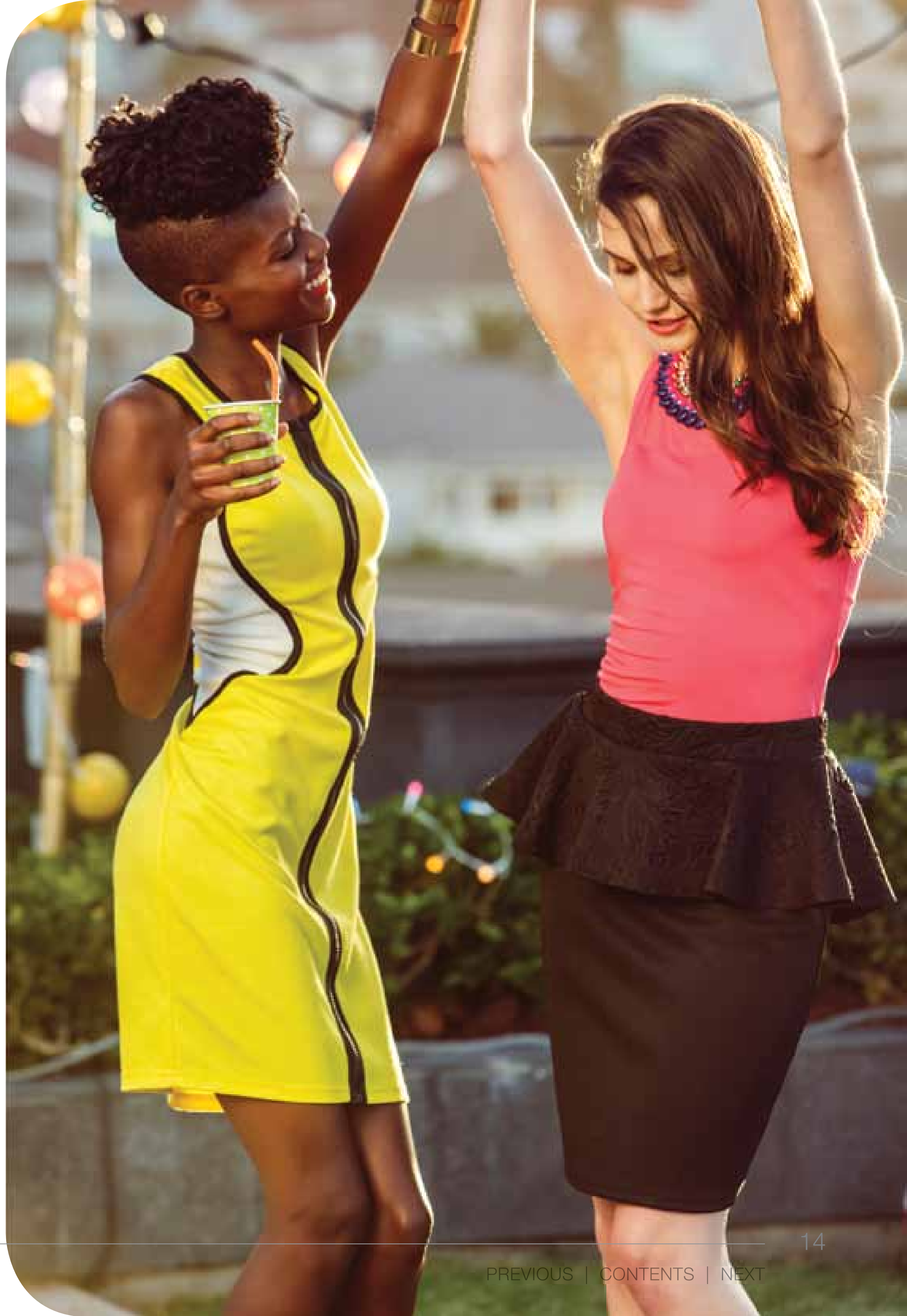
The country is in a rising interest rate cycle, although this is not expected to be as extreme as previous cycles. The impact of currency weakness has found its way into the broader economy, increasing inflation, which now exceeds the Reserve Bank's targeted range and affects the cost of living of all South Africans.

The Group's target customers are mainly in the mid to upper LSM categories, who have to date been less affected by the constraints mentioned above. If inflation rises further and interest rates increase materially this situation could change. In the short-term, consumers will need to address the economic challenges facing them by spending wisely and reducing debt. We aim to ease their plight, and ensure that all areas of our business, including those which can be described as 'discretionary buys' or are exposed to lower income customers, receive our intense focus. Detailed plans are in place to protect and entrench the foundations upon which the business has been built – selling fashionable merchandise at incredible value for cash.

However, cycles are temporary and the Group has many reasons to have an optimistic long-term view. Locally, we plan to capitalise on changing market conditions and continue with our approach of requiring quality growth. This includes a cautious approach to credit, being selective in new space acquired and constantly challenging all aspects for improved processes and efficiencies. The Group has high expectations of the performance of its South African operations and is confident of achieving further market share gains.

The performance of our new channels and markets, being online and West Africa are very encouraging, providing early support for our intentions of taking our proven business concepts to new territories, rather than look for acquisitive growth. We have much work to do to realise the full potential of the brand beyond our borders and will approach this sensibly on a research and test basis prior to committing to substantial expansion.

"We are prepared tactically for a tough year ahead but, at the same time, our sights are set on a long-term growth strategy that will do homage to our 28-year earnings growth history. By achieving these goals we hope to reward investors, improve the lives of our associates and positively contribute to society."



our business model

value is at the very core of the Group's existence...

fashion 1

Fashionable merchandise at everyday low prices.

THIS IS HOW WE SATISFY OUR CUSTOMERS' NEEDS FOR FASHION:

- Fashion research, specialist trend teams and frequent international travel
- Active dialogues through digital and social media
- Responding to customers' changing fashion needs
- Thorough product testing before making large merchandise commitments
- Slow selling merchandise is cleared to make way for new fresh merchandise

value 2

fashion
+
quality
+
price

MAINTAINING A LOW OVERHEAD STRUCTURE IS IMPERATIVE TO DELIVERING ACCEPTABLE OPERATING MARGINS:

- Best price for quality and fashion offered
- Being a value retailer means lower mark-ups in order to offer 'everyday low prices'. This results in large order quantities and higher sales volumes that keep input prices low
- The Company seeks to balance this with incurring costs often ahead of revenue generation, which will support future growth

cash 3

Remaining a cash-driven retailer with a cash sale contribution of 80% of total sales.

THIS LEVEL OF CASH ENSURES THAT THE GROUP IS:

- Less impacted by the cyclical nature of retail
- Not dependent on releasing more credit into the market to drive turnover, particularly during poor economic times
- Less exposed to bad debt
- Able to fund future growth without gearing. Strong cash flows will support increased capital expenditure and maintain an appropriate dividend pay-out ratio.

our operations & footprint

404 Mr Price Apparel Stores
Average store size **632m²**
Total trading area **255 380m²**

158 Mr Price Home Stores
Average store size **883m²**
Total trading area **139 452m²**

61 Mr Price Sport Stores
Average store size **813m²**
Total trading area **49 578m²**

265 Sheet Street Stores
Average store size **187m²**
Total trading area **49 584m²**

191 Miladys Stores
Average store size **318m²**
Total trading area **60 748m²**

1 079 Total Stores
Total trading area **554 742m²**

South Africa
1 014 Total Stores

- **369** Mr Price Apparel
- **148** Mr Price Home
- **60** Mr Price Sport
- **253** Sheet Street
- **184** Miladys

Botswana
19 Total Stores

- **10** Mr Price Apparel
- **3** Mr Price Home
- **4** Sheet Street
- **2** Miladys

Namibia
29 Total Stores

- **16** Mr Price Apparel
- **4** Mr Price Home
- **1** Mr Price Sport
- **5** Sheet Street
- **3** Miladys

Lesotho
4 Total Stores

- **2** Mr Price Apparel
- **1** Mr Price Home
- **1** Sheet Street

Swaziland
7 Total Stores

- **2** Mr Price Apparel
- **1** Mr Price Home
- **2** Sheet Street
- **2** Miladys

Nigeria
4 Total Stores

- **4** Mr Price Apparel

Ghana
2 Total Stores

- **1** Mr Price Apparel
- **1** Mr Price Home

Franchise
23 Total Stores

- **8** Kenya
- **2** Mauritius
- **3** Mozambique
- **2** Rwanda
- **2** Tanzania
- **1** Uganda
- **5** Zambia

stakeholder engagement

The Group recognises the importance of engaging with its stakeholders to ensure the long-term sustainability of the business. This process ensures greater transparency, as key stakeholder issues are identified and response plans developed.

An analysis of the business from a strategic and operational perspective highlighted where particular external parties currently have an interest in the organisation or may have an interest in the future.

Key stakeholders were then mapped and prioritised as those individuals, groups of individuals or organisations who affect and/or could be affected by the Group's activities, products, services and performance of the Group. Each key stakeholder group has a business owner who is the individual in the Group primarily accountable for managing the relationship with the particular stakeholder or stakeholder group.

The tables that follow provide information on the Group's key stakeholders. Although we have not listed the communities in which we operate and certain government departments with whom we have a relationship, it is important to note that the Group acts in a responsible and compliant manner towards these stakeholders.

	shareholders and the investment community	customers
Why they are important to us	Shareholders are the owners of the Company and require information about its performance and business strategy. The investment community assists shareholders to understand the value of the Company.	To better understand needs so that we may provide the wanted product and service; to understand brand perceptions so that we may grow long-term loyalty with our brand by relevant targeted customer communication. Our customers thrive on engagement - the more we connect and engage, the more social capital we build and the more we are a part of their decisions as a brand in the fashion value space. Ultimately, top of mind brands translate into increased market share.
What we engage on (key themes / issues identified)	• Company performance • Retail market trends and issues • Dividend policy • Share price performance • Share schemes • Business strategy • Future prospects	• The common engagement themes and issues are related to product, delivery and payment followed by store experience, staff and environment • Brand perception and expectations • Fashion trends • Customer service levels • Product and quality feedback • Community support and fundraising through RedCap Foundation • e-Commerce technical assistance, orders and queries • Account queries and payment
How we engage	• Annual General Meetings • Results announcements and presentations to the Investment Analysts Society and roadshows to the UK and USA • SENS announcements • Trading updates • Group website • Annual Integrated Report • Annual Results booklet • Press releases	• In-store interaction • Traditional and digital media • Telephone, email and various social media platforms • Live chat feedback on our e-commerce sites • Affiliate publisher partners in foreign markets, these local market affiliates feedback weekly via email any successes or challenges faced in their local market • Inbound and outbound call centres • Customer and market surveys • Advertising campaigns and competitions • Customer panel surveys • Mystery shopper programme
Engagement frequency	• Throughout the year with increased engagement during the release of the interim and year-end results	• Daily in-store, customer care engagement, social media channels and online • Weekly and bi-weekly through e-mailers and customer/market research • Monthly communication across various channels
How we measure our engagement	• Responses by shareholders to resolutions voted on at the Annual General Meeting • Feedback from the Investment Analysts Society • Share price	• Call centre service levels • Campaign response rate • Social media reporting • In-store sell offs • Data collection to continue engagement • Customer feedback

	associates and partners (our people)	suppliers
Why they are important to us	Our associates are our most valuable asset and brand ambassadors as their efforts and activities drive our profitability and the effectiveness of our customer engagement. To enhance associates' sense of value, commitment and motivation; to align associates to the Group strategy; and to receive feedback on areas for workplace and performance improvement.	Suppliers are key to our performance and core to our strategic positioning.
What we engage on (key themes / issues identified)	• Vision and values • Business Code of Conduct • Group policies and guidelines • Company financial performance • Individual and team performance • Remuneration, benefits and incentives • Transformation and employment equity • People development and training • Wellness programmes • Health and safety • Culture survey issues	• Supplier performance • Order quantities, factory capacities, product cost and quality • Future growth and expectations of the Group • Supplier core competencies • Future trends in product and sourcing opportunities • DC requirements • Quick Response • Supplier Ethical Data Exchange (SEDEX) • RedCap Foundation Manufacturing Programme (Skills development) • National textile and apparel cluster • Regional Footwear cluster interaction • B-BBEE Compliance
How we engage	• Induction programmes • Training needs • Performance reviews and fireside chats • Career planning discussions • Culture and climate surveys • Internal media – Red Cap Radio and TV • Team meetings • Results presentations • Divisional events, including awards events • Whistleblowers' hotline	• Supplier days • Regular supplier meetings • Supplier performance reviews • Strategic partnerships • Quality audits • Ethical and social audits • Distribution Centre (DC) tours • Factory visits and tours • Whistleblowers' hotline
Engagement frequency	• On joining, through "Your Journey" induction programme • Communication sessions throughout the year • Internal TV broadcasts (fortnightly) • Company results communicated (bi-annually) • Fireside chats and performance reviews (bi-annually) • Incentives set, aligned to business strategies (annually) • Training plans compiled (annually) • Cost-to-company letters distributed to all associates, including updated share option information (annually) • Divisional and Group succession plans reviewed (annually) • Culture survey conducted (annually)	• Supplier opening meetings and tours • Ad-hoc meetings on topical issues • Continuous quality audits • Weekly or fortnightly current trade meetings • Bi-annual/seasonal performance reviews • Annual ethical and social audits (1^{st} tier suppliers) • Annual supplier days
How we measure our engagement	• Culture and climate survey results • Solutions Café's following Culture Survey • Feedback from fireside chats/performance reviews • Employment Equity Committee Evaluation • Whistleblower complaints and compliments • Turnover statistics • Exit interviews	• Integrated Supplier Grading Tool • Performance to Strategic Agreements – capacity, performance, flexibility to trade • Performance to Service Level Agreements • Supplier audit results

our people

The Group strives to be a sought-after international company of employment choice by offering leading career opportunities in fashion value retailing.

capacity building

The past year was characterised by considerable investment in human capacity in line with the upgrading and renewal of processes, systems, technologies and ways of working across the Group. A number of new roles were established creating valuable new skills that improve the Group's competitive advantage. Most of these positions were filled internally indicating excellent progress in providing career opportunities for our associates.

In the year ahead we will continue to look for people who are adaptive, enjoy working in a fast-paced, progressive and changing environment and who thrive on high performance.

associate engagement

Inspired by our core values of Passion, Value and Partnership, our energetic and entrepreneurial culture continues to be central to the Company's successful performance. We have paid close attention to our culture during this period of high growth and organisational change by striving to understand the climate within our working environments. This has been achieved through our annual independently conducted culture and climate survey, followed by sessions designed to listen to the needs of associates, while protecting our core values.

In line with our culture, we ensure that communication is ongoing through frequently held "Comm Times", regular internal TV broadcasts and social media platforms. Close working relationships between managers and associates are valued and, to allow associates to participate proactively in this relationship, employee self service and interactive learning management systems have been introduced. These will provide associates with direct access to information relating to personal performance and management of their careers, thereby improving the quality of discussions with their managers.

The Group beneficially impacts the lives of associates, their families and the communities in which they live through RedCap Foundation. We also reach into communities through our talent attraction and acquisition teams, ensuring that young people are engaged at an early stage of their careers and gain insight into the many employment opportunities available in our Group.

performance recognition and reward

Our Group thrives on happy, motivated employees. A very important element of our culture is to actively encourage, recognise and reward exceptional performance and the achievement of personal goals. Well-defined incentive targets are set annually, with performance discussions conducted at year-end or as required through the year. The result is generous financial incentives for outstanding performance. All associates within the SADC region are invited to participate in the Mr Price Group share or share option schemes. This after fulfilling the specific employment tenure requirements of that scheme as detailed on the Group's website. As these employees are part-owners in the Company, we refer to them as partners or associates. Further details are contained in the Remuneration Report on page 63 and on the Group's website.

We use every opportunity to celebrate team or personal achievements and reinforce the spirit of performance. Group results are presented to associates bi-annually at communication sessions and, more frequently, divisional performance is discussed in the respective divisions. A highlight is the award of the Mr Price Group 'Running Man' statue, presented to selected associates who have made extraordinary contributions over an extended period. These highly valued individuals embody the Group's culture and core beliefs and demonstrate consistently high dedication and performance. Additionally, the Mr Price Group medallion is awarded to associates who have delivered outstanding performance or exceptional innovation through the year. These individuals set new standards and become role models for those who follow. In this way we are able to maintain a working culture that encourages people to succeed and drives them towards their personal aspirations.

human capital management (hcm) systems

The continuous transformation of our human capital management capabilities to world-class standards has included investment in leading edge workforce management, learning management and payroll systems. These enable us to better manage and develop our people, supporting our objective to differentiate the Group as an employer of choice. Intended benefits are higher levels of productivity and cost efficiency as well as improved HCM transactional efficiency in support of our business expansion plans.

We have also planned for a Business Intelligence solution that will enable our business leaders to make better-informed and predictive HCM decisions, particularly relating to building people capacity ahead of strategic requirements. All associates will be offered access to employee self service and learning management platforms with readily available personal information. This will engender a modern culture of performance accountability through direct ownership of career planning and development. The roll-out of these platforms will continue to be a focus in the new financial year.

talent acquisition and development

"Developing 'homegrown' talent is a strategy that has served the Group extremely well to date and will continue to be our core area of focus."

Attracting the right skills externally has become increasingly important in the high growth environment. We frequently conduct fun, exciting and creative campaigns to profile our employment proposition, either to potential associates through our social networking platform or through direct involvement with schools, colleges and universities. Systems to administer and hold application data allow proactive management of these talent pools.

Our talent acquisition teams are constantly striving to improve our induction processes to cater for the increasing geographic spread of associates. On joining, new associates attend induction programmes introducing their job specific requirements and we use this opportunity to introduce the core values and the benefits of belonging to an exciting working environment.

Turnover at senior management and executive levels is low, indicating the Group's ability to retain key staff. Store associate turnover for this financial year was 20.1%, substantially below comparative industry norms of 30.9%. Our stringent pre-employment assessments for store and key positions which include numeracy and behavioural attributes, ensure that the required levels of skill are maintained. The introduction of psychometric assessments has also proved highly effective in screening of key skills at the point of hiring.

career and personal development

"We offer outstanding career opportunities and associates are actively encouraged to pursue their ambitions within the Group."

In the last 2 years many new career opportunities have been created such as in Digital Marketing, e-Commerce, ERP Systems, Business Process Improvement, Product Development, Resourcing, Supply Chain, International, Governance and Legal.

Personal growth and career development are discussed with each associate at least annually and line managers are responsible for ensuring that these discussions give rise to meaningful development plans. Assessments have been increasingly used to inform career paths, training, development and improved performance, with competency profiling being core to their effective application.

management and leadership development

Given the hands-on nature of retail, managers are encouraged to take direct ownership for their areas of responsibility and to use the programmes provided to build their own entrepreneurial leadership style. We have continued to partner with leading training organizations and business schools, locally and internationally, to design and run creative leadership development programmes. We favour flexibility in the design of these programmes to cater for unique peer group needs within the demands of their busy day-to-day working environments.

The successful Emerging Leaders Development Programme has enriched our succession plans with entry-level leaders who display high potential for future leadership positions. A Leadership Series is planned for the forthcoming year. This will focus on individuals in positions of influence who are candidates for growth into higher levels of leadership, as well as incumbent senior executives with specific developmental requirements relating to the demands of their positions and/or strategic priorities.

"Our productive relationship with the Wholesale and Retail SETA has led to a number of our managers being selected for the SETA's International Leadership Development Programme."

Managers from across the Group have also participated in the Retail Management Development Programme since February 2012.

The personal growth and development of our leaders is supported by personal and career development discussions, comprehensive leadership assessments, development of personal development plans and regular performance feedback. Mentoring and coaching are offered on-the-job or as required.

talent development

We pride ourselves on our ability to excite all associates with the training opportunities that are provided throughout the Company, both on and off the job. Recognising that attracting, developing and retaining world-class retailers is critical to our competitiveness and long-term sustainability, we pay very high attention to succession planning and continuously improving the quality and delivery of training. This is reflected in the allocation of a longer-term budget to the development of our talent.

The SETA accredited Red Cap Academy has served as the in-house institution through which all learning and development programmes are facilitated and, aligning with Group strategy, this will undergo significant renewal in the coming year.

As a top retail training ground, we employ innovative training practices that draw on internal subject matter experts, top external faculty and carefully selected service providers. We have become more precise at job and competency profiling as the core of the design and development of training material, coupled with the effective identification of training needs. This is critical given the planned rollout of the new enterprise resource planning system, including redesigned core processes.

Our primary focus areas for training are merchandise skills, frontline operational associates who are challenged with the complexities of expansion into new territories and skills associated with new workplace systems. Our intern and graduate development programmes in merchandise and store operations feed externally selected trainees into areas of need, while internal trainees are provided with meaningful work under the guidance of allocated mentors and trained according to an individually paced hierarchy of learning.

As highlighted earlier, significant investment in leading technologies has enabled us to make training available to associates regardless of where they are geographically located. Our e-learning methodology makes learning available to thousands of associates at store level through point-of-sale terminals on a daily basis. The effectiveness of the medium is highlighted by the high number of associates who have completed one or more of the available modules such as point-of-sale, stock control, credit and business administration, customer service or a specific module on product knowledge. New modules are continually developed.

The Group supports the national skills initiative through learnerships. These are available across various disciplines enabling associates to receive a nationally recognised qualification. During the year 119 associates were involved in a learnership programme, of which 92% were previously-disadvantaged.

During the past year we invested in training systems and upgrades to e-learning which will enable a higher quality of training intervention. Increased training attendance is expected as a result in the coming year.

Key achievements in talent development	2014	2013	2012
Investment in learning and development	**R33 775 854**	R30 855 899	R25 160 637
Total annual number of hours allocated to learning	**230 973**	266 416	246 393
Average learning and development days per person	**2.5**	2.8	3.7
Associates who have completed leadership development programmes	**2 662**	3 748	3 241
Percentage of associates participating in learning and development programmes who are previously-disadvantaged	**90%**	88%	87%
Percentage of associates participating in learning and development programmes who are female	**69%**	70%	70%
Percentage of associates trained through e-learning who are previously-disadvantaged	**94%**	94%	94%
Percentage of associates on learnerships who are previously-disadvantaged	**92%**	93%	83%

employee relations

Maintaining sound working relationships is of utmost importance to us, hence one-on-one relationships between managers and associates and open communication channels are encouraged. Frequent communication sessions are held to update all associates on business progress, celebrate achievements and introduce new associates.

General employee communication is conducted through Red Cap TV with informative broadcasts delivered twice monthly via intranet or point-of-sale technologies. A Social Media policy is in place to provide guidelines for new and innovative ways of communicating internally using social networking technologies.

employment legislation

The Group complies with all relevant legislation including the Labour Relations Act, the Basic Conditions of Employment Act, the Sectoral Determination Act No. 9, the Skills Development Levy Act, the Skills Development Act, the Employment Equity Act, the Unemployment Insurance Fund Act and the Occupational Health and Safety Act. Line management is supported by well-trained employee relations practitioners who guide the interpretation and application of legislation in the workplace.

There have been significant changes to national employment legislation during the past year, including changes to the Basic Conditions of Employment Act, Employment Equity Act and Employment Services Act (effective dates are not determined at time of this report). Changes contained in the Labour Relations Amendment Bill and the Employment Equity Regulations were subject to negotiation at the time of this report. The process regarding the proposed amendments to the Unemployment Insurance Bill and the newly proposed Women Empowerment and Gender Equality Bill are being monitored.

The Group has taken positive steps to transform contractual relationships with all employees through conversion of non-permanent employee contracts to permanent. This aligns with the requirements of future national employment legislation and in particular the principle of "equal pay for work of equal value".

We have commenced implementation of our responses to the major impact areas of the Labour Relations Act and the Basic Conditions of Employment Act and are responding proactively to proposed changes to the Employment Equity Regulations. This ensures that the Group is compliant with national employment legislation.

We have maintained active membership of the National Retail Association, through which representation to Nedlac and participation in discussions of national interest is facilitated. This has assisted us to stay abreast of labour law developments and plan our responses accordingly.

ethical behaviour

Ensuring that ethical behaviour is widely practiced and demonstrated is very important to the sustainability of our Group culture. As such the Business Code of Conduct is acknowledged by each new associate when joining the Group. Senior and other selected associates complete an annual declaration in which compliance with the Code is confirmed and any external interests or relationships that could potentially give rise to a conflict of interest are disclosed. The Group has a confidential, independently managed, toll-free number for the reporting of suspected fraudulent activity or unacceptable behaviour. Associates are encouraged to be alert to fraud or unacceptable activity and immediately report incidents. These reports are investigated by Internal Audit. The Social, Ethics, Transformation and Sustainability Committee monitors matters relating to ethical conduct.

wellness

Our associates are encouraged to make healthy lifestyle choices, a philosophy that is promoted annually through a Wellness Week and via regular Red Cap TV broadcasts. Associates have access to health counselling and programmes to assist with information and treatment regarding serious illnesses. Wellness initiatives include assistance with personal financial planning and retirement planning.

Currently we have 2 910 associates covered by one of the available medical aid options, this represents 22% of all permanent staff, which includes a low cost entry-level medical plan specifically offered for store associates.

We recognize the ongoing challenges of HIV/Aids and strive, where possible, to assist our associates who are affected by the disease. Regular HIV/Aids awareness communication is distributed to all associates via the intranet, point-of-sale system and printed media. The Group is an active member of Retailers Unite, a voluntary association of retailers who collectively arrange wellness days where health screenings are offered free of charge to employees of participating members.

occupational health and safety

Safe working practices are encouraged throughout our businesses and monitored with regular attention being paid to workplace health and safety training, practice drills and safety reviews. In the year under review 75 work-related accidents occurred with no major accidents reported involving associates. This represents a 12% decrease in the number of accidents compared to last year.

our corporate citizenship

Sustainability is deeply entrenched in the Group's corporate values and its commitment to long-term business success.

In this report we provide an overview of performance against the generic Broad-Based Black Economic Empowerment (B-BBEE) Scorecard and key social and environmental sustainability issues in relation to our value-adding journey. The Social, Ethics, Transformation and Sustainability Committee reviews the Group's corporate citizenship agenda and related activities. Their report is located on page 91.

Our Governance is about effective and ethical leadership, the outcomes of which are sustained value creation, success and longevity. The Board subscribes to ethical leadership, business sustainability, stakeholder inclusivity and sound values of good corporate governance. The principles of governance are a natural extension of our values of Passion, Value and Partnership and have been adopted and integrated into our business. More information on the Group's governance strategy and activities during the period can be found in the Corporate Governance Report on page 48.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

Our Level 5 Compliance has been independently verified against the Department of Trade and Industry's (dti's) B-BBEE Codes of Good Practice, 2007 by BEESCORE (Pty) Ltd, a SANAS accredited verification agency.

We are committed to driving social transformation and B-BBEE in a way that is both meaningful and sustainable. A high level assessment of the impact of the Revised Codes on our future scorecard has been conducted and it is acknowledged that the scorecard result is likely to be less favourable. Current initiatives that will be impacted include the Mr Price Partners Share Trust (which has approximately 95% black participants), as well as significant investment in people's skills, local suppliers and local communities (through RedCap Foundation).

B-BBEE Scorecard

element	total weighting	F2014	F2013	F2012
Ownership	20	**5.51**	6.47	5.46
Management	10	**3.08**	3.38	3.68
Employment Equity	15	**6.26**	6.18	6.01
Skills Development	15	**12.00**	12.00	12.00
Preferential Procurement	20	**15.92**	14.54	11.20
Enterprise Development	15	**7.55**	7.09	8.80
Socio-economic Development	5	**5.00**	5.00	5.00
Total	**100**	**55.31**	54.66	52.15
B-BBEE Level		**5**	6	6

management and employment equity

The Group recognises the need for its workforce to be representative of national and regional demographics and continues attracting, employing and developing people from previously disadvantaged groups. Focus is given to taking in graduates from previously disadvantaged backgrounds and preparing them for management and specialist retail positions. Pre-employment internships are also offered as a means of evaluating prospective employees and the RedCap Foundation's JumpStart programme provides soft skill training and retail work experience for unemployed matriculants.

The Group's philosophy is to encourage all associates to achieve to their full potential, irrespective of race or gender. Associates are encouraged to apply for and secure growth opportunities within the Group as these arise. Those who have the potential to attain top management positions and meet the needs of the succession plans are invited to attend internal and external leadership programmes that provide relevant business exposure and highlight development areas. This assists in the attainment of the employment equity (EE) goals set for the various occupational levels. The EE goals, set to 2017, have supporting action plans to address representation requirements at senior levels and there is regular reporting in place to monitor progress.

The Executive Transformation Committee reviews and assesses, and the Board ratifies, appropriate employment equity targets in line with the Group's B-BBEE plan. An Employment Equity and Skills Development Committee, fully representative of the Group's associates, meets regularly to discuss progress in employment equity, identify and recommend steps to overcome barriers to affirmative action and to ensure adherence to relevant legislation.

enterprise development

The Enterprise Development investment has been centered on the development of strategic local suppliers in order to build the local South African manufacturing capacity. The investment may involve a combination of loan, early payment (to assist with cash flow) and skills development (through RedCap Foundation's Jumpstart Programmes) and is dependent on the needs of the individual supplier, their level of supplier performance and capacity.

The Group's commitment to partnering with suppliers to build a sustainable local supply base is demonstrated through the Group's role as the founding retailer in the dti approval of 2 cluster applications aimed at strengthening the competitiveness of the South African Clothing, Footwear and Textile Industry. The Footwear and Leather Regional Goods Cluster and the National Sustainable Textiles and Apparel Cluster will receive the full funding required to further their objectives. The objective of the Regional Footwear Cluster is to deepen and widen engagement in people, product and processes in the footwear and leather value chain to increase profitability and employment levels within the region. The suppliers involved are strategic partners in the RedCap Foundation JumpStart Manufacturing Programme and they are Enterprise Development beneficiaries. The cluster has a budget of R51 million over 5 years.

The National Textile and Apparel Cluster aims to strengthen South Africa's competitiveness in producing sustainable raw materials and textiles for local consumption and potential exports in future. This will inform the Group's future raw material considerations and will enable the availability of raw material sourcing data for business decisions and reporting. The cluster has a 5 year budget of R228 million, of which R61 million will be allocated for the first year's implementation.

socio-economic development

The strategy is to invest in South African communities to support a local sustainable market and skilled labour force. Social funds are strategically invested in a way that unlocks empowerment in the hands of individuals rather than creating a cycle of dependence.

The social investment initiatives are implemented by RedCap Foundation NPC, a registered Non-Profit and Public Benefit Organisation. Partnerships with various stakeholders, including the National Department of Basic Education (DBE) and the JobsFund, remain focused on delivering innovative solutions whilst building towards systemic change at a national level.

The Foundation has a vision of a South Africa where young people create positive social change by being inspired, healthy and engaged citizens. Gap areas within the national priorities form the space in which the Foundation focuses its attention, by delivering strategic and innovative

Equity Statistics for all South African Associates

occupational level	female				male				grand total	foreign national	
	A	C	I	W	A	C	I	W		female	male
Top Management		1	1	8				25	**35**		
Senior Management		2	10	56	3	1	5	38	**115**	4	1
Professionally Qualified	19	23	69	172	17	7	61	117	**485**	3	0
Skilled technical	1 065	560	282	446	455	109	123	124	**3 164**	8	6
Semi-Skilled	4 613	1 178	293	120	1 797	294	119	38	**8 452**	5	7
Unskilled	47	8	5		41	1	11		**113**		
Total Permanent 2014	5 744	1 772	660	802	2 313	412	319	342	**12 364**	20	14
Non-Permanent 2014	2 594	492	79	74	1 019	152	23	44	**4 477**	1	
Total	**8 338**	**2 264**	**739**	**876**	**3 332**	**564**	**342**	**386**	**16 841**	**21**	**14**

solutions to the socio-economic issues. The Foundation's partnership with the Group allows it to respond with strategic solutions designed to meet the socio-economic needs of society as well as those of the Group and its supply chain.

This year the Foundation initiated the **JumpStart Manufacturing Programme** to develop the skills of unemployed youth in the clothing and footwear manufacturing industry, thereby addressing the needs of both the youth and industry alike. In February 2014, 21 pre-production and 100 production students started an internship programme across 5 manufacturing sites of strategic suppliers in KZN. In June 2014, another intake of 100 students will take the total to 200 multi-skilled production trainees being skilled for the sector in 2014. The **JumpStart Retail Programme** has assisted 717 previously unemployed youth to find job placements within the Group and other business partners of the programme during the past year. The investment cost per delegate is a mere R1 750 per person. The programme started in 2007 and is currently implementing a successful collaborative programme in partnership with National Treasury through the JobsFund. This has resulted in 2 061 job placements since its inception.

The **YoungHeroes Programme** expanded to the Free State and made history by implementing all elements (physical education, extra-mural, intra-school and inter-school) of the programme simultaneously at the time of launch. The programme has been successfully implemented in 8 provinces and continues to show best practice in Physical Education (PE) and school sport. The programme started in 2005 and was enhanced in 2009 with the collaboration between the Foundation and the DBE. The objective of this collaboration was for the Foundation's programmes and learnings to be incorporated into the new School Sport Policy and the Department's National Strategy on PE and school sport for all public schools. In the next year, 2 of the YoungHeroes provinces will enter the sustainability phase, which will test the ability of the local Department of Education officials to manage the programme.

The **RedCap Schools** in Kwa-Dukuza further improved their academic results to above the KZN average of 42% and the national average of 40%. At these schools, the Iciko Programme (focused on arts, drama, dance and music) achieved significant results and overwhelming support from principals and teachers to integrate the programme into school curricula. This integration started in February 2014. From March 2014, the Foundation will utilise the RedCap Schools computer laboratories to launch the Global Literacy and Numeric programmes in support of further developing both educators and learners in the areas of Maths and English.

The Foundation's **Saturday School** was launched in early 2013 with 129 learners (from grades 2 to 12) attending lessons in Maths and English on a Saturday morning at the Group Head Office.

The Foundation raised over R2.8 million in outside donations this year, Facebook visits increased from 636 likes to 1 051 over a period of 6 months (65% increase) and the number of visits on the website increased by around 47% since last year. For further information on the activities of the Foundation refer to *www.redcapfoundation.org*

social responsibility

The Group's social strategy, guided by its values, recognises the partnership with society, acknowledges the impact on partners and takes the necessary steps to ensure that our involvement is of a positive nature and results in "win-win" outcomes.

The health, wellbeing and physical environment in countries where people produce our products is important to us. To this end, the Group has become a Foundation Stage Member of the Ethical Trading Initiative (ETI) during the year. The ETI membership gives the Group access to a framework and expertise that will assist in developing a process of supplier compliance and alignment to our core values. By becoming a member, we have joined a list of many international businesses from various sectors which are committed to improving the lives of global supply workers.

The alignment of the Group's Supplier Code of Conduct to the ETI Base Code is one of the key steps in committing to trading ethically and improving conditions in a vast, complex and global supply chain. A deeper engagement with our suppliers on these issues is fundamental to influencing future change and obtaining transparency. Further to this, the Group also joined the Supplier Ethical Data Exchange (SEDEX) during the year. SEDEX provides member companies with a secure online tool for sharing and managing supply chain information on 4 key pillars: health and safety, labour standards, business practices and the environment. Becoming a member highlights the Group's willingness to share information and to utilise the available information to manage and improve ethical standards within the supply chain.

environmental responsibility

The business is reliant on the environment for basic needs such as water, energy and the provision of raw materials needed to produce and transport products. The reliance on natural resources and the implications of climate change have recently been acknowledged in terms of the impact on the business risk profile. Whilst sufficient sector specific information is still largely lacking to effectively inform business decisions, it is acknowledged that, for future survival and success, a resilience to sustain the impacts of climate change has to be built.

> **"The Group recently joined WWF as a corporate network partner to access the expertise of global subject matter experts in environmental issues."**

Raw materials and supply chain

The Group's most significant environmental impact occurs within its supply chain, during the process of production and transportation, as well as during the customer washing and drying of the apparel and textile products.

The Supplier Code of Conduct requires compliance with in-country environmental legislation, but it is acknowledged that further work is required to ensure that the Code is actually in line with international legislation, particularly in countries where laws do not sufficiently address environmental degradation.

In order to fully understand the climate change risk and impact on raw materials used in the production of the Group's products, detailed and specific research appropriate to the needs of the industry is required. It is expected that the participation in the National Sustainable Textile and Apparel Cluster will produce life cycle assessments that will assist the South African textile industry to make informed decisions regarding the fibers that are socially and environmentally appropriate for local production and it will assist retailers to make appropriate textile and design decisions.

Energy and carbon footprint

The regular interruption of the national power grid and rising cost of electricity could have a significant impact on the Group.

The Group's commitment is to reduce its carbon footprint by 10% over the medium-term (on baseline year 2013). During this year our carbon footprint was reduced by 2.9 million Kwh (2 871 tons CO_2 emissions). The accuracy of the carbon footprint calculation improved significantly and initiatives to calculate, monitor and reduce the emissions were implemented.

The Group's direct impact on the environment is limited, with the largest impact being electricity usage at store level. Carbon reduction initiatives included lighting retrofitting in stores, ongoing evaluation of energy requirements and improved user behavior around energy reduction. The initiatives have been enabled through an energy management programme and meters installed at store level. New store designs are now 30% more energy efficient than they were 5 years ago.

Water

The Group has not yet focused on water usage reduction as the nature of our business operations requires a very low usage of water. It is acknowledged, however, that South Africa is considered to be a water scarce country and we anticipate incorporating responsible water usage in our value chain in the future.

Waste

Our office recycling rates are still fairly low compared to industry norms and a target recycling rate of 20% has been set for F2015. To this end, the recycling initiative at our Head Office recently underwent a re-launch to simplify source separation and a packaging specialist has been commissioned to investigate opportunities for further product packaging efficiencies and guide in-store recycling efforts.

Both our Distribution Centres (DC) have excellent recycling rates with an average of 95% of all waste generated being recycled.

Further to this, the DC has implemented an innovative solution to the standard wooden pallets- recycled cardboard pallets have been implemented for all airfreighted stock. This pallet is lightweight and eliminates the need for fumigation of containers when sending stock to our international operations. They have also reduced the quantity of cardboard boxes (cartons) in the post distribution process by eliminating the need for repacking through engagement with suppliers on carton dimensions and specifications to supply merchandise into the DC.

Fuel and travel

The Group's outbound transportation and distribution is managed by an external service provider who has successfully implemented fuel and kilometer travel reduction for the distribution to stores. Due to the rising cost of fuel, this could have a significant impact on the Group if not well-managed. Scope 3 emissions, relating to business travel and emissions in the value chain, are currently not included in the Group's carbon footprint however opportunities for reduction are constantly investigated.

Awareness and education

Over the past year, regular awareness campaigns to associates involved energy tips, recycling and a continuous focus on improving waste recycling.

our strategy

The Group's strategy has been developed after careful consideration of the operating environment within the international, local and retail industry contexts. In particular, cognisance has been given to the following significant matters:

- economic and socio-political landscape of South Africa
- globalisation of retail and the need for robust systems and processes to ensure competitive advantage both in South Africa and new markets
- increasing role of technology in everyday life and the impact on current operations and international expansion
- supply chain, infrastructure and retail space challenges in new markets
- sustainability, the environmental and social impacts of a company's operations.

retail industry

Retail is a highly dynamic sector involving property, design, technology, logistics, fashion and popular culture. The current context of retail is challenging due to many retailers facing market saturation and increased commoditisation, and many wrestling with new multi-channel strategies to drive sales in a period of low economic growth. At the same time, retailers are under increased pressure to consider the environmental and social impacts of their operations.

Customers have begun to move with much greater fluidity between physical, mobile and PC-based interfaces. Accordingly, it is critical that brands create customer experiences that fuse the physical and digital worlds. The international trend is for an omni-channel approach (bricks and clicks) and presenting a consistent look and feel across all contact points. Social media has become a critical success factor in the retail environment. Real-time mass communication can be leveraged as an advantage, for example to test consumer opinion on an issue or on merchandise, but can also have the opposite impact in the event of poor quality or an unpleasant shopping experience. The Group's target customers have fully embraced these new disruptive technologies. New-generation shoppers want to engage with retailers who are at the forefront of technology, both in store and online, and interact in a world without walls. Several exciting initiatives are underway to ensure that the Group meets and exceeds such expectations.

"Retailers are also continuing to focus heavily on resourcing, supply chain and costs to reduce lead times, the cost of procurement, enhance efficiency and improve working capital in an increasingly competitive environment."

local market

Economic considerations

South African retailers have, in general, experienced a decade of remarkable growth, benefitting from the expansion of the emerging middle class.
The recent slower momentum, which impacts all retailers, is due to the following:

- Wage growth has slowed and, although still higher than inflation, the gap has narrowed significantly.
- Current rand weakness is fuelling an already pressurised environment, impacting imports and the cost of goods and services. South Africa has a volatile currency and, as the major South African apparel retailers import the majority of their merchandise, all are affected. Locally produced apparel also does not escape the volatility of the exchange rate as the majority of fabric used in South Africa is imported. With its average selling prices being lower than its competitors (which can be as much as 3 times higher), the Group is potentially less impacted than its competitors by currency weakness. The same percentage increase in the landed cost price due to a weak rand will widen the selling price gap, making the Group's merchandise offer more attractive on a relative basis. Our strategy is to maintain the gross profit margin during periods of currency weakness, rather than absorbing the cost thereof.
- Inflation is on the rise and has exceeded the targeted range of 3-6%. This has a knock-on effect across the whole economy, however it has the biggest impact on lower income customers. The Group generally targets customers in the mid to upper income groups, although Sheet Street's target customers are in the mid LSM 5-8 bands.
- Interest rates have entered an upward cycle, however the impact is not expected to be as extreme as previous cycles. If increases are moderate, the impact on retail sales will be minimal and the Group will benefit from higher interest income on its cash resources and accounts receivable.
- Unsecured credit, which accounts for 12% of total credit in South Africa, is slowing as lenders lower their risk appetites. The credit quality of this segment continues to weaken, however the ageing profiles of other credit types remain strong. The Group's credit quality is strong relative to the industry.

The business model, which is explained in detail on page 15, has proven itself in previous economically challenging times. Consumers will look for greater value and, for fear of falling into a debt trap, will be more confident paying by cash. In these conditions, as a cash-based value retailer, the Group is well placed to capture further market share. The past few years have seen an increasing number of international apparel retailers establishing a presence in South Africa. However, their market positioning results in them competing more with the higher price-point credit retailers. The Mr Price brand is well entrenched in the hearts and minds of South African consumers and Mr Price Apparel has continued to increase market share despite the presence of international retailers. Although the local market is still very important, the Group's strategy is to take our proven business concepts to new markets and expose consumers there to the merchandise offer that has served us so well to date.

With regard to real estate, there is always high demand for premium locations and there have been instances where new entrants have been willing to pay higher rentals in order to secure space. However, the Group has strict store feasibility guidelines and would rather decline such space opportunities than run the risk of performing sub-optimally as a result of inappropriate overhead structures.

Social and political considerations

The South African social landscape remains challenging, with low levels of education, a high unemployment rate and pressure on National Government as a result of the high number of people employed by that sector or drawing social benefits from it. Critical skill shortages continue to impact the business environment, including the retail, clothing and textile industries.

While the Company gives preference to and sources a proportion of its merchandise from local suppliers, its efforts are hampered by the lack of competitiveness of the local manufacturing industry. A lack of investment in new technology and high cost of employment, without a corresponding increase in productivity, contributes to the high costs of local manufacturing. In response to the opportunity to assist the competitiveness of local manufacturers, the Group has developed an Enterprise Development Strategy and has recently been involved in the establishment of 2 dti-approved competitiveness clusters. Refer to Our Corporate Citizenship report on page 24 for further details.

Through the Red Cap Academy, talent and management development programmes support the development of black managers and grow the leadership in the Group. Electronic retail-specific training programmes train associates for a career in retail. Refer to the report on Our People on page 20.

The Group remains committed to acting responsibly and to considering the interests of its key stakeholders – in short, being a good corporate citizen. In doing so, the Group abides by the laws of the territories in which it transacts and expects its associates, suppliers and stakeholders to do likewise. Refer to the Corporate Governance Report on page 48.

international

The African continent, with a rapidly urbanising population of nearly

900 million,

is being considered by many as "the next big thing".

Disposable incomes are rising and consumer spending is expected to grow to almost $1 trillion. GDP growth is close to 6% and several Sub-saharan African countries rank among the 10 fastest growing economies globally. A middle class is emerging and increasingly wealthy consumers are embracing Western brands, products and lifestyles. Mobile phones and the internet are proliferating rapidly across the continent and internet penetration is expected to increase from 167 million to 600 million by 2025, and smart phone utilisation to increase from 67 million to 360 million over the same timeframe. There are significant opportunities for retail in developing economies. Africa represents a major opportunity for us to expand but capturing it will require patience, hard work and ingenuity. Formal retail space (malls and shopping centres) is scarce and expensive, while under-developed supply chains, corruption and lack of infrastructure are additional challenges. The Group's growth strategy is multi-faceted, incorporating local, African and international growth.

The East, particularly China, continues to be the major force in apparel manufacturing, however sourcing from that location is not always ideal as the need for fast-fashion and shorter lead times would, in theory, seem to support local sourcing. Where possible, the Group procures from local manufacturers and suppliers, however the ability to accommodate our order volumes at the most attractive price requires the Group to source from international suppliers to a significant extent. The Company is currently reviewing its resourcing strategy to enable quick response and is working with strategic suppliers to develop key manufacturing skills. Refer to the Group's social responsibility initiatives on page 26.

Worldwide businesses have acknowledged the need to address climate change via more efficient and effective usage of resources such as energy, water and fuel. This reduces carbon footprints and the overall impact on the environment and mitigates rising costs. The Group's usage of these resources is under scrutiny, through energy and supply chain initiatives. Read further on the Group's environmental responsibility on page 27.

group strategy

The Company's vision is to become a top performing, international omni-channel retailer which requires sustainable value creation over the short, medium and long-term. The Board of Directors reviews the appropriateness of the strategic objectives annually and performance against set targets regularly throughout the year. An integrated approach to strategy, risk management, performance and sustainability has been adopted and there is continued commitment to the alignment of "people, profit and planet". The Group's strategy has been captioned 'FIX, INVEST, GROW':

FIX	**Address all areas of operational weakness and improve the operating margins of underperforming divisions.** This phase was targeted at the Home businesses which were performing below expectation and Mr Price Sport which was a start-up business that had not yet achieved critical mass and was incurring losses. These divisions have improved their trading densities and operating margins are now all in excess of 10%. A revised target of a minimum of 15% within the next 5 years has been set, while Apparel and Miladys are targeting in excess of 20%.
INVEST	**Improve processes and systems, the foundations of which will support and enable the growth strategy.** Detailed assessments of systems, people, resourcing and supply chain have taken place and the Group has committed to capital expenditure of R3 billion over the next 5 years. Significant investments are a new ERP system and distribution centre (page 31 & 32).
GROW	**To be an internationally competitive omni-channel retailer with robust top line growth and an increasing contribution of foreign revenue.** The Group's approach to expansion is to fully test foreign markets before committing to an entry strategy. Early results are encouraging, with focus now being placed on supply chain improvements to ensure appropriate pricing and consistent brand positioning in all markets and research into other territories (page 31).

The Group's most material matters are those which affect the execution of its strategy and its ability to create and sustain value in the short, medium and long-term. These material matters have been identified and prioritised after taking into consideration the Group's business model, unique culture and partnership philosophy, the top of mind issues for the Board and executive management, issues that have been derived from key stakeholder engagement, strategic objectives and key risks. The Group's most material matters have not been reported separately; instead these are integrated throughout this report.

strategic objectives and kpi's	progress to date	key risks and mitigations	future priorities
Deliver sustainable growth in revenue and profitability in targeted markets and channels. Increase in: • Revenue • Trading space • Trading density • Operating profit • Operating margin • HEPS • Return on equity • Return on investment	**South Africa -** 'home base' is the foundation which will fund infrastructure and future growth. Sales growth of 13.1% achieved and 59 stores were opened. **Other Markets** – opened 9 corporate owned stores to bring the total to 65. Sales increased by 37.6% which included Nigeria and Ghana, which grew by 98.2%. Acquired Zambian franchise and awaiting Competitions Board approval. New **trading space** increase by 4.8% (3.4% net of closures and reductions). **Online** launch of Mr Price Apparel internationally (mrp.com) and in Nigeria (mrp.com/ng) and Mr Price Home and Sheet Street in SA. Total online sales increased by 293.4%. **Research** in progress in other African and international markets to identify additional growth opportunities. Improved returns are detailed in the CFO's report on page 10.	**Slowdown in consumer spending in SA** • Focus on fashion-value business model, including trend and design capabilities, systems, logistics and suppliers to maintain low cost structures and value positioning • International expansion strategy • All international growth to be cash based. Cap on total credit contribution of 20% of Group sales **Increasing competition, including presence of international retailers in SA** • Focus on fashion-value business model • Development of merchant and trend teams • Raised level of pre-season planning • Improved supply chain and resourcing processes • Associate retention policies **Investment in wrong market or format** • Clearly defined risk appetite • Multi-channel approach to expansion in order to overcome limited availability of retail space • Intensive research and test strategy for new markets and new channels • Stringent feasibility requirements and approval processes • Primary focus on logistics, pricing and competition • Focus on effective people and management structures • Pricing initiatives in progress include new transfer pricing model and supply chain initiatives to eliminate double duties	• Grow new revenue streams which are showing encouraging early signs. Ensure that we continue to execute well locally and increase market share • Target new annual space growth of 5% and exit from unproductive space which is presently 9% of total space • Design and test Mr Price Apparel new-age store • Implement new operations structures, targeting improved customer service and operational efficiency • Enhance shoppers' online experience via improved navigation and integration with physical stores • Enhance our CRM processes to ensure that customer experience across all touch-points is consistent • Launch online in remaining trading divisions • Acquire key franchise operations and continue with African expansion, focusing on value and channels to market • Further research to identify the international markets and formats (physical or digital) appropriate for the expansion of the red cap brands - Apparel, Home and Sport • Build brand equity in new markets • Extend our track record of growth
Develop world class information system capabilities to enable more intuitive and agile processes, improve efficiency and support international growth. • Successful implementation of new ERP and merchandise planning systems • Achievement of detailed project milestones • Timeous and successful implementation in test division • Key business needs met • Minimisation of new project requests and scope creep • Roll-out to remaining divisions in line with project plan • Capex and operating costs within budgeted levels	Oracle has been selected as the new Enterprise Resource Planning (ERP) system and Just Enough as the new Planning Solution. The project is underway, with the design phases having being completed and the build phases having commenced. Implementation in the 1st 'test division' for the new ERP system is scheduled for April 2015, with the remainder of the Group's divisions following thereafter.	**Systems and business requirements are misaligned or a problematic implementation disrupts the business** • Establishment of the MRP World team to ensure alignment with business requirements and Group strategy • Deployment of senior resources and appointment of IT specialists and independent advisors • Effective IT governance structures and processes, including Executive Steering Committee and oversight by the Risk Committee • Phased implementation plan, commencing with a small division before being rolled out further • Effective change management processes	• Mr Price Sport live on new ERP by April 2015 and overall project completion by 2nd half of 2016 • Implementation of online and customer interface requirements • Control capital expenditure within budget of R210 million

strategic objectives and kpi's	progress to date	key risks and mitigations	future priorities
Build an improved end-to-end supply chain, including resourcing and logistics, to improve visibility, optimise costs, reduce lead times and support international expansion • Ongoing transition of resourcing strategy - % of inputs acquired via direct relationships with manufacturers • Like-for-like product input price inflation • Delivery performance – on time in full, lead times • Elimination of double duties in foreign trading territories - % of merchandise delivered from point of manufacture to each respective market • Achievement of consolidation centre and bond store utilisation targets • DC cost per unit • Freight cost as % of FOB value • Build a new distribution centre in SA – timing, efficiency gains and costs	Direct imports increased by 53% to 16% of total imported merchandise. Group input price inflation was 9.7%, of which approximately 5.3% was like-for-like input prices and 4.4% mix. Bond store established and accredited. 4 consolidation centres established in the East. New DC plans were well advanced, however setback due to municipal approval being declined. Alternative approved site identified and an environmental impact assessment is underway. Freight as a % of FOB reduced, exceeding initial targets set.	**Increased direct exposure to exchange rates may cause volatility in selling prices and gross margin %** • Increase in direct imports is on a phased basis over a few years • Hedging strategy in place and treasury committee established • Selling prices routinely checked against competitors **Inability to eliminate double duties will result in retail selling prices in foreign markets being higher than desired. This will hamper our competitiveness, result in the brand identity not being consistent in all markets and the growth strategy being impacted** • Detailed plans to eliminate double duties • Amended transfer pricing policies awaiting regulatory approval • RSP's to be lowered as benefits accrue which will positively impact competitiveness against informal markets and increase market share **Distribution Centre capacity may be unable to cope with peak trading throughputs and future growth** • Interim focus on process and stock-flow optimisation • Use of off-site facilities during peak periods • New DC project has been set up as a major initiative, with a focused team, appointment of specialists, sound project governance structures and processes including reporting to the Services Division Board and Risk Committee • New DC to be in use by August 2016	• Ensure that suppliers are reputable and able to meet our increasingly complex requirements. • Achieve consistent progress on factory direct and trading relationships, with 85% of imports to be on this basis by F2019 • Eliminate double-duty in foreign markets. Foreign stores incurring single duty to increase from present level of 17% to 90% over the next 5 years • Conduct limited tests on direct shipments from China to Nigeria in July 2014 • Obtain necessary approvals for new distribution centre and achieve project milestones • Establish the potential of bringing the fulfillment of e-commerce sales in house
Empower and engage people, enhance people and leadership capabilities and ensure that company values and corporate 'DNA' are embedded • Effective staff recruitment strategy • Effectiveness of succession plan • Appropriate training investment • Achievement of Employment Equity (EE) targets • Successful implementation of human capital management (HCM) system • Results of culture surveys • Staff retention	• Investment in learning and development increased to R33.8 million • Continued investment in e-learning facilitated training across a widespread footprint • Various initiatives to train the new skills required to support the Group's strategy • Focus on leadership development, including EE • 96% of associates that joined the Group in 2014 were from disadvantaged backgrounds • 119 associates, 92% of whom are disadvantaged were involved in a learnership programme	**Poor education levels and a lack of skills result in the further decline in the manufacturing industry which is already struggling with competiveness** • Supplier and enterprise development plans, by the merchandise, resourcing and sustainability teams aimed at improving supplier sustainability and quick response capabilities in SA • RedCap Foundation participation in skills development with strategic suppliers in the footwear and apparel manufacturing sectors (JumpStart Manufacturing) • RedCap Foundation JumpStart Retail Project	Remuneration structures will be reviewed across all levels to ensure that they are still relevant to those whom they impact and continue to act as a strong motivator to drive future growth. Significant focus will be placed on the completion of the HCM system roll-out and the results obtained. Refer Our People report on page 20.

strategic objectives and kpi's	progress to date	key risks and mitigations	future priorities
	• Achievement against EE targets • At store level, the staff turnover rate of 20.1%, is within industry norms. The retention of head office staff is high • Further roll-out of a world class HCM system, labour scheduling module to all stores in the next financial year and implement the learning management module • Succession plans are in place for key positions and is reviewed annually by the Board	**The Group may not be able to attract and retain critical skills** • Brand profiling and talent search strategy, including intern and graduate programmes • Improved recruitment processes and information • Ongoing focus on skills development in order to create suitable talent pools, particularly around merchandise skills • Continued focus on embedding of Group culture and enhancing the work environment **Leadership does not have the ability to execute the strategy** • Executive development initiatives include strategy and operating in a global marketplace • Board oversight of performance to strategic KPI's • Robust succession planning	
Be a responsible corporate citizen that operates in a sustainable manner • King III application register • Number of incidents of legislative infringements • B-BBEE accreditation (in SA) • Volume of carbon emissions (in SA) • Electricity consumed (in SA) • Social Investment • Enterprise Development Investment • Adherence of our associates and suppliers to our codes of conduct	Mr Price Group has an established foundation of good corporate governance - refer to the Our Governance section on page 48. Further enhancements were made to the Group's governance processes, including: • Optimisation of Board structures and mandates • Implementation of a new strategic risk appetite policy, the core instrument for aligning strategy, risk management, performance and sustainability • Publishing of the King III Application Register, which confirmed the Group's commitment to uphold and integrate the spirit and principles of good governance • Updates to key Governance policies, including the delegation of authority, to further improve the Board's oversight over strategic areas and to advance empowered leadership The Group joined the Ethical Trading Initiative (ETI) and Supplier Data Exchange (SEDEX) to encourage socially responsible practices in its supply chain. The installation of efficient lighting and electricity meters in stores resulted in a more accurate calculation of consumption and carbon emissions and lower costs. Level 5 Contributor B-BBEE status was attained through sustainable interventions, including social investment through RedCap Foundation, preferential procurement and enterprise development investment with strategic suppliers.	**Insufficient engagement with or consideration of business input into new or changed legislation may result in onerous compliance requirements e.g. dti's Revised B-BBEE Codes of Good Practice will result in a less favourable rating, despite the Group's firm commitment and significant advancements in this area** • Continuous involvement in national and retail forums and considered input into proposed changes • Engaging and building positive relationships with regulators • Group's compliance philosophy • Sustainability strategy **Although the Group insists that suppliers uphold the standards set in the code of conduct it is possible that this may be breached by suppliers, and may cause undue reputational risk to the Group.** • Enhanced supplier code of conduct and supplier's annual declaration process • Supplier relationships and engagement • Joined the Ethical Trading Initiative (ETI) and Supplier Data Exchange (SEDEX) to encourage socially responsible supplier practices • Partnership with independent quality assurance provider in aligning conduct to the ETI Base Code • Group's consistent and direct response to noted breaches	The Group governance strategy has remained one that is "Beyond Compliance", and is therefore focussed on enabling the adoption, integration and embedding of the spirit and principles of governance (fairness, accountability, integrity, responsibility and transparency) in all areas of the business. The ETI Framework and SEDEX will be implemented across the Group over the next 3 years. The energy behaviour across the Group is being monitored and further savings in electricity are expected as the initiatives undertaken are expanded further across the business. The Group will respond to the Revised Codes of Good Practice issued by the dti.

mr pricegrouplimited

Key Performance Indicators

The following key indicators have been identified to measure the Group's economic, social and environmental progress:

	Unit	2014	2013	2012	2011	2010
Economic						
Retail sales	R'm	**15 227**	13 266	11 767	10 673	9 454
Headline earnings per share	cents	**765.1**	634.8	503.0	418.9	276.9
Operating margin	%	**16.7**	15.6	14.8	13.4	10.5
Dividends per share	cents	**482.0**	398.0	314.0	252.0	173.0
Share price (closing)	Rand	**156.01**	116.99	94.34	63.38	39.80
Return on net worth	%	**47.6**	46.4	43.8	42.2	32.5
Cash sales as a % of total sales	%	**80.8**	79.9	81.4	83.8	83.9
Social						
Total number of people employed		**18 104**[1]	19 384	17 894	17 887	17 300
Staff turnover	%	**20.08**	21.5	22.6	22.1	25.7
Black staff as a % of total permanent staff	%	**91**	94	91	89	90
Promotions of black people as a % of total promotions	%	**82**	87	85	78	83
Investment in people learning & development	R'm	**33.8**	30.8	25.1	9.9	7
Black people participating in learning & development	%	**90**	88	87	83	78
B-BBEE rating	Level	**5**	6	6	6	Not measured
Corporate Social Investment	R'm	**18.8**	16.7	13.0	11.4	7.4
Enterprise Development Investment	R'm	**28.0**	23.2	21.4	1.5	Not measured
Environmental[2]						
Carbon emissions (estimated) (in SA)	Tonnes	**157 639**	210 786			
Electricity consumed (Kwh in SA)	Million	**2.9**	Not reported			

[1] The decline in associates employed is due to the Group addressing employment contract types in response to amended labour legislation, where the conversion of casuals to permanent contracts resulted in fewer people being employed. Refer to Our People Report on page 20 for further information

[2] Refer to Our Corporate Citizenship Report on page 24 for further information

Mr Price

Nicci Lyne

MANAGING DIRECTOR, MR PRICE APPAREL

Mr Price is a leading fashion value retailer that provides an inspired range of differentiated, on-trend clothing, intimatewear, shoes and accessories offering distinctive and market-leading value.

who we are

We retail a selection of own sub-brands along with designer collaborations. Assortments are differentiated and category dominant in the wanted fashion items of the season. We target young and youthful customers in the LSM 6 to 10 range who love fashion and appreciate exceptional value.

An omni-channel retail approach is used to leverage multi-markets, together with social media platforms, to engage with customers.

The store footprint is supported by a strong e-commerce capability, thereby giving customers access to our full assortment online.

what we did

The division had an exceptional year, with sales growing by 18.9% and comparable sales by 13.0%.

This performance was driven by the following:

- Weighted average trading space growth of 8.4%, the highest in the Group, as a result of opening 24 stores and expanding another 15. In total, the sales performance of these new stores exceeded feasibility
- West African stores continue to perform well, growing sales by 95.8%
- Growth of our e-commerce in South Africa since the launch in July 2012 and the launch of e-commerce internationally in June 2013.

R8.6 billion Sales

18.9% Sales growth

13.0% Comparable sales growth

e-Commerce has added an exciting new dimension to our business, strategically opening up new growth opportunities and positioning us as one of the most progressive omni-channel retailers in Africa. Significant improvements to all aspects of the online platform have been made since the launch, resulting in growth of 203.5% year-on-year. We have also noted the positive impact that the online business has had on our physical store (bricks) sales and believe that this has been a key driver in our overall market share gains this year.

Although RSP inflation of 11% appears high, it was impacted by product mix and lower markdowns. Like-for-like product input prices increased by 4.7%.

The gross profit percentage increased primarily due to an improved markdown performance. Overhead growth, despite the many investments being made to position the Group for future growth (which are most often first implemented in Mr Price Apparel), increased at a rate lower than sales growth.

where we are going

Significant investment has already been made in securing and up-skilling human resource capabilities, improving merchandise buying and planning processes, acquiring new systems and streamlining our resourcing and logistics. However, the capacity building will be ongoing, as we plan to penetrate selected international markets through a focused omni-channel approach.

We are optimistic about the opportunities for the brand beyond our borders, given the customer response to our initial tests. Value is a key differentiator in all new markets and we have identified further opportunities to enhance our value positioning, mainly via supply chain improvements.

Mr Price
SPORT

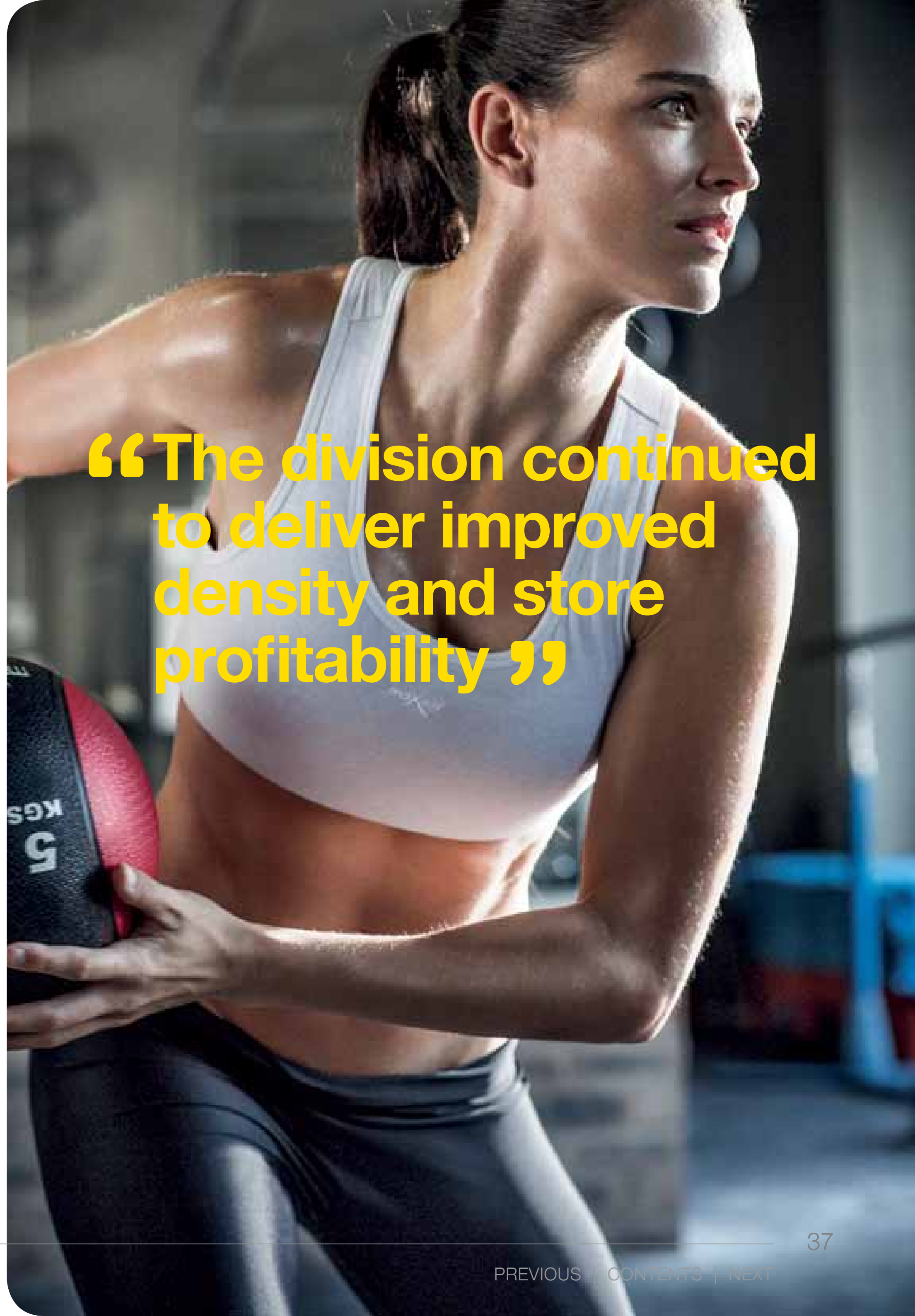
Clint Larsson

MANAGING DIRECTOR, MR PRICE SPORT

who we are

We are a value retailer selling sporting and outdoor apparel, equipment, footwear and accessories.

Our target market is value-minded sports and outdoor enthusiasts, from age 6 upwards, within the 8 to 10 LSM range.



“The division continued to deliver improved density and store profitability”

what we did

The focus on maintaining a strong value offering in inflationary conditions enabled us to grow top line sales, which exceeded R1 billion (VAT inclusive) for the first time. Sales growth of 14.2% (comparable 6.5%) was driven by inflation of 6.0% and volume growth of 8.0%. Gross profit improved due to lower markdowns and this, together with good cost control, resulted in a strong increase in operating profit. The operating margin exceeded 10% for the first time.

The division continued to deliver improved density and store profitability. The weighted average trading space for the division grew by 0.8% as 9 new stores were opened and excess space of 3 251m^2 was reduced.

The successful testing of smaller format stores has confirmed the opportunity for future store expansion.

New resource channels and strengthening of direct manufacturer relationships has resulted in the further development of the 'one-up' brands, Maxed Elite and Trail Tech, and enhanced the value of the current core house brands, Maxed and Trail. During the current challenging economic environment, seasonal sports in private label brands have performed well, and, as expected, the growth in branded merchandise has slowed, as a result of higher retail selling prices and RSP inflation.

R1 billion Sales

14.2% Sales growth

8.0% Unit growth

where we are going

In the new year, the division will continue to roll-out stores in suitable Southern African locations and Mr Price Sport will be launched online. Research into international markets will be conducted to explore the possibility of trading in new territories.

MILADYS

Larry Simon

MANAGING DIRECTOR, MILADYS

who we are

Miladys retails a focused assortment of own brand women's clothing, intimatewear, shoes, bags and accessories which are of good value, trend right, differentiated and of flattering fit.

Our customer is primarily a 40+ family-orientated woman who is not a fashion "risk taker" but has fashion sense and wants to look on trend. She is in the LSM 6 to 10 range and requires good quality, comfortably fitting garments and value for money.




what we did

The division delivered a solid first half performance, however, the gains were diminished as a result of performance in the second half of the year falling short of expectations.

Being predominantly a credit retailer (54.3% of sales are on store credit), the division has been impacted by the tightening of credit extension in line with its peers. This, together with a poor performance in certain merchandise categories, resulted in a second half sales growth of 4.6%, impacting the annual performance substantially.

Weighted average trading space reduced by 2.0% as a result of the opening of 7 stores being offset by the closing of 5 stores and right-sizing of a further 6 stores.

The division was able to partly mitigate the lost sales opportunities and lower gross profit percentage (higher markdowns) by maintaining overhead costs in line with the prior year. As a result, the division was able to deliver a meaningful increase in annual operating profit.

The focus on windows and in-store displays to improve the brand experience was positively acknowledged in our market research.

R1.4 billion Sales

7.0% Sales growth

where we are going

The past trading period highlighted opportunities for improvement in certain merchandise processes and team structures. The value offering will be further enhanced to improve our market positioning.

Despite the temporary set-back, there are significant opportunities to improve gross margins via improved resourcing and lower markdowns. The division is generating an operating margin which is high in the Group context, but is some way off its potential.

Miladys will continue to take a conservative approach to the opening of new stores, by ensuring that store size and location match strict feasibility criteria.

Arn de Haas

MANAGING DIRECTOR, MR PRICE HOME

who we are

Mr Price Home sells contemporary in-house designed, fashionable homeware and furniture to value-minded customers, with a young-at-heart attitude.

Our primary customer is a fashion-value minded female, aged 18 years and older within LSM 8 to 10, who loves her home. With the insight of past results, expected future local and international trends and customer feedback, we constantly aim to delight our customers with innovative products at everyday low prices.

> “Mr Price Home is the most loved and frequented homeware retailer in South Africa”

what we did

We grew our sales by 10.5% and comparable sales by 8.2%, in line with expectations. Our sales growth reflected an increase in RLC market share and, while it was fairly consistent across all merchandise categories, we achieved above average growth in our textiles and home décor categories.

We opened 9 new stores and closed 1, keeping our weighted average space footprint in line with the past year as we right-sized existing stores. In the current year, the division increased sales in right-sized stores despite a space reduction of 2 825m^2, which led to a strong bottom line improvement. The stock turn was consistent with last year and merchandise quality improved with a greater level of fresh stock. The gross margin grew faster than sales, and this, combined with well-managed overheads, contributed to a meaningful increase in operating profit.

The local launch of our e-commerce channel in the second half of the year proved successful, with results exceeding our expectations and enhancing our customers' shopping experience. We were recognised for great customer service in the Homeware category through the Orange Index and were identified as the Most Iconic Homeware brand by the TGI Icon Brands Survey. Independent research, conducted by Nielsens, reflected that Mr Price Home is the most loved and frequented homeware retailer in South Africa with the highest level of brand awareness in the sector.

where we are going

As a leading fashion-value retailer of homeware and furniture, we remain committed to continued improvements to enhance customers' shopping experiences through product selection, range and brand experience.

The division still has significant opportunity to drive efficiency via the right-sizing of stores, with excess space in the division approximating 28 000m^2. We expect to capitalise on the opportunities presented through our online channel, grow the omni-channel experience in our stores and facilitate further benefits to our customers. Our international e-commerce website will be launched in the year ahead.

Our strategy includes increased focus on improved resourcing and supply chain initiatives, as we look to grow market share across current assortments and store footprint within Southern Africa. In addition, we plan to test stores in West Africa and explore other opportunities to grow our business beyond our current geographic locations.

R2.9 billion Sales

10.5% Sales growth

8.2% Comparable sales growth

sheet street

loving your home!

> **“Affordable textile and décor products for your home”**

Roger Maingard

MANAGING DIRECTOR, SHEET STREET

Our customers are very important to us and we interact and engage extensively at various service touch points in our 265 stores and via various social media channels. The store environment is small and intimate, with clearly-defined and easy-to-shop room categories.

who we are

We are a value retailer offering a range of affordable home textile and décor products for bedroom, living-room, bathroom, kitchen and dining. In particular, we pride ourselves on providing exceptional value to middle-income households (LSM 5 to 8) who can create a home they love at a price they can afford. South Africans love and trust Sheet Street for providing freshness, co-ordination and helpful tips in-store, in catalogues and online. Sheet Street online gives shoppers access to over 1 000 products, 24 hours a day, 7 days a week, with delivery direct to their doorstep.



what we did

Total sales increased by 8.9% this year and comparable sales by 5.4%. Weighted average trading space grew by 0.9% as a direct consequence of the strategy to right-size stores that were too big whilst still maintaining turnover. During the year we opened a net 12 stores.

Although market sales growth per the RLC has revealed a slow-down, Sheet Street increased market share by 0.3%. Trading density increased by 7.7% and the gross profit percentage was in line with last year. Ongoing efficiency improvements in people, processes and productivity, plus excellent cost control, contributed to operating profit growth in a tough economic environment.

R1.3 billion Sales

8.9% Sales growth

5.4% Comparable sales growth

Sheet Street online was launched towards the end of the financial year enabling us to reach a wider section of the population. Early indications are that online is indirectly improving existing stores sales.

where we are going

Despite the mid-LSM customer being impacted by current economic conditions, the business is in good shape and it is expected that sales and operating margins will continue to increase in line with targets.

The headwinds and increased competition help to focus the team on what is important and encourage an environment of constant innovation and adaption as customer needs are satisfied.

Sheet Street achieved 1st place in the Daily News Your Choice Awards - Best Linen Store and was Industry winner in The Times Sowetan Retail Awards - Accessory and Home Décor Category

Mr Price Group
Financial services

Rex Samuelson

MANAGING DIRECTOR, MR PRICE FINANCIAL SERVICES

who we are

We support the Group's profitable growth in retail market share by developing and maintaining the right relationship with customers across our primary financial service products.

These products are positioned to reward and retain our most valued customers, in addition to being competitive, simple and easy to understand. These include:

- Store cards – support customer acquisition and merchandise sales
- Insurance – life, income and disability protection with family and individual benefits

what we did

Growth in profitability was achieved despite declining consumer disposable income.

The strategic decision taken in 2012 to moderate credit sales growth resulted in credit growth slowing to 9.6% (2013: 18.3%). This, together with a strong cash retail performance, resulted in the credit sales contribution declining to 19.2% of total sales (2013: 20.1%). The active account base growth slowed to 5% (2013: 10%) as did our debtors book at 13% (2013: 28%).

"We support the Group's profitable growth in retail market share"




Despite the challenging credit environment, our bad debt increased marginally to 7.6% (2013: 6.5%) which is testament to our robust credit risk policies and improved collections environment. Our credit portfolio remains one of the best in the industry based on independent benchmarking performed by Principa.

mrpricemoney.com

The following key successful strategic projects were completed this year:

- Collections - introduced additional risk segmentation and propensity-to-pay tools, enhanced our structures and resources, and created a “cradle to grave” strategy from collections through to write-offs and recoveries
- Digital - built a platform that facilitates an end-to-end solution to shop, pay and manage your account online, and continued migration of customers to cost-effective digital channels
- Finalised a new joint venture which will be launched subsequent to the internal test phase.

where we are going

The challenges in the external credit and regulatory environment are expected to remain, and even potentially intensify, for the foreseeable future. We therefore remain cautious regarding our credit landscape, but we do however anticipate good growth from insurance and other new products.

Our customer centric focus will include the following imperatives:

- Optimisation of product, process and distribution
- Customer service investment in system integration and contact centre infrastructure
- Investment in systems and processes to support cash customers across insurance and mobile
- Ongoing investment in our collection model, data management and analytics
- Attracting and retaining key skills necessary to support a diversified financial services business.

Account management summary	**2014**	2013
Gross trade debtors (R’000)	**1 754 054**	1 550 324
Total active accounts	**1 375 259**	1 307 751
Average balance (R)	**1 275**	1 185
% of debtors able to purchase on credit	**88.4%**	86.5%
Retail sales analysis (% of total sales)		
Cash	**80.8%**	79.9%
Credit	**19.2%**	20.1%
Net bad debt (net of recoveries)		
% of credit sales	**4.5%**	3.8%
% of debtors	**7.6%**	6.5%
Impairment provision % of debtors	**9.8%**	9.0%

Gross trade receivables per division (R’000)

	Mr Price Apparel	Mr Price Home	Mr Price Sport	Miladys	Sheet Street	Total 2014	Total 2013
6 months	323 152	77 769	10 661	90 721	49 767	**552 070**	478 880
12 months	713 618	122 439	43 621	240 932	57 898	**1 178 508**	1 051 092
24 months		23 476				**23 476**	20 352
Total	**1 036 770**	**223 684**	**54 282**	**331 653**	**107 665**	**1 754 054**	**1 550 324**

96.6% of the debtors’ book is interest bearing (2013: 94.5%), with all of the interest free accounts being Miladys 6 month facilities.

divisional performance indicators

	Mr Price	Mr Price Sport	Miladys	Apparel Segment	Mr Price Home	Sheet Street	Home Segment	Total
Retail sales (R'm) - incl. Franchise								
2014	8 677	962	1 384	11 023	2 905	1 299	4 204	**15 227**
2013	7 304	843	1 293	9 440	2 633	1 193	3 826	**13 266**
% change	18.8	14.2	7.0	16.8	10.3	8.9	9.9	**14.8**
Retail sales (R'm) - excl. Franchise								
2014	8 588	962	1 384	10 934	2 892	1 299	4 191	**15 125**
2013	7 226	843	1 293	9 362	2 618	1 193	3 811	**13 173**
% change	18.9	14.2	7.0	16.8	10.5	8.9	10.0	**14.8**
Comparable sales growth (%)								
2014	13.0	6.5	7.2	11.9	8.2	5.4	7.3	**10.6**
2013	3.9	11.9	12.9	5.9	12.4	7.6	10.8	**7.3**
Retail selling price inflation (%)								
2014	11.0	6.0	4.1	9.3	12.0	8.3	10.9	**9.7**
2013	4.0	7.7	0.5	4.4	7.0	6.6	6.9	**5.1**
Number of stores (year end)								
Opening	384	53	189	626	150	253	403	**1 029**
New stores	24	9	7	40	9	19	28	**68**
Closures	(4)	(1)	(5)	(10)	(1)	(7)	(8)	**(18)**
Closing	404	61	191	656	158	265	423	**1 079**
Trading area - weighted average net m²								
2014	248 882	48 034	60 932	357 848	138 026	49 158	187 184	**545 032**
2013	229 640	47 675	62 197	339 512	139 079	48 735	187 814	**527 326**
% change	8.4	0.8	(2.0)	5.4	(0.8)	0.9	(0.3)	**3.4**
Trading area - year end net m²								
Opening	239 502	47 200	61 675	348 377	138 008	49 317	187 325	**535 702**
New stores	13 564	5 142	1 482	20 188	3 556	2 566	6 122	**26 310**
Expansions	3 594	-	97	3 691	290	149	439	**4 130**
Reductions	-	(1 684)	(939)	(2 623)	(2 006)	(1 105)	(3 111)	**(5 734)**
Closures	(1 280)	(1 080)	(1 567)	(3 927)	(396)	(1 343)	(1 739)	**(5 666)**
Closing	255 380	49 578	60 748	365 706	139 452	49 584	189 036	**554 742**
Sales densities (Rand per weighted average net m²)								
2014	34 507	20 036	22 731	30 560	20 956	26 342	22 373	**27 747**
2013	31 466	17 678	20 794	27 575	18 820	24 469	20 286	**24 979**
% change	9.7	13.3	9.3	10.8	11.3	7.7	10.3	**11.1**

Governance is about effective and ethical leadership, the outcomes of which are sustained value creation, success and longevity.

corporate governance

The Board subscribes to ethical leadership, business sustainability, stakeholder inclusivity and sound values of good corporate governance. The governance environment is supported by the King Code of Governance for South Africa 2009 (King III) principles and practices and the JSE Listings Requirements. The Board recognises that compliance with this combination of voluntary and compulsory guidelines creates a solid governance foundation. It details the ethical standard of conduct required of Directors and executive management in the discharge of their fiduciary and governance duties and ensures that the Group remains a sustainable and good corporate citizen.

The principles of governance are a natural extension of our values of Passion, Value and Partnership and have been adopted and integrated into our business.

The supporting documents for this report which can be found on the Group website www.mrpricegroup.com are as follows:

- Board Charter
- Policy for the appointment of Directors
- Board Committee Mandates
- Outline of Board, Statutory and Management Committees
- Internal Audit Mandate
- Internal Audit Annual Assurance Statement
- Business Code of Conduct
- Supplier Code of Conduct
- King III application register
- Notice of AGM

> "we believe in going "beyond compliance" through the adoption, integration and embedding of the spirit and principles of governance"

compliance with king III

King III is not prescriptive but rather a series of recommendations which can be adopted on an "apply or explain" basis. Furthermore, we believe in going "beyond compliance" through the adoption, integration and embedding of the spirit and principles of governance as opposed to simply responding to and complying with rule sets and recommended codes. As such, we do not follow King III blindly, but very carefully consider each and every aspect, even where the JSE Listings Requirements prescribe compliance. The Board then applies or rejects that aspect in light of what it considers to be in the best interest of all stakeholders. A qualitative evaluation of the extent to which each of the 75 King III principles has been strategically integrated into the Group's processes was undertaken in 2013. The outcome of this evaluation was extremely positive. Except for the 1 area of non-compliance and 3 areas of partial compliance, all of which have been fully explained in previous Annual Integrated Reports, we have effectively adopted and integrated the principles of King III into our business. Please refer to the comprehensive register of King III application which is available on the website.

Those sub-principles which the Group acknowledges not applying or partially applying for year under review can be summarised as follows:

principle	sub-principle	explanation for non-application
2.23: The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	The committees should be appropriately constituted and the composition and the terms of reference should be disclosed in the integrated report.	At the Special Corporate Governance meeting held in April 2014, the Board reconsidered the position of Chairman of the Risk Committee and it concluded that Mr NG Payne, as a recognised industry expert in risk management, remained the best qualified Director to chair this Committee, despite his position as Chairman of the Board.
2.25: Companies should remunerate directors and executives fairly and responsibly.	The remuneration policy should address base pay and bonuses, employee contracts, severance and retirement benefits and share-based and other long-term incentive schemes.	The Company does not disclose the present value of long-term awards due to the varied models and unpredictable forecasting element required to determine the value of the share options upon vesting. However, full details of each award are given enabling stakeholders to value such future awards on whatever basis they deem appropriate.
9.3: Sustainability reporting and disclosure should be independently assured		Even though the entire sustainability report and disclosure are currently not independently assured, the Board is satisfied with the progress made both on the sustainability journey and with integrated reporting and is of the opinion that it remains premature to subject the entire report to an external verification at this point.
9.3: Sustainability reporting and disclosure should be independently assured	The audit committee should oversee the provision of assurance over sustainability issues.	In terms of the Audit and Compliance Committee's charter it must ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities. The consolidated Annual Financial Statements, contained within the Annual Integrated Report, are audited by the external auditor and Our People and Corporate Citizenship reports are verified by internal audit.

JSE listings requirements

Rand Merchant Bank (a division of FirstRand Bank Limited) remains the Company's Sponsor and, among other functions, it advises the Board on compliance with the JSE Listings Requirements.

In addition to the voluntary governance principles outlined by King III, Paragraph 3.84 of the Listings Requirements stipulate those corporate governance requirements with which compliance is compulsory. Although respectful of the JSE's rulings, there were 2 areas where the Board did not believe that compliance was in the best interest of the Company. These can be summarised as follows:

JSE listings requirements	governance principle	JSE guidance	mr price group response
3.84(a)	The Nominations Committee must constitute only non-executive Directors, of whom the majority must be independent, and should be chaired by the Chairman of the Board of Directors.	The Nominations Committee must be chaired by the Lead Independent Director if the Board is chaired by an executive Chairman.	The Nominations Committee operates in a co-joined manner with the Remuneration Committee and the Lead Independent Director acts as chair. The Board did not consider it operationally effective for the Chairman of the Board to chair the Nominations aspect of this co-joined meeting.
3.84(d)	The composition of such (Board) Committees, a brief description of their mandates, the number of meetings held and any other relevant information must be disclosed in the annual report.	The Risk Committee must have a minimum of three members. Membership of the Risk Committee should include executive and non-executive Directors. The Chairman of the Board may be a member of this Committee but must not chair it.	The Board believes that its Chairman, as a recognised industry expert in risk management, is the best qualified Director to chair the Risk Committee.

companies act (71 of 2008)

The Company Secretary, the Group Legal and Compliance Officer and the Group's external legal advisors remain abreast of any changes to this legislation to ensure continued compliance.

board structure

The Group operates with a unitary Board structure. There were no changes to the Board during the year under review and the year-end membership of the Board comprised 2 executive, 10 non-executive and 3 Alternate Directors.

Although the Group no longer has an executive Chairman, the Board has elected for Mr MR Johnston to continue in his position as Lead Independent Director, thereby ensuring that a balance of power and authority remains on the Board and that no one individual has unfettered power of decision making. The necessity and appropriateness for the position of Lead Independent Director is reviewed on an annual basis.

The alternate Directors were appointed to the Board for 2 separate reasons. Mr SA Ellis had been a fully appointed Director of the Board but resigned in August 2010 as part of the restructuring which sought to reduce the size of the Board. The Board did not want to lose his valuable contribution, thus he was appointed as alternate Director with the invitation to attend meetings as and when possible.

To ensure the continuity of founding family shareholdings and interest in the Group, the daughter (Mrs TA Chiappini-Young) and son-in-law (Mr N Abrams) of the Honorary Chairmen were appointed as alternate Directors in August 2010. The intention is for them to become full Directors upon the retirement of the Honorary Chairmen. The qualifications of each Director and their brief CV's are detailed on pages 75 and 76.

board charter

The Board operates in terms of a formal charter, the purpose of which is to regulate business in accordance with sound corporate governance principles. Furthermore, it seeks to ensure that these principles are applied in all dealings by Directors, in respect of, and on behalf of, the Company. The charter sets out the specific responsibilities to be discharged by the Board members collectively and individually, and was reviewed and updated at the Special Corporate Governance meeting of the Board in April 2014. The full charter can be found on the Group's website.

board appointments

All appointments to the Board are made in terms of a formal policy, after taking into account the skills requirement for the Board and the philosophy of maintaining a vibrant Board that constructively challenges management's strategies and evaluates performance against established benchmarks. There is a preponderance of non-executive Directors, the majority of whom are independent, with the only executive Directors being the CEO and the CFO. The objective is to maintain a good representation of retail experience, to ensure that business strategies remain robust and sustainable, value creation and performance are enhanced and effective management of key risks is enabled. Consideration is also given to the contribution afforded by skills and experience in other disciplines which strengthen the decision making abilities of the Board. The policy for the appointment of Directors can be viewed on the Group's website.

The Board is satisfied that it is operating at its optimal size, with an appropriate weighting of non-executive to executive Directors. Furthermore, there is an appropriate balance of retail and non-retail skills and the age profile, racial and gender demographics have been adjusted over the last few years. The Group believes in the application of holistic long-term planning to its succession programmes. The Board holds the view that its current succession plan allows for the scheduled retirement of older Board members and, with the introduction of appropriately skilled and mentored new members, ensures the continuity of a vibrant and knowledgeable Board.

ongoing training and development

There is an appropriate induction and mentoring programme for new Directors. A Director skills assessment is conducted annually, supported by a development and succession plan. The Directors are primarily responsible for acquiring the skills necessary for the effective discharge of their duties, although the Group does share in this responsibility. To this end, an annual economic update is facilitated and any relevant briefings or presentations are disseminated during the course of the year.

Independence

An evaluation of non-executive Directors, in terms of the independence criteria set out in King III and the requirements of the Companies Act, was conducted at the Special Corporate Governance meeting of the Board in April 2014.

The following Directors were accepted as being independent:

- Mr MR Johnston
- Mrs RM Motanyane
- Ms D Naidoo
- Mr NG Payne
- Mr MJD Ruck
- Mr WJ Swain
- Mr M Tembe.

It was agreed that the following Directors should not be classified as independent:

- The Honorary Chairmen, Messrs SB Cohen and LJ Chiappini, on account of their material shareholdings
- Mr K Getz, who acts as a professional advisor to the Company.

Sub principle 66 of principle 2.18 of King III states that:
"An independent Director should be independent in character and judgement and there should be no relationships or circumstances which are likely to affect, or could appear to affect this independence. Independence is the absence of undue influence and bias which can be affected by the intensity of the relationship between the Director and the Company rather than any particular fact such as length of service or age."

In this regard, the Board agreed that, although not classified as independent, Messrs Cohen, Chiappini and Getz do act independently in their service to the Board.

The potential impact that the length of service of a Director has on their independence was considered in respect of Messrs Johnston and Swain, in the form of a more robust evaluation than was applied to other independent Directors. It was concluded that both Directors remain independent. Furthermore, the cyclical nature of retail necessitates the need for Directors with long-serving Board experience. It is therefore not practical, nor in the best interest of its stakeholders, for Directors with more than 9 years service to resign from the Board or to automatically lose their "independent" status.

information and communication

The Board is supplied with timely and relevant information in a form and of a quality appropriate to enable it to discharge its duties and to enable it to assess the Group's quantitative performance and consider other qualitative performance issues. Non-executive Directors are made aware of any relevant developments in the affairs of the Group and receive comprehensive monthly trading reports and annual strategy and risk management reviews by the trading and support divisions. Furthermore, the non-executive Directors are welcome to attend any merchandise window reviews held during the year. To fulfil their responsibilities, Directors have full and unrestricted access to Group information and personnel and can seek independent professional advice at the Group's cost, in accordance with the Board Charter. All Directors have access to the advice and services of the Company Secretary and unrestricted access to the Chairman.

employment contracts

The Honorary Chairmen, as founders of the Group, continue to participate in the business and give guidance and direction in general and on strategy, merchandise and Group culture in particular. They attend most Committee meetings as observers/ invitees and offer substantial input. The Board has determined that their contribution should be financially rewarded and they therefore operate within the framework of employment contracts. Their remuneration is revised annually, to take into account the planned, gradual reduction of their involvement over time. Details of the remuneration received can be viewed in the Remuneration Report on page 63. No Directors have fixed-term employment contracts.

rotation

In accordance with the requirements of the Companies Act and the Group's Memorandum of Incorporation, one third of non-executive Directors retire by rotation every year, at which time they may be considered for re-election at the Annual General Meeting. At the 2013 Annual General Meeting, 4 Directors retired by rotation and were approved for re-election by shareholders. In addition, the 3 alternate Directors retired and were approved for re-election by shareholders. The names of the Directors retiring by rotation in the current financial year can be located in the Notice of Meeting in the Annual Results booklet.

conflicts of interest and share dealings

The matter of conflicts of interest is a standing Board agenda item and a register of all Directors' company shareholdings, other directorships and information regarding any potential conflict of interest is tabled at each meeting. Directors are required to recuse themselves from discussion on any matters in which they may have a conflict of interest.

Non-executive Directors cannot participate in the Group's share incentive schemes. Furthermore, before dealing in Company shares, Directors are obliged to obtain the written consent of the Chairman or (should the Chairman be involved in a transaction) the Lead Independent Director.

performance reviews

The Board undertakes an annual series of assessments so as to monitor performance and identify areas for improvement. These assessments can be summarised as follows:

board assessment

This is conducted on a bi-annual cycle. Every second year a full review and assessment of the Board's activities is undertaken by all Board members. From this assessment, a "Steps for Improvement" document is generated. In the alternate years, the Board assesses their performance against the Steps document. A full Board assessment was undertaken in January 2013, with the Steps document being approved by the Board at the Special Corporate Governance Meeting in March 2013. A review against the Steps to address any pertinent matters was in progress at year end.

committee evaluations

The Board Committees follow the same bi-annual cycle as the Main Board with a Steps assessment being conducted in the year under review. The exception to this was the Social, Ethics, Transformation and Sustainability Committee which did not undertake an assessment due to its relative infancy. It will be included in the full committee assessment process to be undertaken in the latter part of 2014.

chairman evaluation

A full performance evaluation of Mr NG Payne's performance as Chairman was undertaken at the beginning of 2013. Any suggestions for improvement were communicated to Mr Payne by the Lead Independent Director. By year end, the Lead Independent Director was in the process of approaching each Director individually to ascertain if the suggested improvements had been made and to request comment on any additional aspects of Mr Payne's performance. Any further suggestions for improvement would be communicated to the Chairman by the Lead Independent Director.

peer and self-evaluation

In a similar fashion to the Chairman, the full self-assessment and peer evaluation process conducted on the non-executive Directors in 2013 was supported by a follow up review conducted by the Lead Independent Director with each Director individually. Any further suggestions for improvement would be communicated by the Chairman and the Lead Independent Director.

company secretary evaluation

During the year under review, and in compliance with paragraph 3.84(i) and (j) of the JSE Listings Requirements, the Board evaluated Mrs HE Grosvenor, the Company Secretary, and is satisfied that she is competent, suitably qualified and experienced. Furthermore, since she is not a Director, nor is she related to or connected to any of the Directors, thereby negating a potential conflict of interest, it was agreed that she maintains an arm's length relationship with the Board.

board meetings

The Board meets at least 4 times annually to conduct its regular business and is responsible for the Group's overall strategic direction and control. The last meeting of the financial year is usually held in March but due to internal and external commitments, the Board was only able to meet on 1 and 2 April 2014. An annual Special Corporate Governance meeting, under the chairmanship of the Lead Independent Director, has historically been held in March but from the 2015 financial year it will be held in November. The purpose of the Special Corporate Governance Meeting is to:

- Review and approve the Board Charter
- Review and approve the mandates of the various statutory and Board Committees, Internal Audit and the IT Divisional Board Committee
- Consider the independence of Directors
- Consider the re-appointment of Directors retiring by rotation
- Confirm the appointment of the Board Chairman
- Propose the Chairman and members of the Audit and Compliance Committee (subject to approval of the membership of this Committee by shareholders at the Annual General Meeting)
- Confirm the Chairman and members of other Committees for the forthcoming financial year
- Define levels of materiality, reserving specific powers to the Board and delegating other matters with the necessary written authority to management
- Review and approve the Business Code of Conduct
- Evaluate the Company Secretary in terms of the JSE Listings Requirements
- Review the level of the Group's compliance with the King III and JSE Listings Requirements governance principles.

attendance of directors at board and committee meetings

director	status	board	special corporate governance	audit and compliance committee	risk committee	remuneration and nominations committee	social, ethics, transformation and sustainability committee
SI Bird	executive	4/4	1/1		4/4		
MM Blair	executive	4/4	1/1		4/4		
LJ Chiappini	non-executive	3/4	0/1				
SB Cohen	non-executive	4/4	1/1				
K Getz	non-executive	4/4	1/1			4/4	4/4
MR Johnston	independent non-executive	4/4	1/1	4/4		4/4	
RM Motanyane	independent non-executive	4/4	1/1				4/4
D Naidoo	independent non-executive	4/4	1/1	3/4			
NG Payne	independent non-executive	4/4	1/1		4/4	4/4	
MJD Ruck[1]	independent non-executive	4/4	1/1	4/4	2/2	4/4	
WJ Swain	independent non-executive	4/4	1/1	4/4	4/4	4/4	
M Tembe	independent non-executive	4/4	1/1				4/4
N Abrams [2]	alternate non-executive	2/4	1/1				
TA Chiappini-Young [2]	alternate non-executive	3/4	0/1				
SA Ellis [2]	alternate executive	4/4	1/1				

[1] Appointed to the Risk Committee effective October 2013
[2] Alternate Directors are not required to attend every meeting

non-attendance of meetings by directors

Generally, all Directors attend the Annual General Meeting and are available to answer shareholders' questions. Alternate Directors are not required to attend each meeting. Mr N Abrams (UK) was kept updated on Board issues by receiving all Board meeting documentation. Ms D Naidoo was unable to attend the August Audit and Compliance Committee meeting due to out-of-town commitments. Mr LJ Chiappini and Mrs TA Chiappini-Young had overseas commitments at the time of the April 2014 meetings. Mr MD Ruck joined the Risk Committee for the second half of the year.

prescribed officers

As per the requirements of the Companies Act, the Board determined that the prescribed officers are the CEO, Mr SI Bird and the CFO, Mr MM Blair. These individuals exercise general executive control and management of the business and all divisional heads report directly to them.

statutory, board and management committees

To assist the Board in discharging its responsibilities for corporate governance, it functions with 2 Board Committees and 2 Statutory Committees. The statutory and non-statutory obligations of each Committee are constantly being reviewed to reduce overlap and prevent governance fatigue. Details of the composition and key achievements of each Committee can be located in the following sections of this Annual Integrated Report:

An outline of the Board, Statutory and Management Committee structures, together with the mandates/charters of the respective Committees, can be located on the Group's website.

The Board believes that, in respect of the business specifically reserved for its decision, it has satisfactorily discharged its duties and responsibilities during the year under review.

governance and assurance

As Head of Governance and Assurance, Mrs S Moodley is responsible for the strategic leadership of the Company Secretariat, Enterprise Risk Management, Legal and Compliance and Internal Audit functions. This consolidated and holistic approach to governance has improved the integration of strategy, risk management and sustainability.

A robust model of combined assurance has been adopted in recognition of the need for a co-ordinated approach to risk management to allow for the effective management, monitoring and mitigation of key risks. The model clarifies the roles and co-ordinates the efforts of management, internal assurance providers and independent assurance providers. In addition, it increases collaboration and facilitates a shared and more holistic view of the Group's risk profile. Internal Audit plays a vital role as an independent 3rd line of defense.

The independence, organisational positioning and scope and nature of work of the Governance and Assurance Division were evaluated by the Audit and Compliance and Risk Committees in April 2014 and determined to be appropriate and consistent with the approved combined assurance model. In addition it has been confirmed that there were no impairments to the independence or objectivity of the assurance provided by Internal Audit as a result of the consolidated structure, and that in fact this structure had the desired effect of strengthening the Group's assurance framework. Refer to the Internal Audit annual assurance statement, on page 59.

codes of conduct

Directors and associates are required to maintain the highest ethical standards. On joining the Group, every associate receives a copy of the Business Code of Conduct and is required to sign as acknowledgement of acceptance of the Code. On an annual basis, all senior associates of the Group are required to submit a declaration confirming their continued compliance with the Code. Any areas of non-compliance or any perceived conflicts of interest are addressed through the appropriate levels of divisional management, with ultimate reporting to the CEO and Board. The Code, which has been updated during the year under review and was approved at the Special Corporate Governance meeting in April 2014, is located on the Group's website.

The Supplier Code of Conduct, setting standards and practices to which the Group expects its suppliers to adhere, is currently being updated to take into account the requirements of the Ethical Trading Initiative and to allow for greater focus on the environmental and social impact of trade. The code is located on the Group's website.

closed and prohibited periods

The Group operates a closed period policy in line with the JSE Listings Requirements and the Financial Markets Act (19 of 2012). During the defined closed periods, Directors, officers and other selected associates are prohibited from dealing in the Company's shares. Associates who may have access to confidential or price-sensitive information are cautioned against the possibility of insider trading. Regard is also had to other JSE Listings Requirements in respect of the dealings of Directors in the Company's shares.

RISK committee report

The Board of Directors is accountable and responsible for the governance of strategy and risk, and is satisfied that the Group's management has:

- Integrated and aligned strategy, risk management, performance and sustainability
- Implemented an effective risk management system, which enables the effective identification, assessment and responses to risks and opportunities
- Managed risks within the approved appetite and tolerance levels
- Embedded risk management into the day-to-day activities of the Group.

board commitment

The Board is committed to business sustainability and to creating and preserving stakeholder value. It recognises that the governance of strategy, risks/opportunities and performance are critical success factors and, therefore, exercises active oversight over these processes in order to ensure that the achievement of its strategic objectives is enabled.

composition

The Risk Committee, established in May 2010, operates in terms of a formal mandate. The Committee is comprised of the following Directors:

- **Mr NG Payne** (Chairman) Independent non-executive Director
- **Mr WJ Swain** Independent non-executive Director
- **Mr M Ruck** Independent non-executive Director
- **Mr SI Bird** Executive Director
- **Mr MM Blair** Executive Director

The Committee mandate is published on the Group's website *www.mrpricegroup.com*

role

The Committee has an independent and advisory role with accountability to the Board. The purpose of the Committee is to assist the Board to fulfill its corporate governance responsibilities relating to the governance of risk.

The Committee is responsible for overseeing risk governance (including the risk appetite and monitoring the effectiveness of the risk management framework and processes. The Committee reviews key opportunities and risks, assesses risk mitigation plans and reports back to the Board. The Committee gives due consideration to the legitimate and fair expectations of all key stakeholders, resource constraints, external pressures and the drivers of the Group's sustainability.

Management is accountable to the Board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the Group. Management is also accountable for building the competencies and capacity required for a sustainable business.

risk governance and management

During the year under review, the Committee fulfilled its mandate by meeting 4 times to discuss the following key issues:

Risk Appetite

The Board recognises that a well-defined risk appetite is the core instrument for aligning overall corporate strategy, capital allocation, risk and performance. Risk appetite and tolerance are the fundamental concepts that provide the context for strategy setting, entrepreneurial behaviour and the pursuit of Group objectives. It is informed by the Group risk culture and clarifies what risks the Group can, or is willing to, take and the risks that the Group will avoid. Risk appetite and risk tolerance are inextricably linked to performance over time.

The Board has formally defined its appetite for risk, and an enhanced strategic risk appetite framework and policy was developed, approved and successfully implemented during the year. The Committee confirms that this policy has enabled increased consideration of risk capacity, system/process maturity and overall risk capability in relation to the key strategic, financial, operational and compliance focus areas of the Group; and that the enhanced policy is being increasingly referred to, including in the development of related governance polices.

The Committee confirms that there were no material deviations from the Group's risk appetite in the period.

Risk Profile

The Board is satisfied that strategy and business plans do not give rise to risks that have not been thoroughly assessed by management and confirms that there were no undue, unexpected or unusual risks taken by the Group and no material losses were incurred during the year.

Key Business Risks and Opportunities

Key business opportunities and risks were discussed comprehensively by the Committee during the year. The Committee, having considered the Group's key risks, is satisfied that the systems and processes in place to manage risk are adequate and that management has generally executed their risk management responsibilities satisfactorily.

Enterprise-wide Risk Management (ERM)

The Committee, having evaluated the ERM Framework, which is based on ISO 31000 and Committee of Sponsoring Organisations (COSO), is satisfied that it is adequate, and if consistently applied, should guide the Group's approach to identifying, evaluating and responding to key opportunities and risks that may impact on strategic objectives.

The Group recognises that a co-ordinated approach to risk/opportunity management is needed in order to create and sustain value in the longer-term and to enable the achievement of its vision.

For this reason, the Group has adopted the globally recognised, three-lines-of-defence Combined Assurance Model. The model optimises the skills and expertise of management, second-line-of-defence functions and assurance providers to increase collaboration and to facilitate a shared and more holistic view of the Group's risk profile. The Committee confirms that all key strategic risks were assured by at least 1 of the 3 lines of defence functions.

audit and compliance committee report

Mr Price Group remains committed to the principles of good governance, ethical leadership and exemplary corporate citizenship. To this end, the Audit and Compliance Committee assists and supports the Board in discharging its duties.

composition

The Committee is constituted as a statutory Mr Price Group Limited Committee in respect of its duties in terms of section 94(7) of the Companies Act (71 of 2008), and has been delegated the responsibility to provide meaningful oversight, particularly over the audit, finance, IT and compliance functions.

The Committee is comprised of the following 4 Directors:

- **Mr WJ Swain** (Chairman) Independent non-executive Director
- **Mr MR Johnston** Independent non-executive Director
- **Ms D Naidoo** Independent non-executive Director
- **Mr MJD Ruck** Independent non-executive Director

role

- Assists the Board to discharge its responsibility to:
  - safeguard the Group's assets,
  - operate adequate and effective systems of internal control, financial risk management and governance
  - prepare materially accurate financial reporting information and statements in compliance with applicable legal/ regulatory requirements and accounting standards
  - monitor compliance with laws and regulations
  - provide oversight of the external and internal audit functions and appointments.
- Provides a communication channel between the Board, the internal and external auditors and other assurance providers
- Assists the Board, in conjunction with the Risk Committee, to monitor management's system of controls, particularly over enterprise-wide risks.

The Committee mandate is published on the Group's website *www.mrpricegroup.com*

annual report of the committee

During the year under review, the Committee fulfilled its mandate by meeting 4 times to deal with comprehensive agendas. It received the appropriate information from internal audit, external audit, management and other sources deemed necessary to fulfill its obligations. Pursuant to these activities and the investigations it conducted, the Committee can report satisfaction with the external auditor's independence and established principles governing the auditor's employment for non-audit services.

having given due consideration, the committee believes that:

- Mr MM Blair, who is the Financial Director and carries the title of Chief Financial Officer, possesses the appropriate expertise and experience to meet his responsibilities and that the Company's financial function incorporates the necessary expertise, resources and experience to adequately carry out its responsibilities
- The Company's accounting practices and the effectiveness of the internal controls have been maintained at a high standard and fully support the accuracy of the financial and related information presented to stakeholders in the integrated report
- It has satisfactorily carried out its obligations in terms of its mandate
- It can confirm that there were no material or frequently repeated instances of non-compliance by either the Group or the Directors during the year
- The Designated Auditor attended a meeting of the Committee not more than a month before the Board met to approve the integrated report to discuss matters of importance to the auditor and the Committee regarding the Company's financial statements and general affairs.

The Directors believe that the Committee has satisfied its responsibilities under its mandate. Under the sponsorship of the Committee's Chairman, a self-evaluation assessment was undertaken during the year and action to address certain issues requiring attention was determined.

The Chairman of the Committee, Mr WJ Swain, attends the Annual General Meeting and is available to answer shareholders' questions.

internal audit report

The Group Internal Audit Division (Internal Audit) was established to assist the Board and executive management with the achievement of their objectives and has remained a vital part of the Group's governance and combined assurance structures. Internal Audit is the primary independent assurance provider on the adequacy and effectiveness of the Group's governance, risk management and control structures, systems and processes. The centralised division operates in terms of a formal mandate, in full conformance to the International Professional Practices Framework for Internal Audit (Standards) and with leading risk-based and integrated methodology.

professional positioning and recognition

Internal Audit has been subjected to 2 independent external quality assessment reviews (QAR), in 2007 and 2011. It was recognised as the first internal audit activity in South Africa with full conformance to all Standards; and in 2011 was confirmed as the only activity in South Africa with the exceptional rating of full conformance in an independent external quality review. This result placed the Internal Audit activity in the top QAR results globally. The independent external QAR team recognised that:

- "This level of operations could only have been sustained by a combination of strategic leadership of Internal Audit, an alignment of interests and incentives; the maturity and mutual respect of the Audit and Compliance Committee, executive and senior management and the external auditor towards Internal Audit; and Internal Audit's ability to consistently deliver a highly professional audit product over time".
- "Internal Audit has continued to be a leading professional activity, characterised by innovation, development of leading practices ahead of the theory or requirements to do so, wide integration of global best practices and unequivocally demonstrating a commitment to upholding the Standards".

independence and authority

The independence of Internal Audit is formally considered by the Chief Audit Executive and Audit and Compliance Committee on an annual basis, or as and when changes to the organisational positioning occur. It has been determined and confirmed that Internal Audit has remained independent of all operational functions; and that the functional reporting to the Audit and Compliance Committee and administrative reporting to the Chief Financial Officer have enabled appropriate organisational positioning. Internal Audit has access to the Chairman of the Board, as well as free and unrestricted access to all areas within the Group.

In order to facilitate strategic positioning and alignment of Internal Audit, it has had a standing invitation to Executive and Board Committee meetings for many years, including meetings of the Divisional Boards and Main Board Committees (Audit and Compliance, Risk, Social, Ethics, Transformation and Sustainability Committee and more recently Special Corporate Governance).

annual internal audit assurance statement

Internal Audit assurance can only be reasonable and not absolute and does not supercede the Board's and management's responsibility for the ownership, design, implementation, monitoring and reporting of governance, risk management and internal controls.

scope of work

There were no undue scope limitations or impairments to independence. In our professional judgement, sufficient and appropriate audit procedures have been conducted through the completion of the risk-based audit plan and evidence gathered to support the conclusions contained in this report.

The following Audit Grading Framework has been applied. This framework has been successfully integrated into the business, is well understood and elicits appropriate management responses:

grade	description
Low risk (≥ 90%)	Controls evaluated are adequate, appropriate and effectively implemented to provide reasonable assurance that risks are being managed and objectives met.
Medium risk (75-89%)	A few specific control weaknesses were noted, but generally controls evaluated are adequate, appropriate, and effectively implemented to provide reasonable assurance that risks are being managed and objectives should be met.
High risk (≤74%)	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.

area	description
OVERALL OPINION	Based on the work completed during 1 April 2013 to 31 March 2014, which has been carried out in accordance with the International Professional Practices Framework for Internal Audit and the approved Internal Audit Plan; and provided that management has effectively implemented the agreed actions to rectify reported control weaknesses, in the opinion of Internal Audit, except for a few specific control weaknesses noted, in all material respects, controls evaluated were generally adequate, appropriate and effectively implemented to provide reasonable assurance that risks are being managed and that the Group objectives should be met.
TONE AT THE TOP	Internal Audit has continued to note a constructive tone at the top. Divisional management generally responds immediately and appropriately to reported weaknesses and demonstrates a willingness to adopt recommended improvements. Executive management and the Board require, encourage and monitor quality and continuous improvement in the Group's governance, risk management and control.
GOVERNANCE	The quality of governance is considered in every audit and we confirm that there are generally very good governance structures and processes in place to: • Promote appropriate Group ethics and values; • Ensure effective organisational performance and accountability; and • Adequately co-ordinate Group strategies, communication and activities among the Board, management, second-line-of-defence functions and external and internal audit.
RISK MANAGEMENT	The effectiveness of risk management structures, systems and processes is evaluated in every audit, as far as possible, and we confirm that these are adequate to identify, assess and mitigate key risks and to support the achievement of the Group's strategic goals. The quality of the Group's risk management frameworks, policies and the processes applied by the Enterprise Risk Management function have been considered by the Board Risk Committee and confirmed as being strategic, leading and effective in enabling the integration of strategy, risk management and performance. There is continuous focus on the embedding of risk management, advancing risk reporting and performance measurement.
INTERNAL CONTROLS	We have continued to note an improvement in internal controls across the Group, especially in areas that have been re-audited. We have identified isolated instances of fraud within the Group, mainly at a store level, and of immaterial amounts.

audit area	2014	2013	2012	2011
Continuous Audits and Forensics	Very Good	Very Good	Adequate	N/A
Corporate Audits	92%	91%	91%	91%
IT Audits	91%	91%	89%	87%
Operational Audits	92%	92%	90%	93%

Social, Ethics, Transformation and Sustainability Committee Report

In compliance with the requirements of the Companies Act (71 of 2008), the Social, Ethics, Transformation and Sustainability Committee was established in March 2012 and held its inaugural meeting in May 2012.

It operates in terms of a formal mandate, which contains detailed provisions relating to the terms of reference, duties, composition, role and responsibilities of the Committee.

the committee is comprised of the following directors:

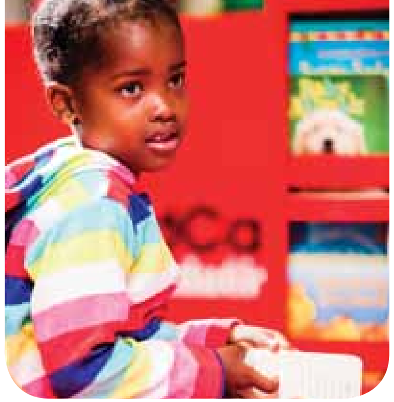
- **Mr K Getz** (Chairman)
  Non-executive Director
- **Mr M Tembe**
  Independent non-executive Director
- **Mrs RM Motanyane**
  Independent non-executive Director

In addition, all Board members are permanent invitees to meetings and this invitation is duly taken up on occasion by certain Board members (including by the Board Chairman and CEO).

The following senior executives were permanent attendees at the meeting:

- **Mrs VT Botha-Richards** Corporate Services and Sustainability Executive
- **Mrs N Ambrosio** Sustainability Manager
- **Mrs T Clarke** Group Legal and Compliance Officer
- **Mr S Glendinning** Group People Director
- **Mrs HE Grosvenor** Company Secretary
- **Mrs S Moodley** Head of Governance and Assurance

mr pricegrouplimited



"The Committee is responsible for assisting the Board with the monitoring and reporting of social, ethical, transformational and sustainability practices that are consistent with good corporate citizenship, as well as assisting the Group in discharging its business responsibilities in relation thereto."

Statutorily, the Committee is responsible for monitoring the Group's activities as per the Companies Act with regard to matters relating to:

- Social and economic development
- Good corporate citizenship
- Environment, health and public safety
- Consumer relationships
- Labour and employment practices.

The Committee incorporates the responsibility to draw matters within its mandate to the attention of the Board and to shareholders of the Company. It can be viewed on the Group's website: *www.mrpricegroup.com*

meetings

The Committee met 4 times during the year, although the final meeting was held 3 days post year end. Meetings are convened and conducted in terms of a detailed agenda accompanied by supporting documents, minutes of 4 supporting management sub-committees and reports of the permanent attendees. These representations cover the core mandate of the Committee and serve as a material tool used by the Committee to monitor its responsibilities.

The Committee actively engages with management during these presentations.

Matters considered by the Committee (and reported to the Board) include:

- Oversight of the comprehensive updating of the Group's Business Code of Conduct to be more reflective of the values of the Group.
- Approval of the Group's membership application to the Ethical Trading Initiative.
- Oversight of the alignment of the Group's Supplier Code of Conduct with the Ethical Trading Initiative Base Code.
- Monitoring and assessing of the Group's transformational progress (including consideration of the Employment Equity Act, the Broad-Based Black Economic Empowerment Act and the supporting Codes of Good Practice). The Committee is materially assisted in monitoring transformation by the Executive Transformation Committee, chaired by the CEO, and the input of the Board.
- Report on the Group's compliance with applicable legislation, codes of good practice and other legal requirements. This included a review of the Group's exposure to anti-corruption legislation.
- Review and monitoring of the Group's environmental sustainability strategy and the execution thereof.
- Review of the social sustainability initiatives undertaken by RedCap Foundation and RedCap Sport. (Post the year end, RedCap Sport was incorporated into RedCap Foundation). The details of the projects undertaken can be located on the website *www.redcapfoundation.org*
- Monitoring of matters relating to its statutory obligation and good corporate governance and corporate citizenship
- Approval of the Group's participation in 2 dti funded competitiveness clusters.

As the Committee has now been in operation for more than 18 months, it is in a position to undertake a meaningful self-evaluation. This will be conducted in time for the November 2014 Special Corporate Governance Meeting. The Committee believes that the Group is substantively addressing the issues monitored by the Committee, in terms of its statutory mandate and the additional mandates referred to it by the Board, in a beneficial and positive manner. Refer to Our Corporate Citizenship report on page 24 for more details around transformation and sustainability.

As Chairman of the Social, Ethics, Transformation and Sustainability Committee, Mr K Getz will be available at the Annual General Meeting to answer any questions relating to the statutory obligations of the Committee.

remuneration report

The Remuneration Report provides an overview of the Group's remuneration philosophy, policy, practices and governance, with particular focus on the remuneration payments to the executive and non-executive Directors.

remuneration governance structure

board
The Board is ultimately responsible for the Group's remuneration policy and applies it with the assistance of the Remuneration and Nominations Committee.

remuneration and nominations committee
The Committee oversees the remuneration of executive Directors and divisional executives and operates according to a formal Board mandate, which can be found at *www.mrpricegroup.com*

Meeting attendance is disclosed in the Corporate Governance Report on page 48. Other executive and non-executive parties attend the Committee meetings where appropriate, but no individual is present when their remuneration is discussed.

The Chairman attends the Annual General Meeting (AGM) and is available to answer shareholders' questions regarding the remuneration policy, its application and the Committee's activities.

The Committee met 4 times during the year under review. In respect of its nominations activities, the philosophy guiding the Committee on Board appointments and annual evaluations are outlined in the Corporate Governance Report on page 48. In satisfying its mandate in remuneration focused matters, the main activities undertaken were to:

- Approve base increases for general staff and senior management
- Approve, on the basis of the market benchmark exercise undertaken, the executive Director and divisional executive management remuneration, including the basis for determination of incentives
- Propose non-executive Director fees for consideration by shareholders at the AGM
- Update letters of appointment relating to the non-executive Directors
- Review employment contracts of the Honorary Chairmen and approve remuneration payable in terms of the contracts
- Review the performance of the Chairman, executive Directors and divisional management
- Conduct an annual self-evaluation review, from which steps and targets for the improvement of processes and operational methods were agreed
- Review the Human Capital Management Project progress, which addresses the Group's most crucial needs through the implementation of the workforce management, learning management and payroll solutions
- Review the efficacy of the existing share schemes and propose changes, including the introduction of Forfeitable Share Plans (FSP's)
- Review all new share and share option allocations under the various share schemes in operation
- Review the impact of labour legislation amendments and the introduction of various new employment contract types
- Review and update the mandate for approval at the Special Corporate Governance meeting in April 2014
- Review the 2014 Remuneration Report for inclusion in the Annual Integrated Report and subsequent to its publication, respond to queries and comments received from shareholders or their representatives who identified opportunities to improve the determining methodology and future disclosure.

people division

The People Division is responsible for implementing and monitoring human resources policies and processes and the People Director attends Divisional Board meetings, reporting directly to the CEO. Key responsibilities include researching market trends in employee remuneration, benchmarking remuneration policies and practices to retail and other sectors and making remuneration recommendations to management. The main activities undertaken during the year under review were:

- Maintaining personalised communications to every associate including an analysis of their total cost-to-company. This has allowed associates to fully understand the true value and benefit of their employment contract with the Company and is a key retention mechanism
- Evaluating certain aspects of the annual Culture Survey and discussing areas for improvement with associates in "Solutions Café's"
- Communicating share scheme changes to associates and, where requested, the provision of externally conducted personal financial counselling for those associates receiving substantial share scheme payouts
- Conducting ongoing remuneration benchmarking for Support and Group Head Office positions in conjunction with PwC RemChannel
- Staff contracts in operations were brought in line with new employment legislation
- The Dayforce workforce management system has been implemented to improve store efficiency. This greatly enhances the staff scheduling capabilities of store managers and will lead to gains in productivity and diminished labour costs
- The new VIP Payroll system has been implemented to enable improved payroll processes and procedures, which provides upgraded functionality in the processing and administration of pay and incentive schemes
- The Cornerstone learning management system is being implemented, contributing to employee self-service functionality.

remuneration philosophy

Driven by the principles of Passion, Value and Partnership, the Group culture encourages and incentivises high performance as the key driver of business success. An entrepreneurial management style is encouraged, providing all associates with the room to innovate and grow, effectively enabling ordinary people to achieve extraordinary things. The ability to attract, retain and motivate competent people is critical to the Group's continued growth and long-term sustainability and is therefore the core of the remuneration philosophy. This philosophy aims to create partnerships with associates in their journey of continued growth through market-related base pay and benefits, attractive performance-driven short-term (bonuses) and long-term (share schemes) incentives and recognition and reward programmes.

Being a value retailer, the Group aims to pay basic salaries and benefits at the market median.
In the case of newly appointed associates whose remuneration is below the median, the intention is that adjustments will be made to raise them to the median over a 3 year period, commensurate with their increased experience. Where the Group needs to urgently attract core skills, pay above the median is considered, as long as internal equity is not disrupted and the Group's commitment to ensuring the right candidate fit is achieved.

“Associates are provided with the opportunity to earn well above the median through generous incentives. This is achieved by reaching stretch performance targets, whereby associates' efforts are aligned with strong corporate performance and increased shareholder value.”

remuneration policy and practices

The Group's remuneration policy is to reward executives for their contribution to the performance of the business, taking into consideration an appropriate balance between long and short-term benefits.

Remuneration levels are influenced by work performance and scarcity of skills especially in the area of merchandising.

Given that performance-related incentives form a material part of remuneration packages, ongoing performance feedback is vital. Associates annually participate in performance and career development evaluations, focusing on work achievements, learning and development needs, values and cultural alignment. Remuneration is not influenced by race, creed or gender, with the emphasis on equal pay for equal work. There is strong alignment of the types of benefits offered to the various levels of permanent associates. The Group can justify areas where differentiation has been applied, specifically where consideration has been given to the position's seniority and the need to attract and retain key skills.

All associates sign letters of employment, which stipulate the notice period. The contract may be terminated by either party giving written notice of 1 month for a store or head office associate, 3 months for a divisional Director and 6 months for executive Directors. Despite these provisions, either party may terminate the contract of employment without notice for any cause recognised by law or by agreement by both parties to waive the notice period. Contracts are also terminated in the event of a dismissal without the associate having an entitlement for compensation. Employment contracts do not contain provisions relating to:

- the compensation of executives for a change of control of the Company
- providing 'balloon' payments on termination or retirement
- restraint of trade payments, although these may be contained elsewhere.

External service providers assist the Remuneration and Nominations Committee from time to time. Where this involves the remuneration of executives and non-executive Directors, appropriate benchmarking comparatives are made. This benchmarking exercise takes place every 2 years, with inflationary adjustments made in alternate years. A benchmark assessment was conducted during the 2013 financial year, for implementation on 1 April 2013:

- Senior management - roles were graded according to the Paterson and Towers Watson global grading job evaluation methodology. The benchmarks included PE Corporate Services' Total Executive Remuneration Survey (which comprises approximately 800 companies listed on the JSE, private companies and parastatals), as well as the JSE database which contains information extracted from annual reports of listed companies. Each position is strictly benchmarked against like-for-like criteria and necessary adjustments are made to ensure competitive pay. In establishing an appropriate peer group for organisational benchmarking, the individual's role and business size including turnover, profit before tax, total assets, number of employees and annual salary and wage bill are taken into account, as well as the level of the individual's decision-making.
- Executive Directors - (including, basic pay, short-term incentives and share option awards), a peer group of 16 companies was selected in conjunction with PwC. This included 8 retail companies, 4 companies with a similar market capitalisation and 4 companies that had achieved similar total shareholder returns. Meaningful comparisons in respect of long-term incentives are difficult given the various methodologies adopted by companies. Awards can either be based on the face value (approach used by the Group) or the expected value of the instruments issued and companies can either have smaller annual awards (approach adopted by the Group) or larger awards which vary in frequency, or a combination of both.
- Non-executive Directors – fees are benchmarked every 2 years and proposed at the market median. The most recent benchmarking exercise was conducted in F2013 using the PE Corporate Services survey. It is envisaged that the next benchmark study, which will be performed in the current year, with any changes being effective from 1 April 2015, will use the same peer group of companies used for benchmarking the executive Directors.

The disclosure of the remuneration of executive Directors is governed by the JSE Listings Requirements and the Companies Act, 2008, with additional recommendations from King III. In order to maintain its competitive edge, the Company has applied the principles of King III that are appropriate for the business, to which there have been no material changes during the year under review.

The Company complies with all disclosure aspects, except the recommendation of paragraph 180 of King III, relating to the present value of long-term incentives due to the varied valuation models and the unpredictable forecasting elements required to determine the value of the share options when vesting. The Group's view is that to consider the present value of option awards as remuneration is misleading, in that the present value does not reflect the value paid to or receivable by the executive. Such gains can only be determined upon exercise of the options. However, to compensate for this omission, share option disclosure has been enhanced in order to aid shareholder evaluation (refer pages 71 and 72).

The Group is appreciative of the input and feedback received from shareholders. The general feedback has been that the level of disclosure on remuneration matters is detailed and clearly laid out. Specific issues raised are detailed on page 68.

At the AGM held in August 2013, shareholders representing 97.0% of total votes voted in favour of the Remuneration Policy of the Company, while votes in favour of the proposed fees for the various roles and Committee memberships of non-executive Directors ranged between 99.35% and 99.91%.

remuneration structure

Remuneration and reward structures are categorised into 3 elements:

- Fixed remuneration: base pay and benefits
- Variable remuneration: short-term performance-related incentives
- Long-term incentives: shares and share options.

fixed remuneration

All associates, including executive Directors, receive a fixed remuneration package based on their roles, individual performance and the Group's performance. Increases are based on a review of market data and consideration of individual performance and potential.

Basic Pay - salary and benefits are reviewed at least annually and all associates earn above legislated minimum wages.

Motor vehicle expenses - a travel allowance or company car is offered to associates whose position requires them to travel for business purposes. Associates who are required to travel less frequently for business purposes are reimbursed for this cost.

Medical aid membership - is offered to all full-time associates, but is not a condition of service. Where the offer of comprehensive medical aid is not accepted by associates due to affordability reasons, membership of cost-effective schemes is encouraged to gain access to hospital care, chronic illness benefits (including HIV/Aids care) and daily benefits including doctors and medicines.

Retirement benefits - the majority of associates employed in South Africa, Swaziland and Lesotho are provided for in a funded defined benefit fund and 2 funded defined contribution funds. Associates employed in Namibia, Botswana, Nigeria and Ghana are members of separate defined contribution funds in those countries. The defined benefit fund was closed to new entrants with effect 1 June 1997. The funds provide for pensions and related benefits for permanent associates and membership is compulsory after the first year of service. No material ex-gratia payments are routinely paid.

variable remuneration

All associates, including executive Directors, participate in an annual short-term incentive scheme which is related to performance. Although challenging targets are set, the incentive schemes are potentially generous to encourage the achievement of targets that can be directly influenced by superior performance. In setting the performance targets, the Remuneration and Nominations Committee ensures targets are linked to the Group's or division's annual key imperatives, are substantially within the associate's control, do not expose the organisation to undue risk caused by their behaviour and that there is an appropriate balance between short-term and long-term incentivisation.

The Group does not defer bonus payments as it is essential to attract and retain bright young talent, many of whom are at the age that they are committing to their first property purchase or financing their children's education. Associates have to be in the Group's employ at year end to receive incentive bonuses, unless due to specific circumstances, alternative arrangements have been approved by the Remuneration and Nominations Committee. The incentive structures for the 2014 financial year were as follows:

divisional executives

		% allocation	
		financial	total
Achieving budgeted operating profit	3 months	37.5	
Stretch targets operating profit	5 months	62.5	
Total operating profit	**8 months**	**100.0**	66.6
Achievement of strategic key imperatives	2 months		16.7
Personal performance	2 months		16.7
Total maximum number of months	**12 months**		**100.0**

The bulk of the short-term incentive award depends on exceeding budget and achieving stretch performance targets, which should have a positive impact on shareholder returns. The number of months' incentive can be reduced by a maximum of 2 penalty months should stock levels or ageing exceed target, or employment equity or internal audit scores fall short of target.

In the case of the heads of service divisions such as Systems, Governance and Assurance, People, Real Estate and Sustainability, the maximum incentive ranges from 8 to 12 months (including personal performance). Measurement criteria include performance evaluation from, and financial performance of the trading divisions whom they support (budget and stretch targets), overhead costs, service delivery, innovative business improvements and the achievement of key imperatives. Penalty months apply to specific criteria.

Personal performance, incorporating areas of demonstrated performance contribution like leadership, innovation, effort and teamwork are also assessed. For senior management, 'soft' awards are generally capped at 2 months basic salary, although in deserving circumstances, the CEO can propose a higher award. A poor personal performance evaluation can reduce or eliminate the incentive due under measurable company performance.

executive directors

A strong relationship exists between executive incentives and sustainable value created for shareholders. The incentive portion of Directors' earnings is tied to financial targets and is measured as a multiple of monthly salary. The achievement of predetermined targets is a function of:

- Measurable Company performance, dependent on the executive's work function. Targets are linked to the Group's performance and are tailored annually to ensure alignment with key imperatives for the year. For the 2014 financial year, the targets against which the CEO and CFO were measured included: growth in headline earnings per share, return on equity and the achievement of Strategic KPI's. The maximum that can be earned is equal to 12 month's basic salary. The awards are only made if the Group achieves its budgeted half year and annual headline earnings per share targets. In that event, a maximum award of 3 months' salary is made, with the result that the majority of the short-term incentive award allocated to company performance therefore depends on exceeding budget and achieving stretch performance targets. The Supply Chain Director, who is an alternate Director, was measured on the combined profitability of the trading divisions, which also included budget and stretch targets, Distribution Centre targets and the delivery of KPI's related to the supply chain strategy. The maximum potential award is equal to 10 months' remuneration.
- Personal performance, incorporating areas of demonstrated performance contribution such as leadership, innovation, effort and teamwork. Measuring these 'soft' issues necessitates more subjective judgment and is determined via individual and peer reviews. For executive Directors, 'soft' awards are capped at 12 months basic salary, however this would only be achieved in exceptional circumstances. A poor personal performance evaluation can reduce or eliminate the incentive due under measurable company performance.

All associates, including executive Directors, participate in a 'December bonus' scheme that generally commences at the level of 20% of monthly salary per completed year of service up to 80% (after 4 years), followed by an additional 20% after the completion of 10 years' service. This incentive is not guaranteed and is payable at the discretion of the Company.

long-term incentives

Partnership and reward for performance are among the Group's key beliefs. The Group has ambitious growth plans that will require substantial capital expenditure and the continued dedication of its associates, and the long-term incentives (LTI) are to motivate and retain associates critical to the achievement of these goals. To that end, various share and share option schemes have been established to enable all permanent associates within the SADC region the opportunity to share in the long-term success of the Group. We believe that our inclusive approach to share ownership in the Company is a key differentiator and is essential to achieving a high level of performance in the long-term. In other companies, LTI's are typically reserved for company executives, however in our case, executive management's interest is less than 25% of total company share or option awards.

The scheme in which associates can participate depends on their position in the Company. Long-term incentives are subjected to an annual review to confirm their efficacy and affordability. The schemes which are active are summarised below and further information can be found on the Group's website *www.mrpricegroup.com*

- Mr Price Group Employees Share Investment Trust allows associates the opportunity to purchase shares on a monthly basis up to a value of 15% of their monthly remuneration (salary, and where applicable, car allowance). The Company makes an additional contribution, equal to 15% of the associates' contribution, which amounted to R2.6 million in the current financial year. This scheme has been in existence since 1992 and at year end 3 642 associates were participants, holding 308 334 shares. In order to encourage participants to hold the shares, restrictions are in place limiting the number of times shares may be sold in a year. Directors and prescribed officers cannot participate in the scheme.
- Mr Price Partners Share Scheme - shares are awarded instead of options. Associates in junior positions, where staff turnover is relatively high, are awarded shares after being permanently employed for 12 months.
- 4 share option schemes.
- 2 forfeitable share plans (FSP) which were introduced during the year – page 69-71.

Mr Price Partners Share Scheme

A key factor of the share and share option schemes would, in essence, incorporate the Group's intentions regarding the ownership criteria of B-BBEE. Rather than enter into an ownership deal with external parties, the Board resolved to embrace the true spirit of B-BBEE and, subject to certain qualifying criteria, included all associates in its various share and share option schemes. In this way those responsible for contributing to the Group's success become partners in the business and are rewarded for sustained high performance.

Since an upfront free allocation of shares, not share options, are awarded under the Mr Price Partners Share Scheme, participants of this scheme receive bi-annual dividends and are eligible to vote on their shares as shareholders. Of the trustees overseeing the operation of this scheme, 50% were elected by the participants, which serves to ensure greater understanding and enhanced communication between partners, the trustees and the Board. Black ownership in this scheme is 95% and the average value of shares held on behalf of each individual associate is R87 000. Associates who became participants between the date of introduction of this scheme and November 2010, were allocated 1 000 shares or 1 250 shares as an assistant store manager. They have received dividends amounting to R18.3 million over the last year (final 2013 and interim 2014 dividends).

"The Company has paid out total dividends of R77.7 million to associates participating in the Partners Share Scheme since its inception in 2006, and at year end, 7 404 associates hold 4 877 144 shares, to the value of R761 million."

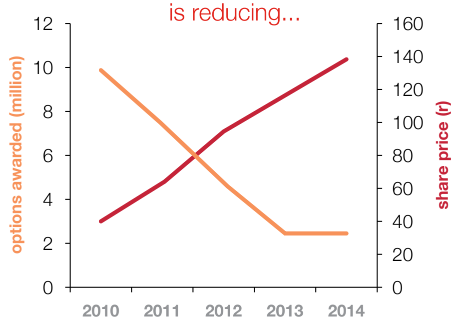
share option schemes

The share option schemes operate on a "rolling" basis, in that smaller annual awards are made (rather than larger upfront awards) according to market benchmarked criteria and the timing of these awards coincides with a tranche vesting. This mechanism spreads the market risk, avoiding the situation where all options could be out of the money, which is a disincentive to associates. All option and share awards are based on a formula of guaranteed annual pay multiplied by a factor, divided by the share price, which limits company exposure during a period of share price strength. The strike price mechanism for all share option schemes is calculated at the lower of the 30 day volume weighted average price (VWAP) for the period preceding the offer date, or the price on the day prior to the offer. Re-pricing of strike prices is not permitted and options are not awarded to or exercised by key personnel in the Executive and Executive Director Share Schemes during closed periods. The Remuneration and Nominations Committee has the authority to prevent vesting in circumstances where the individual is deemed to have demonstrated poor personal performance.

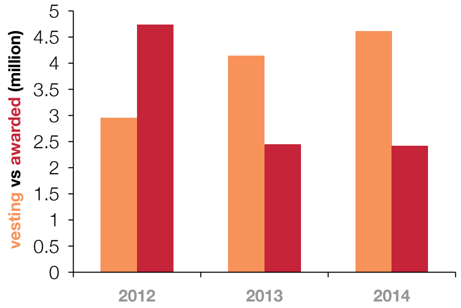
Specific issues raised by shareholders during the year regarding long-term incentives include:

- The need for more substantial returns based performance - the mechanics of the share schemes are reviewed annually. Last year, consideration was given to the input received from shareholders and minimum performance conditions were introduced. The purpose of this hurdle (HEPS growing a minimum of CPI +1%) was to ensure that share options would not vest in the event of there being poor company performance. The intention was not to raise the performance hurdle to a height that would cause the schemes to lose their motivational appeal to the valued partners within the Group. Cognisance was also taken of the fact that, due to strong company performance and the re-rating of the share price (the PE ratio varied from around 12 to a peak of 25), the quantum of share options awarded to participants has decreased. The option schemes are rolling in nature and the current awards are materially lower than options vesting. The remuneration philosophy of the Group is to remunerate at the median and reward through bonuses and shares. Should the shares become less attractive, the Group would need to employ a less favourable approach of increasing basic salaries to retain key associates. As detailed in last year's report, the Company has further considered performance targets upon introducing the FSP's – refer pages 69 to 71.

total options/shares awarded annually is reducing...

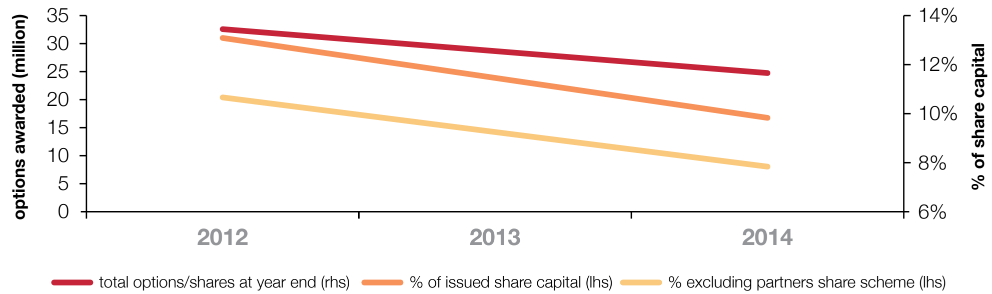


new awards are less than those vesting...



- Discounted strike prices – previously the strike price of options in 2 of the option schemes (excluding the Executive Director Share Scheme) had the potential to be reduced upon the attainment of certain financial targets. This practice was discontinued with effect from the November 2013 awards.
- Limits for participation - the Company's partnership approach results in all associates within the SADC region participating in the share schemes, which is unique in South Africa and critical to the success of the Company. Over 9 000 associates are members of the various share schemes in operation, which has resulted in a large number of shares or options being awarded. This is expected to reduce over time, as there is a shift to an allocation formula which takes into account annual guaranteed remuneration and the prevailing share price which has led to smaller tranches being awarded. Furthermore, the Board is of the opinion that it is not appropriate to include shares allocated under the Partners Share Scheme, which effectively operates as the Group's B-BBEE scheme, in this overall participation total. Excluding this scheme, the total number of shares committed under the various equity incentive schemes equates to 8.05% of the issued share capital.

LTI awards as a % of share capital is reducing



Note: tables above exclude FSP's

- The remuneration report could contain more details on financial indicators and parameters but the Group is very sensitive to releasing information which could be considered forecasting. To that end, the Group will not commit in print to goals of attaining certain financial indicators. Nonetheless, the reports from the Chairman, CEO and CFO clearly detail both the exceptional historic performance and the strategic goals of the Company.

Other amendments that were implemented during the year were as follows:

- The tapering off of share option allocations for associates nearing retirement - applies to participants of the General Staff and Senior Management share schemes in recognition of the retention aspect diminishing. These associates' job functions are more administrative or short-term in nature. The impact of their work does not generally impact the business well after their retirement, as is the case with the participants in the Executive and Executive Director share schemes. Consequently, as associates approach retirement age, their option awards reduce on a sliding scale.
- Adjustment to the factor of guaranteed remuneration upon which the option awards are calculated - considering the cost of each scheme, the removal of strike price discounts in the Senior Management and Executive Share Schemes, and the strong need to motivateand retain our most senior people, the factors applied to the General Staff Share Scheme was decreased and those of the Senior Management and Executive share schemes were increased. The factors applied to the Executive Director Share Scheme remained unchanged.
- Introduction of FSP's – in the prior year, the company's advisors, PwC, recommended the implementation of a FSP as 82% of companies surveyed had more than 1 type of long-term incentive scheme operating in parallel. Forfeitable shares are freeshares awarded to participants, subject tocertain conditions and offer more certainty to the recipient as the value is in the share that vests, not growth on strike price as is the casewith options. From a company perspective FSP's are attractive due to the strong retention element as well as the fact that the shares result in a lower number of instruments than options. Generally companies offer FSP's without performance conditions and senior employees can also receiveenhancement shares which are subject to performance conditions. The following FSP schemes were introduced during the year:

- Mr Price Executive Forfeitable Share Plan
  for executive Directors and certain divisional Directors, executives and senior managers. Awards will be of an annual rolling nature, as per the option schemes. In order to keep the cost to company (IFRS 2 charge) at a level no higher than that of the option schemes, the number of options awarded was reduced and a lower number of FSP's awarded. The shares are held in escrow and vest in 5 years' time, with participants receiving dividends during this period. This 'vanilla' award does not contain performance conditions. A matching 'performance award' (equivalent to the vanilla award) was also made, but this contains stretch HEPS targets linked to the company's 5 year strategic plan. 89 954 shares have been acquired by the Company and are held by an institutional 3rd party to satisfy the current obligation in full.

- Mr Price Group Forfeitable Share Plan

  It is imperative to retain the executives who are central to the Group's growth strategy detailed elsewhere in this report. Participants were awarded free shares equivalent to between 2 and 3 times their annual guaranteed remuneration and these shares vest in full in 5 years' time. This award was offered subject to participants entering into a restraint and retention agreement which precludes them from joining a competitor for a period of 2 years should they leave the employment of the company. 433 576 shares have been acquired by the company and are held by an institutional 3rd party to fully satisfy this obligation.

  The vesting periods of the various share option schemes have been amended over the years that they have been in operation. A balance has been sought between allowing sufficient time to experience a meaningful growth in the share price and having the options vest in a timeframe which is not so distant as to appear unattainable. Summarised, the position is as follows:

	vesting period	**exercise period**	**frequency of allocations**
Partners Share Trust	Unconditional vesting occurs 60 days after the death or retirement of the recipient associate	Immediate upon unconditional vesting	A once-off initial allocation is made with no further routine top-up allocations being awarded
General Staff Share Trust	3 years from date of offer	within 90 days of vesting	Annual
Senior Management Share Trust	5 years from date of offer	within 90 days of vesting	Annual
Executive Share Trust	5 years from date of offer	within 5 years of vesting	Annual
Executive Director Share Trust	5 years from date of offer	within 5 years of vesting	Annual
Mr Price Executive FSP	5 years from date of offer	Immediately upon vesting	Annual
Mr Price Group FSP	5 years from date of offer	Immediately upon vesting	Once-off award

Concerning the vesting of shares on retirement or for other reasons for ending employment, the share trusts' rules stipulate that associates retiring at the age of 65 may retain unvested share options that will vest according to their original timeframes. However, given associates are entitled to take early retirement from the age of 50, guidelines were established taking into account the age and years' service of associates retiring before 65. These guidelines permit the retention post-retirement of unvested options on a sliding scale whereby associates can take early retirement from 50 and retain their options if they have a minimum 25 years' service, to retirement at 64 which requires 11 years' service. Retirement at 65 does not require a minimum service period. In all other retirement or dismissal situations, unvested options will lapse unless the Board exercises its discretion and permits the exercise of any or all of the unexercised options.

In the Mr Price Partners Share Scheme, retirement causes the shares to vest unconditionally. The age and length of service guidelines detailed above have also been applied to those associates retiring before 65.

Since the inception of the share option schemes, the Board has exercised its discretion on an exceptional basis and has allowed a very limited number of associates to retain unvested options post resignation. In using its discretion, the Board considered the associate's length of service, resignation circumstances, past services to the Group and the vesting period remaining on all offered tranches. In most cases, the tranche closest to maturity was retained while the remaining unvested tranches were forfeited. No accelerated vesting of share options is permitted.

In terms of specific authority received from shareholders, the Company may issue 46 548 430 shares to satisfy the requirements of its share schemes. Since the schemes were introduced in 2006, the Company has issued 9 463 292 shares and therefore still has 37 085 138 shares that may be issued for this purpose. However, in order to avoid shareholder dilution, the Group's current policy is to purchase shares on the open market to satisfy the requirements of the various share schemes, as opposed to issuing new shares. The Company has a share purchase programme in place to hedge against the future obligations of the schemes. The extent to which the Company is hedged against further share price appreciation and details of unvested/unexercised shares and options at balance sheet date are as follows:

long-term incentive scheme	number of participants	number of options/ shares	shares held by the share trusts	% of total obligation hedged
Mr Price Share Option Scheme	67	55 467	-	0%
Mr Price Partners Share Trust	7 404	4 877 114	6 592 145	135%
Mr Price General Staff Share Trust	1 773	9 371 943	4 806 015	51%
Mr Price Senior Management Share Trust	204	4 297 119	1 444 615	34%
Mr Price Executive Share Trust	32	2 966 758	1 822 530	61%
Mr Price Executive Director Share Trust	5	3 007 621	1 365 067	45%
Mr Price Executive FSP	34	89 954	89 954	100%
Mr Price Group FSP	13	433 576	433 576	100%
Total	**9 532**	**25 099 552**	**16 553 902**	**66%**

In terms of cash flow, the Company's unhedged commitments, at a closing share price of R156.01 amounts to R1.6 billion. In comparison the strike price payable by participants amounts to R1.3 billion.

executive directors' remuneration

The Remuneration and Nominations Committee annually reviews executive Directors' remuneration, set at the market median, to attract and retain the calibre required to successfully direct the Group's business. In line with the remuneration philosophy, performance-related incentives form a material part of the remuneration package and share option awards align the Director with the Group interest in attaining profitable long-term growth. The benchmarking of base pay against the peer group of companies detailed on page 65 revealed that the CEO and CFO were behind the peer group average by 24% and 12% respectively. Accordingly their remuneration was adjusted by these factors on 1 April 2013.

The emoluments of executive Directors for the year were as follows (R'000):

	salary	motor vehicle benefits	pension contributions	other benefits	short-term incentives	total 2014	total 2013
SI Bird*	4 692	220	961	149	9 384	15 406	11 522
MM Blair*	3 131	367	672	120	5 688	9 978	8 214
SA Ellis	2 564	286	554	103	2 628	6 135	5 522
Total	**10 387**	**873**	**2187**	**372**	**17 700**	**31 519**	**25 258**

*Considered to be prescribed officers

Details of the interest of executive Directors in long-term incentives are as follows:

Forfeitable share plans	date of award	shares granted	share price at award date	shares held at end of the year	vesting date
SI Bird					
Mr Price Executive FSP (EFSP)					
- vanilla award	29-Nov-13	10 341	R155.97	10 341	29-Nov-18
- performance award	29-Nov-13	10 341	R155.97	10 341	29-Nov-18
Mr Price Group FSP (GFSP)	29-Nov-13	96 546	R155.97	96 546	29-Nov-18
MM Blair					
Mr Price Executive FSP (EFSP)					
- vanilla award	29-Nov-13	6 334	R155.97	6 334	29-Nov-18
- performance award	29-Nov-13	6 334	R155.97	6 334	29-Nov-18
Mr Price Group FSP (GFSP)	29-Nov-13	67 315	R155.97	67 315	29-Nov-18
SA Ellis					
Mr Price Executive FSP (EFSP)					
- vanilla award	29-Nov-13	2 233	R155.97	2 233	29-Nov-18
- performance award	29-Nov-13	2 233	R155.97	2 233	29-Nov-18
Total		**201 677**		**201 677**	

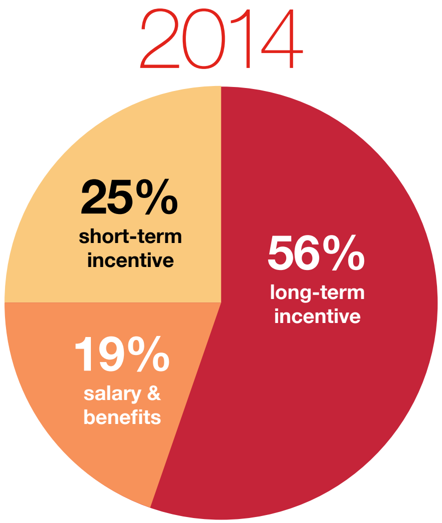
Share options - Mr Price Executive Director Share Trust

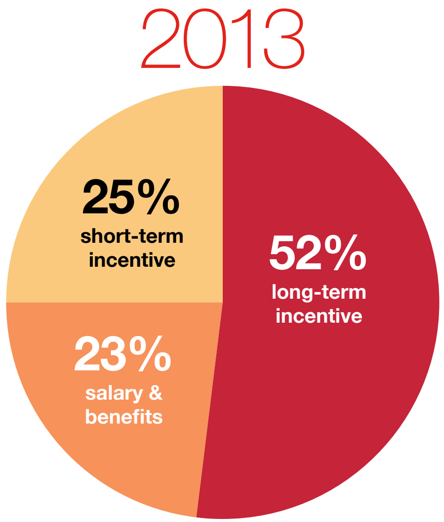
	options held at the beginning of the year	date of offer	options granted and accepted during the year	options exercised or taken up during the year	option price of award	gain on options exercised during the year (R'000)	options held at the end of the year	number of tranches remaining	vesting date of first tranche	vesting date of last tranche	latest expiry date for exercise of options
SI Bird	40 000[1]	22-Nov-06		40 000	R21.15	5 855	-	-			
	376 000	27-May-09		94 000	R26.50	9 226	282 000	3	27-May-14	27-May-16	27-May-21
	71 000	22-Nov-09			R32.75		71 000	1	22-Nov-14		22-Nov-19
	400 000	25-Aug-10			R46.00		400 000	1	25-Aug-15		25-Aug-20
	90 000	30-Nov-10			R62.77		90 000	1	30-Nov-15		30-Nov-20
	210 500	22-Nov-11			R76.49		210 500	1	22-Nov-16		22-Nov-21
	129 777	22-Nov-12			R133.67		129 777	1	22-Nov-17		22-Nov-22
		22-Nov-13	112 271		R151.94		112 271	1	22-Nov-18		22-Nov-23
	1 317 277						**1 295 548**				
MM Blair	117 000	22-Nov-06		117 000	R21.15	15 774	-	-			
	146 000	22-Nov-09			R32.75		146 000	1	22-Nov-14		22-Nov-19
	155 000	30-Nov-10			R62.77		155 000	1	30-Nov-15		30-Nov-20
	142 600	22-Nov-11			R76.49		142 600	1	22-Nov-16		22-Nov-21
	86 870	22-Nov-12			R133.67		86 870	1	22-Nov-17		22-Nov-22
		22-Nov-13	68 770		R151.94		68 770	1	22-Nov-18		22-Nov-23
	647 470						**599 240**				
SA Ellis	280 000	22-Nov-06		70 000	R21.15	9 351	210 000	1	22-Nov-13		22-Nov-18
	50 000	22-Nov-09			R32.75		50 000	1	22-Nov-14		22-Nov-19
	50 000	30-Nov-10			R62.77		50 000	1	30-Nov-15		30-Nov-20
	50 000	22-Nov-11			R76.49		50 000	1	22-Nov-16		22-Nov-21
	32 591	22-Nov-12			R133.67		32 591	1	22-Nov-17		22-Nov-22
		22-Nov-13	24 242		R151.94		24 242	1	22-Nov-18		22-Nov-23
	462 591						**416 833**				
AE McArthur[2]	327 000	22-Nov-06		327 000	R21.15	44 029	-	-			
	396 000	22-Nov-09			R32.75		396 000	1	22-Nov-14		20-Feb-15
	250 000	30-Nov-10			R62.77		250 000	1	30-Nov-15		28-Feb-16
	973 000						**646 000**				
S van Niekerk[2]	140 000	22-Nov-06		140 000	R21.15	18 850	-	-			
	50 000	22-Nov-09			R32.75		50 000	1	22-Nov-14		20-Feb-15
	190,000						**50 000**				

1 The options awarded to SI Bird were awarded in terms of the Mr Price Executive Share Trust prior to his appointment as an executive Director of the Company. These options were subject to a discount on the strike price due to strong Company performance and vested at R9.00 per share.

2 Disclosure required although no longer Directors of the Company.

Composition of executive Directors' total remuneration for the year:





The emoluments of non-executive Directors for the year were as follows:

R'000	salary	vehicle allowances & expenses	pension contributions	fees	total 2014	total 2013
LJ Chiappini	975	394	343	625	2 337	3 194
SB Cohen	1 085	375	324	625	2 409	3 250
K Getz	-	-	-	396	396	377
MR Johnston	-	-	-	556	556	534
RM Motanyane	-	-	-	284	284	270
D Naidoo	-	-	-	314	314	279
NG Payne	-	-	-	1 050	1 050	1 000
LJ Ring	-	-	-	-	-	202
MJD Ruck	-	-	-	430	430	372
S Sebotsa	-	-	-	-	-	84
WJ Swain	-	-	-	555	555	537
M Tembe	-	-	-	284	284	270
Total	**2 060**	**769**	**667**	**1 250**	**8 616**	**10 369**

non-executive directors' remuneration

Non-executive Directors' fees, which comprise separate remuneration for Board activity and Committee participation, are approved at the AGM.

The Company does not pay an attendance fee per meeting, as historically, the attendance at meetings has been good and the performance of non-executive Directors is reviewed annually via peer evaluation. In addition, the Board has always felt that Directors contribute as much outside of meetings as they contribute within meetings.

Proposed fees are detailed in the Notice of Meeting set out in the Annual Results booklet for approval at the forthcoming AGM. Non-executive Directors do not participate in any short-term incentive schemes and do not receive share option awards.

The Honorary Chairmen have employment contracts with the Company and the remuneration payable in terms of these contracts is decided by the Remuneration and Nominations Committee. Details explaining the role of the Honorary Chairmen, in support of their remuneration, are provided in the Corporate Governance Report on page 48. Their total remuneration is decreasing over a 3 year period (which commenced in the March 2014 financial year) to the level that the Lead Director's total fees are expected to be in 2016, which is approximately R625 000 per annum. This was calculated by applying an inflationary increase of 6% per annum to the proposed Lead Director's total fees for the forthcoming year. This has been implemented by increasing the Honorary Chairmen's fees to R625 000 in 2014, a level which will remain unaltered until 2016. Effective 1 April 2013, the balance of their remuneration, represented by the total cost to company less the fees of R625 000, is being reduced in annual installments to 2016. Therefore in 2016, the Honorary Chairmen's salary and benefits will be Rnil, and their total remuneration, in the form of fees, will amount to R625 000.

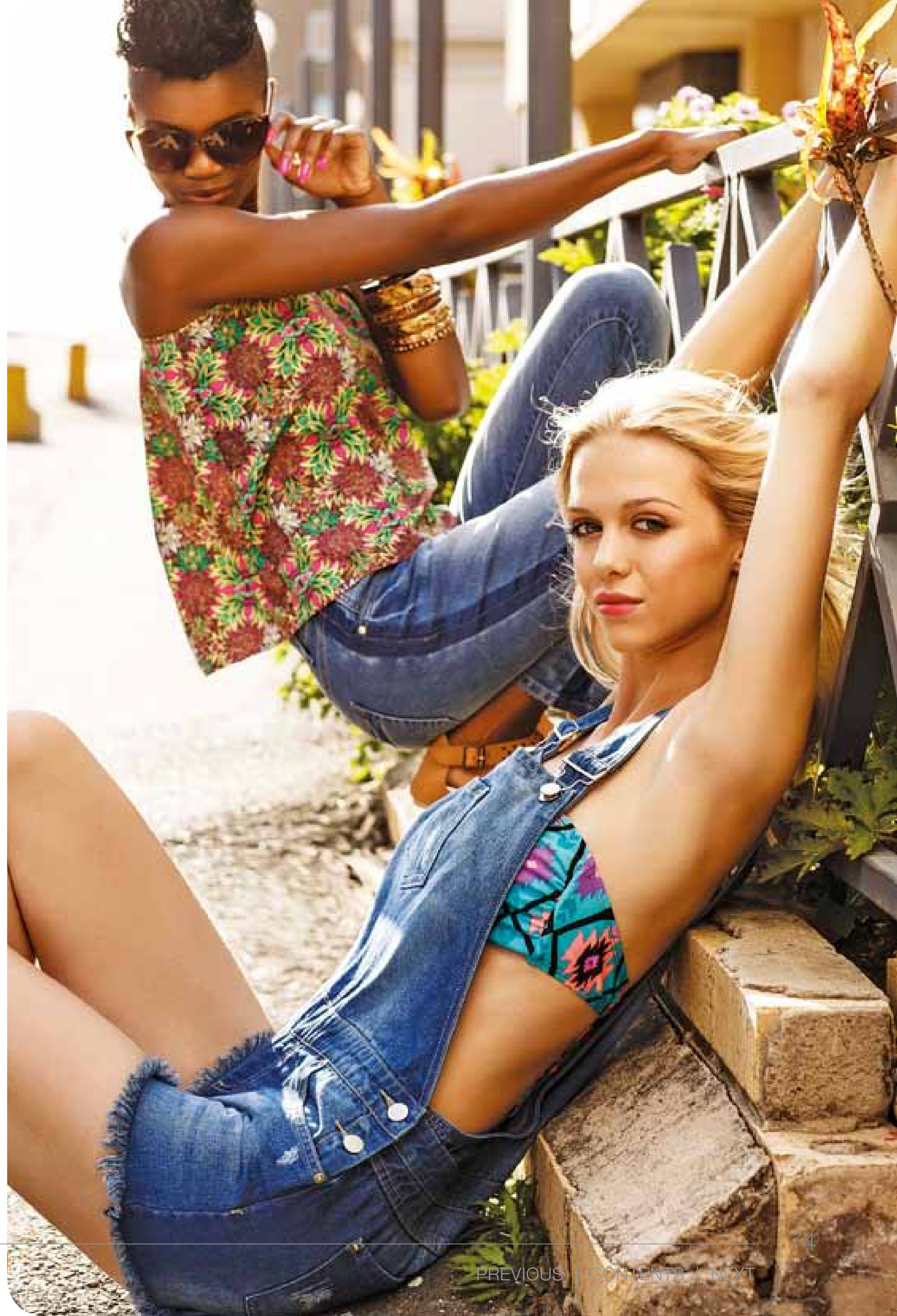
Analysis of the remuneration of non-executive Directors for their services as Board Committee Chairmen and members is detailed below:

	F2014 actual		F2015 proposed	
board or committee	**chairman**	**member**	**chairman**	**member**
Main Board	1 050 000	212 000	1 113 000	225 000
Main Board - Honorary Chairman	625 000		625 000	
Main Board - Lead Independent Director		341 000		361 500
Audit and Compliance Committee	182 000	102 000	193 000	108 000
Risk Committee[1]		89 000		94 500
Remuneration and Nominations Committee	112 500	71 500	119 250	75 800
Social, Ethics, Transformation and Sustainability Committee	112 500	71 500	119 250	75 800

[1] Fees for the non-executive Chairman include his duties as Chairman of both the Board and the Risk Committee.

proposals for future remuneration policy

- Research and implementation of suitable long-term incentive structures for new geographic trading territories.
- Effective November 2014, participants in the Mr Price Executive Forfeitable Share Plan, 34 associates in total, can qualify to have their total (options and FSP's) annual long-term incentive awards increased by 10% should they meet their minimum personal shareholding threshold, namely twice annual guaranteed remuneration for divisional executives and 3 times for executive Directors.
- Alignment of the peer group utilised for benchmarking non-executive Directors' fees to the peer group used for executive Directors.



board of directors

Chairman
Nigel Payne
Age: 54

other directorships include: JSE Limited, The Bidvest Group Limited, Bidvest Bank Limited, BSi Steel Limited, Vukile Property Fund Limited, STRATE (Pty) Limited, Free State Maize (Pty) Ltd, PPS Insurance Company Limited

years of service: 7
qualifications: CA (SA), MBL

Honorary Chairman
Stewart Cohen
Age: 69

other directorships include: Catregav Holdings (Pty) Limited, Holdspec Investments (Pty) Limited, Kovacs Investments 343 (Pty) Limited

years of service: 28
qualifications: BCom, LLB, MBA

Honorary Chairman
Laurie Chiappini
Age: 69

other directorships include: Gretrac Holdings (Pty) Limited, Storevest Investments (Pty) Limited

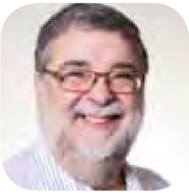
years of service: 28

Chief Executive Officer
Stuart Bird
Age: 54

years of service: 20
qualifications: CA (SA)

Chief Financial Officer
Mark Blair
Age: 48

years of service: 8
qualifications: CA (SA)



Lead Independent Director

Bobby Johnston

Age: 65

other directorships include: STRATE (Pty) Limited

years of service: 20
qualifications: CA (SA)

Non-executive Director

Keith Getz

Age: 58

other directorships include: BVPG Consulting (Pty) Limited, Steak Ranches International BV, Spur International Limited, Spur Corporation Limited, Spur Corporation UK Limited, Cape Union Mart Group (Pty) Limited, STRATE (Pty) Limited

years of service: 9
qualifications: BProc, LLM

Independent Non-Executive Director

Maud Motanyane

Age: 62

other directorships include: Kagiso Media, G4S Secure Solutions, G4S Aviation Security, Jet Education Trust

years of service: 6
qualifications: Diploma Library Science, WPI fellow

Independent Non-Executive Director

Daisy Naidoo

Age: 41

other directorships include: STRATE (Pty) Limited, Hudaco Industries Limited, OMNIA Holdings Limited, Marriott Unit Trust Management Company Limited, Old Mutual Unit Trust Managers Limited, Anglo Platinum Limited, Old Mutal Alternative Risk Transfer Limited

years of service: 2
qualifications: CA (SA) MCom (Tax)

Independent Non-Executive Director

Myles Ruck

Age: 58

other directorships include: Standard Bank Group Limited, The Standard Bank of South Africa Limited, ICBC Argentina

years of service: 7
qualifications: BBusSc PMD (Harvard)

Independent Non-Executive Director

John Swain

Age: 73

other directorships include: The Sharks (Pty) Limited

years of service: 20
qualifications: CA (SA)

Independent Non-Executive Director

Moses Tembe

Age: 52

other directorships include: Beige Holdings Limited, Crescendo Management Services, Geochem (Pty) Ltd, OCS (Sa) (Pty) Limited

years of service: 6
qualifications: BA Public Administration and Political Science, Graduate of Caltex Business Management Programme (UCT)

Alternate Director

Neill Abrams

Age: 49

other directorships include: Ocado Group Plc

years of service: 4
qualifications: BA, LLB (Wits), LLM (Cambridge)

Alternate Director

Tracey Chiappini-Young

Age: 42

other directorships include: Taunina (Pty) Limited, Taunina LLC

years of service: 4
qualifications: BBusSci (UCT), CFA, Associate in Applied Science (FIT), TRIUM EMBA (NYU, HEC, LSE)

Alternate Director

Steve Ellis

Age: 52

years of service: 22
qualifications: CA (SA)