



**MR PRICE GROUP LIMITED**

OPERATING REPORT

26 WEEKS ENDED 28 SEPTEMBER 2013





Registration number 1933/004418/06  
Incorporated in the Republic of South Africa  
ISIN: ZAE 000026951  
JSE share code: MPC  
("Mr Price" or "the Company" or "the Group")

<b>INDEX</b>	<b>Page</b>
Results (Press) announcement	2
Press release	3
Operating report	6
Interim cash dividend declaration	12
Unaudited results for the 26 weeks ended 28 September 2013	
Consolidated statement of financial position	13
Consolidated statement of comprehensive income	14
Consolidated statement of cash flows	15
Consolidated statement of changes in equity	16
Segmental reporting	17
Supplementary information	18
Notes	18





# Mr Price Group Limited

UNAUDITED GROUP RESULTS AND INTERIM CASH DIVIDEND DECLARATION FOR THE 26 WEEKS ENDED 28 SEPTEMBER 2013

This short form announcement is the responsibility of the Directors. It is a summary of the full announcement and does not contain full details. The full announcement and additional information contained in the presentation to the Investment Analysts Society, on which investment decisions should be based, are available, at no charge, on SENS, at the Mr Price Group Limited registered office (Monday to Friday, 08H00-16H30) and on the Group's website: [www.mrpricegroup.com/InvestorRelations/ReportsResults.aspx](http://www.mrpricegroup.com/InvestorRelations/ReportsResults.aspx).

## HIGHLIGHTS

26 weeks ended	2013 28 Sept	2012 29 Sept	% change
Revenue (R'm)	7 150	6 226	14.8
Operating profit (R'm)	1 013	825	22.8
Operating margin (%)	14.7	13.7	
Earnings per share (c)			
- Basic	303.8	247.8	22.6
- Headline	305.0	253.2	20.4
- Diluted headline	283.6	232.5	22.0
Dividend per share (c)	168.0	133.0	26.3
Dividend payout ratio (%)	55.1	52.5	

- **Retail sales up 14.6% driven by strong increase in cash sales of 15.1% (79.2% of Group sales)**
- **Continued market share gains in a tough consumer environment**
- **Diluted headline earnings per share up 22.0%**
- **Dividend per share up 26.3%**
- **Cash flows from operations up 119.2%. Cash resources of R1.6 billion to fund future growth**
- **3rd in 'Financial Mail Top Companies 2013' based on 5 year returns to shareholders**

## INTERIM CASH DIVIDEND DECLARATION

As previously communicated, the Company plans to more closely align the interim and annual dividend payout ratios over time. As a consequence, the increase in dividend per share at the interim stage is higher than the increase in headline earnings per share. No change to the annual payout ratio is expected.

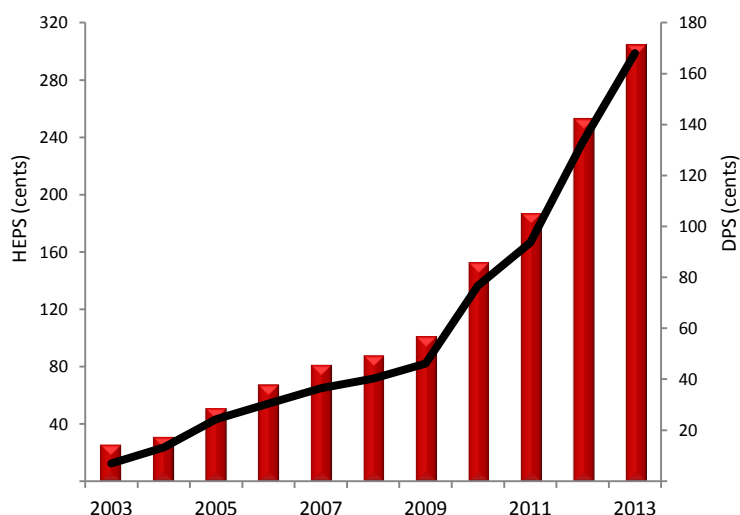
Notice is hereby given that the Board has declared an interim gross cash dividend of 168.0 cents per ordinary and B ordinary share. Shareholders that are not exempt from the withholding tax of 15% will receive a net dividend of 142.8 cents per share. The dividend has been declared from income reserves and no STC credits have been used. The tax reference number is 9285/130/20/0. The salient dates are as follows:

Last date to trade 'cum' the dividend	Friday	06 Dec 2013
Date trading commences 'ex' the dividend	Monday	09 Dec 2013
Record date	Friday	13 Dec 2013
Payment date	Tuesday	17 Dec 2013

Shareholders may not dematerialise or rematerialise their share certificates between Monday, 09 December 2013 and Friday, 13 December 2013, both dates inclusive.

On behalf of the board  
 NG Payne Chairman  
 SI Bird Chief Executive Officer  
 Durban  
 12 November 2013

## EARNINGS AND DIVIDENDS



Per share information:  
 ● Headline earnings ● Dividend

**10 YEAR COMPOUND ANNUAL GROWTH RATE - HEPs : 28.3% DPS : 37.6%**



MILADYS



**Mr Price Group Limited  
Directors**

**Sponsor  
Transfer Secretaries**

Registration Number: 1933/004418/06 · Incorporated in the Republic of South Africa · ISIN: ZAE000026951 · JSE Code: MPC  
 LJ Chiappini\* (Honorary Chairman), SB Cohen\* (Honorary Chairman), NG Payne\* (Chairman), SI Bird (Chief Executive Officer), MM Blair (Chief Financial Officer), K Getz\*, MR Johnston\*, RM Motanyane\*, D Naidoo\*, MJD Ruck\*, WJ Swain\*, M Tembe\*, N Abrams\*, TA Chiappini-Young\*, SA Ellis\*  
 \* Non-executive director, ^ Alternate director  
 Rand Merchant Bank (a division of FirstRand Bank Limited)  
 Computershare Investor Services (Pty) Ltd

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## PRESS RELEASE

### SOLID PERFORMANCE FROM MR PRICE GROUP IN CHALLENGING TRADING CONDITIONS

Retail sales up 14.6%  
Cash sales up 15.1% (79.2% of Group sales)  
Operating profit up 22.8%  
Diluted HEPS up 22.0%  
Interim dividend per share up 26.3%  
Cash flows from operations up 119.2%

Cash resources of R1.6 billion to finance future growth  
Stores in West Africa performing well  
Apparel e-commerce extended to international markets  
3<sup>rd</sup> in 'Financial Mail Top Companies 2013' based on 5 year returns to shareholders

**The Company has achieved a 10 year compound annual growth rate in HEPS of 28.3% and DPS of 37.6% at the interim stage.**

*[Durban, 12 November 2013]* Cash retailer Mr Price Group announced today that its tried and tested fashion-value retailing formula had resulted in strong sales growth and operating profit, headline earnings and dividend per share all increasing by more than 20%. The performance is against a backdrop of low consumer confidence in a challenging retail environment, caused by slowing real wage and credit growth.

Retail sales for the 26 weeks ended 28 September 2013 increased by 14.6% to R6.9 billion. Sales in like-for-like locations (comparable sales) were up by 9.6%. For the five months to August 2013, as reported by Stats SA, total retail sales growth was 7.3% and retailers in textiles clothing and footwear was 10.6%. "We focused on avoiding chasing credit sales to drive top-line growth and are pleased that cash sales growth of 15.1% exceeded credit sales growth of 11.6%. We have been loyal to our cash model and 79.2% of total sales were for cash," said CEO Stuart Bird. "Despite tapping-off on credit, our largest chain, Mr Price Apparel, which represents 55.5% of Group sales, achieved strong market share gains, which is proof that our merchandise offer hit the mark," added Bird.

A weak currency, which affects all retailers, resulted in retail selling price inflation increasing by 8.3% and units sold increased by 5.8% to over 97.5 million units. The opening of 24 new and the closing of 12 stores resulted in net closing trading space increasing by 3.1% (September 2012 to September 2013). "Although ongoing space rationalisation (closures and space reductions) continues to favourably impact profitability, we are still focused on adding good quality space (new stores and expansions) and new trading space added increased by 6.0%," said Bird.

Other income increased by 22.6% as a result of interest on trade receivables rising by 20.6%, while financial services premium income was up by 43.0% and represents an ongoing growth opportunity.

The gross profit margin increased from 41.3% to 41.7% of retail sales. Selling and administrative expenses grew by 13.4%, a level below the increase in sales despite space growth, increased bad debts and investment costs being incurred to position the Group for future growth, which include:

- E-commerce – Mr Price Apparel opening MRP.COM to international markets and Mr Price Home and Sheet Street building capacity to launch their local sites before the festive season;
- Human capital management systems – a full HR suite which has resource scheduling as a core component to ensure that staff levels are commensurate with trading demands; and
- ERP – the conversion from legacy systems to Oracle, with the implementation of the first trading division planned for mid-2014.

The Group has opened two new stores in Nigeria in the last six months, bringing the total to four. "We no longer view Nigeria and Ghana as test markets. Although a more efficient supply chain will in time enable us to lower selling prices and be very competitive in those markets, they are currently performing well and confirm their potential," said Bird. "In addition, the online sales platform will represent a strong growth opportunity globally and will allow a cost effective test of foreign markets," he added.

Profit from operating activities increased by 22.8% and, for the first time, exceeded R1 billion at the interim stage. The operating margin improved from 13.7% to 14.7% of retail sales. Net finance income was up by



40.4% primarily as a result of higher average cash balances. The effective taxation rate was 28.4% compared with 28.6% in the prior period. Headline earnings per share (HEPS) increased by 20.4% to 305.0 cents and diluted headline earnings per share of 283.6 cents increased by 22.0%.

The dividend per share (DPS) has increased at a rate higher than earnings growth and was up by 26.3% to 168.0 cents. The interim payout ratio has increased from 52.5% to 55.1% in line with the Company's aim to more closely align the interim payout ratio with the annual ratio of 62.6%. No change to the annual payout ratio is expected in the short term.

The Group placed 3<sup>rd</sup> in the 'Financial Mail Top Companies 2013' review which was based on a 5-year internal rate of return on share price and 6<sup>th</sup> in the Sunday Times Top 100 Companies 2013 (5-year CAGR in share price and dividends). "We were also pleased to have been selected as a finalist in the World Retail Awards – 'Emerging Market Retailer of the Year' category for the second consecutive year," said Bird. "The Company was voted leader in Reporting and Communication in the Retail Services sector as well as the overall winner across all sectors in the 2013 Investment Analysts Society awards."

The Apparel chains increased sales and other income by 16.4% to R5.2 billion, with comparable sales up by 10.0% and retail selling price inflation of 7.8%. Operating profit grew by 19.0% to R866.1 million and the operating margin increased from 17.0% to 17.4% of retail sales.

Mr Price Apparel recorded sales growth of 17.0% (comparable 10.3%) to R3.8 billion. Weighted average space growth of 8.6% was the highest in the Group. "The division has had a very good first half with sales and operating profit well ahead of the prior year and budgeted levels," said Bird. "It is well placed to continue this momentum into the second half, although there will be a tougher base in the last quarter." Mr Price Sport increased sales by 15.7% (comparable 8.2%) to R431.3 million and Miladys by 9.9% (comparable 9.5%) to R664.9 million.

The Home chains increased sales and other income by 11.2% to R2.0 billion, with comparable sales up by 8.6% and retail selling price inflation of 9.5%. Operating profit rose by 27.0% to R226.2 million and the operating margin increased from 10.3% to 11.8% of retail sales. Mr Price Home increased sales by 12.0% (comparable 10.5%) to R1.3 billion and Sheet Street by 8.6% (comparable 4.8%) to R587.6 million.

Since year end in March, gross trade receivables have increased by 8.1% to R1.7 billion. The net bad debt to book ratio has increased from 6.5% to 6.8%, a rate which is still well below the market. The provision for doubtful debts has been set at 9.4% of the debtors' book.

The Group's business model of selling predominantly for cash has enabled it to maintain its healthy balance sheet. Despite increased dividends, higher capital expenditure and purchasing treasury shares to the value of R111.7 million, the Group ended the period with cash resources of R1.6 billion. Cash generated by operating activities increased by 119.2%. "These cash resources are important to fund future increased working capital requirements and the Group's significant investments for the future, primarily in IT and the building of the new distribution centre," said Bird.

## Outlook

The Group plans to open 43 stores in the second half of the year and retail selling price inflation is expected to exceed 10% as a consequence of currency exchange rates. In the corresponding period last year, sales growth in the 3<sup>rd</sup> quarter, which was impacted by poor deliveries in certain merchandise categories in Mr Price Apparel, was 10.0% and the 4<sup>th</sup> quarter 14.6%, which represents a tougher base.

"In the short term there are significant headwinds facing consumers and in such tight economic conditions, consumers tend to shop for value. As a value retailer, the Group is well placed to attract more customers and history has proved that these customers are retained when trading conditions improve. The Group will continue its steadfast focus on its core competency of offering fashionable merchandise at everyday low prices," said Bird.



“There are many opportunities and challenges ahead and we have been working hard on building processes, systems and infrastructure that will form a solid foundation for our growth strategy. Our focus is on ensuring that we are clear about the new territories that we will enter and the trading formats which we will adopt, while ensuring that we continue to build momentum locally,” he concluded.

#### **About Mr Price Group Limited**

Mr Price Group is a high growth South African based fashion-value retailer, selling predominantly for cash. The Group retails apparel, homeware and sporting goods in two business segments of ‘Apparel’ which includes Mr Price Apparel, Mr Price Sport and Miladys and ‘Home’, which includes Mr Price Home and Sheet Street. Mr Price Apparel launched its online sales platform in South Africa in July 2012 and internationally in July 2013. Financial services products are also offered to customers. The Group operates 1 041 corporate owned stores in South Africa, Botswana, Namibia, Swaziland, Lesotho, Nigeria and Ghana and 26 franchise stores in Kenya, Zambia, Tanzania, Malawi, Uganda, Mauritius, Mozambique and Rwanda. At period end the Group employed 20 231 associates. Visit [www.mrpricegroup.com](http://www.mrpricegroup.com) for more information.

ENDS

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## OPERATING REPORT

Highlights		2013	2012	% change
Revenue	R'million	<b>7 150</b>	6 226	14.8
Retail sales	R'million	<b>6 892</b>	6 015	14.6
Gross profit margin	%	<b>41.7</b>	41.3	
Profit from operating activities	R'million	<b>1 013</b>	825	22.8
Group operating margin	%	<b>14.7</b>	13.7	
Apparel segment	%	<b>17.4</b>	17.0	
Home segment	%	<b>11.8</b>	10.3	
Headline earnings per share	cents	<b>305.0</b>	253.2	20.4
Diluted headline earnings per share	cents	<b>283.6</b>	232.5	22.0
Dividend per share	cents	<b>168.0</b>	133.0	26.3
Dividend payout ratio	%	<b>55.1</b>	52.5	
Cash and cash equivalents	R'million	<b>1 585</b>	1 030	

### Economic and retail environment

The South African retail environment remains challenging, with consumer and business confidence being negatively impacted by slowing credit and real wage growth, while tight fiscal policy by government is not supportive of strong consumer growth. The TransUnion SA Consumer Credit Index declined further in Q32013, highlighting the current level of distressed borrowing and resultant credit defaults. Despite these pressures, the retail environment is still expected to be positively impacted by the continued expansion of the emerging middle class and the low interest rate environment. As a consequence, household consumption expenditure is expected to increase by between 3 and 4% over the next few years.

As a value retailer with a high growth strategy, the Group is well placed to overcome these challenges and do justice to its long term growth rate in earnings and dividends (refer to Prospects on page 10).

### Financial commentary

#### Retail Sales

The Group increased retail sales by 14.6% to R6.9 billion and comparable sales rose by 9.6%. The total retail sector, as reported by Statistics South Africa, grew sales by 7.3% for the five months to August 2013.

Total revenue, which includes retail sales and other income, was up by 14.8% to R7.2 billion.

The sales performance for the period was characterised by the following factors:

- Increase in retail selling price (RSP) inflation of 8.3%, mainly due to ZAR weakness against the USD impacting the input cost of merchandise and therefore selling prices;
- Growth in net closing space of 3.1%, consisting of new and expanded stores of 6.0%, less store closures or reductions of 2.9%. 24 stores were opened and 12 closed and the Group ended the period with 1 041 corporate owned and 26 franchise stores;
- Unit sales growth of 5.8%, which is lower than the 9.0% achieved in the comparable period as a result of higher RSP inflation; and
- Strong cash sales growth of 15.1% versus an 11.6% increase in credit sales.



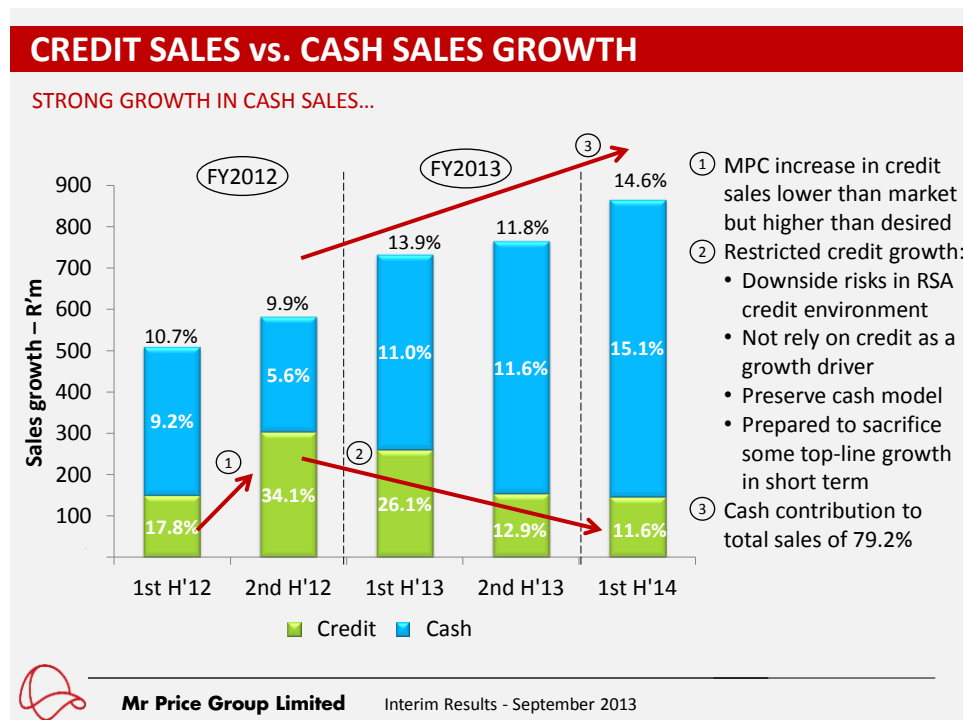
### Approach to Credit

The Group's credit sales growth spiked in Q3 FY2011, albeit at a level lower than the market experienced. Since then, MPC's approach to credit has been a conservative one, reducing marketing campaigns aimed at opening new accounts, increasing the minimum credit-score necessary to open an account and lowering credit limits.

In addition, accounts opened via marketing campaigns in the current period were only offered 6 month payment terms. The 6 month accounts in the MPC portfolio have a lower bad debt rate than the 12 month accounts and pay down their accounts sooner, thereby improving cash flow.

From a risk and cash flow perspective, MPC's strategy is to have a small (relative to our retail competitors), tightly controlled debtors' book. The Company is currently evaluating the impact of extending the reduced 6 month payment terms to those accounts applied for 'through the door', which constitute approximately 2/3 of accounts opened in a year. The majority of the book (95.1%) is interest bearing, with only the older portion of the Miladys book still being interest free. It is expected that in time the ratio of interest bearing accounts will increase further.

Cash sales constituted 79.2% of Group sales for the period.



The Apparel chains increased retail sales and other income by 16.4% to R5.2 billion with comparable sales up by 10.0% and retail selling price inflation of 7.8%. Operating profit grew by 19.0% to R866.1 million and the operating margin increased from 17.0% to 17.4% of retail sales. Mr Price Apparel opened 9 new stores and recorded sales growth of 17.0% (comparable 10.3%) to R3.8 billion. Mr Price Sport recorded sales growth of 15.7% (comparable 8.2%) to R431.3 million and Miladys 9.9% (comparable 9.5%) to R664.9 million.

The Home chains increased retail sales and other income by 11.2% to R2.0 billion with comparable sales up by 8.6% and retail selling price inflation of 9.5%. Operating profit rose by 27.0% to R226.2 million and the operating margin increased from 10.3% to 11.8% of retail sales. Mr Price Home increased sales by 12.0% (comparable 10.5%) to R1.3 billion and Sheet Street by 8.6% (comparable 4.8%) to R587.6 million.



Other income grew by 22.6% as follows (R'm):

	Sep 13	Sep 12	% change
Interest on trade receivables	147	123	19.8%
Miladys - Club fees	6	6	-5.3%
Financial services - Premium income	69	48	43.0%
Service fee and other income	6	9	-28.7%
<b>Total</b>	<b>228</b>	<b>186</b>	<b>22.6%</b>

### Gross Margin and Currency Volatility

As previously communicated, MPC's approach has been to not attempt to absorb the financial impact that ZAR weakness has on the landed cost of merchandise, but to rather pass it on and therefore recover it in the selling price of merchandise. As a result of this strategy, together with improved markdowns and product mix changes, the gross profit margin increased from 41.3% to 41.7%. However, intense focus has been given to ensuring that the Group still provides the incredible value that it has become known for over many years. The sales growth and margins achieved would not have been possible without the passionate and dedicated merchant teams who have offered value conscious shoppers the quality, price and fashion they desire.

### Expenses

Total expenses increased by 13.4% compared to an increase in retail sales of 14.6%, despite incurring costs that are being incurred 'upfront' i.e. ahead of the revenue curve, or before efficiencies can be realised.

*E commerce* – following the successful launch of Mr Price Apparel's online offer last year, the concept was extended to international markets during the period. Mr Price Home and Sheet Street will be launching their online offers before the upcoming festive season and Mr Price Sport in the next financial year.

*HCM* – A complete suite of HR systems which includes labour scheduling is in the process of being rolled out. A key objective is to improve resource planning to ensure that staff levels are commensurate with trading demands. Initial results in Mr Price Apparel and Mr Price Home, who are at the most advanced level of rollout, are encouraging.

*ERP* – The conversion from the legacy IT systems to Oracle is progressing well, with the first test division's change-over planned for mid-2014. The rollout to other divisions will follow a successful implementation in Mr Price Sport.

A detailed expense analysis follows:

ANALYSIS OF EXPENSES		
	2013 R'm	% Change
Increase in retail sales		14.6%
Total expenses	2 092	13.4%
Selling	1 603	14.2%
Administrative	489	11.2%
<b>Adjustments for significant items:</b>		
Reduce selling expenses for space growth	(41)	
Investment for future growth – Online, people, human capital management system	(17)	
Bad debt/ provision increase	(35)	
Financial Services*1	(4)	
Share based payments	(7)	
Credit card fees	(10)	
FEC movements	(2)	
Remaining costs	1 976	6.9%

\*1 Increase is relative to growth in other income, not retail sales



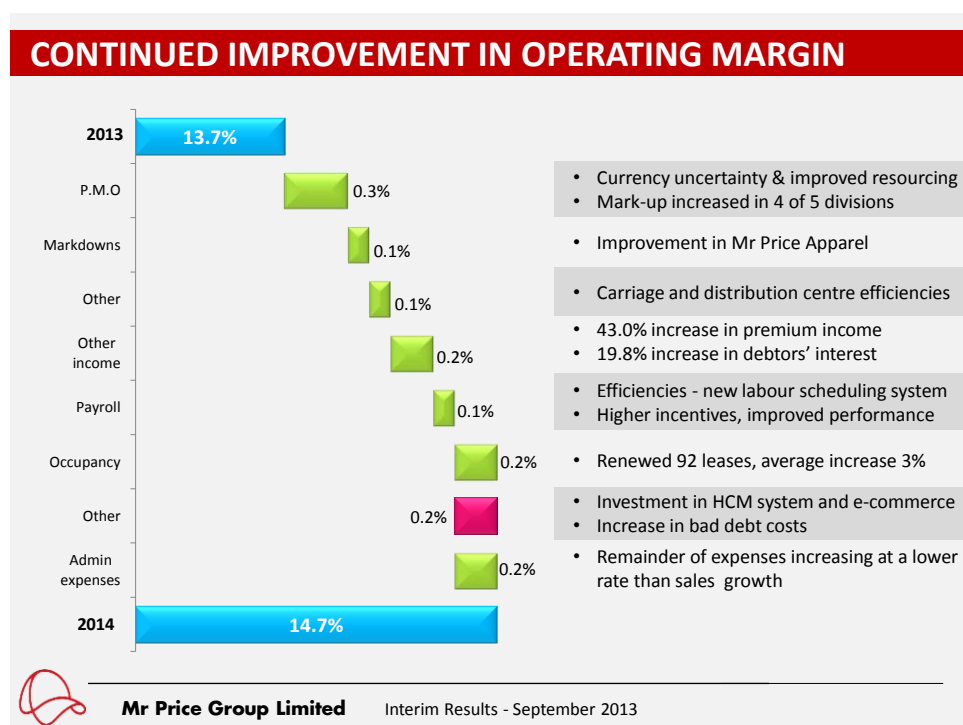
Mr Price Group Limited

Interim Results - September 2013



Operating profit increased by 22.8% and, for the first time, exceeded R1.0 billion at the half year mark. The operating margin increased to 14.7% of retail sales, compared with last year's 13.7%.

The increase in operating margin can be explained as follows:



Net finance income was 40.4% higher than the comparable period as a result of higher average cash balances.

The effective taxation rate for the period was 28.4% which was marginally lower than the prior year's 28.6%.

The number of shares in issue at period end increased by 1.9 million due to the decreased number of treasury shares held. Treasury shares sold as a result of share options vesting exceeded treasury share purchases during the period. Treasury shares held all relate to covering the Group's commitments under its various share schemes.

Headline earnings per share increased by 20.4% to 305.0 cents. The increase in the weighted average share price for the year to R128.21 (2012: R114.62) was more than offset by the lower number of outstanding options at the end of the period resulting in the growth in diluted headline earnings per share exceeding the growth in headline earnings per share.

### Financial Position

Additions to **property, plant and equipment** for the period amounted to R124.1 million, of which furniture, fittings, equipment and vehicles constituted 84% (2012: 84%) and computer equipment 14% (2012: 16%). Disposals of property, plant and equipment totaling R26.0 million (2012: R3.8 million) occurred due to the closure of non-performing stores, planned space reductions and the disposal of land and buildings (R22.0 million). The depreciation charge for the period was R77.9 million (2012: R83.0 million).

Additions to **intangible assets** amounted to R104.9 million and related primarily to the e-commerce, ERP and Human Capital Management systems. The amortisation charge for the period amounted to R14.7 million (2012: R14.8 million).

Net **inventories** increased by 18.6% over the prior year and by 7.1% since March 2013. The Group was understocked at this stage last year primarily due to poor deliveries by certain suppliers. The situation has improved significantly this year due to various measures that have been put in place. Inventory is generally in



good shape and the Group is well placed for the upcoming festive season. Group stock turn remained in line with the prior year at 6.7 times.

**Trade and other receivables** increased by 21.5% over the comparable period and by 7.8% since March, to R1.6 billion. Gross trade receivables increased by 23.4% to R1.7 billion (September on September). 95.1% of the debtors' book is interest bearing. Net bad debt as a percentage of the debtors' book increased from 6.1% to 6.8% (September on September) largely as a result of the hardships currently being experienced by consumers. Independent benchmarking continues to confirm that the Company leads the industry in terms of the health of its book. The provision for impairment has been conservatively set at 9.4% of trade receivables.

**Prepayments** increased from R39.5 million to R48.5 million primarily as a consequence of the prepayment of operating lease rentals for the stores opened in Nigeria.

**Trade and other payables** increased significantly due to the timing of month end creditor payments. Period end was Saturday, 28 September 2013 and creditors were paid on Monday the 30<sup>th</sup>.

The Group continues to reflect a healthy financial position, with the cash sales component remaining high at 79.2%. Despite dividends paid increasing by 20.8% to R666.4 million, capital expenditure of R229.0 million and the purchase of treasury shares to the value of R111.7 million to partially cover share scheme obligations, cash balances ended the period at R1.6 billion. The cash-generative business model will ensure that the Company will be able to fund future increased working capital requirements and its new infrastructure costs and growth without incurring debt.

**Equity attributable to shareholders** has increased by R26 million to R3.3 billion. The movement is made up as follows:

	R'm	
Total equity at beginning of the period	3,316	
Total comprehensive income for the period	749	
Treasury share transactions (see detail below)	(88)	
Recognition of share-based payments	31	
Dividend to shareholders	(666)	
	<u>3,342</u>	
Treasury share transactions include:		R'm
The purchase of treasury shares to partially cover options granted		(112)
The deficit arising on the vesting of share options		(36)
Inflow of option price on vesting of options		42
Taxation relating to grants from the Company to the share trusts		18
		<u>(88)</u>

## Prospects

In the 2<sup>nd</sup> half of the year the Group plans to open 43 stores and close 4, an increase from the net 12 stores opened in the 1<sup>st</sup> half. RSP inflation is expected to be in double digits as a result of the impact that exchange rates have on both imported and locally manufactured merchandise, as the latter largely requires imported fabric.

The tailwinds that have been driving retail sales in South Africa in the recent past are abating. Credit growth is slowing, as has real wage growth. In anticipation of this, the Group purposefully restricted the pace of credit sales growth, even though this only contributes 20.8% of total sales.



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The Group has successfully managed through previous periods of currency volatility and low economic growth and has the following defenses which should result in being able to deliver sound earnings growth in both good and tough economic times, and being a less cyclical business than its competitors:

**Positioning** - Fashion value retailing is the core of the Group's success. Selling fashionable merchandise at everyday low prices has led to consistent gains in market share over an extended period. The Group tends to increase market share in tough economic times and retains these customers when good times return. Being a predominantly cash based retailer provides the cash flow to invest in future growth without incurring debt.

**High growth strategy** - The Group is focused on continued growth and reducing the impact of reliance on one primary market. Focus on South Africa will still be critical - capturing greater market share and continuing to expand the store base and improving operating margins. Further afield, the stores opened in Nigeria and Ghana last year are performing well and two more stores were opened in Nigeria in the current period. Other potential sites are being evaluated and new trading territories are being researched.

Mr Price Apparel launched its online platform last year and extended this to international markets in July 2013. Mr Price Home, Sheet Street and Mr Price Sport all plan to launch their local online businesses within the next 6 months. Once implemented, the Group will be the first retailer in South Africa to offer a universal basket – the ability to shop online at the various trading divisions and check out as a single transaction.

The above forecast information has not been reviewed and reported on by the Group's external auditors.

#### **Dividend policy and interim cash dividend**

The Group seeks to maintain a balance between:

- maintaining a strong balance sheet by having adequate cash resources;
- returning funds to shareholders in the form of dividends; and
- funding the required level of capital expenditure to maintain and expand its operations.

As previously communicated, the Company plans to more closely align the interim and annual dividend payout ratios over time. As a consequence, the increase in dividend at the interim stage is higher than the increase in headline earnings per share. No change to the annual payout ratio is expected. The interim dividend has increased by 26.3% to 168.0 cents per share (refer page 12).





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**UNAUDITED GROUP RESULTS AND INTERIM CASH DIVIDEND DECLARATION FOR THE 26 WEEKS ENDED 28 SEPTEMBER 2013**
**INTERIM CASH DIVIDEND DECLARATION**

As previously communicated, the Company plans to more closely align the interim and annual dividend payout ratios over time. As a consequence, the increase in dividend at the interim stage is higher than the increase in headline earnings per share. No change to the annual payout ratio is expected.

Notice is hereby given that an interim gross cash dividend of 168.0 cents per share has been declared, an increase of 26.3%. As the dividend has been declared from income reserves and no STC credits are available for utilisation, shareholders, unless exempt or who qualify for a reduced withholding tax rate, will receive a net dividend of 142.8 cents per share.

The issued share capital at the declaration date is 251 183 867 listed ordinary and 13 445 081 unlisted B ordinary shares. The tax reference number is 9285/130/20/0.

The salient dates for the dividend will be as follows:

Last date to trade 'cum' the dividend	Friday	06 Dec 2013
Date trading commences 'ex' the dividend	Monday	09 Dec 2013
Record date	Friday	13 Dec 2013
Payment date	Tuesday	17 Dec 2013

Shareholders may not dematerialise or rematerialise their share certificates between Monday 9 December 2013 and Friday 13 December 2013, both dates inclusive.

On behalf of the board

NG Payne - Chairman

SI Bird - Chief Executive Officer

Durban

12 November 2013

**DIRECTORS**

LJ Chiappini\* (Honorary Chairman), SB Cohen\* (Honorary Chairman), NG Payne\* (Chairman), SI Bird (Chief Executive Officer), MM Blair (Chief Financial Officer), N Abrams\*^, TA Chiappini-Young\*^, SA Ellis^, K Getz\*, MR Johnston\*, RM Motanyane\*, D Naidoo \*, MJD Ruck\*, WJ Swain\*, M Tembe\*

\* Non-executive director

^ Alternate director

**TRANSFER SECRETARIES**

Computershare Investor Services (Pty) Ltd

**SPONSOR**

Rand Merchant Bank (a division of FirstRand Bank Limited)



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

R'm	2013 28 Sept	2012 29 Sept	2013 30 Mar
<b>Assets</b>			
Non-current assets	1,025	796	927
Property, plant and equipment	681	584	660
Intangible assets	195	108	105
Long-term receivables and prepayments	7	9	8
Defined benefit fund asset	20	15	20
Deferred taxation assets	122	80	134
Current assets	4,540	3,489	3,970
Inventories	1,324	1,117	1,236
Trade and other receivables	1,631	1,342	1,513
Cash and cash equivalents	1,585	1,030	1,221
<b>Total assets</b>	<b>5,565</b>	<b>4,285</b>	<b>4,897</b>
<b>Equity and liabilities</b>			
Equity attributable to shareholders	3,342	2,800	3,316
Non-current liabilities	205	199	206
Lease obligations	184	183	185
Deferred taxation liabilities	4	1	5
Post retirement medical benefits	17	15	16
Current liabilities	2,018	1,286	1,375
Trade and other payables	1,957	1,240	1,276
Current portion of lease obligations	43	36	38
Taxation	18	10	61
<b>Total equity and liabilities</b>	<b>5,565</b>	<b>4,285</b>	<b>4,897</b>



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

R'm	2013 28 Sept 26 weeks	2012 29 Sept 26 weeks	% change	2013 30 Mar 52 weeks
<b>Revenue</b>	<b>7,150</b>	6,226	14.8	13,720
Retail sales	6,892	6,015	14.6	13,266
Other income	228	186	22.6	398
Retail sales and other income	7,120	6,201	14.8	13,664
Costs and expenses	6,107	5,376	13.6	11,592
Cost of sales	4,015	3,532	13.7	7,664
Selling expenses	1,603	1,404	14.2	2,996
Administrative and other operating expenses	489	440	11.2	932
Profit from operating activities	1,013	825	22.8	2,072
Net finance income	31	22	40.4	56
Profit before taxation	1,044	847	23.2	2,128
Taxation	297	242	22.5	591
Profit attributable to shareholders	747	605	23.5	1,537
<i>Other comprehensive income:</i>				
Currency translation adjustments	2	-		6
Defined benefit fund net actuarial gain	-	-		2
Total comprehensive income	749	605	23.9	1,545

**Earnings per share (cents)**

- basic	303.8	247.8	22.6	627.6
- headline	305.0	253.2	20.4	635.5
- diluted basic	282.5	227.5	24.2	577.6
- diluted headline	283.6	232.5	22.0	584.8
Dividend payout ratio (%)	55.1	52.5		62.6
Dividends per share (cents)	168.0	133.0	26.3	398.0



**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>2013</b>	2012	2013
	<b>28 Sept</b>	29 Sept	30 Mar
R'm	<b>26 weeks</b>	26 weeks	52 Weeks
<b>Cash flows from operating activities</b>			
Operating profit before working capital changes	<b>1,013</b>	848	2,127
Working capital changes	<b>453</b>	(109)	(386)
Net interest received	<b>175</b>	146	317
Taxation paid	<b>(302)</b>	(274)	(607)
Net cash inflows from operating activities	<b>1,339</b>	611	1,451
<b>Cash flows from investing activities</b>			
Net receipts in respect of long-term receivables	<b>2</b>	1	2
Additions to and replacement of intangible assets	<b>(105)</b>	(30)	(49)
Property, plant and equipment			
- replacement	<b>(59)</b>	(83)	(173)
- additions	<b>(65)</b>	(49)	(116)
- proceeds on disposal	<b>23</b>	-	1
Net cash outflows from investing activities	<b>(204)</b>	(161)	(335)
<b>Cash flows from financing activities</b>			
Net purchase of shares by staff share trusts	<b>(70)</b>	(46)	(100)
Deficit on treasury share transactions	<b>(36)</b>	(23)	(113)
Dividends to shareholders	<b>(666)</b>	(552)	(888)
Net cash outflows from financing activities	<b>(772)</b>	(621)	(1,101)
Change in cash and cash equivalents	<b>363</b>	(171)	15
Cash and cash equivalents at beginning of the period	<b>1,221</b>	1,201	1,201
Exchange gains	<b>1</b>	-	5
Cash and cash equivalents at end of the period	<b>1,585</b>	1,030	1,221





**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

R'm	<b>2013 28 Sept</b>	2012 29 Sept	2013 30 Mar
Total equity attributable to shareholders at beginning of the period	<b>3,316</b>	2,780	2,780
Total comprehensive income for the period	<b>749</b>	605	1,545
Treasury share transactions	<b>(88)</b>	(56)	(184)
Recognition of share-based payments	<b>31</b>	23	63
Dividends to shareholders	<b>(666)</b>	(552)	(888)
Total equity attributable to shareholders at end of the period	<b>3,342</b>	2,800	3,316



**SEGMENTAL REPORTING**

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

- The Apparel segment retails clothing, sportswear, footwear, sporting equipment and accessories;
- The Home segment retails homewares; and
- The Central Services segment provides services to the trading segments including information technology, internal audit, human resources, group real estate and finance.

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

R'm	2013 28 Sept	2012 29 Sept	% change	2013 30 Mar
<b>Retail sales and other income</b>				
Apparel	5,161	4,435	16.4	9,759
Home	1,957	1,760	11.2	3,893
Central Services	2	6		12
<b>Total</b>	<b>7,120</b>	<b>6,201</b>	<b>14.8</b>	<b>13,664</b>
<b>Profit from operating activities</b>				
Apparel	866	728	19.0	1,728
Home	226	178	27.1	492
Central Services	(79)	(81)		(148)
<b>Total</b>	<b>1,013</b>	<b>825</b>	<b>22.8</b>	<b>2,072</b>
<b>Segment assets</b>				
Apparel	2,664	2,208	20.6	2,510
Home	784	664	18.0	721
Central Services	2,117	1,413		1,666
<b>Total</b>	<b>5,565</b>	<b>4,285</b>	<b>29.9</b>	<b>4,897</b>



**SUPPLEMENTARY INFORMATION**

	<b>2013 28 Sept</b>	2012 29 Sept	2013 30 Mar
Weighted average number of shares in issue (000)	<b>245,845</b>	244,059	244,980
Number of shares in issue (000)	<b>245,639</b>	243,746	245,772
Net asset value per share (cents)	<b>1,360</b>	1,149	1,349
<b>Reconciliation of headline earnings (R'm)</b>			
Attributable profit	<b>747</b>	605	1,537
Loss on disposal and impairment of property, plant and equipment and intangible assets	<b>4</b>	14	27
Taxation adjustment	<b>(1)</b>	(1)	(7)
Headline earnings	<b>750</b>	618	1,557
<b>Capital expenditure (R'm)</b>			
- expended during the period	<b>229</b>	162	338
- authorised or committed at period end	<b>412</b>	202	549
Number of stores	<b>1,041</b>	989	1,029

**Notes:**

1. The results at September 2013 and 2012 are unaudited. The results at March 2013 were audited by Ernst & Young Inc. The results have been prepared under the supervision of Mr MM Blair, CA(SA), Chief Financial Officer.
2. The accounting policies and estimates applied are in compliance with IFRS including IAS 34 Interim Financial Reporting and are consistent with those applied in the 2013 annual financial statements. All new and revised Standards and Interpretations that became effective during the period were adopted and did not lead to any significant changes in accounting policies. The financial statements have been prepared in accordance with the Companies Act of South Africa.
3. There have been no adverse changes to the contingent liabilities and guarantees provided by the Company as disclosed in the 2013 annual financial statements.

