# 2011

April 2010 - March 2011
PRICED RIGHT (VAT INCL)

# ANNUAL INTEGRATED REPORT 2011

## THE ANNIVERSARY ISSUE

## 25 years young

**Compound annual share price growth of 26% over 25 years**

**WE OWE OUR SUCCESS TO OUR ASSOCIATES AND PARTNERS**

**RedCap Foundation**

*Delivering sustainable outcomes*


MR PRICE LTD 2011 AIR

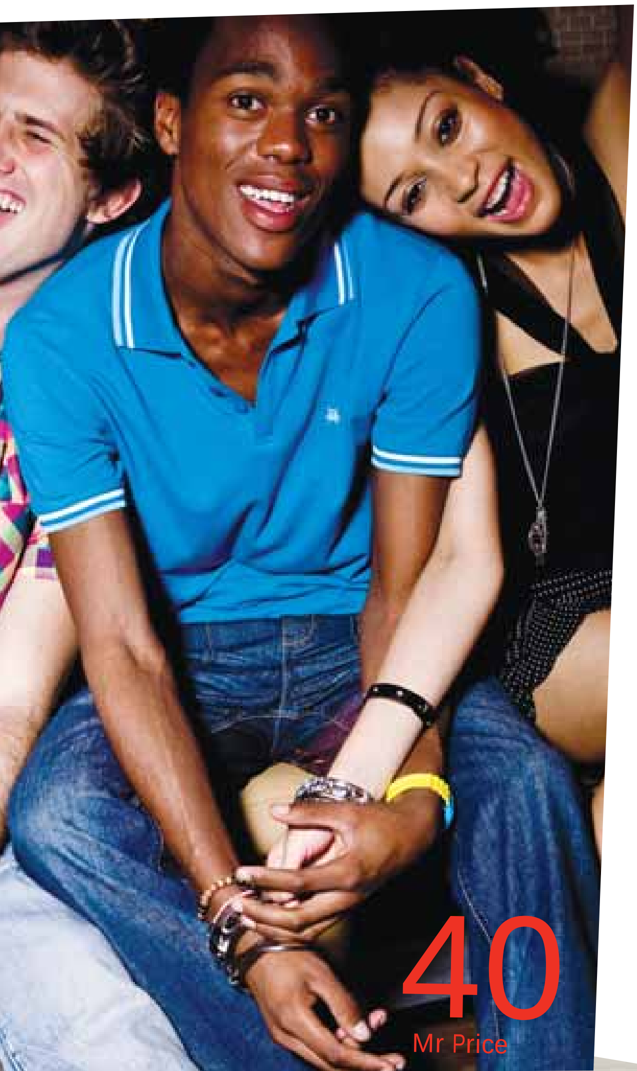
**MR PRICE GROUP LIMITED**


HEY! NICE TO


SEE YOU AGAIN.

INDEX

# INDEX




# SCOPE & BOUNDARY
## OF THE ANNUAL INTEGRATED REPORT

Last year the group took the first steps on its journey towards integrating social, environmental and governance performance with its financial performance. This year, the level of reporting has been enhanced in line with that set out in the King Code on Governance for South Africa, 2009 (King III). An important part of this process was the formal consideration of the true meaning of sustainability to the group.


**Mr Price Group Limited**

(Registration Number 1933/004418/06 Incorporated in the Republic of South Africa)
Upper Level, North Concourse, 65 Masabalala Yengwa Avenue, Durban, 4001, South Africa
P. O. Box 912, Durban, 4000, South Africa
Tel: +27 31 310 8000

**STATEMENT OF THE BOARD OF DIRECTORS OF MR PRICE GROUP LIMITED**

The board of directors (Board) acknowledges its responsibility to ensure the integrity of the annual integrated report and, in its opinion it addresses all material issues and presents fairly the integrated performance of the group. The annual integrated report has been prepared in line with best practice pursuant to the recommendations of the King III Code.

**SIGNED BY**

**AE McArthur**
**Chairman**

**SI Bird**
**Chief Executive Officer**

**MM Blair**
**Chief Financial Officer**

**WHO HAVE BEEN DULY AUTHORISED BY THE BOARD**

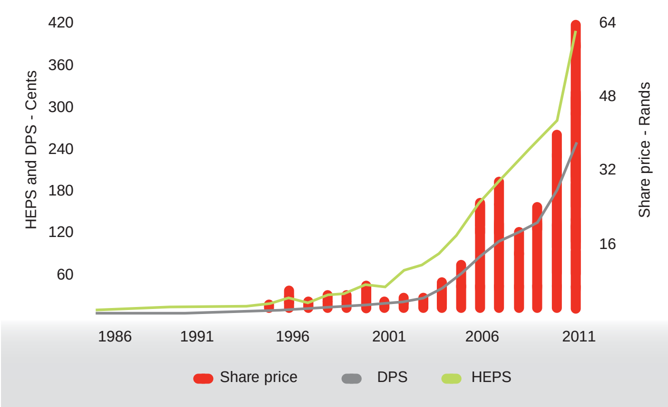
Honorary Chairmen: L J Chiappini, S B Cohen
Executive Directors: A E McArthur (Chairman), S I Bird (Chief Executive Officer), M M Blair (Chief Financial Officer)
Non-Executive Directors: K Getz, M R Johnston, R M Motanyane, N G Payne, M J D Ruck, S E N Sebotsa, W J Swain, M Tembe
Alternate Directors: N Abrams, T A Chiappini-Young, S A Ellis, Prof. L J Ring (USA)
Company Secretary: C S Yuill

This annual integrated report, for the 53 week period ended 2 April 2011, includes the consolidated financial results of Mr Price Group Limited trading in South Africa, its operations in Botswana, Namibia, Lesotho and Swaziland as well as the income received by the group from its 24 franchise operations trading elsewhere in Africa.

Relevant disclosures made include those pertinent to the group's own operations and exclude franchise operations. The group's social initiatives have focused on South Africa's national priorities. The group's strategic planning framework (refer to page 17) and the Global Reporting Initiative (GRI) guided the group on issues critical to long-term business sustainability.

The annual financial statements have been prepared on the historic cost and going concern bases, except where indicated otherwise in a policy detailed in the Statement of Accounting Policies. The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements.

# 2011 HIGHLIGHTS




**25 Year Compound Annual Growth Rate**

Headline earnings per share **23.5%** Dividends per share **25.3%**
Share price **26.2%**

**Operating profit (52 weeks: +39%)** +45%

**Headline earnings per share (52 weeks: +46%)** +51%

**Dividends per share** +46%

**25 year CAGR in dividends per share** 25%

CASH RESOURCES OF
R1.4 BILLION

ASSOCIATES EMPLOYED
17 877

# YEAR UNDER REVIEW


## Independently accredited as a **level 6 BBBEE contributor**

The group completed its first BBBEE verification exercise for the year ended 2011 and is proud to announce that it has been accredited as a level 6 Contributor. Page 99

## Luthuli Cup Soccer League in KwaDukuza


98

> *The Mr Price Knockout Cup was launched in May 2010 with 16 schools competing in an exciting four-day tournament. This proved to be such a hit with the learners that it has already been expanded to a league competition over two terms.*

Participation in the Carbon Disclosure Project (CDP) showing the group's commitment to reducing its carbon footprint. Page 90

*SETA accreditation of the group's e-learning training programmes - 14 133 e-learning programmes were completed during the year.*
*Page 119*

*ROE - Ranked 26th on the JSE*
*(page 26)*
*Finweek review - March 2011*


The Cape Times
Business Report
SATURDAY, JANUARY 21, 1984
Independent clothing stores challenge retailing giants

# 25

Celebrating 25 years of strong growth.
Page 22

*Financial Services division maintains its industry leading credit performance.*
*Page 52*


# MILESTONES ACHIEVED IN THE DIVISIONS

apparel
**> R1 Billion Profit**

Home
**> R2 Billion Sales**

Sport
**> R500 Million Sales**



| | Number of stores | Store details | Number of associates | Product offering |
|---|---|---|---|---|
| **APPAREL** | | | | |
| Mr Price apparel | 340 | Average store size 608m² | 9 420 | Clothing, footwear, accessories, underwear and maternitywear |
| Mr Price Sport | 40 | Average store size 1 121m² | 937 | Sporting apparel, equipment, footwear and accessories |
| MILADYS | 198 | Average store size 334m² | 2 051 | Classic and updated women's clothing, footwear, intimatewear, cosmetics and accessories |
| **HOME** | | | | |
| Mr Price Home | 130 | 69 Regular: 437m²<br>31 Mega: 900m²<br>23 Ultra: 1 932m²<br>7 Super: 4 825m² | 3 247 | Home textiles, homewares, furniture and kids merchandise |
| sheet street | 229 | Average store size 208m² | 1 445 | Bedroom, livingroom and bathroomware |
| **INTERNATIONAL** | | | | |
| Mr Price apparel / Mr Price Home | 24 | Franchise stores | 5* | Clothing, footwear, accessories, underwear and maternitywear. Home textiles, homewares and furniture |
| **FINANCIAL SERVICES** | | | | |
| Mr Price money | Credit and financial services available in all South African and Namibian stores | | 282 | Granting of credit, management and collection of debtors book and identification and marketing of financial services products |
| **CENTRAL SERVICES** | | | 490 | Provides services to the trading divisions including information technology, internal audit, human resources, group real estate and finance |
| | | | 17 877 | |

* Head office associates only

## *Customers and positioning*

Marketing is pitched at 16 to 24 year olds who want to keep abreast of the latest international trends at exceptional prices. LSM range six to 10

Value-minded sporting families who enjoy performance, quality, comfort and fit, whether they are participants or spectators. LSM range six to 10

Young at heart women aged 40+ years who have fashion sensibility and require differentiated, trend appropriate garments that offer style and co-ordination. LSM range six to 10

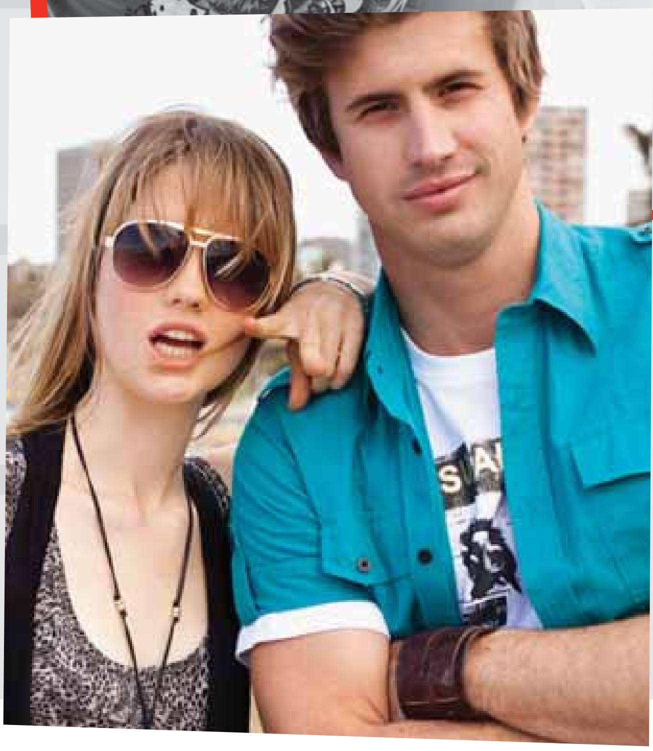
Contemporary lifestyle customers, aged 18 and upwards, all with a young at heart attitude. LSM range six to 10

Middle income consumers looking to co-ordinate their homes tastefully but responsibly. LSM range five to eight

The franchise stores operate the same business model as the owned stores

Customers of the respective trading divisions. Cards available are as follows:

• Mr Pricemoney
(Mr Price Apparel, Mr Price Home, Mr Price Sport)
• Miladys
• Sheet Street



# ANNUAL INTEGRATED REPORT INTRODUCTION

## How do we create value and make decisions?

The group is a fashion value retailer, selling predominantly for cash.

### Fashion

The financial strategy of the business is the base from which all merchandise assortments are built. Clear direction, together with performance targets, are given to all merchandise departments.

Frequent international travel to meet with global trend partners, attend trade shows, visit retailers for inspiration and study street styles are essential to keep our merchandise fresh. In so doing, key commercial looks are identified, and after carefully analysing test programmes, merchandise commitments are made.

Seasonal assortment planning starts with a seasonal post mortem, to identify what did and did not work from the previous season. This is a critical factor in planning future merchandise calls. Big category calls, colours, silhouettes, fashion balances and styling complete the pre-season process.

Seasonal advertising campaigns are driven by the business and merchandise strategies. Clear product and price advertising is always integrated with the brand personality. Product presentation, together with its visual support material, provides customers with a consistently clear idea of what the group stands for. Through websites, the blog and cellular technology, up-to-the-minute two-way dialogues with customers are possible. This feedback plays a vital role in keeping touch with social and fashion trends. Buying and planning teams meet on a daily basis, allowing the business to instantly react to customers' buying trends.

### Value

The value model is at the very core of the group's existence. Customers' perception of value is high if they are satisfied with the level of fashion, the quality and price of the merchandise. Being a value retailer means lower markups in order to offer 'everyday low prices' and selling higher volumes. This requires the group to source its product at the best possible price, which is aided by the large order quantities placed with suppliers. An example of this is the Mr Price Apparel division, which sold approximately six million pairs of jeans in the year under review.

Maintaining low overhead structures is imperative to delivering acceptable operating margins and in this regard the group has identified the following priorities:

- Information technology to support business processes and add value;
- Supply chain innovation; and
- Product sourcing and enhanced supplier engagement.

### Cash

Cash sales constitute 83.8% of total sales and the group is focused on remaining a cash-driven retailer. Projections contained in the seven year strategic plans reveal the cash sales ratio to still exceed 75% of total sales in 2018. This will continue to differentiate the group from its competitors in that:

- as a cash retailer, Mr Price Group is less affected by the cyclical nature of retail. In good times generally all retailers benefit, however in poor economic times, shoppers tend to 'shop for value' and are more likely to buy for cash for fear of building up credit that they will later be unable to service. The group increases market share in these times and history has shown that it retains these customers when conditions improve;
- in poor economic times it is less exposed to increased bad debt as it does not have the challenge of collecting a large debtors book; and
- strong cash flows will fund future growth without requiring gearing, and will enable the group to have a lower dividend cover, boosting its investment proposition.

### Governance

The group's overall governance structure can be found on pages 72 to 79. The board has created sub-committees to facilitate good governance and a separate section on each committee highlights their commitment, composition, role, objectives and key activities during this period.

# What are the circumstances under which we operate?

## The sustainability journey

Sustainability is important to the group's long-term prosperity. It has arisen from the need to ensure it continues to prosper within an increasingly pressurised and volatile external environment, by developing appropriate competencies and capacities. The sustainability journey has helped the group gain a deeper understanding of the environment in which it operates, clarifying the specific internal and external issues most critical to long-term sustainability.

The board has acknowledged the alignment between the group investing its resources in a manner that will set the foundation for long-term sustainable growth and financial return for shareholders. In so doing, the retail industry, the broader community and the environment will all benefit, while the group will aid in achieving certain South African national priorities. Although the sustainability journey, with its broader and more formal framework, has brought about fresh thinking, it has confirmed the belief that a long-term focus is well entrenched in the business. This is mainly due to the group's strategic planning process and the identification of key imperatives – factors that must be successfully addressed for the group to achieve its goals. The next step in the process will be to report targets and measurement indicators for key sustainability issues.

The group regards strategic planning and risk management as two inextricably linked processes. Under the control of the group risk and sustainability director, an enterprise-wide exercise to strengthen this alignment is underway.

## Material issues, impacts and relationships

Mr Price Group operates within a broader environment. When the environment is healthy, the various inter-related elements prosper, but when one or more elements in the system step out of balance, the longevity of all elements may be threatened. The group's environment has been reviewed within the global, South African, industry and company contexts. The most material issues and impacts are detailed below:

| Material issue | Description | Affected stakeholder group | Page reference |
|---|---|---|---|
| **Corporate culture and 'DNA'** | Maintaining the culture of entrepreneurship and innovation and living the values of Passion, Value and Partnership. | Associates<br>Future associates<br>Suppliers<br>Shareholders | 23<br>26 and 27<br>28 to 33 |
| **Market positioning** | Continued focus on the group's successful business model as a fashion-value retailer selling predominantly for cash. | Associates<br>Customers<br>Suppliers<br>Shareholders | 12 |
| **Sales and earnings growth** | Extending the group's track record of strong financial performance. | Associates<br>Suppliers<br>Shareholders<br>Communities<br>Customers | 17<br>20 and 21<br>26 and 27<br>34 to 36<br>60 to 71 |
| **Human capital** | Ensuring that there are robust business practices in place to provide the human capital required for the future state of the business. | Associates<br>Future associates | 94 to 101<br>102 to 115<br>116 to 120 |
| **Relationships with stakeholders** | Consideration of the broader operating environment and being a good corporate citizen. | All stakeholders | 16<br>86 to 92<br>96 to 99 |

## Global context

### Climate change

It is acknowledged that climate change is fundamentally changing the planet. This year the group again participated in the Carbon Disclosure Project (CDP) and launched initiatives to reduce its energy consumption – refer to page 90.

### Globalisation

The group's ability to drive value, which is fundamental to its business model, is largely impacted by global markets. Cotton, wood, leather, oil and fuel are critical inputs affecting prices. In an effort to ensure the best price for the local consumer, the group sources merchandise from local manufacturers and suppliers, who in turn may source offshore, particularly from China, Pakistan, Vietnam and India. Sourcing from the East, however, is not ideal as the need for shorter delivery times supports sourcing from local manufacturers. China in particular is undergoing social change that has seen a reduction in available supply and inflation challenges that may extend well into the future.

In anticipating the potential impacts of these changes, the group initiated a process to diversify its supply base and will continue to watch developments closely.

Currently the group is not materially directly exposed to fluctuations in currency movements as the price of the majority of its merchandise is negotiated with local suppliers in Rands. The group directly imported merchandise to the value of R203 million in the current financial year.

## South African context

South Africa is a developing nation faced with the following economic, social and political complexities:

- Economic – there are increasing economic disparities within the population, with a high unemployment rate and inflexible labour laws exacerbating the situation. The group supports broad-based black economic empowerment initiatives to address economic disparities and encourages meaningful economic development. The group achieved level 6 compliance in terms of broad-based black economic empowerment and is committed to at least maintaining this level. Refer to page 99.

  Mr Price Group is one of the few companies listed on the Johannesburg Stock Exchange that offers all its associates shares or share options. Immediate dividend flows bring tangible benefits and over time, share price appreciation has the potential to bring material financial benefit. Refer to pages 105 to 110 for additional information.
  Another way our associates share in the success of the business is that they all benefit from short-term and long-term incentive plans – refer to the remuneration report on pages 102 to 115.

  While the company gives preference to, and sources a significant proportion of its merchandise from local suppliers, its efforts are hampered by the lack of competitiveness of the local manufacturing industry. This is mainly a result of a reluctance on the part of local manufacturers to invest in new technology and therefore not benefiting from the associated productivity gains.

  Despite this enormous challenge, the group will continue to work with selected local suppliers and commit to minimum order quantities for these partners to invest and build more sustainable businesses. The group will continue to positively contribute to the economy by selling merchandise at incredible value, continuing to create jobs and improving the lives of its associates and communities.

> *"The group achieved Level 6 compliance in terms of broad-based black economic empowerment and is committed to at least maintaining this level."*

- Housing, health and safety – the government is under pressure to improve its service delivery in respect of these basic human needs that impact directly on the lives of millions of South Africans. The group offers all associates assisted medical aid cover (refer to page 105).

- Political and social stability – these impact upon customers' propensity to spend and the group's ability to do business. The group is apolitical and to ensure independent bodies continue to research, publish and comment on significant matters affecting all South Africans, this year it made a donation to the Free Market Foundation.

- Education – poor education levels contribute to a lack of skills, which hampers business growth. The poor numeracy and literacy levels of school leavers are impacting negatively on the group's recruitment, while tertiary education is not supporting a stream of learners into critical retail roles such as buying, planning and logistics. These challenges strain the organisation, both operationally and from a cost perspective as South Africa's pool of skilled resources becomes increasingly limited.

Increased efforts are being made to ensure that the staffing required in terms of the seven year strategic plan will be available and prepared for the exciting opportunities that lie ahead.

The group, through its Red Cap Academy, has partnered with the University of Pretoria to increase tertiary retail skills in South Africa and developed electronic retail-specific training programmes to train associates for a career in retail – refer to report on our people on pages 116 to 120.

Talent and management development programmes support the development of black managers and grow the leadership group. The group's corporate social investment initiatives support education and sports development – refer to the transformation comittee report on pages 94 to 101.

- External stakeholder pressure – government, consumers, investors, the Johannesburg Stock Exchange and the media all play key roles in the increasing demands on organisations from a corporate responsibility perspective. The group is committed to acting responsibly and to considering the interests of its stakeholders – in short, being a good corporate citizen. In doing so, it abides by the laws of the territories in which it transacts and expects its associates, suppliers and stakeholders to do likewise.

### Industry context
From an industry perspective, the key sustainability issues relate to the supply chain and merchandise sourcing.

### Group context
The group's entrepreneurial spirit is evidenced by its rapid growth over the last 25 years. This has been achieved by exploring new opportunities and taking calculated risks. The ability to maintain its distinctive culture of entrepreneurship and innovation, while simultaneously embedding aspects of personal accountability and solid integrated performance, are critical to the business's future prosperity. The values of Passion, Value and Partnership, documented on pages 28 to 33, are communicated to and well understood by the group's associates.

To extend its growth trajectory, the group constantly considers new opportunities, business concepts, products and markets. New areas of investment, particularly with regard to the internationalisation of the business will bring new risks. However, the board has recognised that taking risks is a necessary part of doing business. Robust risk management and strategic planning processes ensure that appropriate checks and balances are in place to avoid any potential negative impacts, and that risks are identified, measured and assessed upfront and are subject to review at critical times.

### Stakeholder engagement
The group recognises that there are many people and organisations interested in its economic, social and environmental performance. While communication with key stakeholders is ongoing, the group acknowledges a more enhanced level of engagement is required if it is to build dynamic and meaningful co-operation and interaction between itself and relevant stakeholders. This process is currently underway. Refer overleaf for an outline of identified stakeholders.

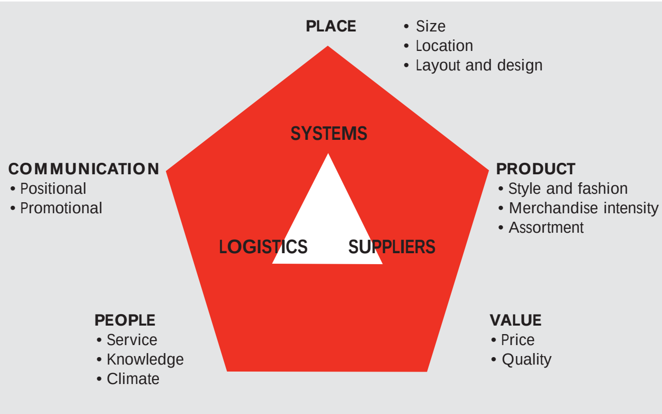
## Risks and opportunities
The key risks are detailed in the risk and sustainability committee report on pages 88 to 89, together with the group's responses.

| Stakeholder and why we engage | How we engage | On what we engage |
|---|---|---|
| **Shareholders and the investment community**<br><br>To create an informed perception and a positive investment environment | Annual general meetings<br>Meetings with analysts and investors<br>Results announcements<br>SENS announcements<br>Trading updates<br>Group website<br>Annual integrated reports | Company performance<br>Retail market trends and issues<br>Dividend policy<br>Share price performance<br>Share schemes<br>Future prospects |
| **Customers**<br><br>To understand our customers' needs, increase market share and enhance the brand | Customer and market surveys<br>Customer service hotline<br>Advertising campaigns<br>Social media<br>Sports sponsorships<br>Divisional websites<br>RedCap Foundation | Brand perception and expectations<br>Fashion trends<br>Customer service<br>Customer safety<br>Community support and fundraising through the RedCap Foundation |
| **Associates**<br><br>To enhance associates' sense of value and commitment and to align associates to the group strategy | Team meetings<br>Training needs analyses<br>Results presentations<br>Performance reviews<br>Career planning<br>Internal media<br>Fireside chats<br>Culture surveys<br>Whistleblowers' hotline | People development and training<br>Health and safety performance<br>Wellness programmes<br>Remuneration, benefits and incentives<br>Transformation and employment equity<br>Financial performance<br>Business code of conduct<br>Culture survey results<br>Vision, dreams and beliefs |
| **Potential employees**<br><br>To share relevant information about the group and to enhance the brand as an employer of choice | Annual integrated reports<br>SENS announcements<br>Interviews<br>Participation in Employer of Choice surveys<br>Recruitment drives<br>Social media | People development<br>Remuneration philosophy – short and long-term<br>Group values (Passion, Value and Partnership)<br>Retail career options |
| **Suppliers**<br><br>To provide performance feedback and information regarding the future requirements of the group | Supplier meetings and negotiations<br>Supplier days<br>Quality audits | Monitoring and evaluating performance<br>Product cost<br>Future growth and expectations of the group<br>Real estate requirements and rentals |
| **National and local government**<br><br>Legislative requirements<br><br>National priorities | Regular communication with:<br>South African Revenue Services<br>Department of Labour<br>Department of Education<br>Wholesale and Retail SETA | Taxation issues<br>Skills development and training<br>Employment equity<br>Compliance requirements |
| **Regulators/regulatory agencies**<br><br>Compliance purposes | Communicate to clarify understanding of requirements | Compliance requirements |
| **Community**<br>Social responsibility expectations<br>Brand building opportunities | Customer surveys<br>Corporate social investment initiatives | Socio-economic development investment communication and performance evaluation |

# Where do we want to go?

The group aims to be the top performing retailer in Africa. Sales and earnings growth will translate into an improved operating margin, while dividend and share price growth will result in improved total returns to shareholders. The company considers return on net worth to be the most appropriate measure of the value that it has generated from shareholders' funds, and is fully explained below. Senior management, executive and non-executive directors partake in the annual strategic planning sessions, which include seven year financial forecasts. This process is intended to challenge management to ascertain the maximum potential of each of the individual businesses and to identify other potential growth drivers. In so doing, the group must be mindful of the risks involved and be aware of opportunities that exist, so that these may be explored. The overall aim is to ensure that the group continues to deliver superior results.

**Framework used for strategic planning processes:**




### Strategic Profit Model

The group also uses the Strategic Profit Model to assess performance, which incorporates the most important ratio, the return on net worth (RONW). Although by international standards South African retailers have high RONW ratios, the group believes that it can improve on its current performance and is targeting a return in excess of the 42.2% achieved. The company benchmarks itself against its local competitors and selected international retailers on 38 different criteria on an annual basis, tracking trends and identifying areas of strength and opportunities for improvement.

# How do we intend to get there?

Although return on net worth is an absolute financial measure, it has many constituent parts. The build-up of the Strategic Profit Model is as follows:

| Margin Management | | Asset Management | | | | Financial Management | | |
|---|---|---|---|---|---|---|---|---|
| **Net Profit Margin** | | **Asset Turnover** | | **Return on Assets** | | **Financial Leverage** | | **Return on Net Worth** |
| $\frac{\text{Net Profit After Tax}}{\text{Net Sales}}$ | x | $\frac{\text{Net Sales}}{\text{Total Assets}}$ | = | $\frac{\text{Net Profit After Tax}}{\text{Total Assets}}$ | x | $\frac{\text{Total Assets}}{\text{Net Worth}}$ | = | $\frac{\text{Net Profit After Tax}}{\text{Net Worth}}$ |

# How have we fared so far over the reporting period?

The successful implementation of the initiatives mentioned above has resulted in the following improvements to the adopted financial measurements:

| | | 2011 | Change | 2010 |
|---|---|---|---|---|
| Retail sales (53 weeks) | R'm | 10 673 | 12.9% | 9 454 |
| Core HEPS (53 weeks) | cents | 420.6 | 47.2% | 285.7 |
| Operating margin (53 weeks) | % | 13.4 | 2.9% | 10.5 |
| Dividends per share | cents | 252.0 | 45.7% | 173.0 |
| Share price (closing) | Rand | 63.38 | 59.2% | 39.80 |
| Return on net worth | % | 42.2 | 9.7% | 32.5 |

The performance of the group has been fully detailed elsewhere in the reports of the chairman (page 26), CEO (page 34) and CFO (page 60) and in the annual financial statements which commence on page 134.

## External assurance of the integrated report

The board is pleased with the progress made both on the sustainability journey and on integrated reporting, but recognises that it is premature to subject the reporting to an external verification at this point. An external verification has, however, been sought for the BBBEE accreditation level for the 2011 year. The verification was carried out by BEESCORE, a SANAS-accredited organisation. Group internal audit has verified the information contained in the transformation committee report and the report on our people. The external auditors verified the information in the remuneration report.

## Economic value added

The group measures the value added to the key stakeholder groups annually by the activities of purchasing and selling merchandise. The trend of value-add over time provides an indication of the group's sustainability success.

# VALUE ADDED STATEMENT

for the 53 weeks ended 2 April 2011

| | Notes | 2011 R'000 | % | 2010 R'000 | % |
|---|---|---|---|---|---|
| Retail sales | | **10 673 364** | | 9 454 130 | |
| Other income | 2 | **294 392** | | 250 910 | |
| Cost of merchandise and services | | **(8 006 552)** | | (7 536 123) | |
| Value added | | **2 961 204** | 100 | 2 168 917 | 100 |
| Applied as follows: | | | | | |
| Associates' costs | | | | | |
| - salaries and wages | | **1 153 872** | 39 | 1 020 193 | 47 |
| - other benefits including training | | **128 909** | 4 | 105 734 | 5 |
| Depreciation and amortisation | | **195 001** | 7 | 180 378 | 8 |
| Taxation | | **473 950** | 16 | 190 023 | 9 |
| Dividends to shareholders | | **512 308** | 17 | 348 731 | 16 |
| Net earnings retained | | **497 164** | 17 | 323 858 | 15 |
| | | **2 961 204** | 100 | 2 168 917 | 100 |

**Notes to the value added statement:**

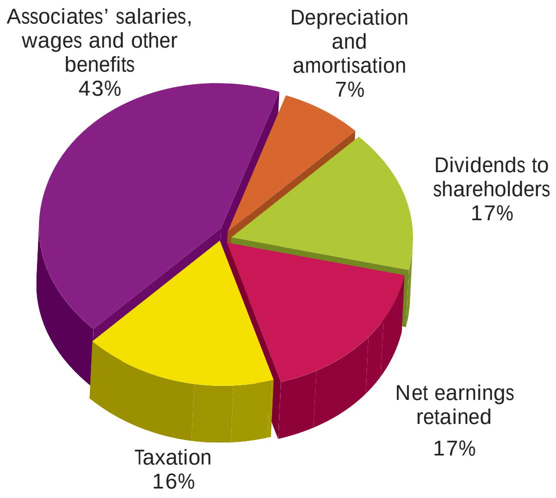
**1. Value added**

Value added is the wealth that the group has created by purchasing, manufacturing and selling its merchandise and services.

The above statement shows how this wealth created has been applied among the group's stakeholders leaving an amount to fund the replacement of assets and facilitate future growth.

**2. Other income**

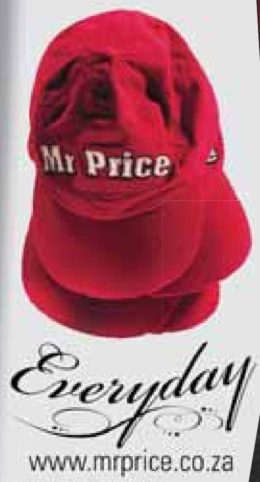
| | 2011 R'000 | 2010 R'000 |
|---|---|---|
| Interest on trade receivables | **163 965** | 149 832 |
| Net finance income | **54 662** | 36 761 |
| Club fees | **12 092** | 12 147 |
| Service fee revenue | **7 091** | 8 557 |
| Premium income | **47 714** | 36 845 |
| Other income | **8 868** | 6 768 |
| | **294 392** | 250 910 |



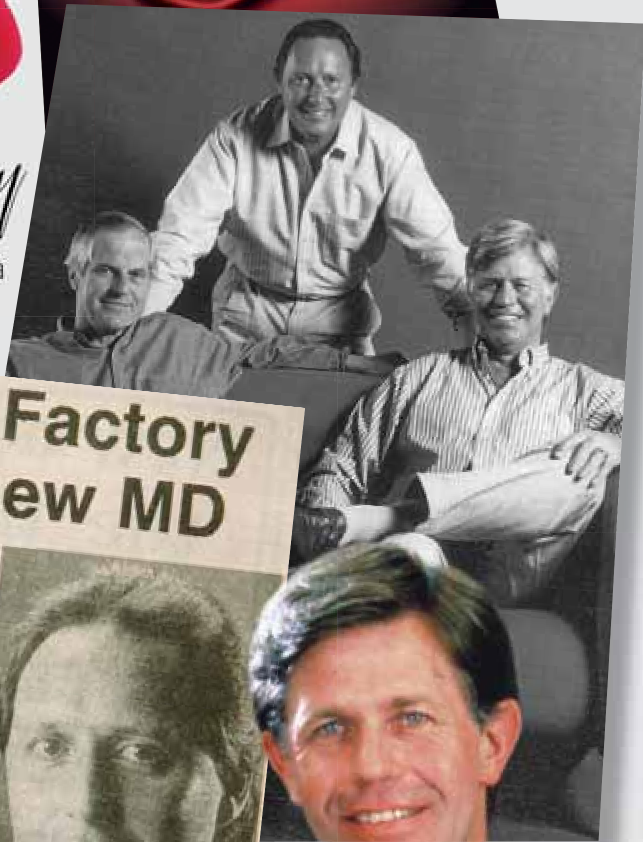
**Activities carried out in relation to the strategic framework and strategic profit model:**

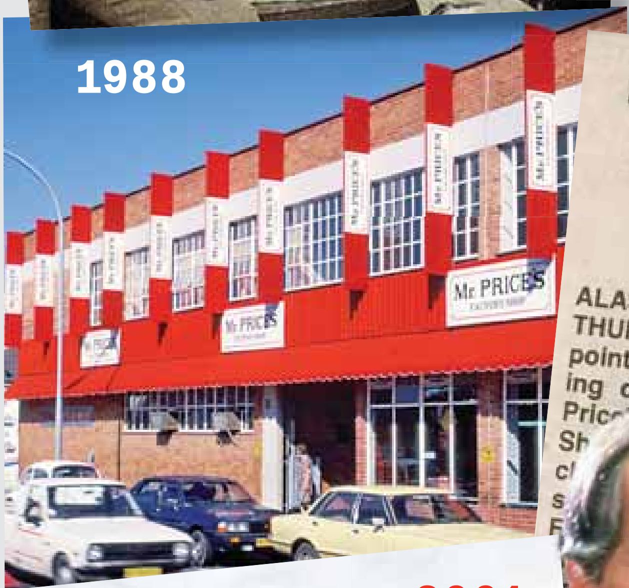
| Measure | Goals |
|---|---|
| Margin management | |
| Place | Expand stores where trading density exceeds optimal level |
| | Identify areas where smaller format stores can be opened |
| | Exit from unproductive space |
| | Ensure rental costs are minimised and within store feasibility parameters |
| | Maintain freshness of the brand via store design and layout |
| | Appropriate level and allocation of capital expenditure to maintain brand appeal |
| | Research and conduct tests to support the internationalisation of the business |
| Product | Allocate appropriate trading areas to high performing departments |
| | Gain market share |
| | Consider new concepts and strategic alliances or acquisitions |
| Value | Maintain appropriate mix of fashion, quality and price |
| | Keep cost structures low |
| People | Ensure adequate retail training |
| | Focus on executive development to increase leadership skills |
| | Align incentive structures to attain targets that will drive long-term sustainability |
| | Robust succession plan to be in place |
| | Use technology to support strategic initiatives |
| Communication | Ensure focused and appropriate communication to target market |
| Systems | Technology to support business processes and add value |
| Suppliers | Enhance supplier interaction |
| | Expand resource base |
| Logistics | Improve supply chain capacity and cost efficiencies |
| Asset turn | |
| Increase sales | Detailed under margin management above |
| Minimise assets | Optimum inventory levels |
| | Effective use of cash resources |
| Financial leverage | Reduce dividend cover |
| | Purchase shares to satisfy share schemes |

| Activity |
| --- |
| |
| Mr Price Apparel has expanded 20 stores by 3 889$m^2$.<br>Monthly assessment of trading density by store. |
| Mr Price Apparel, Mr Price Home and Mr Price Sport have all identified and tested smaller format stores, which will significantly contribute to future growth. |
| The group has exited from 24 470$m^2$ of unproductive space. Further progress is however still required.<br>Monthly assessment of store performance. |
| Rental costs as a percentage of retail sales amounts to 8.0% (2010: 8.3%).<br>Where rentals could not be negotiated in line with store feasibilities, the group elected not to renew the lease or open the store. |
| International consultants have been engaged to design new store layouts in the three Mr Price divisions. |
| The budget for the ensuing year and the strategic plans for the next seven years reflect capital expenditure allocations to the businesses that generate the highest returns. Consideration is also given to keeping all brands fresh. Mr Price Apparel received 54% of store capital expenditure and in F2012 this is expected to be 39%.<br>An appropriate capital expenditure allocation between new stores and expanded space was made. The split in the current year was 32:68.<br>Capital expenditure was curtailed during the recession and in the 2012 financial year this will increase significantly from R156 million to approximately R300 million. The group's strategic plans reflect total capital expenditure of R2.8 billion over the next seven years. |
| Desktop and country research has been completed for Nigeria, Ghana and Angola, the major African markets in which the group plans to open corporate owned stores and eight franchise stores in F2012. |
| Allocation is the subject of continual review, from merchandise reviews to strategic planning sessions. |
| The market share in Mr Price Apparel has increased to 12.4% and Mr Price Home is 19.3%. |
| Three potential acquisitions or strategic alliances were investigated during the year, none of which were pursued beyond initial discussions. |
| |
| Total overheads reduced from 31.6% of sales to 30.7% – refer to page 12. |
| Significant improvement in the training format in the organisation has been made – refer to pages 118 to 120. |
| People development practices have been significantly enhanced – refer to pages 119 and 120. |
| Incentive structures are tailored annually and aligned to short-term financial results and the attainment of key imperatives per the strategic plans. Refer to pages 105 to 107. |
| A succession plan is in place. |
| A project team is in place to investigate alternatives and recommend for adoption, a best-of-breed human capital management system. This will include human resources, industrial relations, payroll and time and attendance. This will also present an opportunity to re-engineer certain of the group's business practices and processes. |
| The marketing team ensures alignment of marketing initiatives with the target market and campaigns are measured against sales achieved. Print and TV campaigns are to be supported by increased social media communication. |
| Although the capital cost will initially be higher, the benefits of acquiring best-of-breed systems will result in fewer 'school fees' being paid. An appropriate balance between the two alternatives will be maintained. The two most significant systems changes this year were both purchased systems – refer to page 55. |
| Implemented 'Tradestone', a product lifecycle management system during the year. This will facilitate supplier interaction and allow see-through into critical points in the procurement process - including date of order of fabric, quality control approval, date of shipping and expected date of delivery. |
| Divisions are continually reviewing their supply base to ensure the optimal mix of price, quality and lead times. |
| Resources are in the process of being restructured to ensure this area receives appropriate attention. A study is currently being conducted by international consultants to define the long-term supply chain blueprint – refer to page 56. |
| |
| Detailed under margin management above. |
| Project Redgold is an ongoing initiative and is delivering on its objectives of ultimately increasing full priced sales and releasing working capital. Improved markdowns have had a significant impact on results in the current year and in the last four years inventory levels have increased by 5% compared to sales, which are up by 48%. |
| Strategic plans support the view that cash generated by the business can finance the group's future growth, the acquisition of shares for share schemes and the lowering of dividend cover. |
| Dividend cover has reduced from 3.3 times in 2002 to the current level of 1.6 times. A further reduction is envisaged – refer to page 65. |
| The group makes grants to the share trusts which utilise these to acquire shares on the open market to cover options awarded. Any purchase of shares will be implemented after reviewing market conditions. |









## Price's Factory Shop new MD

ALASTAIR McARTHUR has been appointed the managing director of Mr Pric... ...ory Sh...



Honorary Chairmen:
Stewart Cohen and
Laurie Chiappini

# 25 YEARS OF HISTORY

Mr Price is unique. Although the first store opened in 1985 and the group only began growing in the 1990s, the success story is much older. It is a story about a struggle against conventional thinking, about a dream to make a difference and a strong will to win against huge odds.

Founders Stewart Cohen and Laurie Chiappini both started out on shop floors, and when they met in autumn 1979, a relationship developed based on mutual trust and a positive vision. Their earlier employment experiences had given them a negative view of typical businesses and they believed that there was a better way of doing business – one where individuals exploited their full potential.

In early 1985, the partners recognised factory shops as the future, but they did not have the money to establish one. They felt clothing prices were too high and dreamt of a new kind of factory shop selling high quality merchandise at substantially lower prices. This would be a third generation factory shop boasting attractive interiors, wanted merchandise and incredible advertising, but a very low cost structure to allow for low margins off high volumes.

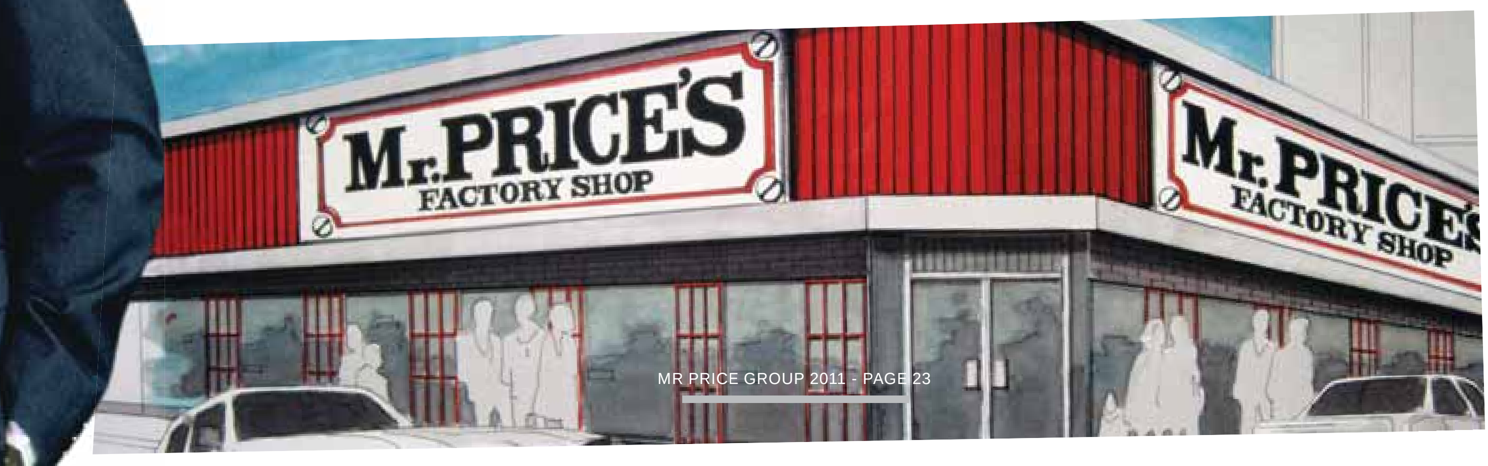
The very first Mr Price stores were franchised because of the lack of funds. However when John Orrs Limited, which also owned Miladys, was acquired in 1986 by Stewart and Laurie in partnership with a bank, the listed company began opening Mr Price stores and acquiring the franchised stores. Alastair McArthur joined the group as MD of Mr Price and the name of the company was changed over time to Mr Price Group Limited. Mr Price stores were opened rapidly throughout South Africa and by 1995 there were 237 stores. Later Sheet Street was acquired and Mr Price Home stores and Mr Price Sport stores were opened.

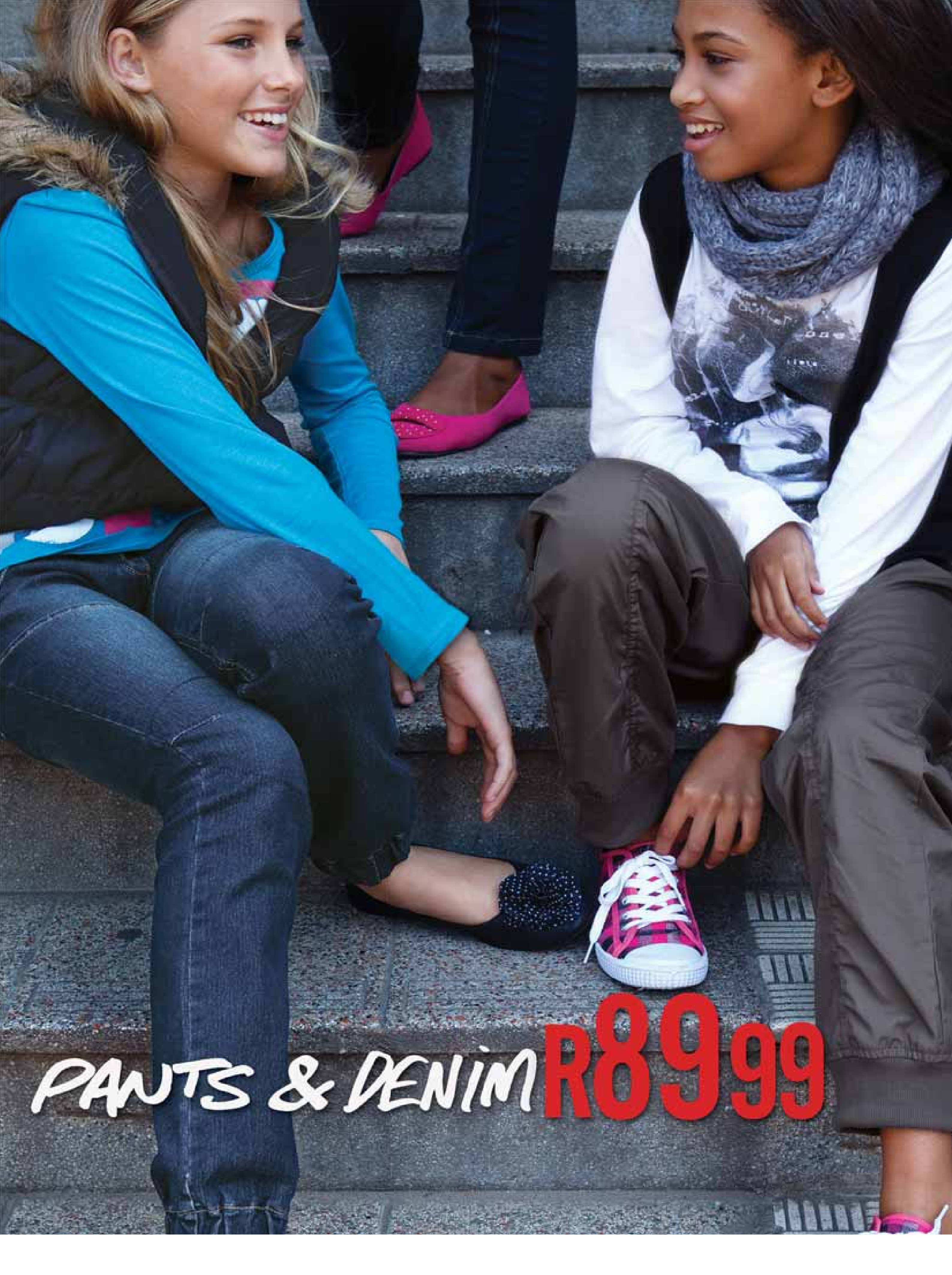
Stewart had seen his father work 40 years for one company, but because he did not own shares, he had retired on an inadequate pension. In his heart Stewart knew that there was another way whereby successful companies could share their wealth creation with employees. Stewart and Laurie studied other companies including WalMart where the associates had shares or share options – and were moved by stories of truck drivers and sales associates who became wealthy because of that initiative.

THEIR DREAM WAS THAT EVERY ASSOCIATE HOLD THEIR SHARES AND USE THE LONG-TERM GROWTH IN THE VALUE OF THOSE SHARES TO BUILD FINANCIAL SECURITY AND A FOUNDATION FOR A HAPPY HOME LIFE.

Over the course of the 25 years since the change of control of John Orrs, sales have grown from R100 million to over R10 billion, attributable profits rose from R2.6 million to more than R1 billion and the share price increased from 30 cents to a high of R69, in the process benefiting thousands of associates.

Their story is proof that dreams can become a reality if pursued with passion.




PANTS & DENIM
R89 99


WE NEVER
HAVE TO
GOOGLE
FUN

# CHAIRMAN'S REPORT

Alastair McArthur

## Trading environment

The group experienced a challenging year as the country gained some traction against the hangover from the global financial crisis. South Africa is rated among the best emerging markets and it is fortunate that, due to the economy being well managed, it did not experience the levels of pain that our European and American counterparts did.

The largest division, Mr Price Apparel, constituting more than half of group sales, was successful in gaining market share in an improving economy. This proved that the fashion value appeal of the brand is strong and that customers gained in an economic downturn, when consumers shop for value, are retained when trading conditions improve. The group grew retail sales by 12.9% to R10.7 billion at a time when the retail sector only grew by 7.5%.

## Celebrating our history

It is fitting that significant milestones have been achieved on the 25th anniversary of the founders acquiring control of the group. Total sales have exceeded R10 billion and profit attributable to shareholders has exceeded R1 billion for the first time. It is a remarkable achievement that the share price and dividends per share have grown by a compound annual growth rate in excess of 25% over this period, while headline earnings per share has increased by more than 24%.

However, it's not all about numbers, but rather about our people, who are the life-breath of our organisation. We rightly place their wellbeing and vast contribution above all else. Our people deliver innovation and creativity to our customers who have responded well to our merchandising offer across the group and thus given us market share gains in very trying times. The group's suppliers and service providers have also responded well in the past year and have assisted the group in achieving its goals.

The shareholders are the beneficiaries of their incredible efforts.

## JSE ranking

A survey conducted by Finweek in March 2011, based on audited 2010 figures, reflects Mr Price Group in 59th position on the JSE in terms of market capitalisation. However the group's internal rate of return, which takes into account share price growth and dividends, placed it 23rd, and return on equity 26th. The group increased its return on equity from 35.6% to 46.0%

in the current year, and believes it can improve upon its current ranking. The strong cash flows and level of cash balances associated with being a predominantly cash based retailer positions the group well and shareholders should expect a further reduction in dividend cover in the near future.

## The Mr Price 'DNA'

One of the major challenges in the years ahead, as the group grows beyond 1 000 stores and employs more than 20 000 employees, is keeping alive the soul, culture and 'DNA' that is integral to our success. Avoiding bureaucracy will maintain the fast-fashion promise and entrepreneurial creative spirit among our people. Our leadership and people team are very focused on this and we are confident that, because our associates wholly embrace our values of Passion, Value and Partnership, and are all *bona fide* shareholders in the group, this unique culture will endure.

## Social responsibility

The group makes a positive impact on the lives of nearly 18 000 associates, their extended families and the communities in which they reside. In a country battling with unemployment and social reform, it is an honour to be in a position to be able to make a meaningful difference.

We are very proud of the fact that we are one of the few companies listed on the JSE that offers shares or share options to all its permanent associates after one year's service. In this way our people can all benefit from the success of the group. Since the inception of our Partners Share Trust, participants have seen their shares, which were issued for no cost, increase in value from R21 000 to about R63 000, and have received R26 million in tax-free dividends over the period. Details of the company's share schemes are provided in the remuneration report on pages 102 to 115.

The group's corporate social investment initiatives are carried out through the RedCap Foundation, which has received national accolades. The group's active involvement in these communities is focused on the youth, since they are the future, and its activities are designed to be sustainable.

## Governance

The company is committed to acting with integrity and good corporate governance. The same is expected from our associates and suppliers and in this regard the group has further refined its codes of conduct. A detailed governance report can be found on page 72.

Sustainability is high on the group's agenda and, to this end, the newly appointed risk and sustainability committee held its inaugural meeting in May 2010. The group's strategic planning process has historically ensured that building a sustainable business was always a key consideration. Risks that may threaten the group's livelihood are well understood and plans are currently in place to reduce these risks to an acceptable level. Refining the measurement criteria of strategic plans and their associated risks is in progress.

## Sourcing

We have found that our fast-fashion model ideally requires us to source more goods in South Africa than in the past. Local sourcing will shorten the lead time of merchandise being available in our stores. However, the competitiveness of the local manufacturing industry is poor and the forced closure of factories is concerning. We are committed to working with local suppliers in order for them to build more sustainable businesses, but this must not be achieved at the expense of offering cash-strapped consumers fashionable merchandise at everyday low prices.

## Strategic vision

The group is focused on maintaining and entrenching its fashion value position in the markets in which it operates. Its goal to remain a cash-driven retailer is borne out by its seven year strategic plan.

The group's next growth phase will be driven by:
- the continued search for well positioned trading locations;
- expanding high trading density stores and extraction from unprofitable space;
- internationalisation of the business, initially via Africa; and
- engaging customers via alternative communication channels.

These initiatives will require us to increase our investment in information technology systems, supply chain processes and people development, which will all produce significant efficiency gains and added value.

## Prospects

Capital expenditure in the year under review has been restrained, as to be expected in a post-recessionary environment, but we are now reinvesting in our stores. Exciting new look stores are planned for the three Mr Price divisions later this year, and over the next seven years the group's planned capital expenditure amounts to more than R2.8 billion. The group will comfortably be able to fund its expansion and increased dividend payments from its cash resources and plans to maintain a debt-free balance sheet.

While we are thrilled with our financial performance over the past year, the high base will make 2012 even more challenging. However, we remain extremely confident of the long-term growth potential of the Mr Price Group.

# What do we believe?

*Mr Price Group is built on the core values of Passion, Value and Partnership. When associates join the group, they embrace the Dreams and Beliefs of our founders and proudly choose to embody these values. The Dreams and Beliefs journey equips our associates with the necessary understanding of the foundation, history and beliefs of the business in order to instill and reinforce the culture and values of the company.*

# PASSION

Passion is our engine. It is the positive attitude and enthusiasm of all our associates who approach each day bright-eyed, smiling and projecting a positive image – believing work is fun.

*Passion is created by the formula of:*

| | | |
|---|---|---|
| *Passion* | = | *Golden Rule (of respect)* |
| | + | *Trust* |
| | + | *Communication* |
| | + | *Recognition* |

The Golden Rule is a way of life, it is more than just customer service, it is how we interact with each other, our customers and suppliers.

Trust is the element which creates the magic environment in which we work.

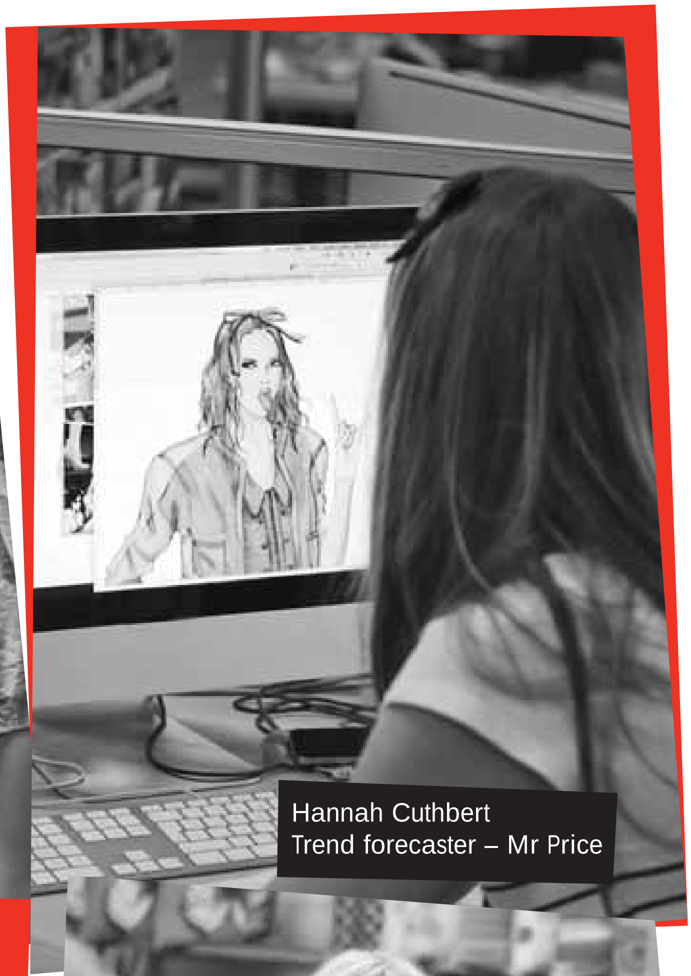
Good communication means that we share the same vision and are all working together to achieve the same goals.

Recognition is about visibly and passionately applauding outstanding performance (be they big successes or small courtesies) throughout the company on a regular basis.

> *Our dream is to see every individual in this company achieving their full potential, everyone passionate to perform at their best in a happy, fun-filled workplace.*
>
> *Laurie Chiappini*

> *If we have a working environment where ordinary people are "switched on" to do extraordinary things, we add enormously to the personal worth of partners. Not only are our partners' capabilities uplifted but so are their spirits.*
>
> *Stewart Cohen*

Siphakeme Ndlovu
Junior buyer – Mr Price



Hannah Cuthbert
Trend forecaster – Mr Price

Zisandele Mkhize
Graphic designer – Mr Price Home

Tarryn Hendra
Buyer – Sheet Street

# VALUE

Value is the heart of our business and we strive to add value in everything we do. It is more than just product, it is the way we service the business, each other and our customers. Value is about doing more than what is expected or required.

Our dream is to become the top performing retail group in Africa, by adding value to our customers' lives and worth to our partners' lives. Customers receive value from our low-cost, good-quality, low-price philosophy.

**Low cost + high volume = low prices.**

**Low cost = keeping costs down so we can pass on more value to our customers.**

**High volume = maintaining long-term relationships with our suppliers and growing our purchasing power allows us to reduce unit costs and pass on this benefit to our customers.**

**Low prices + good quality + fashion = incredible value for our customers.**

Christopher Dell
Graphic designer – Mr Price

Sinqobile Ntombela
Buyer – Oakridge mens smart

Tarryn Jacobson
Trainee buyer – Red ladies

Joanne Frédéric
Trend director – Mr Price

# CUSTOMER REVIEWS

*This is what our satisfied customers had to say about us...*

*"First and foremost – I should be a Mr Price ambassador of some sorts. I love, love, love all your brands and always get compliments when wearing your gear. When I digress to another shop or brand, guess what – no compliments! I cannot help myself from buying something every time I walk into your store – it's bad (and completely addictive). My favourite brand is RT ladies and BM intimates. Ask anyone I know – I am a Mr Price freak!"*

*Kim*

*"Just how I like my style - gorgeous! Man, when I buy at Mr Price people think I have bought at some expensive boutique. Love Mr Price."* Barronique

*"The sheer, sweet bliss of a day off in winter is wonderful. Rainy and somewhat dark outside, warm and cozy inside, with Mr Price Home blankets of course!"* Sherry

*"Thanks for a lovely shopping experience this morning. Mr Price Sport makes my life so much easier."* Catherine

*"I must say, it's quite unfair to choose one brand from Mr Price! This store is filled with so much variety! You get a bit of everything you need from each brand, be it RT Ladies, Red or Kumaro. You are guaranteed to get an item or 10 from any department. A big thumbs up to Mr Price as a whole, you guys do such awesome work. Don't get me started on the shoes and accessories!"* Zikhona

*"So I bought the MXE 2500 treadmill at the Mr Price Sport store in PE. A big thanks to Stanley and staff for excellent service."* Ruth

*"Wow I love Mr Price, I can't wait for payday!"* Gugu

*"Mr Price Sport, my favourite sports shop on the continent and perhaps the world!"* Sid

# SHAREHOLDER VALUE

Partners and shareholders gain value from the increase in the value of the share price and the dividends paid.

**Compound annual growth rate in share price over 25 years = 26.2%**

**Compound annual growth rate in dividends over 25 years = 25.3%**

*"As we strive for better value, we improve the lives of millions."*

*Alastair McArthur*

# PARTNERSHIP

***"I promised myself that if I ever got the chance, I would run a company in a new way – a company with respect for people, a company that would give all its associates a chance to share in its success."*** Stewart Cohen

With this promise in mind, the first share option scheme was launched in 1989 and to date there are eight share schemes in operation, ensuring that all permanently employed associates are offered shares or share options and have an opportunity to purchase shares at a discounted rate.

| | |
|---|---|
| Value of 1 000 shares at the launch of the Mr Price Partners Share Scheme in 2006: | R21 150 |
| Value of 1 000 shares at current share price: | R63 380 |
| Total dividends paid to partners since 2006: | R26 million |

*"The share scheme has allowed my family and I to purchase our first house, that feeling the first time we opened the door was immeasurably more valuable than the cash value of the shares, we could not have done it without the generosity of Mr Price. On a working level the awarding of the shares has always made me feel more part of the Mr Price family and that my contribution is valued." Alan Sinclair, Systems*

Partnership extends beyond the share scheme programmes to assisting our associates with the education of their children through bursaries from the RedCap Foundation.

| | |
|---|---|
| Number of bursaries granted in 2011: | 249 |
| Value of bursaries granted in 2011: | R767 070 |

*"The bursary was a tremendous help as I would not have been able to afford to send my daughter back to crèche this year without it.*
*I am committed to my work but by receiving the bursary I will stay loyal, honest and committed so that many more staff can receive bursaries for their children. I am so grateful for the help and would like to say thank you very much, the bursary is really appreciated."*

*Mary Palmer, Financial Services*

*"I was ecstatic when I found out that Mr Price Group was able to fund my daughter's education. I am a single mom who did not have the opportunity to further my studies due to financial constraints and how I felt when I heard the news was beyond words. It has also inspired me to go the extra mile in my work."*

*Amy Kleynhans, Miladys*

*"The bursary has helped my daughter to further herself and give of her best to her studies. It has helped me a lot as I am the breadwinner in the family, I did not have to worry about where to get the fees, it was a great relief to me. I'm very grateful to Mr Price Group and RedCap Foundation. My loyalty and dedication to my work paid off for my child. I will continue to give of my best to my proud company."*

*Theresa Konar, Financial Services*

# SUPPLIERS' TESTIMONIALS

***Partnership includes the relationships we have with our suppliers as without them, there would be no value to add to our customers' lives.***

*Quality products, exceptional service and happy customers are the key to our success.*

*"I would say the key is building strong relationships. Over the last 10 years I truly believe that we have become more than just a supplier to Mr Price…. we really are an integral part of their supply chain."*

*Shane Thomson, CEO Fullimput*

*"Made the decision 20 odd years ago to embark on a journey together with Mr Price as they grew to where they are today. It has been a wonderful partnership with many ups and downs. The commitment and integrity shown by the directors and top management has significantly helped to sustain this partnership."*

*Harold Hessen / Louis Fox, Directors and Partners Ritewear Trading / Amici*

*"Mr Price is an inspirational company to work with!*

*They continually push the boundaries in search of excellence in order to provide the end consumer with market-leading fashion at great prices.*

*It is fast paced, it is tough but every day brings new exciting challenges.*

*Great people to work with, they know where they want to go and know how they are going to get there.*

*We are really excited to be part of their resource team."*

*Linda Bartholomew, Director Traffic Clothing*

> *"Through good and bad times, highs and lows, the relationship has always been solid – been a pleasure to be a part of this relationship."*
>
> *Dennis Kasher, Blanc Clothing*

*"In 1993 we supplied Brickhill Road Durban, Mr Price's only store, with our first order of 250 garments.*

*Through the formidable growth of Mr Price and its consistent supplier partnerships, we now employ directly and indirectly over 6 000 staff, all based locally. To a formidable company, congratulations on another great year."*

*Justin Mansfield, MD Powerhouse Clothing Co (Pty) Ltd*

*"Gemelli has been a supplier to Mr Price for about the last 20 years and it has been an extremely challenging but wonderful association. As a proudly South African company we have been able to expand to the point of providing work for approximately 2 500 people. We thank Mr Price and applaud them for their great results over the last few years and long may it continue."*

*Nino Chidoni, Director Gemelli Clothing*

Our desire to constantly improve our offer to our customers of great fashion and quality at excellent prices, again produced pleasing results, particularly so as it is in the year we celebrate the 25th anniversary of when the Mr Price founders acquired control of the business.

The results achieved are a consequence of the passion, acumen and energy of all the outstanding people who work for the group. I would like to thank them all for their contribution to the group's strong results and for making Mr Price Group the special place that it is for us.

The first quarter of the financial year saw the fantastic spectacle of the World Cup Soccer tournament that helped boost consumer sentiment and provided momentum for the balance of the year.

Mr Price Apparel once again delivered an excellent merchandise offer to which their customers responded with continued enthusiasm. The sales performance was leveraged by improving margins primarily through better merchandise and supply chain disciplines, resulting in lower markdowns and higher stock turn. This process creates a virtual cycle of fresh product constantly moving through the business, to be replaced by equally appealing merchandise at an increasing rate.

# CEO'S REPORT

*We owe our success to our associates and partners.*

*Stuart Bird*

Mr Price Home, Mr Price Sport and Sheet Street superbly executed turnaround strategies based on the same fundamentals mentioned earlier. The core of these strategies was to research and analyse the product their customers wanted and to then deliver this at great prices and good quality. In addition, by implementing the Redgold principles, improved merchandise and distribution processes have resulted in significantly better margins through lower markdowns and higher stock turns. The continued focus on overheads yielded positive results and we are clear about the physical space requirements of each of these divisions.

OUR CSI HAS NEVER TAKEN THE FORM OF 'CHEQUEBOOK CHARITY' – INSTEAD PROJECTS MUST HAVE A SUSTAINABLE OUTCOME.

While Miladys still grew its profit, its performance was below what was desired. The low sales growth was offset by a better margin, primarily as a result of lower markdowns and a tight hold on overheads. A great deal of energy is being applied to better understanding the merchandise and value that the Miladys customer wants, to ensure that a differentiated and appealing assortment is provided to her.

An important part of our customers' experience is the in-store environment. The Mr Price Apparel chain has recognised that further efficiencies in supply chain cannot materially offset the pressures of its high trading densities that may now start to limit sales growth in many of its locations. To accommodate the full assortment of departments, and to ease the congestion of the ever increasing numbers of customers, the division will be embarking on an expansion exercise specifically in respect of stores identified as being under pressure to realise their potential.

We also recognise that while there are certain stores that are bigger than required in the other divisions, there are also a number of stores that are too small, and a number of locations where we should be present. We are dealing with these situations concurrently.

In addition to the programme of right-sizing stores, the three Mr Price divisions will be releasing new store designs in November this year. A leading international store design company was commissioned to execute this project to harmonise our merchandise pitch with the in-store layout and design. While each division will have their own design, underpinning this will be a great deal of commonality to ensure brand consistency, as well as economies of scale.

Over the past year, there have been a number of challenges in the resourcing of clothing and textiles. These were not unique to South Africa where we have been somewhat fortunate to have a strengthening Rand to help offset the impact thereof. The two major issues were, firstly, the shortage of capacity in China which not only drove up CMT (cut-make-trim) costs, but also resulted in significant short and non-deliveries in the latter part of the year. The second was the significant increase in cotton prices, also in the second half of the year.

Both these issues appear to be easing somewhat as production is diversified to other locations and the traders' speculative positions in cotton begin to unwind.

Our Redgold initiatives to improve merchandise planning and supply chain efficiencies continue to pay dividends in the form of improved margin through lower markdowns and higher stock turns attributable to trade with lower covers. One of the major projects to go live during the year was the implementation of a new warehouse management system, which will not only extend the useful lives of our distribution centres, but also optimise many of our processes therein.

## Corporate Social Investment

We have always been committed to meaningfully investing in the communities in which we operate. This has never taken the form of 'chequebook charity', instead we have undertaken projects with the view that there must be a sustainable outcome after the completion of the project. We are very careful to avoid creating situations of dependency, as these can never be sustainable.

We are very proud of the achievements of the RedCap Foundation. It has a vision for South Africa where young people create social change by being inspired, healthy and engaged citizens. Its focus is on the youth and it has already made a positive impact on more than 200 000 children from impoverished communities.

A number of the projects have attracted the attention of local and national government as models to be implemented on a wide scale across the country.

## Broad-based Black Economic Empowerment (BBBEE)

We are committed to social transformation and the requirements of BBBEE, but equally committed to driving transformation that is meaningful and sustainable. The group issued share options to all its permanent associates long before it was fashionable to do so or before Black Economic Empowerment legislation existed. We could have accelerated our existing BBBEE accreditation through an external empowerment deal but instead embraced the true broad-based intentions of the legislation and thus sustainably impacted thousands of lives instead of a select few.

When we set a targeted compliance level, we were committed to it. The group's efforts have been rewarded by achieving compliance as a level 6 contributor. The medium-term goal of at least maintaining this level of compliance will be achieved by driving indicators that are meaningful to business sustainability. These are primarily skills development, to build the business skills capacity and populate the succession plan to achieve employment equity, and strategic enterprise development to build a sustainable local supply chain and support local business.

### Environment

The environment has always been at the forefront of our minds, evident in our commitment to only using reusable, thick plastic shopping bags long before legislation dictated this. We completed our second carbon footprint assessment this year, calculating our emissions to be 147 592 tonnes of carbon dioxide, 98% of which relates to electricity consumption. Consequently our main thrust is to further improve our energy efficiencies to reduce electricity consumption. In addition to this, we are using technology in merchandise planning to minimise the usage of fuel in our supply chain, as well as the quantity of packing material required.

THESE EFFORTS DO NOT ONLY SUPPORT SUSTAINABILITY, BUT ALSO HAVE STRONG BUSINESS CASES BEHIND THEM.

### Wellness

The group's associates are critical to its success. Consequently, investing in their wellbeing is not only morally correct, but also important to the ongoing sustainability of the business. Permanent associates are offered membership of the subsidised group medical aid schemes. In order to allow more associates to have cover for themselves and their families, a cost effective medical aid product was introduced three years ago. A Wellness Week is also run annually, where associates are informed and encouraged to make healthy lifestyle choices, provided access to counselling, and information on preventing serious diseases and the treatment thereof.

### Looking ahead

There is uncertainty ahead in the economic climate, particularly the sustainability of the recovery from the global recession. There is also the concern of global inflation and the impact that this will have.

We recognise these challenges but remain confident that the group has a strong future as long as it continues to delight its customers with great fashion and quality at excellent prices. There are many opportunities for growth in each of our divisions, and possibilities to use technology to tap into new marketing channels and also to drive efficiencies.

We have a robust business concept and intend to take advantage of every opportunity we can to further strengthen our position in our existing markets as well as be able to consider new market opportunities as they arise.


# A new year,
## a beautifully new you.

Start the new year off feeling fresh in muted tones of rose and taupe combined with crisp whites. Flowing dresses, hanky-hem tops and your favourite pair of denims make up this easy-going look.




1. Bag **R280** 2. Necklace **R79*** 3. Bag **R280**
4. Dress **R350**

See something you like, contact our Customer Friend on 0800 310 290.
*Merchandise available at selected stores.

MILADYS

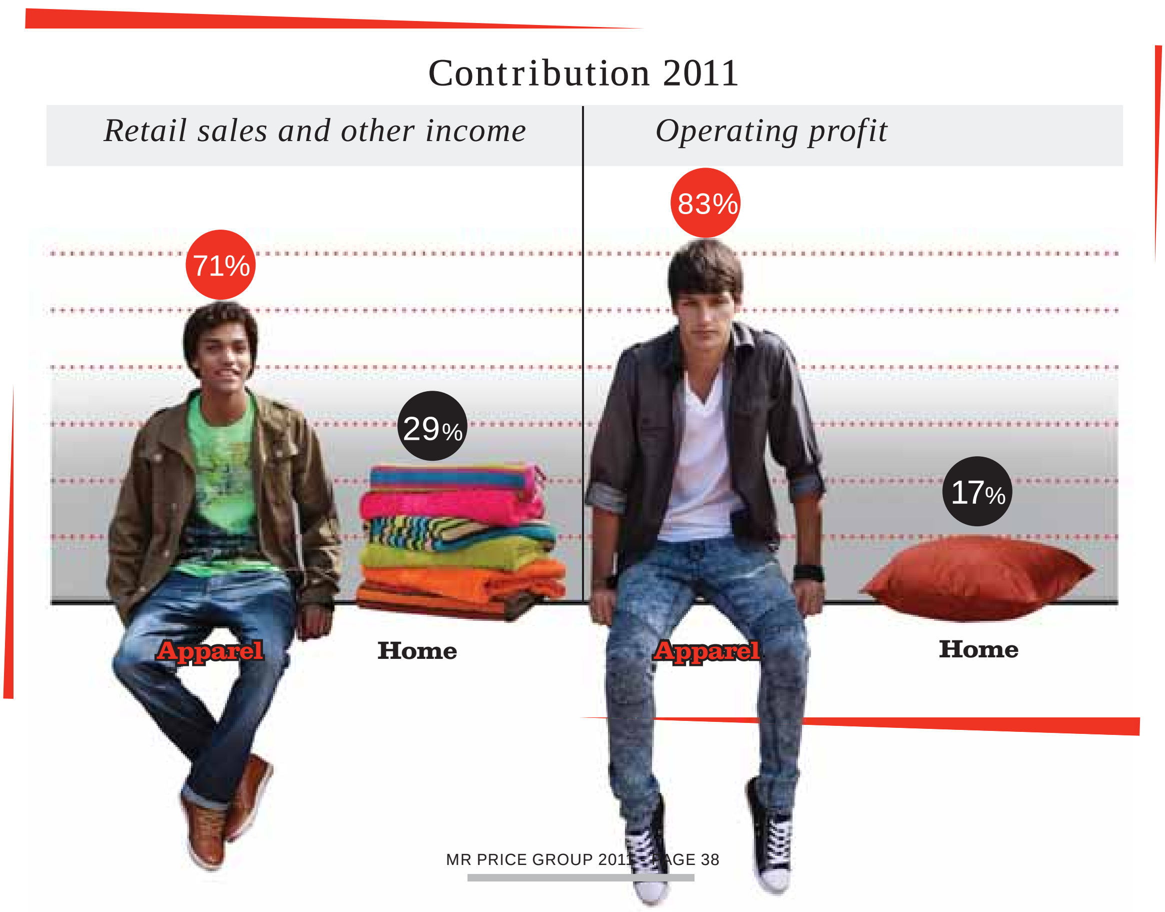
# SEGMENTAL ANALYSIS

*The group's retail operations are organised into two segments for operational and management purposes, namely:*

**- the Apparel chains comprising Mr Price Apparel, Mr Price Sport and Miladys; and**

**- the Home chains comprising Mr Price Home and Sheet Street.**

| | **2011 R'000** | 2010 R'000 | % change |
|---|---|---|---|
| ***Retail sales and other income*** | | | |
| Apparel | **7 782 964** | 6 878 458 | 13 |
| Home | **3 119 944** | 2 778 311 | 12 |
| Central Services | **115 541** | 75 716 | |
| Eliminations | **(105 355)** | (64 206) | |
| Total | **10 913 094** | 9 668 279 | 13 |
| ***Operating profit*** | | | |
| Apparel | **1 284 567** | 980 308 | 31 |
| Home | **271 218** | 101 147 | 168 |
| Central Services | **(122 017)** | (89 937) | |
| Total | **1 433 768** | 991 518 | 45 |



# DIVISIONAL PERFORMANCE INDICATORS

| | Mr Price Apparel | Miladys | Mr Price Sport | Total Apparel | Mr Price Home | Sheet Street | Total Home | Total Group |
|---|---|---|---|---|---|---|---|---|
| **Retail sales (R'm) - incl. international** | | | | | | | | |
| March 2011 | 5 867 | 1 030 | 542 | 7 439 | 2 080 | 933 | 3 013 | 10 452 |
| March 2010 | 5 246 | 1 028 | 437 | 6 711 | 1 897 | 846 | 2 743 | 9 454 |
| % change | 11.8 | 0.2 | 24.0 | 10.8 | 9.6 | 10.3 | 9.8 | 10.5 |
| **Retail sales (R'm) - excl. international** | | | | | | | | |
| March 2011 | 5 779 | 1 030 | 542 | 7 351 | 2 061 | 933 | 2 994 | 10 345 |
| March 2010 | 5 162 | 1 028 | 437 | 6 627 | 1 862 | 844 | 2 706 | 9 333 |
| % change | 11.9 | 0.2 | 24.0 | 10.9 | 10.7 | 10.4 | 10.6 | 10.8 |
| **Comparable sales growth (%)** | | | | | | | | |
| March 2011 | 7.5 | 0.9 | 7.1 | 6.3 | 11.2 | 11.1 | 11.2 | 7.8 |
| March 2010 | 11.8 | (6.1) | 9.5 | 8.1 | 4.0 | 1.5 | 3.2 | 6.5 |
| **Number of stores (year end)** | | | | | | | | |
| Opening | 338 | 214 | 36 | 588 | 136 | 238 | 374 | 962 |
| New stores | 10 | 4 | 6 | 20 | 2 | 5 | 7 | 27 |
| Closures | (8) | (20) | (2) | (30) | (8) | (14) | (22) | (52) |
| Closing | 340 | 198 | 40 | 578 | 130 | 229 | 359 | 937 |
| **Trading area - weighted average net m²** | | | | | | | | |
| March 2011 | 205 690 | 69 407 | 44 298 | 319 395 | 139 937 | 48 984 | 188 921 | 508 316 |
| March 2010 | 195 423 | 72 583 | 42 090 | 310 096 | 144 091 | 50 520 | 194 611 | 504 707 |
| % change | 5.3 | (4.4) | 5.2 | 3.0 | (2.9) | (3.0) | (2.9) | 0.7 |
| **Trading area - year end net m²** | | | | | | | | |
| Opening | 201 581 | 72 717 | 44 906 | 319 204 | 143 881 | 50 262 | 194 143 | 513 347 |
| New stores | 5 389 | 1 193 | 3 568 | 10 150 | 2 359 | 881 | 3 240 | 13 390 |
| Expansions/reductions | 3 306 | (1 994) | (714) | 598 | (3 776) | (1 263) | (5 039) | (4 441) |
| Closures | (3 701) | (5 727) | (2 919) | (12 347) | (6 183) | (2 269) | (8 452) | (20 799) |
| Closing | 206 575 | 66 189 | 44 841 | 317 605 | 136 281 | 47 611 | 183 892 | 501 497 |
| **Sales densities** | | | | | | | | |
| **(Rand per weighted average net m²)*** | | | | | | | | |
| March 2011 | 28 094 | 14 834 | 12 241 | 23 017 | 14 729 | 19 040 | 15 847 | 20 352 |
| March 2010 | 26 414 | 14 158 | 10 382 | 21 369 | 12 925 | 16 715 | 13 909 | 18 492 |
| % change | 6.4 | 4.8 | 17.9 | 7.7 | 14.0 | 13.9 | 13.9 | 10.1 |
| **Units ('000)*** | | | | | | | | |
| March 2011 | 110 859 | 7 508 | 7 543 | 125 910 | 36 908 | 16 650 | 53 558 | 179 468 |
| March 2010 | 102 044 | 8 932 | 6 029 | 117 005 | 34 177 | 15 635 | 49 812 | 166 817 |
| % change | 8.6 | (15.9) | 25.1 | 7.6 | 8.0 | 6.5 | 7.5 | 7.6 |

* Excludes international sales.

Information above is based on 52 weeks for both reporting periods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# apparel

## Who we are:

Mr Price Apparel is a clothing, footwear and accessories retailer selling fashionable merchandise at exceptional prices. Customers are of all ages, but the primary marketing pitch considers 16 to 24 year olds in the six to10 LSM range.

Mr Price Apparel constitutes 56% of group sales.

## What we did:

The division experienced another great year, achieving sales of R5.8 billion with sales growth of 11.9% and comparable sales growth of 7.5%. In the past five years, Mr Price Apparel has exceeded the RLC sales growth and increased market share to its present level of 12.4%. The trading density grew by 6.4% to R28 094 per $m^2$ as consumers continued to respond well to the fashion-value offer.

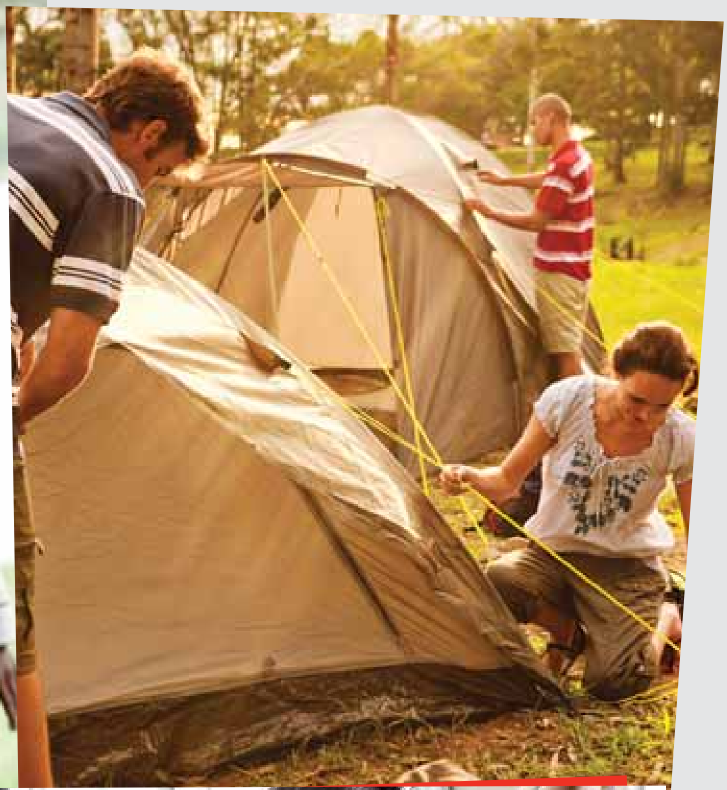
AMPS (the measure of through-the-door shoppers) statistics reflect that the division boosted its overall shopper figures by 16%, by 30% among its target market and by 15% in the black market. For the fourth consecutive year, independent research conducted on the target market by Bateleur Khanya, has placed Mr Price Apparel as South Africa's most loved and most frequented retail apparel brand. A notable milestone was the sale of more than six million pairs of jeans during the year – or nearly 16 500 pairs every day.

Weighted average trading space increased by 5.3% as the division opened 10 and closed eight stores. Expanded space amounted to 3 889$m^2$. The division increased stock turn to 7.2 times as inventory levels were flat on last year. The gross margin percentage increased by 1.5%, primarily as a result of improved resourcing and operating profit rose by 22.5% on the back of a strong performance in the prior year. The five year compound annual growth rate in operating profit now stands at 29.8%.

## Where we are going:

The strategy remains clear - to continue to drive profitable growth by pursuing opportunities to increase market share both locally and beyond our borders. This will be supported by a comprehensive space acquisition plan to open new stores, expand space in high trading density locations and revamp older stores. The division will also launch a refreshed store look, with the emphasis on raising the level of quality and unique design that will entrench Mr Price Apparel's fashion-value leadership position. The focus is always on the customer and the division will continue striving to exceed their expectations and delight them at all times.

Note: divisional commentaries are based on a 52 week trading period and exclude international sales



## Who we are:

The division commenced trading in 2006 and retails sporting and outdoor apparel, equipment, footwear and accessories. The target market is value-minded sporting and outdoor enthusiasts, aged eight upwards, within the six to 10 LSM range.

Mr Price Sport constitutes 5% of group sales.

## What we did:

The business has quickly established itself as a prominent player in the sports and outdoor market and for the second consecutive year was rated as the premier top-of-mind sports retailer among customers purchasing sports apparel and equipment.

Mr Price Sport grew sales by 24.0%, with comparable stores growing sales by 7.1% and the division reached the significant milestone of annual sales exceeding R500 million. Weighted average trading space increased by 5.2% as the division opened six stores and closed two. The division has continued to focus on increasing its trading density which improved from R10 382 per m$^2$ to R12 241 per m$^2$, an increase of 17.9%.

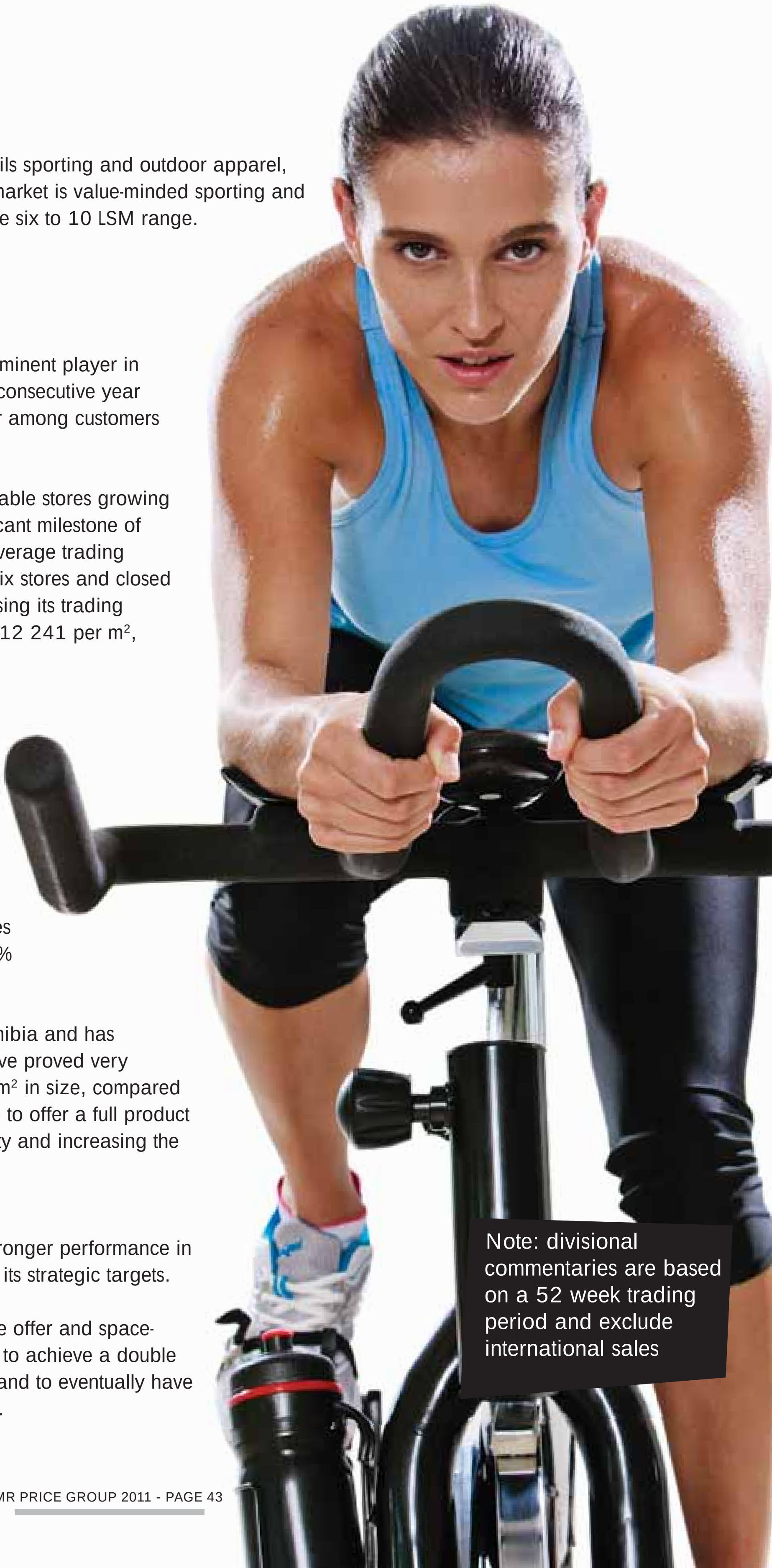
The strategy to stabilise the procurement process chain and leverage off group initiatives and purchasing power has strengthened the value offering. Working capital programmes, focusing on merchandise flow into the business and lowering terminal stock levels, delivered improved stock turns (from 3.8 to 5.1 times) and gross margin percentage, which increased by 1.6%. In comparison to the sales growth of 24.0%, expenses increased by only 1.9% and stock levels were 3.3% higher than last year.

Mr Price Sport opened its first foreign store in Namibia and has been testing smaller format stores. These results have proved very encouraging. These smaller stores, which are 600m$^2$ in size, compared to the divisional average of 1 000m$^2$, are still able to offer a full product assortment, significantly improving store profitability and increasing the potential national store rollout.

## Where we are going:

Following the success of the test formats and the stronger performance in the current year, the division is on track to achieve its strategic targets.

There will be a continued focus on the merchandise offer and space-related efficiency metrics. Mr Price Sport is aiming to achieve a double digit operating margin within the next three years and to eventually have a national footprint of between 80 and 100 stores.



Note: divisional commentaries are based on a 52 week trading period and exclude international sales

# MILADYS

## Who we are:

Miladys' vision is to inspire women to look and feel wonderful. The division retails authentic women's fashion with a comfortable fit, intimatewear, footwear, accessories and cosmetics. Customers are attracted by the fabric and garment quality and level of detail. The target market is young-at-heart women aged 40+ years who have fashion sensibility and require differentiated, trend appropriate garments that offer style and co-ordination in the six to 10 LSM range.

Miladys constitutes 10% of group sales.

## What we did:

Sales were in line with the previous period at R1.0 billion and comparable sales grew by 0.9%. Significant changes to the sourcing and planning of merchandise were made during the year. These changes were necessary and as anticipated, they caused disruption, however the business will significantly benefit in the future. The lack of stock availability and certain incorrect fashion calls, resulted in unit sales decreasing by 15.9%.

Retail selling price inflation was high at 18.7% for the year and 23.7% in the second half, driven by merchandise mix and lower markdowns. During the year the division closed 20 low trading density stores and opened four new ones, with weighted average trading space decreasing by 4.4%.

Despite the disappointing sales performance, the gross profit margin increased by 1.6% and expenses were limited, resulting in an increase in operating profit of 15.9%.

During the year the division expanded its cosmetics offering, which can now be found in 34 (2010:16) of its 198 stores.

## Where we are going:

Miladys has renewed its efforts to identify and react to the demands of its target market. In the year ahead, the division will focus on improving the execution of its merchandise processes and on consolidating its position in the market. The longer-term focus will be on gaining market share and improving its trading density and operating margin. The division's strategic plan, which contains 'key imperatives' that are to be achieved in both the short and long term, will set the foundation for profitable revenue growth.

Note: divisional commentaries are based on a 52 week trading period and exclude international sales


EAT
DELICIOU
ORS D'OEUVR
OUR · SHARE · ENJ


## Who we are:

The division retails contemporary designed homewares and furniture to value-minded customers 18 years and older. Customers are in the six to 10 LSM range, who have a young-at-heart attitude. Mr Price Home's vision is to be South Africa's top performing homewares and furniture retailer and the division continually aims to delight its customers with innovative products at everyday low prices.

Mr Price Home constitutes 20% of group sales.

## What we did:

The division achieved a 10.7% sales growth to R2.1 billion and comparable sales were up by 11.2%. The growth was driven by strong performances in domestic textiles, which increased by 13.5% and furniture which had a strong second half. The division closed a net six stores, and further reduced unproductive space by 8 295m², resulting in the weighted average trading space decreasing by 2.9%. Unit sales were up by 8.0% and the trading density increased by 14.0% to R14 729 per m².

AMPS figures for the 12 months to December 2010 showed an 8% growth in customers in the division's target market. A 25% customer gain was achieved in the middle income black market in the 18 to 35 age group. Independent research conducted by Bateleur Khanya again reflected Mr Price Home as the most loved and frequented homeware retailer.

A significant improvement in markdowns fuelled an increase in gross margin percentage of 3.6%. Expenses increased by 5.4%, well below the increase in sales. These factors resulted in the operating profit improving by 169.1%. Stock levels were slightly lower than last year and the stock turn improved from 4.7 to 5.8 times.

## Where we are going:

The division remains committed to further improving its customers' shopping experience. This means better satisfying their demand through improved interpretation of fashion trends, better product selection and continued disciplined inventory management. There are opportunities to grow market penetration within the current assortments as well as the store footprint in under-penetrated areas.

Mr Price Home is aiming to achieve a double digit operating margin within the next two years.


Note: divisional commentaries are based on a 52 week trading period and exclude international sales

sheet street
loving your home!

## Who we are:

Sheet Street targets the middle income (five to eight LSM range) woman for her bedroom, livingroom and bathroom textile needs. Great value and commercial fashions are provided through small, conveniently located stores across South Africa and neighbouring countries. Friendly service is key to its value conscious customers.

Sheet Street constitutes 9% of group sales.

## What we did:

Sales increased by 10.4% to R932.6 million and comparable sales by 11.1%, as all merchandise categories performed well. The division opened five new stores but closed 14, resulting in a decrease in the weighted average trading space of 3.0%. The level of real estate activity was increased by 18 store revamps and 11 stores being relocated to improved locations. These initiatives had a positive effect on results. Unit sales were up by 6.5%, while the sales density improved by 13.9% to R19 040 per m².

Sheet Street achieved first place for customer service in the Ask Afrika Orange Awards - Home and Décor category. The division was voted the second most loved and third most known and shopped home textiles brand according to Bateleur Khanya landscape research.

The gross margin increased by 3.3%, driven by reduced markdowns and improved resourcing. Combined with the expense growth being limited to 8.0%, this resulted in operating profit improving by 123.5%.

## Where we are going:

Sheet Street expects enhanced performance given the improvement in the economic environment, tight expense controls and improved merchandise offer. The division plans to open 10 new stores and continue with its productive revamp programme, planning another 30 stores in the forthcoming financial year.

Customer feedback reflects that the in-store experience has improved, while remaining true to the division's winning value formula. The focus will therefore be on maintaining an appealing product offer across the three rooms. Sheet Street is targeting to achieve a double digit operating margin within the next two years.

Note: divisional commentaries are based on a 52 week trading period and exclude international sales

Mr Price Home in Tanzania

Mr Price Home in Mauritius

Mr Price Home Store in Mauritius

# INTERNATIONAL

## Who we are:

In support of the trading chains, the division identifies new countries with the most profitable trading potential. Thorough research is undertaken, external resources engaged, financial feasibilities stress-tested and the attractiveness of doing business evaluated against ruling legislation and risks. This culminates in a recommendation to the board regarding regional and country priorities, profitability, store numbers and locations, and roll-out plan.

## What we did:

The team uses group resources and synergies to assist franchisees plan, open and successfully manage their stores. Guidance is provided regarding business planning, store location and design, fixturing, merchandise planning, staffing, training, pricing, systems and supply chain. Implementing the group's new warehouse management system unfortunately temporarily affected the supply of stock to the franchisees. Despite this, franchise stores sold 2.6 million units, from total gross space of 16 328m$^2$. African currencies weakened against the Rand, which resulted in merchandise inflation and higher selling prices. During the year, the group was granted approval to operate a bond store warehouse, an initiative which will assist franchisees by removing the duplication of import duties.

Mr Price International continued its research into key sub-Saharan African markets. Key business processes were enhanced to better service franchisees and to establish the capability to operate corporate stores in identified new markets.

## Where we are going:

The division will continue to monitor key metrics and assist franchisees to optimise their performance. The group's supply chain capability will be enhanced to enable merchandise to be delivered to foreign stores at the lowest possible cost.

The lifting of the clothing imports ban into Nigeria has created the opportunity to take the Mr Price brand to an underserviced fashion-value apparel market of approximately 160 million people. The group plans to focus its efforts on corporate owned stores in fast-growing, emerging African markets such as Nigeria, Ghana and Angola.

Existing stores and expected openings in the forthcoming year are as follows:

| | 2011 closing stores | | 2012 | |
|---|---|---|---|---|
| Franchise | Apparel | Home | Apparel | Home |
| Zambia | 2 | 1 | +2 | |
| Kenya | 5 | 3 | +1 | +1 |
| Ghana | 1 | | | |
| Uganda | 1 | | +1 | +1 |
| Tanzania | 1 | 1 | | |
| Malawi | 2 | | | |
| Mauritius | 2 | 1 | | |
| Mozambique | 3 | 1 | | |
| Rwanda | | | +1 | +1 |
| Total Franchise | 17 | 7 | +5 | +3 |

# FINANCIAL SERVICES

## Who we are:

The division has a dual role assisting the trading divisions drive profitable growth in retail market share by selling more merchandise, as well as leveraging the customer base to sell value-adding financial services products.

The group adopts a controlled risk approach, that delivers responsible credit to customers within its overall credit policy and strategic framework. A range of competitive six, 12 and 24 month interest-bearing accounts are offered for Mr Pricemoney, Sheet Street and Miladys. Limit granting criteria are aligned to the National Credit Act requirements and limits are historically capped at conservative levels to minimise exposure levels. Risk strategies are underpinned by sound application scorecards and business rules derived from both credit bureaus and internal data sources. The bad debt forecast and impairment model applies Markov statistical techniques to determine the recoverability of trade receivables.

In addition to the credit operations, the division offers financial services products that augment the group's core philosophy of offering great value to qualifying customers. Insurance products are offered in partnership with selected insurance providers and administrators, while underwriting risk is managed through appropriate re-insurance. A range of affordable airtime products, facilitated by strategic partnerships and alliances, is also offered.

## What we did:

The credit portfolio is independently recognised as among the best performing in the industry. The active account base has grown by 14.5% and the group now has in excess of one million credit customers. Conservative credit limit strategies have resulted in a credit sales growth of 14.2%, constituting 16.2% of total sales.

The division has continued strengthening its credit policy and strategic framework aimed at increasing customer profitability. New credit risk strategies across delinquency reduction, attrition, spend stimulation and the take-up of financial services products have delivered pleasing results. This is particularly evident in cross-shopping within the Mr Price brands and in the healthy demand for new insurance products.

Enhancing the capability of the newly-launched mobile phone application to optimise new customer acquisitions and market growth, and allowing customers to pay their bills via their cellular telephones are areas of priority. This approach has significantly reduced the cost of doing business and the consumption of paper, thus impacting positively on the environment. Applications in mobile technology have become the most cost-effective method for communicating with and marketing to customers and this strategy will continue to be fine tuned.


Conservative credit limit strategies have resulted in credit sales constituting 16.2% of total sales.

Despite the higher number of active accounts and an increase in credit sales, the debtors book grew by a modest 3.9% to R819.5 million. The portfolio experienced further improvements in collections, as evidenced by the lower average balance per account, and the improved bad debt performance. Net bad debt as a percentage of credit sales and debtors reflect an improvement to 2.1% from 3.7% and 4.5% from 7.0% respectively. However, the impairment provision as a percentage of debtors has remained in line with the prior period at 9.1%. Retailers and consumers will be concerned regarding the knock-on effect that an increasing fuel price will have on the economy, while certain commentators have warned that food inflation could reach a staggering 15% in the year ahead. Coupled with the 35% increase in the growth of unsecured credit over the last 12 months, there are warning signs that the consumer could once again be under financial pressure.

## Where we are going:

The division will continue maintaining a conservative risk management approach to new business and will reward loyal customers with a good credit history in the existing portfolio, with access to additional funding and financial services products.

Key focus areas include:

- Continued enhancement of the credit policy and strategic framework across the customer lifecycle, particularly credit limit management;
- Re-engineering the insurance model to enhance the product development capability, extract cost efficiencies and improve product take-up rates; and
- Strengthening the electronic channel capability across e-mail, MMS, SMS, web and mobi-sites to drive account acquisition, payment, merchandise offers and communication strategies.

**Gross trade receivables per division**

| R'000 | Mr Price Apparel | Mr Price Home | Mr Price Sport | Miladys | Sheet Street | Total 2011 | Total 2010 |
|---|---|---|---|---|---|---|---|
| Six months | 164 550 | 44 083 | 4 744 | 63 315 | 25 346 | **302 038** | 282 473 |
| 12 months | 286 552 | 53 643 | 11 181 | 125 426 | 27 625 | **504 427** | 494 159 |
| 24 months | | 13 071 | | | | **13 071** | 11 886 |
| **Total** | 451 102 | 110 797 | 15 925 | 188 741 | 52 971 | **819 536** | 788 518 |

| **Account management summary** | 2011 | 2010 |
|---|---|---|
| Trade debtors (gross) R'000 | **819 536** | 788 518 |
| Total active accounts | **1 034 396** | 903 418 |
| Average balance (R) | **784** | 830 |
| % of debtors able to purchase on credit | **91.8** | 90.6 |
| Retail sales analysis (% of total sales) | | |
| Cash | **83.8** | 83.9 |
| Credit | **16.2** | 16.1 |
| Net bad debt (net of recoveries) | | |
| % of credit sales | **2.1** | 3.7 |
| % of debtors | **4.5** | 7.0 |
| Impairment provision % of debtors | **9.1** | 9.1 |

# REAL ESTATE

*The division is a value-driven service provider meeting the group's real estate and support function needs.*

## The objectives are:

- Achieving space growth goals as mandated by the trading divisions, whose space needs arise from their merchandise and business strategies; and
- Minimising occupancy costs through negotiation and an aggressive lease renewal policy. This requires rentals to reflect the impact of an ever increasing national footprint and occupancy costs to be maintained within predetermined limits.

## The division also:

- Maximises the return from space by suitably locating stores;
- Right-sizes stores in line with trading conditions and market changes. This includes exiting from excess space as well as ensuring that those stores where high trading densities are detrimental to the customers' shopping experience, are expanded; and
- Plans and designs store layouts, procures shop-fitting and project manages the fitting of acquired space, while remaining true to the group value formula and contributing to the group's sustainability precepts in all activities.

## Overview:

The development team attended to 173 projects, while 262 leases were renewed, another 87 renegotiated and there are 1 096 leases under internal administration. Refer to page 39 for a summary of the changes in group trading space.

The division, which employs 30 associates, is well placed to meet the group's future growth requirements. As part of the ongoing commitment to reducing the group's carbon footprint, new energy efficient lighting systems are currently being tested. Initial tests have been positive and have shown that the change will also lead to a reduction in lighting costs.

# SYSTEMS

During the year, the division's 116 information technology associates delivered and implemented key projects that were either prioritised in terms of the group's strategic plans or were requested by users. The major projects undertaken utilised best-of-breed third party software solutions, which were integrated into existing applications. The group will continue to strive to implement the most effective and efficient systems and as a result, its previous strategy of mainly focusing on in-house development will change.

## Key deliverables were:

- Merchandise management module developments under Project Redgold. The focus of the current phase of this project is on global inbound supply chain, from strategic planning to multiple points of delivery;
- Merchandise allocation technique improvements to boost service levels in-store and reduce stock holdings. This is driven by improved merchandise planning processes, with the imminent introduction of an integrated location planning system;
- Rolling out the product lifecycle management system to improve supplier communication and provide users with better visibility of the inbound supply chain. This will greatly enhance merchandise planning and on-time deliveries;
- Implementing a new warehouse management system to improve accuracy, increase productivity and facilitate the rapidly growing stock demands. The distribution centres handled record stock volumes and just-in-time deliveries facilitated seasonal peak stock requirements;
- Implementing a bond warehouse solution to facilitate the export of goods to franchisees and eliminate import duty duplication. In addition, the first phase of a direct delivery (manufacturer to store) capability has been developed;
- A replacement programme for the data warehouse and business intelligence solutions. The first phase, being the underlying database, has been completed and the second phase, being the replacement of key business applications, is currently in progress;
- Refining customer behaviour modelling tools to offer customers the most appropriate credit and payment plans. Significant improvements to customer acquisition and retention processes were also introduced; and
- Researching human capital management best practices to re-engineer existing processes and policies. Time, attendance and workforce scheduling components will be included.

# LOGISTICS AND SUPPLY CHAIN

Efficient logistics are critical and demand robust supply chain processes and supplier collaboration.


The group interacts with suppliers according to the highest level of professional and ethical standards (refer to www.mrpricegroup.com for the supplier code of conduct).

Further improvements have been implemented in the operating standards for supplier interactions and the manner in which product is distributed to the distribution centres. The result has been a vast improvement in carton flows, by as much as 300% in respect of the PackIT project (which is a tool for suppliers to fulfill all the advance shipping notice and carton identification requirements prior to delivery to distribution centres), and a 15% decrease in rejected orders upon arrival.

Supplier collaboration was further extended by the internet portal, SupplyIT, which allows for instantaneous order communication, audited tracking of order changes, ordering of swing tickets and appointment bookings for quality control and delivery to the distribution centres. Standardising swing ticket sourcing has improved scan rates, ensuring faster receipt of stock, efficient merchandise processing through point-of-sale and accurate and efficient stock-taking.

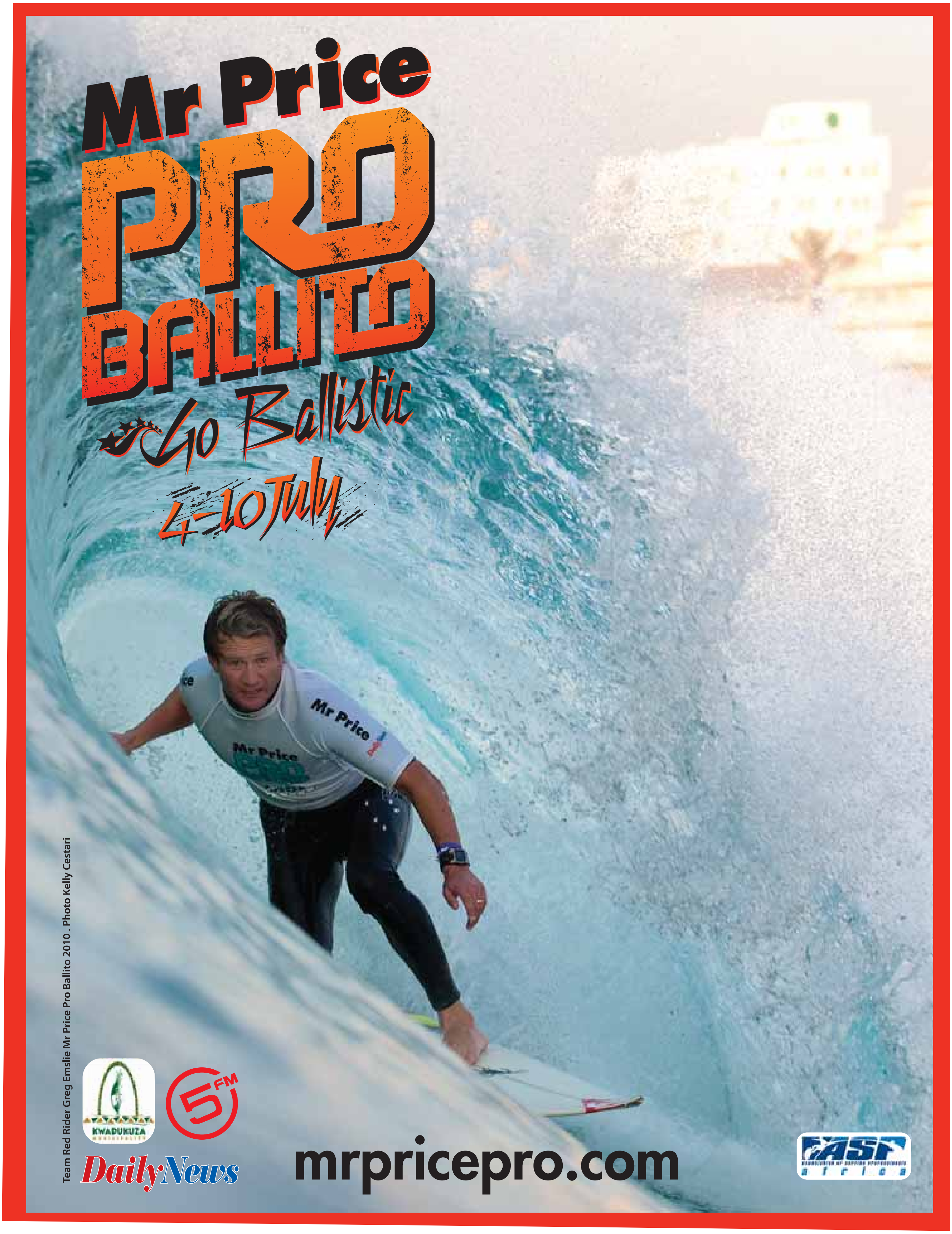
Supplying 937 owned stores and exporting to 24 franchise stores in eight countries has resulted in a complex supply chain process, the level of which will increase as the group further expands and globalises its business. To this end, the group is strengthening its supply chain management structures, partnering with subject matter experts and implementing systems that will form a solid foundation for its future plans. An international consultant has been enlisted to create a long-term supply chain blueprint.

The rollout of a dynamic routing solution in Gauteng has demonstrated vehicle utilisation benefits in the region of 12%, not only reducing carbon emissions, but also offsetting rising fuel and carriage costs. The system will roll out nationally in the new year.

# GROUP DISTRIBUTION

Outbound units from the group's distribution centres were up by 10% in the current year, with the total cost per unit increasing by only 0.4%.

| 2008 units | 2009 units | growth | 2010 units | growth | 2011 units | growth |
|---|---|---|---|---|---|---|
| 149 689 615 | 165 927 742 | 10.8% | 170 661 223 | 2.9% | 187 673 395 | 10.0% |


Mr Price
PRO
BALLITO
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4-10 July
Team Red Rider Greg Emslie Mr Price Pro Ballito 2010. Photo Kelly Cestari
KWADUKUZA
5FM
Daily News
mrpricepro.com
ASP africa

# SPORTS MARKETING

## *On and off the field, we're always part of the game!*

*Mr Price Group has a long history of sports involvement, linking its young, fun, casual brand with sporting heroes of today and tomorrow. Sponsorship is spread across rugby, athletics, wheel-sports (motor and pedal) and water sports.*

It has been another action-packed year for Mr Price sponsored athletes and events with numerous milestones being achieved.

In surfing, it was an exceptional year for Team Red surfer Greg Emslie who claimed three PST titles and one ASP title before leading a South African team that secured a bronze medal at the Billabong ISA World Surfing Games in Peru last October. Mr Price also repeated its successful hosting of the world-renowned Mr Price Pro Ballito, a five-star ASP event that saw Durban born star Jordy Smith fulfill a boyhood dream in claiming an emotional victory.

In athletics, athletes Olesya Nurgalieva and Mabuthile Lebopo secured victory in the women's and men's division respectively at the Two Oceans Marathon. In typical fashion, Mr Price runners made their mark at the gruelling Comrades Marathon with the indomitable Mr Price runner Elena Nurgalieva claiming her fifth Comrades win.

There was also plenty of two-wheeled action to remember with Mr Price hosting the renowned National Supermoto Championship and Karkloof Classic mountain bike festival. Mountain bike maestro Burry Stander (Mr Price Specialized) had another outstanding year that included achieving his goal to win a bronze medal at the World XC Champs in Mont Sainte-Anne, Canada.

Finally, in rugby the Sharks finished 2010 in style, claiming a sixth Currie Cup title with an impressive 30 -10 victory over Western Province in an enthralling home final. Following on this success, the group has sponsored Durban's home of rugby and named it Mr Price Kings Park.

THE SHARKS FINISHED 2010 IN STYLE, CLAIMING A SIXTH CURRIE CUP TITLE.


2010 was a memorable sporting year and Mr Price was again at the forefront of the action – this augurs well for the years to come!


Jordy Smith: winner of the Mr Price Pro, Ballito.

Burry Stander: bronze medal winner at the World XC Champs, Canada.


Two Oceans winners: Olesya Nurgalieva and Mabuthile Lebopo.

# REPORT OF THE CHIEF FINANCIAL OFFICER

This year the group celebrates its 25th anniversary of change in control and it is fitting that at this juncture, significant milestones have been achieved – retail sales have exceeded R10 billion and profit attributable to shareholders has exceeded R1 billion for the first time.

> *Retail sales have exceeded **R10 billion** and profit attributable to shareholders has exceeded **R1 billion** for the first time.*

## Highlights

| | | 2011 | | 2010 | % change | |
|---|---|---|---|---|---|---|
| | | 53 weeks | 52 weeks | 52 weeks | 53 weeks | 52 weeks |
| Retail sales | R'million | 10 673 | 10 452 | 9 454 | 12.9 | 10.5 |
| Gross profit | % | 41.9 | 41.9 | 39.9 | | |
| Stock turn | times | 6.6 | | 5.9 | | |
| Profit from operating activities | R'million | 1 434 | 1 382 | 992 | 44.6 | 39.3 |
| Core headline earnings per share | cents | 420.6 | 405.0 | 285.7 | 47.2 | 41.8 |
| Group operating margin | % | 13.4 | 13.2 | 10.5 | | |
| EBITDA margin | % | 15.2 | | 10.7 | | |
| Net bad debts to book | % | 4.5 | | 7.0 | | |
| Dividends per share | cents | 252.0 | | 173.0 | 45.7 | |
| - interim | cents | 76.7 | | 46.2 | 66.0 | |
| - final | cents | 175.3 | | 126.8 | 38.2 | |
| Dividend cover | times | 1.6 | | 1.6 | | |
| Cash and cash equivalents | R'million | 1 369 | | 1 171 | 16.9 | |
| Return on net worth | % | 42.2 | | 32.5 | | |
| Return on average shareholders' equity | % | 46.0 | | 35.6 | | |

### Changes in accounting policies

The board believes that appropriate accounting policies, supported by sound, prudent management judgments and estimates, have been consistently applied. During the year, the group adopted new or amended accounting Standards and Interpretations, as detailed on pages 146 and 147 of this report, which did not materially impact results.

## Economic environment

South African retailers have experienced an increase in sales in real terms for 14 consecutive months, and the economy has experienced positive growth in gross domestic product (GDP) for six consecutive quarters.

These statistics have been impacted by the euphoria surrounding the FIFA 2010 World Cup, and monthly earnings in the formal sector increasing by 11.4% in the year to November 2010, well above the inflation rate. A strong Rand has helped offset the impact of high oil prices and increases in merchandise input prices. However, the improvement in the group's financial results is also due to other factors which are detailed on page 62.

Consumer confidence, as measured by the Bureau for Economic Research, remained relatively constant during the first three quarters of the financial year. Although this measure dropped in the first quarter of the 2011 calendar year, not too much should be read into this as it is a seasonal drop which has been less severe than previous years. Overall consumer confidence is relatively high in historical terms.

Business confidence has increased and for the first time in three years, more companies are optimistic than pessimistic. The jump in business confidence in the first quarter of the calendar year suggests that the momentum in GDP growth has also continued into the new year.

Government’s plans to create jobs will need more time to have an impact and the 25.2% unemployment rate is in line with the comparable period.

## Financial commentary

The group continued to gain market share as measured by the Retailers’ Liaison Committee (RLC) and increased sales by 12.9% to R10.7 billion (52 weeks: 10.5% increase to R10.5 billion). This compares favourably with the total retail sector, which, as reported by Statistics South Africa, grew by 7.5%. Comparable sales rose by 10.2% (52 weeks: 7.8%) and 9.9% more units were sold (52 weeks: 7.6%).


*Mark Blair*

## The impact of the 53rd week on sales growth was as follows:

| | 2011 | | 2010 | Total sales growth | | Comparable sales growth | |
|---|---|---|---|---|---|---|---|
| | 53 weeks R'm | 52 weeks R'm | 52 weeks R'm | 53 weeks % | 52 weeks % | 53 weeks % | 52 weeks % |
| Mr Price Apparel | 5 991 | 5 867 | 5 246 | 14.2 | 11.8 | 9.8 | 7.5 |
| Miladys | 1 049 | 1 030 | 1 028 | 2.1 | 0.2 | 2.8 | 0.9 |
| Mr Price Sport | 555 | 542 | 437 | 27.0 | 24.0 | 9.5 | 7.1 |
| **Total Apparel** | **7 595** | **7 439** | **6 711** | **13.2** | **10.8** | **8.5** | **6.3** |
| Mr Price Home | 2 123 | 2 080 | 1 897 | 11.9 | 9.6 | 13.9 | 11.2 |
| Sheet Street | 955 | 933 | 846 | 12.9 | 10.3 | 14.3 | 11.1 |
| **Total Home** | **3 078** | **3 013** | **2 743** | **12.2** | **9.8** | **14.0** | **11.2** |
| **Total Group** | **10 673** | **10 452** | **9 454** | **12.9** | **10.5** | **10.2** | **7.8** |

There were 937 stores at year end and weighted average trading space increased by 0.7% as a consequence of store closures offsetting expansions and new store openings. Details of stores and trading space movements are contained in the divisional performance indicators on page 39.

The Apparel chains increased sales and other income by 13.1% to R7.8 billion. Operating profit was up by 31.0% to R1.3 billion, resulting in the operating margin increasing to 16.9% of retail sales. Mr Price Apparel recorded sales growth of 14.4% to R5.9 billion (excluding international), representing 55.3% of group sales, and continued to capture market share. Mr Price Sport opened six stores and grew sales by 27.0%, exceeding R500 million for the first time, and delivered a greatly improved financial performance. Disappointingly, Miladys only grew sales by 2.1%, but an improved gross margin and tight expense control resulted in operating profit increasing by 21.5%.

The Home chains grew sales and other income by 12.3% to R3.1 billion and operating profit by 168.1% to R271.2 million, achieving an operating margin of 8.8% of retail sales. Mr Price Home achieved a sales growth of 13.0% (excluding international), breaching the R2 billion level for the first time. The gross profit margin improved by 3.6% and the division contained expenses, resulting in operating profit increasing by 182.2%. Sheet Street grew sales by 13.1% (excluding international) despite closing a net nine stores and operating profit increased by 140.6%.

Other income increased by 11.9% due to increases in interest received from trade receivables and premium income relating to financial services products sold.

Improved resourcing and merchandise calls resulted in lower markdowns and the gross profit percentage increasing to 41.9% (2010: 39.9%).

**Selling expenses** were tightly controlled and increased by 8.3% (52 weeks: 7.2%) and constituted 23.5% of retail sales, an improvement on last year's 24.5%. Electricity and water costs increased by 24.3% and there was a R10.9 million increase in the loss on disposal of property, plant and equipment due to the closure of non-performing stores during the year.

**Administrative expenses** increased by 13.8% (52 weeks: 12.0%) and comprise 7.2% of retail sales which is consistent with the previous year. Prior to the impact of certain once-off expenses and increase in incentives which is aligned with profit growth, the increase was 8.7%.

**Total expenses** as a percentage of sales decreased from 31.6% to 30.7%.

**Operating profit** increased by 44.6% (52 weeks: 39.3%) and the operating margin increased to 13.4% (52 weeks: 13.2%) of retail sales.

The increase in operating margin can be explained as follows:

| | | |
|---|---|---|
| **Operating margin last year** | | **10.5%** |
| Gross profit: | Input margin | 1.2% |
| | Markdowns | 1.0% |
| | Other | (0.2%) |
| Store expenses: | Employment | 0.2% |
| | Occupancy | 0.3% |
| | Other | 0.5% |
| Administrative and central costs | | (0.1%) |
| **Operating margin this year** | | **13.4%** |

The operating margin increased by 2.9% which was due to the impact of a strong Rand, an improved markdown performance and tight expense control. In relation to the Rand, it is estimated that this contributed 0.8% of the increased input margin of 1.2%.

The sales and operating profit percentage growth splits for the first and second halves of the year are as follows:

| | 1st Half 26 weeks | 2nd Half 27 weeks | Full Year 53 weeks | 2nd Half 26 weeks | Full Year 52 weeks |
|---|---|---|---|---|---|
| **Sales** | | | | | |
| Apparel | 11.4 | 14.7 | 13.2 | 10.4 | 10.8 |
| Home | 10.0 | 14.0 | 12.2 | 9.7 | 9.8 |
| **Total** | **11.0** | **14.5** | **12.9** | **10.2** | **10.5** |
| **Operating profit** | | | | | |
| Apparel | 34.4 | 28.9 | 31.0 | 22.3 | 27.1 |
| Home | 1 785.7 | 94.6 | 168.1 | 79.4 | 153.7 |
| **Total** | **57.4** | **37.9** | **44.6** | **29.7** | **39.3** |

Although the repo rate decreased during the year, **net finance income** increased by 48.7% due to the higher average cash balances. Net profit after net finance income increased by 44.7% (52 weeks: 39.6%).

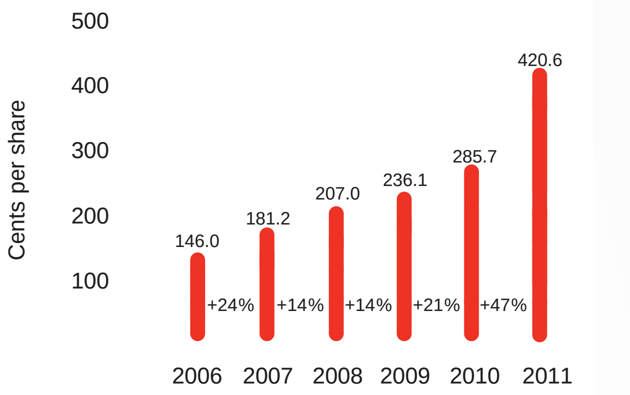
The company terminated its involvement in export partnerships at the end of the last financial year. The R4.2 million in the current year relates to the final adjustments in respect of the unbundling.

The effective **taxation** rate for the year was 31.9% compared with 22.0% in the prior year, which was distorted by the unbundling of the export partnerships. Excluding secondary taxation on companies (STC) the effective taxation rate in the current year was 28.3%.

The **number of shares in issue** at year end decreased by 2.5 million due to the increased number of treasury shares held. Treasury share purchases during the year (4 441 568 shares at an average cost of R49.45 per share totalling R219.7 million) exceeded treasury shares sold (1 963 200 shares) as a result of share options vesting. Treasury shares held all relate to covering shares or share options granted under the group's various share schemes.

**Core headline earnings per share**, which excludes adjustments relating to export partnerships, and is therefore indicative of true trading performance, increased by 47.2% (52 weeks: 41.8%), while after accounting for the effects of the export partnerships, headline earnings per share was up 51.3% (52 weeks: 45.7%).

Core headline earnings per share




The increase in the weighted average share price for the year to R53.95 (2010: R32.33) is the main driver for the difference between headline and diluted headline earnings per share. The higher weighted average share price resulted in a higher number of shares deemed to be issued for no consideration and consequently a larger dilution effect.

As explained in more detail on page 17, one of the main ratios used by the company for assessing its performance and for benchmarking against competitors, is return on net worth. In the current year, the primary drivers of the increase from 32.5% to 42.2% were:

| | 2011 | 2010 |
|---|---|---|
| Net profit margin (%) | 9.5 | 7.1 |
| x | | |
| Asset turnover (times) | 2.8 | 2.6 |
| = | | |
| **Return on assets (%)** | **26.2** | **18.7** |
| x | | |
| Financial leverage (times) | 1.6 | 1.7 |
| = | | |
| **Return on net worth (%)** | **42.2** | **32.5** |

## Financial position

Additions to **property, plant and equipment** for the year amounted to R121.7 million, of which furniture, fittings, equipment and vehicles constituted 87% (2010: 81%) and computer equipment 11% (2010: 15%). The depreciation charge for the year was R170.8 million (2010: R162.9 million).

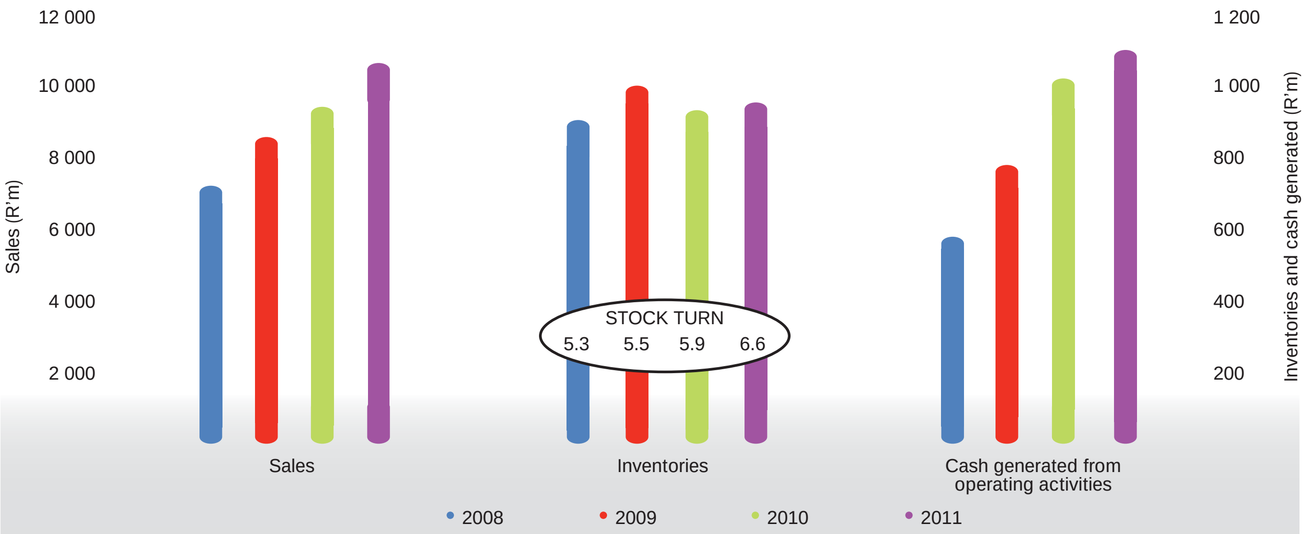
Disposals of property, plant and equipment totalling R19.4 million occurred due to the closure of non-performing stores and planned space reductions, as detailed on page 175.

Additions to **intangible assets** amounted to R33.8 million and related primarily to IT spend. Goodwill to the value of R5.2 million was raised on the purchase of the assets and liabilities of Associated Credit Specialists, a debt collection business. The amortisation charge for the year amounted to R24.2 million (2010: R17.4 million).

**Inventories** were tightly controlled and group stock turn improved from 5.9 to 6.6 times as gross inventory balances remained in line with the prior year.

**Project Redgold continued to deliver efficiencies, borne out by the fact that over the last four years, inventory has increased by only 5% while sales have increased by 48%.**

IMPACT OF PROJECT REDGOLD




The change in gross inventories compared with sales growth is as follows:

| | % change in gross inventories | % change in sales | Stock turn (times) | |
|---|---|---|---|---|
| | | | 2011 | 2010 |
| Mr Price Apparel | **0.1** | **14.4** | **7.2** | 7.0 |
| Mr Price Home | **(1.2)** | **13.0** | **5.8** | 4.7 |
| Sheet Street | **(2.5)** | **13.1** | **5.9** | 4.8 |
| Miladys | **22.8** | **2.1** | **6.4** | 6.7 |
| Mr Price Sport | **(2.0)** | **27.0** | **5.1** | 3.8 |
| **Group** | **1.1** | **12.9** | **6.6** | 5.9 |

**Trade and other receivables** increased by 13.8% to R931.3 million. Gross trade receivables increased by 3.9% to R819.5 million. Despite unpredictable trading conditions, net bad debt as a percentage of the debtors book reduced from 7.0% to 4.5%. This was due to the continued focus on credit management and risk processes, an improved collections strategy and consumers' increased level of disposable income. The provision for impairment has been set at 9.1% of the debtors book.

Prepayments increased from R8.1 million to R95.2 million primarily as a consequence of store operating lease rentals that were paid on 1 April 2011 while the year ended on 2 April.

The group continues to reflect a healthy financial position. The cash sales component remained high at 83.8%. Despite dividends paid to shareholders increasing by 46.9% to over R500 million and purchasing treasury shares to the value of R219.7 million, cash balances at year end increased to R1.4 billion.

**Equity attributable to shareholders** increased by R323.4 million to R2.4 billion. The movement is made up as follows (R'000):

| | |
|---|---|
| Opening balance | 2 070 823 |
| Total comprehensive income for the year | 1 006 938 |
| Treasury share transactions | (209 796) |
| Recognition of share-based payments | 38 527 |
| Dividends to shareholders | (512 308) |
| Closing balance | 2 394 184 |

Treasury share transactions include:

- the purchase of treasury shares to partially cover options granted (R219.7 million);
- a deficit on treasury share transactions (R62.3 million) that resulted from the take-up of options under the old and new option schemes;
- the sale of treasury shares due to options vesting during the year (R58.4 million); and
- taxation relating to grants from the company to the share trusts (R13.7 million).

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

**Trade and other payables** decreased by 5.2% to R1.2 billion. Trade payables dropped by 28.1% mainly due to a reduction in outstanding cheques resulting from the timing of year end. Accruals and other payables increased to R615.9 million (2010: R440.3 million). The main drivers were higher turnover rentals, increased incentive accruals, increased VAT and forward exchange contract liabilities.

## Prospects

Potential inflationary increases, particularly in food and fuel prices, will concern consumers and retailers. However, recent statistics reported highlight the trend of increasing real disposable incomes of households and the migration of adults from lower to higher living standard measures (LSM's). These studies suggest that in recent times, this has been driven by rising real incomes rather than debt. Consumers have benefited by wage inflation outstripping the Consumer Price Index (CPI) over the last year and this will benefit retailers. A well executed strategy will result in the group continuing to increase its number of shoppers, attracted by being able to purchase fashionable merchandise at everyday low prices.

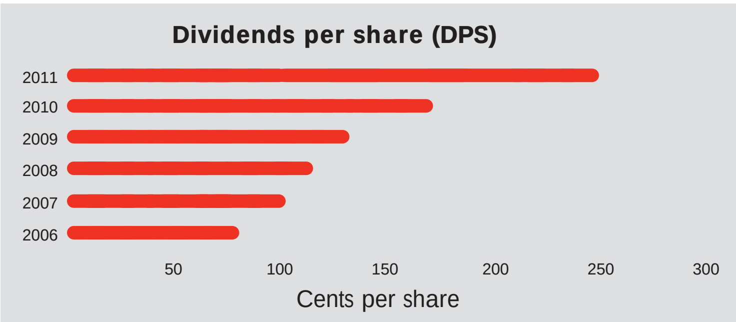
The Home chains, which had been underperforming, are now well on their way to achieving double digit operating margins and overall the business is looking forward with confidence. Investments in the key areas of information technology and supply chain are being undertaken to position the business for its next growth phase, both locally and beyond our borders. While the group expects a further increase in earnings in the year ahead, the growth will not be at the same rate as the past year, which had 53 trading weeks and included a strong recovery of the underperforming chains.

## Dividend policy and final cash dividend

The group aims to be the top performing retailer in Africa and thereby deliver superior returns to shareholders. This vision will be achieved by plans to increase sales and earnings growth as well as enhancing dividends to sustainable levels.

The dividend cover has been retained at 1.6 times and is based on 52 week headline earnings per share. The final dividend has increased by 38.2% to 175.3 cents per share and total dividends for the year by 45.7% to 252.0 cents per share.

In view of the company's strong balance sheet and cash-generative business model, it is the board's intention to reduce this cover further, with the most likely timing being the final dividend for the year ending 31 March 2012.




| | | |
|---|---|---|
| **Compound growth rate in DPS:** | 5 years | 25.5% |
| | 10 years | 35.6% |
| | 25 years | 25.3% |

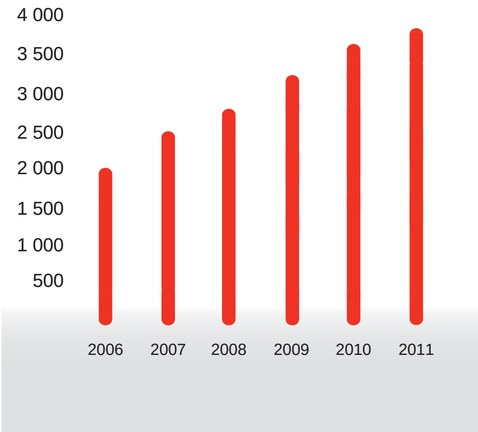
# Abridged statements of financial position, cash flows and income

| R'000 | 25 year compound growth % | 5 year compound growth % | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Statement of financial position** | | | | | |
| **Assets** | | | | | |
| Non-current assets | | | **607 681** | 686 475 | 893 460 |
| Property, plant and equipment | | | **459 634** | 530 407 | 603 299 |
| Export partnerships | | | **-** | - | 220 254 |
| Other | | | **148 047** | 156 068 | 69 907 |
| Current assets | | | **3 253 456** | 2 923 769 | 2 377 410 |
| Inventories | | | **953 666** | 934 671 | 1 002 456 |
| Trade and other receivables | | | **931 278** | 818 355 | 714 167 |
| Cash and cash equivalents | | | **1 368 512** | 1 170 743 | 660 787 |
| | | | **3 861 137** | 3 610 244 | 3 270 870 |
| **Equity and liabilities** | | | | | |
| Equity attributable to shareholders | | | **2 394 184** | 2 070 823 | 1 764 187 |
| Non-current liabilities | | | **179 010** | 200 966 | 225 673 |
| Current liabilities | | | **1 287 943** | 1 338 455 | 1 281 010 |
| Trade and other payables | | | **1 241 624** | 1 310 170 | 1 208 450 |
| Other | | | **46 319** | 28 285 | 72 560 |
| | | | **3 861 137** | 3 610 244 | 3 270 870 |
| **Statement of cash flows** | | | | | |
| Cash flows from operating activities | | | **1 104 698** | 1 021 444 | 783 153 |
| Cash flows from investing activities | | | **(155 043)** | (100 924) | (219 246) |
| Cash flows from financing activities | | | **(748 026)** | (401 799) | (367 135) |
| Net increase/(decrease) in cash and cash equivalents | | | **201 629** | 518 721 | 196 772 |
| Cash and cash equivalents at beginning of the year | | | **1 170 743** | 660 787 | 465 277 |
| Exchange (losses)/gains | | | **(3 860)** | (8 765) | (1 262) |
| Cash and cash equivalents at end of the year | | | **1 368 512** | 1 170 743 | 660 787 |
| **Income statement** | | | | | |
| Retail sales | 21.6% | 15.6% | **10 673 364** | 9 454 130 | 8 591 258 |
| Profit from operating activities | 24.1% | 21.5% | **1 433 768** | 991 518 | 827 188 |
| Profit attributable to shareholders | | | **1 010 254** | 673 568 | 615 723 |
| Headline earnings attributable to shareholders | | | **1 026 399** | 682 135 | 622 724 |

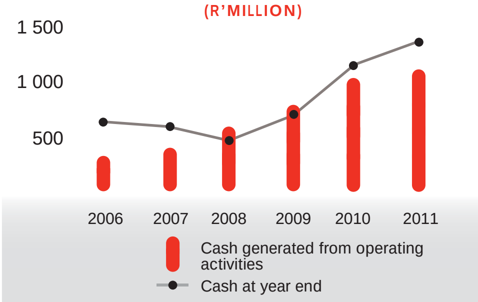
Notes:
1. 2006 and 2011 were 53 week periods.
2. The 25 year compound growth rates, reflected on pages 66 to 71, are calculated from the date of acquiring control in 1986.
3. Definitions are found on page 187.

| 2008 | 2007 | 2006 |
|---|---|---|
| 846 334 | 712 485 | 570 810 |
| 566 176 | 464 082 | 344 007 |
| 220 310 | 201 688 | 170 389 |
| 59 848 | 46 715 | 56 414 |
| 1 945 182 | 1 781 177 | 1 456 029 |
| 909 094 | 741 229 | 535 467 |
| 570 811 | 469 003 | 296 039 |
| 465 277 | 570 945 | 624 523 |
| 2 791 516 | 2 493 662 | 2 026 839 |
| 1 479 331 | 1 316 808 | 1 025 647 |
| 241 142 | 231 263 | 280 340 |
| 1 071 043 | 945 591 | 720 852 |
| 1 034 118 | 821 139 | 550 904 |
| 36 925 | 124 452 | 169 948 |
| 2 791 516 | 2 493 662 | 2 026 839 |
| 578 774 | 387 945 | 328 918 |
| (255 020) | (237 381) | (47 702) |
| (429 598) | (203 691) | (146 477) |
| (105 844) | (53 127) | 134 739 |
| 570 945 | 624 523 | 493 131 |
| 176 | (451) | (3 347) |
| 465 277 | 570 945 | 624 523 |
| 7 203 640 | 6 056 757 | 5 167 598 |
| 716 180 | 612 685 | 542 415 |
| 550 943 | 479 164 | 392 470 |
| 553 165 | 480 644 | 397 379 |

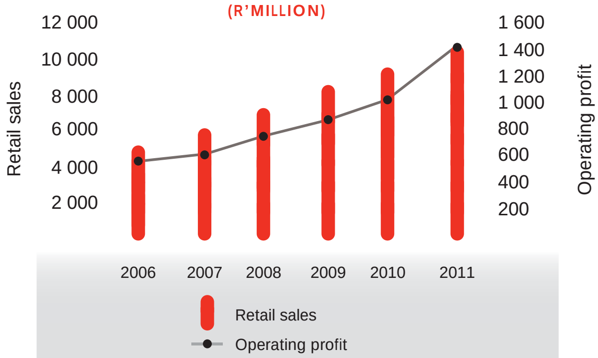
TOTAL ASSETS (R'MILLION)




CASH GENERATED AND CASH AT YEAR END (R'MILLION)




RETAIL SALES AND OPERATING PROFIT (R'MILLION)



# Stores and productivity measures

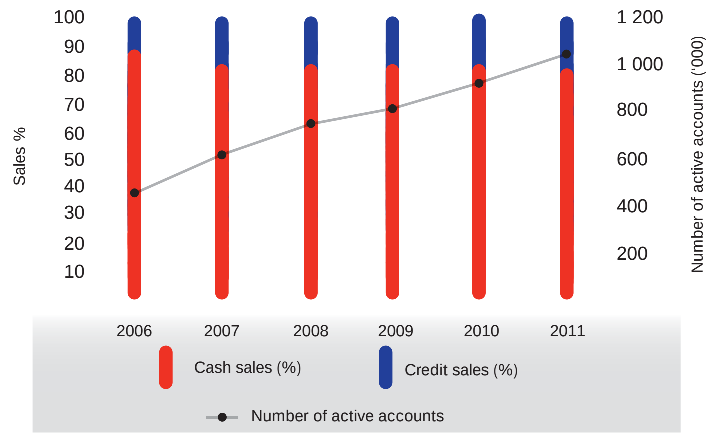
| Ratios / indicators | 25 year compound growth % | 5 year compound growth % | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Operating statistics** | | | | | |
| Depreciation as a % sales[a] | | | **1.6** | 1.7 | 1.8 |
| Employment costs as a % sales[b] | | | **11.9** | 11.8 | 11.9 |
| Occupancy costs as a % sales[c] | | | **8.0** | 8.3 | 8.3 |
| Total expenses as a % sales | | | **30.7** | 31.6 | 31.6 |
| **Number of stores** | | | | | |
| Mr Price Apparel | | | **340** | 338 | 326 |
| Mr Price Sport | | | **40** | 36 | 31 |
| Miladys | | | **198** | 214 | 215 |
| Total Apparel stores | | | **578** | 588 | 572 |
| Mr Price Home | | | **130** | 136 | 138 |
| Sheet Street | | | **229** | 238 | 244 |
| Total Home stores | | | **359** | 374 | 382 |
| Franchise | | | **24** | 27 | 17 |
| Total group stores | | | **961** | 989 | 971 |
| FTE associates[d] | | | **12 585** | 12 536 | 12 472 |
| Trading area | | | | | |
| - weighted average net m² | | | **508 316** | 504 707 | 483 141 |
| - closing net m² | 11.4% | 9.7% | **501 497** | 513 347 | 498 884 |
| Comparable sales growth % | | | **10.2** | 6.5 | 7.8 |
| Retail selling price inflation % | | | **3.0** | 5.6 | 5.0 |
| Cash sales % | | | **83.8** | 83.9 | 84.0 |
| Credit sales % | | | **16.2** | 16.1 | 16.0 |
| Sales per store (R'000) | | | **11 391** | 9 828 | 9 006 |
| Sales per FTE associates (Rand) | | | **848 102** | 754 170 | 688 854 |
| Sales density (Rand per weighted average net m²)[e] | | | **20 997** | 18 732 | 17 782 |

Notes:
1. 2006 and 2011 were 53 week periods.
2. The 25 year compound growth rates, reflected on pages 66 to 71, are calculated from the date of acquiring control in 1986.
3. Definitions are found on page 187.

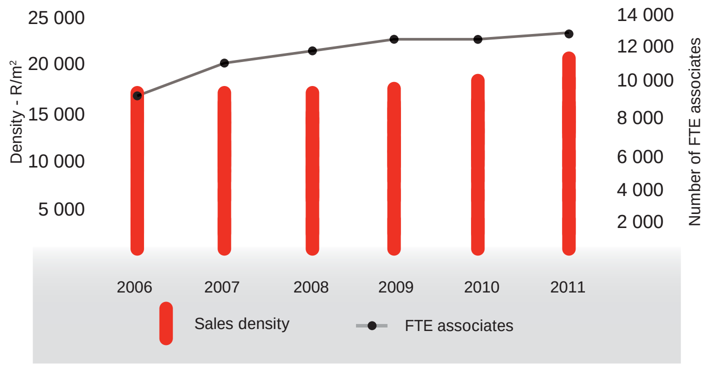
[a] Depreciation on property, plant and equipment only.
[b] Employment costs include salaries, wages and other benefits, share-based payments, restraint of trade expenses, defined contribution pension fund expense, defined benefit pension fund net expense and post retirement medical aid benefits.
[c] Occupancy costs include land and building lease expenses, including straight line lease adjustments.
[d] FTE: Full time equivalent.
[e] Includes international.

| 2008 | 2007 | 2006 |
|---|---|---|
| 1.8 | 1.7 | 1.6 |
| 12.3 | 12.7 | 12.7 |
| 8.0 | 7.7 | 7.2 |
| 31.5 | 31.5 | 31.0 |
| 315 | 305 | 305 |
| 23 | 8 | - |
| 196 | 184 | 172 |
| 534 | 497 | 477 |
| 140 | 136 | 130 |
| 222 | 196 | 154 |
| 362 | 332 | 284 |
| 7 | 1 | - |
| 903 | 830 | 761 |
| 11 884 | 11 036 | 9 166 |
| 414 773 | 347 060 | 294 594 |
| 439 901 | 377 813 | 316 288 |
| 6.4 | 8.0 | 13.4 |
| 11.5 | 6.9 | 10.9 |
| 84.2 | 84.1 | 88.7 |
| 15.8 | 15.9 | 11.3 |
| 8 040 | 7 306 | 6 791 |
| 606 170 | 548 804 | 546 335 |
| 17 368 | 17 452 | 17 545 |

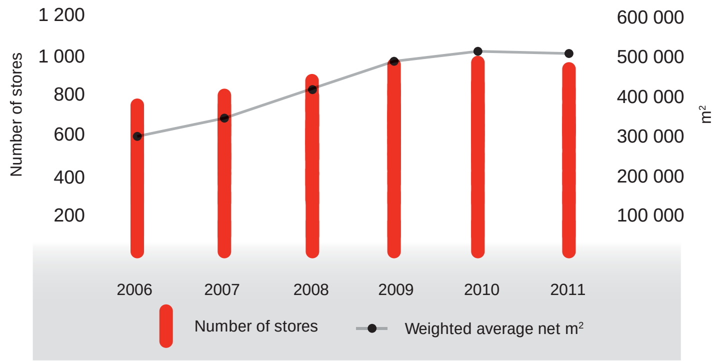
SALES SPLIT AND NUMBER OF ACTIVE ACCOUNTS




SALES DENSITY AND NUMBER OF FTE ASSOCIATES




NUMBER OF STORES AND TRADING AREA

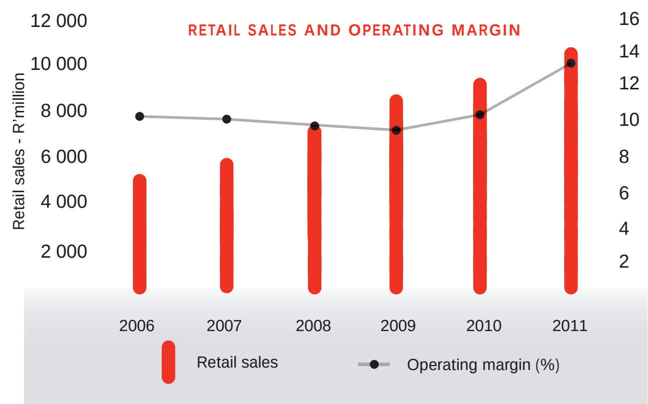


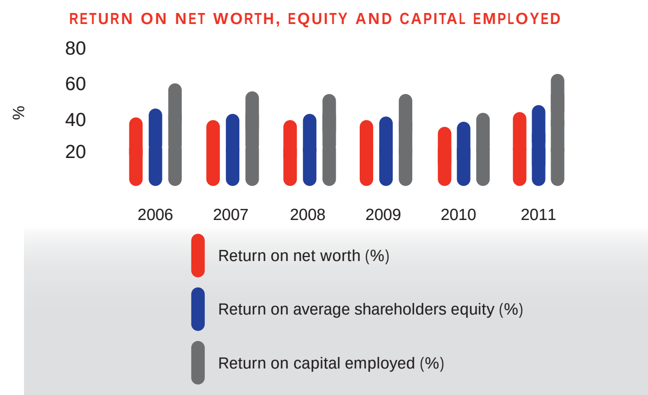
# Returns, profitability and share information

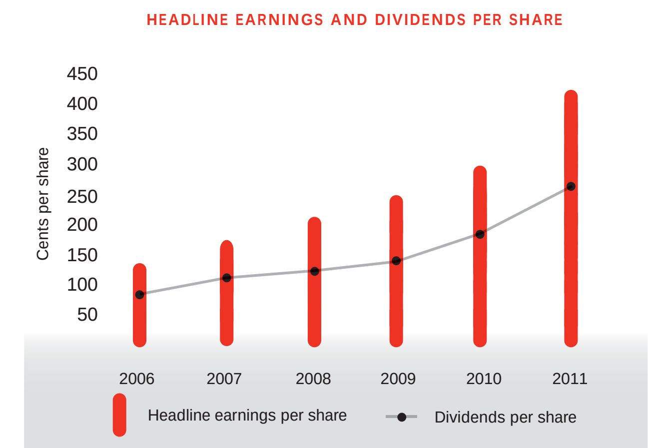
| Ratios / indicators | 25 year compound growth % | 5 year compound growth % | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Productivity ratios** | | | | | |
| Net asset turn | | | **4.5** | 4.5 | 4.8 |
| Gross margin (%) | | | **41.9** | 39.9 | 39.0 |
| Operating margin (%) | | | **13.4** | 10.5 | 9.6 |
| EBITDA margin (%) | | | **15.2** | 10.7 | 12.0 |
| **Profitability and gearing ratios** | | | | | |
| Return on net worth (%) | | | **42.2** | 32.5 | 34.9 |
| Return on average shareholders' equity (%) | | | **46.0** | 35.6 | 38.4 |
| Return on capital employed (%) | | | **63.6** | 42.6 | 52.5 |
| Return on operating assets (%) | | | **63.8** | 52.4 | 52.9 |
| **Solvency and liquidity ratios** | | | | | |
| Current ratio | | | **2.5** | 2.2 | 1.9 |
| Quick ratio | | | **1.8** | 1.5 | 1.1 |
| Inventory turn | | | **6.6** | 5.9 | 5.5 |
| Total liabilities to total shareholders' equity | | | **0.6** | 0.7 | 0.9 |
| **Per share performance (cents)** | | | | | |
| Headline earnings | 23.5% | 21.0% | **418.9** | 276.9 | 251.9 |
| Diluted headline earnings | 23.2% | 20.2% | **388.8** | 263.0 | 244.6 |
| Dividends | 25.3% | 25.5% | **252.0** | 173.0 | 133.0 |
| Operating cash flow | | | **451** | 415 | 317 |
| Net worth | | | **978** | 837 | 717 |
| **Stock exchange information** | | | | | |
| Number of shares in issue ('000) | | | **244 845** | 247 298 | 245 946 |
| Number of shares on which earnings based ('000) | | | **245 024** | 246 320 | 247 175 |
| Shares traded ('000) | | | **284 749** | 251 912 | 308 975 |
| Percentage of shares traded (%) | | | **116.2** | 102.3 | 125.0 |
| Earnings yield (%) | | | **6.6** | 7.0 | 10.4 |
| Dividend yield (%) | | | **4.0** | 4.3 | 5.5 |
| Dividend cover | | | **1.6** | 1.6 | 1.9 |
| P:E ratio (times) | | | **15.1** | 14.4 | 9.6 |
| Market capitalisation (R'm) | | | **15 744** | 9 837 | 5 994 |
| Share price (cents) | | | | | |
| - high | | | **6 908** | 4 318 | 2 651 |
| - low | | | **4 026** | 2 435 | 1 440 |
| - closing | 26.2% | 24.3% | **6 338** | 3 980 | 2 425 |
| Foreign shareholding at year end (%) | | | **29.2** | 16.7 | 20.3 |

Notes:
1. 2006 and 2011 were 53 week periods.
2. The 25 year compound growth rates, reflected on pages 66 to 71, are calculated from the date of acquiring control in 1986.
3. Definitions are found on page 187.

| 2008 | 2007 | 2006 |
|---|---|---|
| 4.8 | 4.5 | 4.9 |
| 39.4 | 40.0 | 40.3 |
| 9.9 | 10.1 | 10.5 |
| 12.2 | 12.3 | 12.5 |
| 37.2 | 36.4 | 38.3 |
| 39.6 | 41.0 | 44.2 |
| 52.1 | 53.0 | 59.5 |
| 52.5 | 51.5 | 54.2 |
| 1.8 | 1.9 | 2.0 |
| 1.0 | 1.1 | 1.3 |
| 5.3 | 5.7 | 5.4 |
| 0.9 | 0.9 | 1.0 |
| 219.0 | 191.8 | 161.7 |
| 210.8 | 183.6 | 154.7 |
| 116.0 | 101.0 | 81.0 |
| 229 | 155 | 134 |
| 598 | 523 | 412 |
| 247 332 | 251 882 | 248 756 |
| 252 599 | 250 553 | 245 697 |
| 271 233 | 238 286 | 114 856 |
| 109.7 | 101.5 | 49.6 |
| 12.0 | 6.4 | 7.6 |
| 6.4 | 3.4 | 3.8 |
| 1.9 | 1.9 | 2.0 |
| 8.3 | 15.5 | 13.2 |
| 4 498 | 6 995 | 4 956 |
| 3 340 | 3 189 | 2 184 |
| 1 719 | 1 600 | 1 050 |
| 1 820 | 2 980 | 2 140 |
| 12.1 | 18.1 | 7.0 |



# GOVERNANCE STRUCTURES

## COMMITMENT STATEMENT

***The board subscribes to sound values of good corporate governance, supporting the King Code of Governance for South Africa, 2009 (King III) principles and practices. King III became effective on 1 March 2010 and, in preparing to adopt this corporate governance code, the group undertook an externally-facilitated gap analysis exercise with PwC. Furthermore, the internal audit department extensively reviewed the group's current practice measured against both King III and the internal control model formulated by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The areas requiring attention in the journey towards compliance were:***

- **Sustainability measurement and integrated reporting systems**
  The need to assist the board with an increased focus on sustainability matters and measurement thereof was addressed by establishing the risk and sustainability committee that held its inaugural meeting on 12 May 2010. The annual integrated report introduction and risk and sustainability committee report on pages 12 and 86 respectively, outline in detail the sustainability journey.

- **Risk management**
  The group engaged PwC to assist in the design of an enterprise-wide risk management framework, methodology and process to ensure that this was fully embedded in the business. Monitoring the effectiveness of the risk management framework and process and providing risk management oversight and control was devolved to the risk and sustainability committee, the report of which can be found on pages 86 to 92. The internal audit risk-based plan was closely aligned to the risk management process outlined in the internal audit report on pages 82 to 85.

- **Combined assurance model**
  Internal audit presented a widely-accepted model for effectively co-ordinating the efforts of management, internal and independent assurance providers, increasing their collaboration and developing a shared and holistic view of the group's risk profile. This model provides an outline for an annual assurance plan that reduces duplication in audit processes while preventing assurance providers from overlooking key controls. In key risk areas where collaboration between assurance providers is required, the group provided for a degree of overlapping. The audit and compliance committee reviewed and approved this model during its meeting on 12 May 2010. The content of the annual assurance plan depends on the updating of the risk registers and clear articulation of the group's top risks. This update process is in progress.

- **Stakeholder communication**
  The results of the stakeholder identification process can be viewed on page 16 of this report. The process of forming a policy on stakeholder communication and identifying stakeholders' most material issues commenced during the year under review with the initial focus being on internal stakeholders. The process will be extended to the wider stakeholder community in the current financial year.

- **IT governance**
  A management information technology (IT) steering committee was established during the year to assist the board in its responsibility for IT governance, which in turn the board has devolved to the audit and compliance committee.

Thus the IT steering committee, reporting to the audit and compliance committee:

- provides strategic leadership for IT by aligning IT strategic objectives and activities with enterprise strategic objectives and processes;
- prioritises IT project initiatives and delivers IT investment recommendations for board approval; and
- ensures open communication between the IT department and the other functional units to promote collaborative planning.

## COMPLIANCE

While the board believes that the group complies with the spirit of corporate governance embodied in King III and endeavours to focus on those areas identified for improvement, it notes that the following principle will not be adopted:

**Principle 2.16:**
"The board should select a chairman of the board that is an independent non-executive director. The CEO of the company should not also fulfill the role of chairman of the board."

The company has operated for a number of years with joint non-executive chairmen Mr SB Cohen and Mr LJ Chiappini, who were not classified as independent. The joint chairmen retired and were appointed honorary chairmen with effect from 26 August 2010 and as such, do not fulfil any chairman functions in terms of King III.

The board has appointed as chairman Mr AE McArthur, previously the deputy chairman and CEO and who is not considered independent. However, the board believes that this can be supported because:

- the chairman is totally independent of the CEO;
- there is an independent, non-executive lead director in place providing guidance on governance issues at board level;
- there exists a balance of power and authority on the board so that no one individual has unfettered power of decision making; and
- the chairman has considerable fashion-value retail experience and skills considered essential at the chairman level.

Disclosure in this annual integrated report demonstrates the group's commitment to compliance with the King III principles and the actual extent of compliance achieved. In the sustainability journey, the board will focus on those areas where improvements can be made, including stakeholder engagement and sustainability measurement.

## BOARD OF DIRECTORS

### Board structure

Mr Price Group Limited has a unitary board structure. At the end of the financial year the board comprised three executive, 10 non-executive and four alternate directors. As reported last year, the board has continued its plan to increase the number of non-executive directors, expand the non-retail skills base and alter the age profile, racial and gender demographics, while preserving the continuity required for stability. Consequently, the following restructuring took place on 26 August 2010:

- Mr LJ Chiappini and Mr SB Cohen resigned as joint chairmen but continue serving as non-executive honorary chairmen;
- Mr AE McArthur, formerly deputy chairman and CEO, became executive chairman;
- Mr SI Bird was appointed CEO;
- Mr S van Niekerk and Mr CS Yuill retired as directors;
- Mr SA Ellis and Professor LJ Ring resigned as directors and were appointed as alternate directors to Messrs MM Blair and MR Johnston respectively; and
- Mr N Abrams and Mrs TA Chiappini-Young were appointed as alternate directors to Messrs SB Cohen and LJ Chiappini respectively.

### Board charter

The board operates in terms of a formal charter, the purpose of which is to regulate how the board conducts business in accordance with sound corporate governance principles. The objectives of the charter are to ensure that all board members acting on the company's behalf are aware of their duties and responsibilities and the legislation and regulations affecting their conduct and to ensure sound corporate governance principles are applied in all their dealings 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 board meeting in March 2011. The full charter can be found on the group's website www.mrpricegroup.com.

### Board appointments

The intention is to maintain a vibrant board that constructively challenges management's strategies and evaluates performance against established benchmarks. Balance is maintained between executive and non-executive directors with the majority of the board members being non-executives, most of whom are independent. It is an objective for approximately half the board to have fashion-value retail experience to ensure that the key risks of inappropriate retail and fashion strategies are managed on an ongoing basis.

Executive directors are ideally 'home-grown' in that they have spent many years with the group and are well-versed in the group's philosophies, strategies, operating practices and culture.

Executive board appointments are made when a senior executive has, through his/her performance, demonstrated leadership potential. The appointment recognises both proven performance and future potential. Exposure to the board deliberations prepares executive directors for future leadership and allows non-executive board members to better evaluate the executive's performance and leadership qualities.

Non-executive directors are appointed based on the contribution they can make to the improved performance of the group. Experience is sought across various disciplines so that a balanced view can be formed. Financial skills are considered vital given the needs of the audit and compliance committee and the increasing complexity of financial reporting. Other important skills are legal, economic and banking. Some retail skills among non-executives are regarded as vital and the board considers it essential that the chairman should come from a fashion-value retail background.

The remuneration and nominations committee continuously evaluates the board composition taking into account the:

- overall size;
- balance of executive to non-executive and independent to non-independent directors;
- gender and racial demographics;
- depth of retail skill;
- mix of other skills; and
- age of existing directors.

In the event that new appointments are sought, the committee identifies and evaluates potential candidates for board approval.

The board believes that its current succession plan allows for the gradual retirement of older board members while providing that, through careful skill selection and mentoring, the continuity of a vibrant and knowledgeable board will be assured.

### Ongoing training and development

There is an appropriate induction and mentoring programme for new directors and the board is committed to an ongoing training programme to brief directors on changes in the legal, commercial and socio-economic environments. The board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties, seeks to ensure such information remains relevant and enables it to assess the company's quantitative performance and considers other qualitative performance issues.

Non-executive directors are made aware of any relevant developments in group affairs and attend strategy and risk management presentations by the trading divisions and support centres. To fulfil their responsibilities, directors have full and unrestricted access to company information and can seek independent professional advice at the company's cost. All directors have access to the advice and services of the group secretary.

## Independence and rotation

An evaluation in terms of the independence criteria set out in King III, was conducted. In addition, a more robust evaluation was performed for those directors in office for more than nine years and to satisfy the various criteria set out in the Companies Act. The following non-executive directors were classified as being independent:

- Mr MR Johnston;
- Mrs RM Motanyane;
- Mr NG Payne;
- Mr MJD Ruck;
- Mrs SEN Sebotsa;
- Mr WJ Swain; and
- 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 holdings of Mr Price Group Limited B ordinary shares; and
- Mr K Getz who acts as a professional advisor to the company.

Mr MR Johnston, as the lead independent director, regularly engages with directors and senior executive management on corporate governance issues and other matters on which management may require guidance. In addition, a separate meeting of directors to specifically address corporate governance issues is held annually, under his chairmanship.

The honorary chairmen operate with employment contracts. No directors have employment contracts in excess of three years. Non-executive directors retire by rotation every three years, at which time they may be considered for re-election at the annual general meeting. The names of the directors, accompanied by brief biographical details, are provided on pages 122 and 123.

Directors must disclose their company shareholdings, other directorships and information regarding any potential conflict of interest. Non-executive directors cannot partake in the group's share incentive schemes. Directors must be recused from discussion on any matters in which they may have a conflict of interest. Before dealing in company shares, executive directors are obliged to obtain the written consent of the chairman or (should the chairman be involved in a transaction) the lead director.

## Board review and director performance assessment

The board undertakes a full review and assessment of its activities by its members every second year. Areas for improvement in performance and goals for the succeeding year are established. Performance against these goals is then monitored by a further questionnaire at the conclusion of that year. The most recent full board review was conducted in the financial year ended 2 April 2011. Progress against the "steps to be taken" and "goals set", will be evaluated in time for the special corporate governance meeting of the board in March 2012, with further action being identified.

Given the change in roles attributable to the board restructuring, a limited performance evaluation by the remuneration and nominations committee was conducted in respect of the honorary chairmen, Mr AE McArthur (in his role as CEO until September 2010) and Mr SI Bird, as CEO from September 2010 until the end of the financial year. Furthermore, a peer review of the board was conducted, to assist directors improve their performance as evaluated by their peers. This will be further refined ahead of the next review in the third quarter of 2011.

## Board meetings

The board meets at least four times annually to conduct its regular business and is responsible for the group's overall strategic direction and control. An annual special corporate governance meeting is held in March to:

- review and approve the board charter;
- review and approve the charters or mandates of the various board committees;
- consider the re-appointment of directors retiring by rotation;
- confirm 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 each other committee 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; and
- review the level of the group's compliance with the provisions of King III.

In addition to these meetings, all board members attend annual risk management and strategy presentations by senior divisional and group executives. In approving the group's strategies, the board ensures that a thorough analysis of the appropriate risks has been undertaken.

Generally, all directors attend the annual general meeting and are available to answer shareholders' questions.

## Group secretary

In line with the recommendations of King III, the board confirms its opinion that Mr CS Yuill is a competent, suitably qualified and experienced group secretary, able to provide the board with the requisite support for its efficient functioning and discharge of its duties.

## BOARD AND MANAGEMENT COMMITTEES

To assist the board in discharging its responsibilities for corporate governance, it functions with four main committees. Furthermore, responsibility for running the business and implementing strategies and policies adopted by the board is devolved to the CEO. The group has established an operating structure of boards and committees that facilitates cross-divisional co-operation, problem sharing and identification of opportunities. Each committee operates in terms of a formal charter or mandate that can be viewed on the group's website www.mrpricegroup.com. The performance of the committees and their members are evaluated separately annually in terms of self-evaluation questionnaires sent to the members for completion. An outline of the board and management committees is as follows:

**BOARD**
Honorary Chairmen: LJ Chiappini and SB Cohen
Chairman: AE McArthur
Lead director: MR Johnston
Overall composition:
Three executives
10 Non-executives (seven independent)
Four alternates

**CEO**
SI Bird

**BI-MONTHLY MD's MEETING**
Review current trade and discuss topical issues
Chairman: SI Bird
CFO: MM Blair
CIO: SA Ellis
Divisional managing directors
Group people director
Group risk and sustainability director
Group audit executive

**BI-MONTHLY DIVISIONAL BOARD MEETING**
Review results and monitor progress and strategic imperatives
Chairman: SI Bird
CFO: MM Blair
CIO: SA Ellis
Divisional managing directors
Group people director
Group risk and sustainability director
Group audit executive
Management team of the trading division being reviewed

**AUDIT AND COMPLIANCE COMMITTEE**
Chairman: WJ Swain
Members: MR Johnston, NG Payne, MJD Ruck
Number of meetings: Four

**QUARTERLY DIVISIONAL AUDIT COMMITTEE**
Chairlady: S Moodley

**RISK AND SUSTAINABILITY COMMITTEE**
Chairman: NG Payne
Members: WJ Swain, SI Bird, MM Blair, SA Ellis
Number of meetings: Four

**QUARTERLY EXECUTIVE RISK COMMITTEE**
Chairman: SI Bird

**TRANSFORMATION COMMITTEE**
Chairman: AE McArthur
Members: SI Bird, MM Blair, RM Motanyane, MJD Ruck, M Tembe
Number of meetings: Two

**QUARTERLY EXECUTIVE TRANSFORMATION COMMITTEE**
Chairman: AE McArthur

With effect from May 2011, this committee will meet bi-annually.

**REMUNERATION AND NOMINATIONS COMMITTEE**
Chairman: MR Johnston
Members: K Getz, RM Motanyane, NG Payne, MJD Ruck, WJ Swain
Number of meetings: Four

Secretarial, taxation and investor relations functions are handled at group level and group finance provides support to the trading divisions.

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.

## Attendance of directors at board and committee meetings

| Director | Status | Board | Corporate governance | Audit and compliance committee | Risk and sustainability committee | Remuneration and nominations committee | Transformation committee |
|---|---|---|---|---|---|---|---|
| **N Abrams #** | Alternate non-executive | 1 / 2 | 0 / 1 | | | | |
| **SI Bird** | Executive | 4 / 4 | 1 / 1 | | 4 / 4 | | 2 / 2 |
| **MM Blair** | Executive | 4 / 4 | 1 / 1 | | 4 / 4 | | 2 / 2 |
| **LJ Chiappini** | Non-executive | 3 / 4 | 1 / 1 | | | | |
| **TA Chiappini-Young #** | Alternate non-executive | 2 / 2 | 0 / 1 | | | | |
| **SB Cohen** | Non-executive | 4 / 4 | 1 / 1 | | | | |
| **SA Ellis +** | Alternate executive | 4 / 4 | 1 / 1 | | 4 / 4 | | |
| **K Getz** | Non-executive | 4 / 4 | 1 / 1 | | | 4 / 4 | |
| **MR Johnston** | Independent non-executive | 4 / 4 | 1 / 1 | 4 / 4 | | 4 / 4 | |
| **AE McArthur** | Executive | 4 / 4 | 1 / 1 | | | | 2 / 2 |
| **RM Motanyane** | Independent non-executive | 2 / 4 | 1 / 1 | | | 2 / 4 | 0 / 2 |
| **NG Payne** | Independent non-executive | 4 / 4 | 1 / 1 | 4 / 4 | 4 / 4 | 4 / 4 | |
| **LJ Ring +** | Alternate non-executive | 2 / 4 | 0 / 1 | | | | |
| **MJD Ruck** | Independent non-executive | 3 / 4 | 1 / 1 | 4 / 4 | | 4 / 4 | 2 / 2 |
| **SEN Sebotsa** | Independent non-executive | 2 / 4 | 0 / 1 | | | | |
| **WJ Swain** | Independent non-executive | 4 / 4 | 1 / 1 | 4 / 4 | 4 / 4 | 4 / 4 | |
| **M Tembe** | Independent non-executive | 4 / 4 | 1 / 1 | | | | 2 / 2 |
| **S van Niekerk *** | Executive | 2 / 2 | | | | | |
| **C S Yuill *** | Executive | 2 / 2 | | | | | |

# appointed alternate director in August 2010    * retired as director in August 2010    + resigned as director and appointed alternate director in August 2010

## FINANCIAL REPORTING

The directors are responsible for preparing the financial statements and other information contained in this annual integrated report which, in their opinion, fairly presents the state of affairs and results of the group's operations. The annual financial statements have been prepared in accordance with International Financial Reporting Standards including IAS 34 Interim Financial Reporting and are based on appropriate accounting policies consistently applied and supported by reasonable and appropriate judgments and estimates. The board accepts its duty to present a balanced and understandable assessment of the company's position in reporting to shareholders. The group's external auditor is responsible for reporting on whether the annual financial statements are fairly presented.

Having due regard to the group's current financial position and resources, together with its forecast results, cash flows and financial position in the coming year, the directors and the external auditor confirm that the group is a going concern.

## BUSINESS CODE OF CONDUCT

Directors and associates are required to maintain the highest ethical standards. A code of conduct has been issued to every associate of the company and its subsidiaries and its provisions are annually reinforced under the guidance of a senior officer. During the year all senior associates of the group were required to submit a declaration testifying to their compliance with various aspects of the code. The board believes that ethical standards embodied in the code are effectively observed within the business. Appropriate disciplinary action is applied where necessary in the event of any breach. The code, revised to embody current best practice and governance principles, was approved at the special corporate governance meeting in March 2011. A further code, setting standards and practices to which the group expects its suppliers to adhere, is distributed to new suppliers.

Care is taken in the appointment and promotion process and in the delegation of discretionary authority to assess the integrity of associates.

The code of conduct is located on the group's website www.mrpricegroup.com.

## CLOSED PERIODS

The group operates a closed period policy in line with the JSE Listings Requirements:

- Between the end of its interim and annual financial periods and the publication of the financial results applicable to those periods. All directors and senior associates involved in compiling the trading results and forecasts or reviewing such financial information are considered to be in a closed period from the date of dissemination of the aforementioned information to the board immediately prior to the end of the interim and annual financial periods. This is usually about the 15th of each month;
- Between the end of the third quarter, including the Christmas trading period, and the publication of a trading update pertaining to that period usually in the second week in January; and
- During any period when trading under a cautionary announcement.

During these periods directors, officers and other selected associates are prohibited from dealing in the company's shares. Regard is also had to the JSE Listings Requirements in respect of the dealings of directors in the company's shares. Associates who may have access to confidential or price-sensitive information are cautioned against the possibility of insider trading.

## SPONSOR

Rand Merchant Bank has been appointed as the company's sponsor and, among other functions, advises the board on compliance with the JSE Listings Requirements.

# 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 the discharging of its duties.*

## COMPOSITION

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

The committee operates in terms of a formal charter (which is available on the group's website www.mrpricegroup.com) and comprises four independent non-executive directors namely Mr WJ Swain, Mr MR Johnston, Mr NG Payne and Mr MJD Ruck.

## ROLE

The committee:

- assists the board 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 and the business code of conduct;
  - provide oversight of the external and internal audit functions and appointments; and
  - monitor management's control over enterprise-wide risks.
- provides a communication channel between the board, internal and external auditors and other assurance providers; and
- assists the board monitor management's control over enterprise-wide risks.

## 2011 COMMITTEE HIGHLIGHTS

| Committee focus area | Actions |
|---|---|
| **King III implementation** | The committee's oversight of governance was extended to include the implementation of King III, particularly the recommendations on the integrated report disclosures. Independent gap analyses were facilitated by PwC and internal audit in conjunction with management and significant progress on reported gaps has been noted. Progress regarding this can be found on pages 72 and 73. |
| **Combined assurance** | A globally-accepted model for combined assurance was approved in May 2010 to improve the collaboration and co-ordination of the various assurance providers and facilitate more effective oversight of the group's key risks. The approved model is a three line-of-defence model incorporating<br>• management assurance;<br>• risk and legal based assurance; and<br>• independent assurance by internal audit, external audit and specialist consultants. |
| **IT governance** | The committee's oversight of IT governance was intensified from May 2010 and includes consideration of the IT annual assurance statement and quarterly review of key IT projects and performance metrics.<br><br>The executive IT Board has been formalised and now operates in terms of a formal charter, approved by the board audit and compliance committee details of which can be found on the website www.mrpricegroup.com. |

## ANNUAL REPORT OF THE COMMITTEE

During the year under review the committee fulfilled its mandate by meeting four times to deal with comprehensive agendas. It received the appropriate information from internal audit, external audit, management and other sources deemed necessary to fulfil 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:

- 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 shareholders 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; and
- 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 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 attends the annual general meeting and is available to answer shareholders' questions.

# INTERNAL AUDIT REPORT

## Composition

The internal audit division is an integral part of the group's governance structure. The centralised division, which operates in terms of a formal charter, was established by the board of directors of the company in order to assist the board and executive management in achieving their objectives, by providing them with reasonable assurance regarding the effectiveness of the company's network of governance, risk management and internal control processes and systems. To that end, internal audit provides independent and objective assurance and consulting services, designed to add value and improve the company's operations. It helps the company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The internal audit function comprises 26 suitably qualified and experienced associates under the direction of the group audit executive. The diversity of the skills and experience of the internal audit team has facilitated extensive and appropriate coverage of significant business systems, processes, functions and activities within the company, including operations, support centre functions, distribution centres and all aspects of information technology.

## Independent quality review

In accordance with the International Standards for the Professional Practice of Internal Audit (Standards), it has been determined that internal audit would be subjected to an independent external quality assurance review at least once in five years. The last review was concluded in January 2007 by the Institute of Internal Auditors, South Africa (IIA, SA) and the next review is due by January 2012. The quality review primarily covered compliance with the Standards and Code of Ethics, organisational positioning and independence, skills and proficiency, nature and quality of work and the ability of the division to meet the board's and management's expectations.

This review confirmed that the internal audit division is a leading professional activity, characterised by numerous best practices and unequivocally demonstrating a commitment to upholding the Standards and Code of Conduct.

The IIA, SA concluded that the internal audit division was the first function in South Africa to achieve full conformance to all Standards in an independent external QAR, and was therefore placed as one of the top 8% of all quality reviews globally. The IIA, SA confirmed in March 2011 that the division remains the only function in SA with this exceptional quality rating in an independent external quality review.

## Independence and authority

The internal audit function is independent of all other organisational functions and reports functionally to the audit and compliance committee and administratively to the chief executive officer. Internal audit also has access to the chairman of the board, as well as free and unrestricted access to all areas within the group.

To facilitate strategic positioning and alignment of the internal audit function, the group audit executive has had a standing invitation to executive committee meetings for many years, including the managing directors meetings, divisional board meetings, group strategy and risk presentations. More recently the invitation has been extended to attend the meetings of the board and executive transformation committees and the risk and sustainability committee.

## Combined assurance

Internal audit is an integral part of the group's combined assurance model as an independent assurance provider. There is a spirit of co-operation and collaboration with management, other internal assurance providers and the company's external auditor to ensure optimal coverage of the key risks and minimal duplication of effort.

There has been extensive co-ordination and sharing of information with the company's external auditor, who continues to place reliance on internal audit work.

## Annual assurance statement

Internal audit assists the board achieve its objectives by providing independent, objective and reasonable assurance on the adequacy and effectiveness of the group's network of governance, risk management and internal control systems and processes. However, the assurance can only be reasonable and not absolute. The internal audit assurance does not supercede the board's and management's responsibility for the design, implementation, monitoring and reporting of governance, risk management and internal controls.

## Risk-based methodology

The internal audit function has adopted a risk-based methodology for many years in order to ensure appropriate coverage of governance, risk management and control processes which are key to the realisation of strategic goals. The internal audit plan has therefore been formed by the group strategies, risk registers, comprehensive risk assessment, compliance requirements and input from management, the board and external audit.

The internal audit plan approved for the year under review has been completed with the exeption of a few areas in the process of development or change. The audit and compliance committee at the March 2011 meeting considered these areas, and not considered critical, were rescheduled for the 2012 financial year.

Substantial ad hoc audit time was spent on consulting activities and on evaluating major system implementations, including the warehouse management system.

## Scope of work

Internal audit can report that there were no undue scope limitations or impairments to independence.

In its professional judgment, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusions contained in this report.

The scope included:

- Evaluating whether controls are adequate, appropriate and correctly applied;
- Evaluating the risk management and governance infrastructure, frameworks, processes and practices;
- Reviewing the reliability and integrity of significant financial, managerial and operational information;
- Reviewing the systems established by management to ensure compliance with policies, plans, procedures, laws and regulations that could significantly impact on operations and determining whether the company is in compliance;
- Reviewing the means of safeguarding and verifying the existence of assets;
- Appraising the economy and efficiency with which resources are employed; and
- Reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.

## Audit scoring / grading framework

The following scoring system, well-entrenched across the group and eliciting appropriate responses, has been applied:

| Grade | Description |
|---|---|
| Low-risk / very good (90%+) | Controls evaluated are adequate, appropriate and effectively implemented to provide reasonable assurance that risks are being managed and objectives should be met. |
| Medium-risk / adequate (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 / poor (<75%) | Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met. |


## Overall assessment

Based on the work carried out during the year under review, controls evaluated were generally very good, appropriate and effective to provide reasonable assurance that risks are being managed and that the group objectives should be met. The assessment was conducted in accordance with the International Professional Practices Framework for Internal Audit and the approved internal audit plan, and provided assurance that management effectively implemented the proposed actions to rectify reported control weaknesses.

## Internal controls

Although the information technology (IT) environment has declined, IT structures and processes are adequate to mitigate key IT risks and support the achievement of the group's objectives. The IT environment has been affected by the increased pace of change, including implementing two major systems in the last year, as well as the move to purchasing applications rather than developing internally.

Except for the above, there are continued improvements in group internal controls, especially in re-audited areas. Isolated instances of fraud, mainly at a store level, and of immaterial amounts, were identified.

| Audit area | Overall rating | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Operational audits | Very good (93%) | Very good (92%) | Very good (91%) |
| Head office audits | Very good (92%) | Very good (91%) | Adequate (85%) |
| IT audits | Adequate (87%) | Very good (92%) | Adequate (89%) |

## Risk management

The risk management infrastructure, framework and processes are adequate to mitigate key risks and to support the achievement of the group's strategic goals. There was significant progress made in the risk management systems and processes during the year including formalising executive and board risk and sustainability committees, refining the group risk policy, updating and reassessing group and divisional risk registers and confirming the board's risk appetite.

Implementing a robust enterprise-wide risk management (ERM) process is a journey and the group has identified certain areas for attention in the current year to further enhance the risk management system, including:

- embedding risk management across the group;
- improving the risk assessment and risk mitigation processes; and
- better communicating and monitoring risk management.

## Governance

There are 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 communication and activities among the board, external and internal auditors and management.

The following areas are in the early implementation stage and management has identified initiatives to progress these areas over the next two years:

- Sustainability measurement and reporting;
- Stakeholder engagement; and
- Combined assurance.

## 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, while executive management requires, encourages and monitors quality and continuous improvement in the group's network of governance, risk management and control systems and processes.

# RISK AND SUSTAINABILITY COMMITTEE REPORT

*In accordance with King III, the group board of directors is accountable and responsible for the governance of risk and sustainability. The board has defined the group's risk appetite and is satisfied that management decisions are in line with the parameters specified. The board is pleased with the progress that has been made on the sustainability journey.*

## COMPOSITION

The group's risk and sustainability committee, established in May 2010, operates in terms of a formal mandate. The committee comprises two non-executive directors and three executive directors and is chaired by Mr NG Payne, an independent non-executive director. The committee charter is published on the group website www.mrpricegroup.com.

## ROLE

The risk and sustainability committee is responsible for providing risk management oversight, as well as monitoring the effectiveness of the risk management framework and process. The committee reviews key risks and opportunities, assesses risk mitigation plans and reports back to the board of directors. 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 of a sustainable business.

## 2011 COMMITTEE HIGHLIGHTS

| Committee focus area | Actions |
|---|---|
| Key business risks and opportunities.<br>Risk management framework. | Key business risks and opportunities were identified and discussed during the year, including business growth, product sourcing, insurance and the alignment of information technology to support business processes.<br>The risk management methodology was discussed and approved. |
| Business sustainability issues and opportunities to enhance sustainability practices. | Current business sustainability initiatives and practices were presented and opportunities to further enhance the business sustainability were identified. |

## APPROACH TO RISK MANAGEMENT

The board is committed to increasing shareholder value by operating in a manner that protects it against risks and uncertainties that could threaten the achievement of its strategic objectives, and to understanding the calculated risks taken to optimise opportunities in the achieving these objectives. Risk management is considered to be a key business discipline, designed to balance risk and reward, and give confidence that strategic objectives will be achieved.

### Enterprise-wide risk management (ERM)

The group has defined its ERM as a process, effected by the board of directors, management and other associates, applied in strategy setting and across the entire enterprise, designed to identify potential events that may affect the organisation. These risks must be managed to be within the group's risk appetite, to provide reasonable assurance regarding the achievement of the group's objectives.

The group embarked on the first steps of the ERM implementation this year, which involved all key risk stakeholders and all divisions. An ERM framework was drafted to provide guidance in implementing a consistent, efficient and economical approach to identify, evaluate and respond to key risks that may impact business objectives. The ERM framework provides a proactive, systematic and integrated approach to risk management.

External risk consultants were engaged to ensure that the framework adopted was based on the principles embodied in the COSO Risk Management Framework, the International Standard on Risk Management (ISO31000) and the King Code on Governance Principles, 2009 (King III).

### Risk profile changes

The overall risk profile of the group has not changed significantly during this period.

### Risk appetite

The board has formally defined its appetite for risk, which is reviewed annually. The group view is that not taking measured risks is a risk in itself and that the entrepreneurial behaviour that has made it successful should be encouraged. There have been no material deviations from the group's risk appetite for this period.

## APPROACH TO SUSTAINABILITY

Internal business leaders were engaged during this period to establish a common understanding of what sustainability actually means to the group. "Business sustainability" was defined as the need to ensure that the group continues to prosper within an increasingly pressurised and volatile external environment by developing appropriate competencies and capacity within the system in which it operates.

## KEY RISKS

The group risk profile summarises the risks that have the highest potential to impact on the achievement of the strategic objectives. It is compiled by taking into consideration the:

- likelihood of the occurrence;
- potential impact of the risk occurring;
- effectiveness of the controls or risk mitigation; and
- desired residual risk (risk tolerance).

The group's key business risks and responses are articulated overleaf.

## KEY BUSINESS RISKS AND RESPONSES

| Context | Risk description and impact |
|---|---|
| **Value** | Fashion-value drives our business model.<br><br>Our customers' perception of value will only be high if they are satisfied with the level of fashion, the quality and the price of the merchandise. Being a value retailer means lower markups in order to offer 'everyday low prices' and selling high volumes. |
| **Product** | Repeated significant and correct merchandise calls builds the brand's reputation and positioning.<br><br>Consistent misinterpretations of fashion trends could result in inappropriate procurement of merchandise, compromised long-term financial performance and loss of competitive positioning of the brand. |
| | Appropriate product assortments and correct allocations of merchandise to stores will maximise profitability.<br><br>The inability of merchandise planners to build appropriate product assortments and allocate appropriate quantities to the right stores will result in lost sales. |
| **Place** | Store location and size decisions impact on the productivity of the retail space and business opportunities to increase turnover and profitability.<br><br>Inadequate market research or poor feasibility processes may result in poor location and inappropriate size of stores, which will negatively impact trading densities and store profitability. |
| **Systems** | The proper alignment of information technology (IT) systems which support business processes, resulting in operational efficiencies and ability to meet stakeholder information requirements.<br><br>The potential misalignment between the business strategy and IT capability could result in the inability to achieve business objectives. The impact could be a lack of accurate or reliable information, poor business decisions, lost sales and reduced profitability. |
| **Business interruption** | The ability of the group to adequately deal with significant business interruption would ensure business sustainability.<br><br>The potential inability of the group to handle a significant disastrous situation as a result of inadequate business continuity management could significantly impact through potential loss of life, data, reputation and profitability. |
| **People** | The ability of group leadership to maintain the business model and respond appropriately to new business opportunities will impact significantly on the long-term profitability and sustainability of the business.<br><br>Other human capital issues include the scarcity of retail-specific skills and the challenge to develop and retain skills. |
| **Financial** | The ability of financial leadership to maintain financial control and respond to emerging risks will impact on the group's financial performance. |
| **Legislation** | The group's ability to identify, manage and monitor compliance with all relevant legislation will impact on the group's reputation and financial performance. |

| Risk response |
|---|
| This requires the group to source its product at the best possible price, which is aided by the large order volumes which are placed with suppliers.<br><br>Maintaining low overhead structures is key to delivering acceptable operating margins.<br><br>The activities undertaken by the company to mitigate this risk are detailed on page 12. |
| Product calls are informed by extensive international research of fashion trends, development of sophisticated in-house design capabilities and analysis, market research and testing.<br><br>Senior divisional executives are involved in evaluating all major merchandise commitments.<br><br>The activities undertaken by the company to mitigate this risk are detailed on page 12. |
| Improved merchandise and planning processes and well trained merchandise planners have lead to lower product markdowns and improved inventory management. |
| A rigorous store feasibility process has been introduced to ensure that store placement is optimised.<br><br>The business responds quickly to property opportunities and carefully monitors stores that are not achieving the required standards. |
| A well established systems board, whose meetings are attended by all divisional managing directors and senior group executives, discuss IT business requirements, project priorities, service delivery and capital investment.<br><br>The group has a detailed IT disaster recovery plan that is adequately tested and maintained to ensure business continuity. |
| A formally documented business continuity plan, which will allow critical business processes to continue in the event of a disastrous incident, is in place.<br><br>The opportunity to build capacity and relevant competencies into the current business processes was identified as part of the recent business continuity update initiative. The process is still in progress and supports the group's sustainability journey. |
| The remuneration and nominations committee's terms of reference includes the planning for board succession.<br><br>The board of directors conduct peer director reviews and encourages professional development through exposure to best practice presentations.<br><br>The group has embarked on a comprehensive succession planning exercise which includes executive development.<br><br>The group has, through the Red Cap Academy, focused on the development of retail skills at store and merchandise levels. Refer to the report on our people on pages 116 to 120 for more information. |
| **Financial**<br>Financial risk management is fully detailed in the annual financial statements on page 166.<br>**Insurance**<br>Given the group's growth, business practice changes and emerging risks, insurance cover is reviewed annually for appropriateness. The review includes: uninsured and uninsurable risks, deductibles, exclusions, indemnity limits, credit rating, and the stability and sustainability of the underwriter. The insurance renewal process is reviewed annually by the committee which believes that the process is robust and the level of cover is adequate and appropriate. Claims by peril are assessed quarterly for trends.<br>**Credit**<br>The group provides credit facilities to customers as a payment option for sales made. Credit is granted in a responsible manner and in accordance with risk scorecards and legal affordability requirements, thereby protecting the customer and the company. Debtor performance is well managed according to strict criteria. |
| Legislative compliance is carefully controlled by the relevant business unit executives and monitored by the group secretary. The group reviews and complies with all relevant legislation. |

## ENVIRONMENT

The group recognises environmental and climate change responsibility as a critical component of business sustainability. The environmental policy and framework is governed by the risk and sustainability committee which has been delegated the task of overseeing the group's business sustainability. The chief executive officer is responsible for ensuring that environmental concerns are integrated into the business.

### Risk of non-compliance

The risk of not taking any action goes beyond possible reputational damage and could have a significant affect on the group's bottom line. The strategy is to identify opportunities to do things more efficiently and effectively, ultimately resulting in cost efficiencies. These environmental initiatives will not only mitigate rising costs but also improve the supply chain process, and reduce the group's carbon footprint.

### Carbon footprint

The group completed its first carbon footprint assessment in the past financial year. Processes and procedures were introduced to improve the accuracy and completeness of the information for the 2011 carbon footprint, thereby establishing a more accurate baseline for future target setting.

The 2011 carbon footprint is 147 592 tonnes $CO_2e$, with 98% of carbon emissions related to electricity consumption. The scopes reported on are as follows:

| Scope | Emission sources | Tonnes $CO_2e$ |
|---|---|---|
| Scope 1 | Consumption of fuel of company owned vehicles<br>Consumption of fuel for generators (stationary fuels)<br>Refrigeration and airconditioning (fugitive emissions) | 2 344<br>6<br>688 |
| Scope 2 | Consumption of purchased electricity | 144 554 |
| **Total** | | **147 592** |


## Carbon Disclosure Project

The group participated in the Carbon Disclosure Project (CDP) for the first time in 2010 and again in 2011. It supports the objectives of the CDP and will continue to participate in the project in the future.

## Environmental initiatives

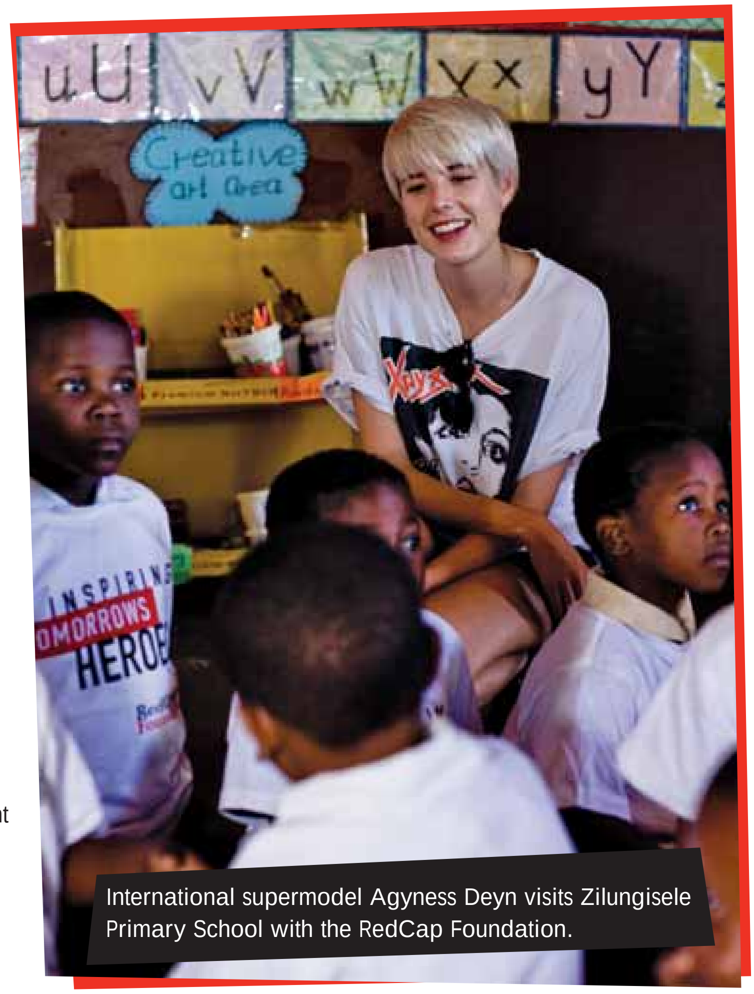
The carbon footprint calculation and CDP participation have helped confirm the importance of a number of relevant initiatives with which the group had already commenced, namely:

| Element | Initiative | Details |
|---|---|---|
| **Energy** | Improve the energy efficiency of stores and thereby reduce electricity usage. | An in-store energy efficiency project to reduce the group's carbon footprint and improve cost efficiencies through lower energy bills is in progress. This includes the retrofitting of certain stores with appropriate energy efficient lighting. |
| | | All new stores will be fitted with new energy efficient lighting and airconditioning systems. |
| | Reduce electricity usage at the distribution centre. | The power optimiser installed at the distribution centre in April 2010 has achieved the targeted savings of 8.5% per month. This translates into a saving of approximately 119 149 kWh (equivalent to 121 tonnes $CO_2e$). |
| **Fuel** | Reduce fuel usage through improved merchandise planning to stores. | There have been many initiatives implemented by the group and its transporter to achieve fuel efficiencies. The dynamic route master implemented in Gauteng in the previous financial year is proving successful and has achieved a 12% saving in fuel consumption.<br><br>There is an on-going focus on identifying new opportunities to operate more efficiently. Other examples include:<br>• Consolidation of loads using a transport optimising tool;<br>• Operating low-volume route masters to reduce inefficient kilometres in the low-volume periods;<br>• Forecasting and planning in the distribution supply chain to reduce waste and total kilometres travelled; and<br>• A system to monitor fuel consumption against targets in real time. |

| Element | Initiative | Details |
|---|---|---|
| **Green IT** | Use technology to reduce environmental impact. | The Financial Services division has been testing the use of e-statements for account customers. This initiative has already been rolled out to approximately 12% of account customers with a target to increase to 35% by the end of the next financial year. In addition to a reduction in environmental impact, the use of electronic statements results in significant savings in stationery, printing and postage costs. |
| | | All store computers are automatically powered down at the end of the day and support centre computers are automatically put into a "dormant" state when not in use for a prescribed period of time. |
| | | The server room has been upgraded to include more energy efficient airconditioning, saving power and reducing greenhouse gas emissions. |
| | | All printer cartridges are recycled and refurbished for future use where possible. Support centre network printers are set to double-sided printing and all associates are encouraged to manage their paper usage and minimise waste as the group strives towards a more paperless work environment. |
| | | The till slip length per transaction was shortened by approximately 8cm, saving approximately 10km of till slip paper per day. |
| **Waste management** | Reduce, reuse and recycle. | The 'Mr Price Goes Green' recycling initiative was launched at the Durban support centre complex during the year. This recycling initiative presents an opportunity to reduce costs and work more economically toward minimising waste that currently goes to landfill.<br><br>Other recycling initiatives include:<br>• reuse of fixtures from refurbished or closed stores;<br>• reuse of plastic hangers;<br>• thicker plastic bags that can be reused by customers;<br>• recycled cardboard boxes; and<br>• recycled support centre paper.<br><br>A team of passionate associates, called the Green Force Team, was established to drive awareness and to promote the philosophy of reduce, reuse and recycle amongst all associates. |

# TRANSFORMATION COMMITTEE REPORT

*Mr Price Group is committed to the social transformation process and the Department of Trade and Industry's broad-based black economic empowerment (BBBEE) requirements and is driving meaningful and sustainable transformation.*



International supermodel Agyness Deyn visits Zilungisele Primary School with the RedCap Foundation.

## COMPOSITION

Established in March 2009, the transformation committee operates via a formal charter, published on the group website www.mrpricegroup.com, and comprises three executive and three independent non-executive directors. It is chaired by group chairman, Mr AE McArthur.

## ROLE

The committee monitors the group's strategy for achieving its BBBEE transformation objectives and drives transformation practices consistent with good corporate responsibility. It is supported by an executive management committee of senior executives charged with developing and implementing the BBBEE strategy and transformation initiatives.

## 2011 COMMITTEE HIGHLIGHTS

| Committee focus area | Actions |
|---|---|
| Talent management (including skills development and employment equity) | The committee revisited the appropriateness of practices for facilitating enhanced talent management, skills development and employment equity. The initiatives actioned follow in this report. |
| Transformation performance scorecard | The committee reviewed the information to support the Department of Trade and Industry's (DTI) generic scorecard against which the group's BBBEE credentials are measured. The committee is pleased with the company's progress, details of which follow in this report. |

## TALENT MANAGEMENT

The group strives to manage associates' well-being and development in line with its reputation as a progressive, leading employer. The group maintains innovative and forward-thinking talent management plans and strategies, key components of which are employment equity and skills development, but acknowledges that despite its commitment and efforts, the internal development of black talent to sustainable senior positions has taken longer than expected.

## EMPLOYMENT EQUITY

The employment equity and skills development forum was enhanced with a revised employment equity policy, new membership and member training, together with a more extensive process to identify and overcome barriers to entry. The group remains fully compliant in the areas required by the Employment Equity Act and Department of Labour.

The group performed a thorough analysis of opportunities to locate, recruit, develop and progress employment equity candidates and realistic goals and targets to 2017 were established. Consequently, the recruitment policy was redrafted to ensure preferential consideration of employment equity applicants, but not at the expense of the required skills.

> *"The employee profile reflects the group's commitment to employment equity as 91.6% employees are black and 65.2% are black female."*

The group recognises that it is achieving its occupational level targets at the middle and lower management levels but not yet at the top and senior management level. This will be addressed with the development of emerging black talent and robust succession planning. Associates are only promoted when they are ready for the challenges of the new position.

### The company employment equity statistics for South African operations are:

| Occupational levels | Male | | | | Female | | | | Non SA Nationals | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | Male | Female | |
| Top management | | | | 31 | | | 1 | 4 | | | 36 |
| Senior management | 1 | 1 | 1 | 32 | | 3 | 3 | 35 | | | 76 |
| Middle management | 6 | 5 | 43 | 102 | 11 | 8 | 47 | 150 | 1 | 1 | 374 |
| Junior management | 350 | 112 | 113 | 113 | 803 | 574 | 263 | 495 | 2 | 2 | 2 827 |
| Semi-skilled | 1 246 | 268 | 109 | 46 | 3 047 | 1 075 | 287 | 157 | 4 | 2 | 6 241 |
| Unskilled | 67 | 2 | 13 | 1 | 39 | 14 | 7 | | | | 143 |
| **Total permanent 2011** | **1 670** | **388** | **279** | **325** | **3 900** | **1 674** | **608** | **841** | **7** | **5** | **9 697** |
| Non-permanent employees | 1 697 | 432 | 96 | 81 | 3 842 | 1 104 | 169 | 197 | 5 | 3 | 7 626 |
| **TOTAL** | **3 367** | **820** | **375** | **406** | **7 742** | **2 778** | **777** | **1 038** | **12** | **8** | **17 323** |

## SKILLS DEVELOPMENT

The group secured Wholesale and Retail SETA accreditation for its Red Cap Academy, thus obtaining the BBBEE points for training conducted while offering associates the opportunity to secure qualification credits.

The e-learning platform maximises reach to geographically dispersed associates, offering a range of skills programmes through point-of-sale technology. The learnership programmes continue to be well used, offering associates the opportunities to obtain qualifications at NQF levels 2, 3 and 4. The majority of trainees and learners are from previously-disadvantaged communities. Refer to the report on our people (page 116 to 120) for more learning programme information.

A new talent acquisition role focuses efforts on the search and attraction of young graduates to Mr Price Group. The group has extensively used social media to successfully engage large pools of potential new associates and to facilitate increased business exposure. The group offers and co-ordinates retail internships.

Sound relationships with numerous colleges, schools, technikons and universities have been established through which the group contributes programme expertise and direct learning support to students. The group is excited by its collaborative relationship with the University of Pretoria's Consumer Sciences faculty through which it advises on the structure and content of the retail curriculum and offers students career retailing opportunities in the group.

## SOCIO-ECONOMIC DEVELOPMENT

Social investment is important as the group understands that a healthy business depends on a healthy society and making this contribution ultimately reflects positively on the bottom line.

| | 2011 | 2010 | % change |
|---|---|---|---|
| Cash donations (R'm)<br>RedCap Foundation<br>Sports Development | **10.9**<br>**79%**<br>**21%** | 7.0<br>74%<br>26% | 56 |
| Merchandise donations (R'm) | **0.5** | 0.4 | 25 |
| **Total social investment (R'm)** | **11.4** | 7.4 | **56** |
| **Total social investment as % of group's net profit after taxation** | **1%** | 1% | |

# RedCap Foundation


The RedCap Foundation has a vision for South Africa where young people create social change by being inspired, healthy and engaged citizens. This is achieved through sustainable interventions focused on national priorities.

The foundation's approach is to identify potential interventions that can assist the current education system to improve the quality of education. Initially experiments and testing of innovative interventions are performed on a small scale with the ultimate objective of reaching the nation by systemically applying the interventions.

RedCap Foundation is a registered non-profit and public benefit organisation. It has already made a positive impact on more than 200 000 children and youth from impoverished communities. The foundation publishes its own activities and annual report on the website: www.redcapfoundation.org.


RedCap Foundation
## REDCAPSCHOOLS

This project was launched in a cluster of five primary schools in Kwa-Dukuza in 2010 and is focused on improving learner performance through capacity building of teachers, principals, parents, district officials, subject advisors and learners. The implementation model is described below:


RedCap Foundation
## YOUNGHEROES

Since 2005 the YoungHeroes programme has assisted 161 schools (impacting over 150 000 children) in KwaZulu-Natal and Gauteng to improve or implement their physical education.

Due to the sustainable impact made in these schools, the National Department of Education officially recognised the RedCap Foundation as its strategic partner to establish Centres of Excellence in all nine provinces. The implementation model is described below:

Physical Education
- foundational
- two hours per child per week

Extra-curricular activity
- two hours minimum per week

Interclass leagues
- teams within the school compete

Interschool leagues
- teams from each school compete against each other

Since 2007 the group has assisted over 3 000 unemployed matriculants by providing work experience opportunities in Mr Price stores. This year over 1 000 unemployed matriculants received work experience at a Mr Price store and a further 153 were employed. The project was grown from three to seven provinces.

### Bursary Fund

This year, the bursary fund grew by 94% as the foundation offered 249 schooling and tertiary education bursaries to families meeting the qualifying criteria. An increased bursary allocation this year invested R767 070 directly into educating children.

### Associate volunteerism

Associates support the RedCap Foundation through voluntary monthly contributions. This year, over R198 000 was raised for the Foundation.

## SPORTS DEVELOPMENT

### Mr Price High Schools Soccer League

Since its inception in 2005, the Mr Price High Schools Soccer League in Mitchells Plain has significantly impacted on the lives of many young people. By removing them from a life of potential crime and creating opportunities for them to participate in structured sport, they develop their talent and are offered a healthy alternative for their after school hours. To date the league has impacted 32 schools and around 640 players annually.

On the back of a successful Knockout Cup tournament in 2010, a soccer league was introduced in KwaDukuza, in a unique co-funding partnership with local government. The league has been well received by the pupils and it continues to receive interest from other potential league partners.

## CAMPAIGNS

### Mr Price Safe Place Campaign

During the 2010 FIFA Soccer World Cup, all Mr Price Group stores were declared ‘safe places’ for children who were lost or felt vulnerable in shopping areas. During the campaign, three children who were lost in Durban and Gauteng shopping areas were safely reunited with their parents.

### Kids are Priceless

Through the sales of cause-related products, Mr Price Home has raised over R700 000 since 2008 for Early Childhood Development initiatives implemented by UNICEF. This year the division raised R132 000 from the sale of teddy bears and stationery items.

## TRANSFORMATION PERFORMANCE SCORECARD

The group achieved compliance as a level 6 BBBEE contributor in the current financial year and was independently verified by a SANAS-accredited verification agency, BEESCORE, against the DTI's BBBEE generic scorecard.

| BBBEE category | Total points | 2011 Independent verification points | Highlights |
|---|---|---|---|
| Ownership | 20.00 | 11.29 | The points are achieved through the Mr Price Partners Share Trust, where entry-level permanent associates participate in the company's ownership (95% black participants). After associates have completed a year's service, they are granted shares (the approximate value of shares per person has increased from R41 334 in the previous financial year to R64 639 this year), receive dividend flows (an average of R2 075 per participant this year in comparison to R1 444 in the previous financial year) and are entitled to vote at the annual general meeting. |
| Management control | 10.00 | 2.97 | The points are achieved by the equity structure of the board and top management. |
| Employment equity | 15.00 | 6.09 | The group has realistic, board-approved employment equity goals and targets set to 2017. Through highly focused talent management programmes, key individuals are identified and developed for future positions ensuring the right skills fit by position.<br>The group has seen progress in all levels of management. The percentage of people recruited from designated groups as a percentage of all recruits has increased from 88.4% in the last financial year to 94.4% this year. There has also been an increase in the number of promoted associates from designated groups (76.1% last year to 86.5% this year). Refer to the report on our people on pages 116 to 120 for details. |
| Skills development | 15.00 | 10.43 | The group secured Wholesale and Retail SETA accreditation for its Red Cap Academy this year. Associates from designated groups as a percentage of total associates trained increased from 78% in the last financial year to 83% this year. The total annual number of hours allocated to learning for associates from designated groups has increased from 145 736 hours last year to 198 345 hours this year. Refer to the report on our people on pages 116 to 120 for details. |
| Preferential procurement | 20.00 | 17.79 | A comprehensive 'Know Your BBBEE Status' campaign was launched in 2011 to determine suppliers' verified BBBEE credentials. |
| Enterprise development | 15.00 | 0.77 | A strategy has been developed for future strategic enterprise development investments to build a sustainable supply chain and support local businesses. |
| Socio-economic development | 5.00 | 4.26 | The group's social investment is in the RedCap Foundation and sports development projects. |
| **Total** | **100.00** | **53.60** | |
| BBBEE level contributor | | Level 6 | |

## FUTURE OBJECTIVES

Talent Management initiatives include succession plans that action the progression of talented, previously-disadvantaged individuals, promoting suitably qualified black people into senior management, increasing internal communication related to transformation, increasing the number of trainees through the Red Cap Academy and offering new and improved programmes and learning opportunities.

The group's management has acknowledged that there are challenges in the South African retail supply market and will strategically use enterprise development investment to support local production. Focus areas believed to deliver on the fashion model have been identified and the group will pursue these initiatives in the coming financial year.

Ride for RedCap: Mr Price Group head office associates endured a 696km, two day paddle and cycling ride from Johannesburg to Durban to raise funds for the RedCap Foundation.

Do it Day – Mr Price Group head office staff gave of their time and skills to NPOs that are supported by the RedCap Foundation. Pictured here are associates who spent time giving the Boys and Girls Town home a fresh coat of paint and décor.


Shamiel Kolbee (Chairperson of the Mr Price Mitchell's Plain High Schools Soccer League) congratulating Kurt Monteperrie, captain of Mondale High, on being crowned champions of the "Mini World Cup Tournament".

Tafelsig High, runners up in the "Mini World Cup Tournament".

KwaDukuza Mayor Thulani Khulusi presents Groutville High School with their 2010 Mr Price KwaDukuza High School Soccer League winner's trophy.

Primary school learners from one of the RedCap Schools - Dr Vilakazi Primary school in KwaDukuza.

Grade R learners from Phenduka Primary school.

# REMUNERATION REPORT

*This report provides an overview of the group's remuneration philosophy, policy and practices, focusing on senior management, executive directors and non-executive directors. The group has adopted the additional governance and disclosure requirements as set out in the King Code of Governance Principles for South Africa, 2009 (King III) and incorporated the required information in this report. The company has comprehensively reviewed its remuneration practices in relation to King III and to maintain its competitive edge, has applied those principles appropriate for the business.*

## Remuneration philosophy

The Mr Price Group associates are its most vital resource. Each associate is valued for their role in representing the company culture, contributing to the brand's success and preserving its entrepreneurial management style.

BY PROVIDING ASSOCIATES THE ROOM TO GROW AND PROVE THEMSELVES, WE ENABLE ORDINARY PEOPLE TO ACHIEVE EXTRAORDINARY THINGS.

Key to the group's future growth and sustainability is the ability to attract, retain and motivate competent people.

The remuneration philosophy centres on creating partnerships with our associates in the journey of continued growth. This is achieved by providing market-related base pay and benefits, attractive performance-driven incentives, recognition and reward programmes and share option schemes. Being a value retailer, we aim to pay basic salaries and benefits at the market median. In the case of newly appointed associates whose remuneration is below the median level, it is the intention that adjustments will be made to bring them to the median over a three year period, commensurate with their increased experience. The group provides associates with the opportunity to earn well above the median level through generous incentives. This is achieved by reaching stretch performance targets, thereby aligning associates' efforts with strong corporate performance and increased shareholder value.

An active succession plan is maintained to achieve internal promotion. We preserve our unique organisation by developing homegrown talent. Where external appointments are made, "fit" with the culture is a key consideration. External senior appointments are only made where the internal competency is absent or where an urgent need exists to fill a critical vacancy for which no internal candidate is prepared.

DRIVEN BY THE PRINCIPLES OF PASSION, VALUE AND PARTNERSHIP, THE COMPANY CULTURE ENCOURAGES HIGH PERFORMANCE AS THE KEY DRIVER OF BUSINESS SUCCESS.

## Remuneration policy and practices

The directors recognise that remuneration policies and practices are of the utmost importance. The remuneration and nominations committee sets the remuneration framework for all associates. Management constructs proposals based on this framework for recommendation to the committee. The group's remuneration policies are designed to ensure that there is an appropriate balance between long and short-term benefits and between entrepreneurship and risk.

Remuneration levels are influenced by work performance and scarcity of skills, taking into account the highly competitive environment for merchandising skills. 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 values and cultural alignment, work achievements, training and development. Remuneration is not influenced by race, creed or gender, with the emphasis on equal pay for equal work.

Professional external agencies and service providers assist the remuneration and nominations committee from time to time. Where this involves the remuneration of senior and executive management, benchmarking comparatives are made against companies listed on the JSE, the retail sector and / or specified industries for specialist positions. Each position is strictly benchmarked against like-for-like criteria and necessary adjustments are made to ensure competitive pay. Executive director and senior management remuneration is externally benchmarked every two years with inflationary adjustments made in alternate years. In establishing an appropriate peer group for organisational benchmarking, the individual's role and business size (including market capitalisation and turnover), profit before tax, total assets, number of employees and annual salary and wage bill are taken into account. The level of the individuals' decision making is an additional consideration.

There is strong alignment between the types of benefits offered to permanent associates. The company 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.

## Governance structure

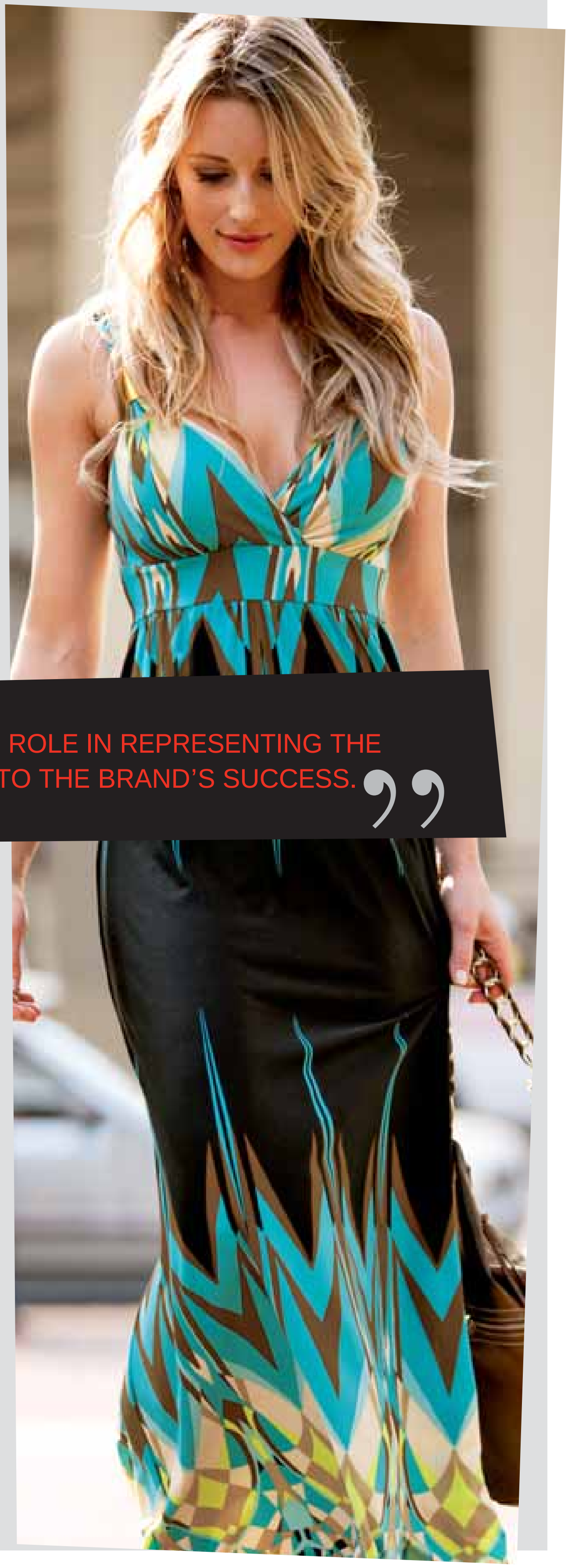
**Board**

The board is ultimately responsible for the remuneration philosophy, policy and practice.

**Remuneration and nominations committee**

The committee oversees the remuneration of senior management and directors. It operates according to a formal board mandate (refer to www.mrpricegroup.com)

> "EACH ASSOCIATE IS VALUED FOR THEIR ROLE IN REPRESENTING THE COMPANY CULTURE, CONTRIBUTING TO THE BRAND'S SUCCESS."



and comprises five independent non-executive directors, Mr MR Johnston (chairman), Mrs RM Motanyane, Mr NG Payne, Mr MJD Ruck and Mr WJ Swain and one non-executive director, Mr K Getz. Other executive and non-executive parties attend committee meetings where appropriate, but no individual is present when his/her remuneration is discussed. Meeting attendance is disclosed under governance structures on page 78. The chairman attends the annual general meeting and can answer shareholders' questions regarding the remuneration policy, its application and the committee's activities.

Annual fees payable to committee members during the 2011 financial year and approved at the annual general meeting in August 2010 were:

- chairman R80 000; and
- member R54 000.

The committee met four times during the year under review. In respect of its nominations activities, the philosophy guiding the committee on board appointments and annual evaluations is outlined in the governance structures report on page 74. In satisfying its mandate in remuneration focused matters, the main activities undertaken were:

- Conducting an annual self-evaluation review. Certain improvements in the committee's processes and operational methods were approved and steps and targets to progress the improvements agreed. The mandate was reviewed and updated at the special corporate governance meeting in March 2011;
- Undertaking a detailed gap analysis in which the group's remuneration practices, policies and disclosures were compared to the requirements of King III. This culminated in a workshop at which our service providers PwC evaluated the differences that existed;
- Reviewing the outcome of an internal share scheme standstill workshop that examined whether the share schemes were achieving the desired result of motivating and incentivising the group's associates, while also being fair to the company;
- Reviewing the remuneration benchmarking results conducted by PE Corporate Services SA that covered 58 executive directors and senior management. Their findings support the group's remuneration philosophy and although certain outliers were identified, the remuneration and nominations committee is satisfied that these can be explained, such as where an associate earning less than the median may be newly appointed and their remuneration will increase over time in line with experience;
- At a second PwC workshop, reviewing their recommendations regarding the group's short and long-term incentive structures and the proposal that we should further investigate a forfeitable share plan for inclusion in our long-term retention schemes for senior employees. After careful consideration, it was decided not to implement such a scheme; and
- Together with PwC, developing a remuneration benchmark for executive directors based on comparatives from the retail industry and listed companies with similar market capitalisations. The policy was initially established to benchmark executive directors' long-term incentives and has been extended to include the CEO's basic remuneration package for the 2012 financial year. Incentives will continue to be based on individually tailored measurement criteria.

## People division

The people division is an integrated team responsible for implementing and monitoring human resources policies and processes. 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 group people director heads the division, reporting directly to the CEO, sits on the divisional boards and attends monthly management meetings.

## Employment contracts

All associates sign letters of employment, which stipulate their notice period. The contract may be terminated by either party giving written notice of one month for a store or head office associate, three months for a divisional director and six months for executive directors.

Despite the abovementioned 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;
- provision of balloon payments on termination or retirement; or
- restraint of trade payments.

## Remuneration structure

Remuneration and reward structures comply with the remuneration philosophy and are categorised in three components:

- Fixed remuneration - base pay, medical aid benefits, car allowance (where appropriate) and retirement benefits;
- Variable remuneration - short-term performance related incentives; and
- Long-term incentives - shares and share options.

Refer to page 112 for an analysis of executive directors' total remuneration for the year.

## Fixed remuneration

Fixed salary and benefits are reviewed at least annually. Where the group needs to urgently attract core skills, pay above the median would be considered without disrupting internal equity and in line with the group's commitment to ensuring the right candidate fit.

ALL ASSOCIATES ARE ASSURED TO EARN AT LEAST LEGISLATED MINIMUM WAGES AND IN THE FORTHCOMING FINANCIAL YEAR INCREASES WILL ENSURE ASSOCIATES ARE PAID ABOVE THIS LEVEL.

– *Medical aid*

Group medical aid scheme membership is offered to all full-time associates, but is not a condition of service. Due to many associates either already being on spouses' medical aid schemes or for affordability reasons, the historical take-up rate has not been high. At year end there were 4 147 people covered by medical aid. During October 2010 an open period was offered to associates to join the cost-effective Discovery KeyCare Plus scheme to gain access to hospital care, chronic illness benefits (including HIV/Aids care) and daily benefits including doctors and medicines. The scheme is offered to associates and contributions are linked to income levels to improve affordability.

Post retirement medical aid benefits, which are no longer a condition of service, are available to pensioners and present associates who remain members of the defined benefit pension fund. These benefits are no longer available to associates. Further information is detailed in note 29.2 on page 171.

– *Retirement funds*

Retirement benefits for the majority of associates employed in South Africa, Swaziland and Lesotho are provided in a funded defined benefit fund and two funded defined contribution funds. The limited number of associates employed in Namibia and Botswana have separate defined contribution funds in those countries.

The defined benefit fund was closed to new entrants with effect from 1 June 1997. The funds provide for pensions and related benefits for permanent associates and membership is compulsory after the first year of service. At year end 8 434 out of a total of 9 960 associates (84.7%) were members of one of the abovementioned funding arrangements.

– *Vehicle allowances and expenses*

These benefits, which include a motor vehicle allowance or company car, fuel, maintenance and insurance costs, are offered to certain associates whose position requires them to travel for business purposes. The benefit value is commensurate with their level of seniority.

*No material ex-gratia payments are routinely paid.*

## Variable remuneration

– *Performance incentives: short-term*

Incentive schemes related to performance and control criteria are in place. 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. Incentives are tied to specific areas under the individual's control as follows:

− *Store associates and management*

Store associates and managers are rewarded for achieving and exceeding targets in their operational areas. Store associates are measured not only on sales, but also shrinkage, inventory write-offs and other similar measures. Store managers and assistant store managers are set targets in these same areas of performance and are measured on store profits and internal audit scores. Area managers, co-ordinators and operations managers are set targets based on area or regional profits, shrinkage, timely action of markdowns and internal audit scores.

− *Executive directors and senior management*

A strong relationship exists between executive incentives and long-term, sustainable value created for shareholders. The incentive portion of directors' and senior managers' earnings are tied to financial and non-financial performance targets measured as a multiple of monthly salary. The achievement of predetermined targets is a function of:

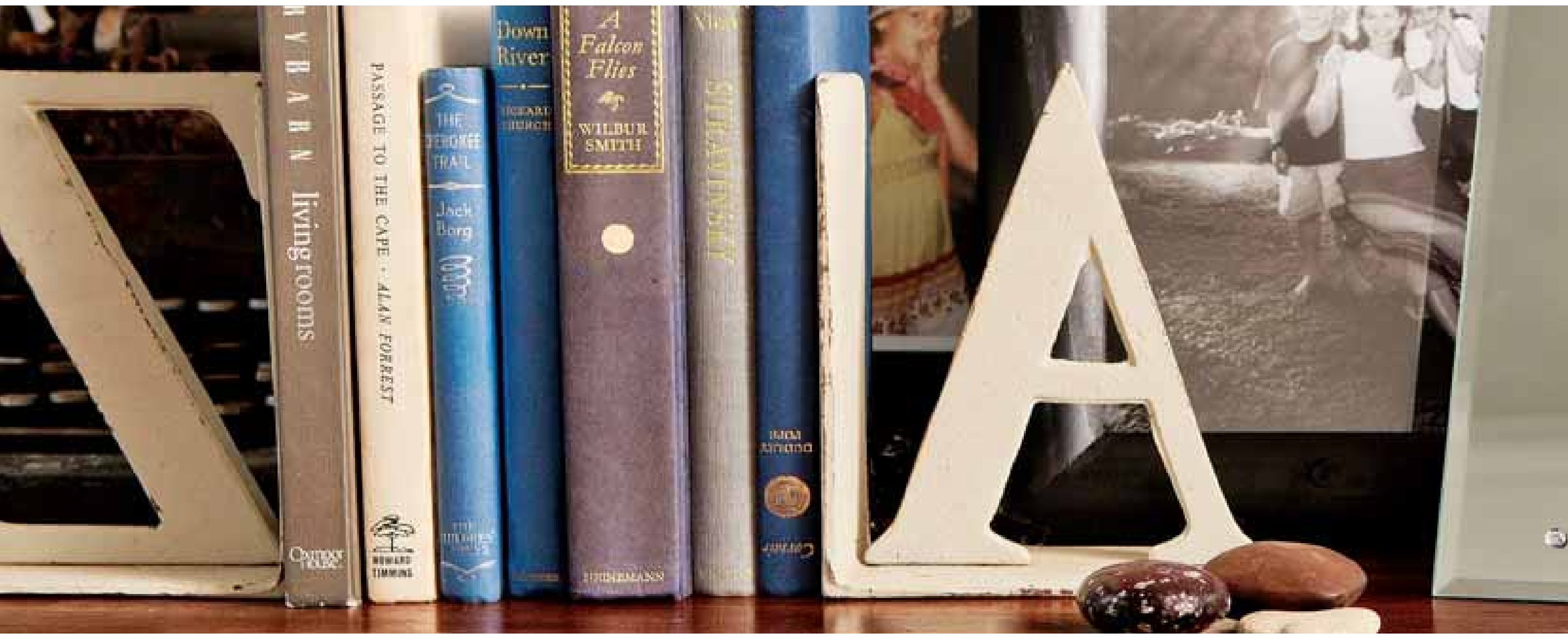
- **Measurable company performance** – dependent on the executive's work function. Targets are linked to the group's performance (where applicable) or the executive's divisional performance and are tailored annually to ensure alignment with the key business imperatives for the year.

These awards are only made if the group or division achieves its budgeted profit target, in essence this is the 'gatekeeper'. In that event, a maximum award of four month's salary is awarded. The bulk of the short-term incentive award therefore depends on exceeding budget and achieving stretch performance targets.

For executive directors these targets include growth in core headline earnings per share, return on equity, return on operating assets and the group attaining broad-based black economic empowerment (BBBEE) compliance.

Divisional executives were measured on divisional profitability, sales density, sales per associate, stock turn, gross profit, shrinkage, internal audit scores, profitability of franchise stores and net bad debt write-off percentage. In the case of service divisions like systems and people, particular deliverables such as budgeted costs and service delivery are considered. Group real estate is measured relative to success achieved in meeting divisional trading space targets, rent per square metre paid for new or renewed leases or the cost per square metre of developed store space.

The methodology also includes penalty clauses. Should an internal audit score or stock turn target be reached, an incentive is payable. However, if there is a decline in the measure to below a certain threshold, then a negative score is allocated, reducing the overall incentive payable.



The maximum that can be earned varies between six and 12 months basic salary, depending on the associate's position and division in which they are employed.

- **Personal performance** – incorporating areas of demonstrated performance contribution like leadership, innovation, effort and teamwork. Measuring these 'soft' issues necessitates more subjective judgment and is determined via individual and peer reviews. For executive directors, there is a cap of 12 months salary relating to personal performance, but this is only achieved in exceptional circumstances. For senior management, 'soft' awards are capped at two 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.

In setting performance targets, the remuneration and nominations committee ensures targets are linked to the company or division's annual key imperatives, are substantially within the associate's control, do not expose the organisation to undue risk caused by reckless behaviour and that there is an appropriate balance between short-term and long-term incentivisation. Through the incentive bonus system, the company rewards associates who have contributed to meeting short-term targets. The company does not defer bonus payments as it is essential to attract and retain bright young talent, many of whom are at the age where they are committing to their first property purchase or financing their children's education. Associates have to be in the company's employ at year end to receive incentive bonuses.

All associates benefit from an annual bonus scheme (payable in December) that generally commences at the level of 20% of an associate's monthly salary per completed year of service up to 80% (after four 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.

– *Performance incentives: long-term*

The group encourages ongoing equity ownership in the company through its share schemes, believing that associates should share in the group's long-term success. Consequently, comprehensive share schemes have operated for many years, benefiting associates and enabling them to achieve personal financial security. All associates are either awarded options under one of the share option schemes or shares under the partners share scheme. Associates in junior positions, where staff turnover is relatively high, are only awarded shares or options after being full-time employed for 12 months. The share schemes are subjected to an annual review to confirm their validity and affordability.

The option schemes were designed to be rolling schemes in that annual awards coincide with each 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.

Repricing of strike prices is not permitted and options are not awarded during closed periods.

Share options are awarded in expectation of service over a five to seven year period and must be exercised within 90 days of vesting, failing which they lapse. It is however proposed that the exercise period be extended from 90 days to five years in respect of options granted under the Executive Share Trust and Executive Director Share Trust. 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.

To date performance conditions have not been imposed. However, to ensure participants do not benefit under long-term incentive schemes in the event of poor company performance, it is proposed that no shares will vest unless the group achieves growth in core headline earnings per share of consumer price index (CPI) plus 1% during the vesting period. This will be applicable to all share option schemes.

In terms of the specific authority received from shareholders, the company may issue 46 548 430 shares to satisfy the requirements of its share schemes. Since the new 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. The group's policy is to purchase shares on the open market to satisfy the requirements of the various share schemes. An outline of the various schemes in operation is set out below and further details are provided on pages 151 to 156.

- Mr Price Group Employees Share Investment Trust
  This trust facilitates the purchase of shares in the company by associates. All permanently employed associates may participate in the scheme with contributions funded by salary deductions subject to a limit of 15% of salary and car allowance per month. The company assists by adding another 15% to all contributions. Dividends received purchase further shares for the associate.

- Mr Price Group Share Option Scheme
  Although there are participating associates, no further offers have been made since March 2006.

The following share schemes were launched in November 2006:

- Mr Price Partners Share Trust (PST)
  This scheme empowers and incentivises the majority of associates, most of whom are previously-disadvantaged. Allocations to new associates are made annually in November. Participation depends on the associate having been in the group's full-time employment for at least one year and earning R9 000 or less per month, a threshold which is reviewed annually. Currently, shares have been offered to associates for no consideration on the basis of 1 250 shares for assistant store managers and 1 000 shares for all other eligible associates. It is proposed that the basis of allocation be changed to ensure the award per individual is based on a multiple of an associate's salary divided by the share price at the time of the award, thus limiting the company's exposure. Voting rights vest with the associates and dividends accrued are paid biannually. The original share allocation was made at the time when the share price was R21.15. With the share price having touched the R70 mark during the year, this represents more than trebling the share value over the four-year period. Dividends worth R26 million have been paid to associates since the scheme's inception.

> *"The share price has more than trebled over the four year period. Dividends worth R26 million have been paid to associates since the scheme's inception."*

- Mr Price General Staff Share Trust (GSST)
  This trust caters for associates who have been in the group's full-time employment for at least one year and earn a minimum salary of R9 001 per month, a threshold which is reviewed annually. Store managers are eligible for participation regardless of their salary level. Awards have previously been made on the basis of one option per R1 of monthly basic salary, but it is proposed that this allocation basis be changed to ensure the award per individual is based on a multiple of an associate's salary divided by the share price at the time of the award, thus limiting the company's exposure.

- Mr Price Senior Management Share Trust (SMST)
  This share scheme aims to motivate and retain key senior associates, as defined by management. Options are awarded depending on the associates' position, subject to a performance-based reduction of the strike

price on vesting, linked to the achievement of the five-year compound growth hurdle rates in divisional profits or, in the case of head office and service divisions, to a hurdle rate in group profits. Executive directors are specifically excluded from participating in this scheme.

- Mr Price Executive Share Trust (EST)
  Certain divisional directors and senior managers participate in this scheme. Options awarded are subject to a performance-linked reduction of the strike price on vesting, linked to a five-year compound growth hurdle rate in headline earnings per share. Executive directors are specifically excluded from participating in this scheme.

- Mr Price Executive Director Share Trust (EDST)
  Main board executive directors are awarded options determined by the remuneration and nominations committee. The strike price is not subject to any performance-linked reduction.

**The vesting timeframes are as follows:**

| | PST | GSST | SMST | EST | EDST |
|---|---|---|---|---|---|
| **Initial award – November 2006** | | | | | |
| Percentage of award vesting per tranche | 100% | 33% | 20% | 20% | 20% |
| From award date, vesting equally over years | | 5,6,7 | 3,4,5,6,7 | 3,4,5,6,7 | 3,4,5,6,7 |
| **New participants – after November 2006** | | | | | |
| Percentage of award vesting per tranche | | 33% | 33% | 33% | 20% |
| From award date, vesting equally over years | | 5,6,7 | 5,6,7 | 5,6,7 | 3,4,5,6,7 |
| Upon first tranche vesting, subsequent awards vest in one lump sum after (number of years) | | 5 | 5 | 5 | 5 |

Concerning the vesting of shares on retirement or for other reasons for ending employment, the EDST, EST, SMST and GSST rules stipulate:

– In respect of the associate's retirement, the board may discretionally permit the exercise of any or all of the unexercised options. In light of this rule, the board and trustees have agreed that associates retiring at 65 years 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 all 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.

– 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 new share option schemes, the board has exercised its discretion, and on an exceptional basis, allowed four associates to retain unvested options post resignation. In using its discretion, the board considered the associate's length of service, resignation circumstances and the vesting period remaining on all offered tranches. In three cases, the tranche closest to maturity was retained while remaining unvested tranches were forfeited. Furthermore, no accelerated vesting of share options is permitted.

**The total unvested/unexercised shares and options at reporting date are as follows:**

| Share scheme | Number of participants | Number of options/shares | % of total options/shares | % of issued share capital *1 |
|---|---|---|---|---|
| The Mr Price Group Share Option Scheme | 425 | 862 076 | 2 | 0.33 |
| Mr Price General Staff Share Trust | 1 486 | 14 960 243 | 43 | 5.65 |
| Mr Price Senior Management Share Trust | 177 | 4 751 659 | 14 | 1.80 |
| Mr Price Executive Share Trust | 26 | 3 301 600 | 10 | 1.25 |
| Mr Price Executive Director Share Trust | 5 | 4 300 000 | 12 | 1.62 |
| Sub Total | 2 119 | 28 175 578 | 81 | 10.65 |
| Mr Price Partners Share Trust | 6 315 | 6 560 750 | 19 | 2.48 |
| Total *2 | 8 434 | 34 736 328 | 100 | 13.13 |

*1 Issued share capital includes B ordinary shares.

*2 The number of shares/options issued as a percentage of the issued share capital at first glance appears high at 13.1%. However, this number includes the partners share trust, effectively the group's BBBEE scheme. Excluding this scheme, the total reduces to 10.7% and the company has introduced further measures to reduce this to a 10% maximum.

*"Rather than entering into an equity transaction with an external empowerment consortium, the group has decided, in line with its 'partnership' value, to contribute to the long-term financial upliftment of its own people."*

The maximum number of options that can be awarded to any participant is 2 327 422. As detailed in ordinary resolutions 5 to 9 of the notice of meeting, pages 178 to 182, it is proposed to increase this maximum number of options to 3 000 000 shares per participant.

## Directors' remuneration

- **Executive directors**

The remuneration and nominations committee annually reviews executive directors' remuneration, set at the market median, to attract and retain the calibre of person 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 directors and group's interest in attaining profitable long-term growth.

The chairman, Mr AE McArthur, participates in the short-term incentive scheme and the long-term share option scheme in view of his executive status.

Where appropriate, the company enters into restraint and retention agreements with key executives (executive and divisional directors) to secure their services. Historically, the group has entered into 10 such contracts with executive and divisional directors. Although the retention elements of these contracts has expired, the restraint clauses remain, stipulating that the director concerned cannot join a competing retailer in any capacity for two years after leaving the group.

The costs associated with these contracts have been fully expensed in prior years and the company has not entered into any such contracts in the current financial year.

After a due process of consultation with the company, Mr S van Niekerk, who held the position of chief operating officer and previously held the joint group managing director position, opted for early retirement. He was paid R4.8 million (18 months cost-to-company) in terms of the board's desire to promote settled conditions of employment in the group.

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

| | Salary | Bonus and performance related payments | Vehicle allowances and expenses | Pension contributions | Other benefits | **Total 2011** | Total 2010 |
|---|---|---|---|---|---|---|---|
| SI Bird | 2 730 | 5 004 | 157 | 552 | 105 | **8 548** | 7 447 |
| MM Blair | 2 476 | 3 817 | 252 | 515 | 92 | **7 152** | 6 694 |
| SA Ellis | 2 143 | 1 964 | 227 | 466 | 79 | **4 879** | 3 855 |
| AE McArthur | 3 570 | 5 058 | 278 | 749 | 38 | **9 693** | 9 167 |
| S van Niekerk | 893 | - | 113 | 194 | 4 829 | **6 029** | 3 626 |
| CS Yuill | 1 465 | 733 | 228 | 335 | 72 | **2 833** | 2 773 |
| Total | 13 277 | 16 576 | 1 255 | 2 811 | 5 215 | **39 134** | 33 562 |

| | | | |
|---|---|---|---|
| % change over prior year | – | total | 16.6% |
| | – | excluding S van Niekerk | 10.6% |

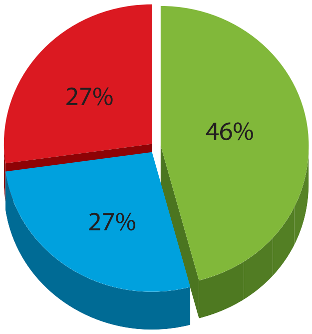
## Details of the interest of executive directors in share options are as follows:

| Mr Price Executive Director Share Trust | AE McArthur | SI Bird *1 | SI Bird *2 | MM Blair | SA Ellis | S van Niekerk |
|---|---|---|---|---|---|---|
| Options held at beginning of the year | 1 704 000 | 160 000 | 541 000 | 614 000 | 610 000 | 610 000 |
| Weighted average price granted (Rand) | 23.85 | 21.15 | 27.32 | 23.91 | 22.10 | 22.10 |
| Granted and accepted during the year | 250 000 | - | 490 000 | 155 000 | 50 000 | - |
| Exercised or taken up during the year | 327 000 | 40 000 | - | 117 000 | 140 000 | 140 000 |
| Difference between the total acquisition price and the market price of the shares on the date of delivery (R'000) | 14 529 | 1 777 | - | 5 198 | 6 220 | - |
| Options held or accepted at end of the year | 1 627 000 | 120 000 | 1 031 000 | 652 000 | 520 000 | 470 000 |
| Weighted average price granted (Rand) | 30.37 | 21.15 | 37.66 | 33.64 | 26.27 | 22.38 |
| Closing price (Rand) | 63.38 | 63.38 | 63.38 | 63.38 | 63.38 | 63.38 |
| Latest expiry date for exercise or take up | 27/02/2016 | 20/02/2014 | 25/08/2016 | 27/02/2016 | 27/02/2016 | 20/02/2015 |

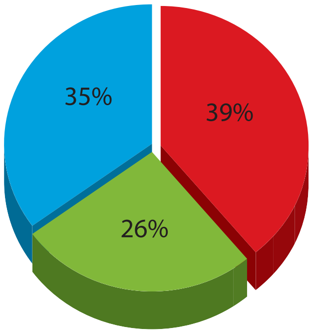
*1 The options awarded in terms of the Mr Price Executive Share Trust prior to his appointment as an executive director of the board.

*2 Options awarded under the Mr Price Group Executive Director Share Scheme.

Analysis of the total remuneration of executive directors who were employed at 2 April 2011 for the year:




Analysis of the total remuneration of the three highest paid executives for the year:




- **Three highest paid executives**

King III recommends that the remuneration of the top three highest paid executives, excluding executive directors, be disclosed. The board does not propose disclosing this information separately due to the value of these individuals to the group, the highly competitive South African retail environment and the potential of contravening privacy laws. The board has instead aggregated their total remuneration to provide shareholders with the substance of what King III is trying to achieve.

Total remuneration for the three highest paid executives for the financial year was as follows:

| | R'000 |
|---|---|
| Salary and vehicle allowances | 3 899 |
| Bonuses and performance-related payments | 5 423 |
| Pension contributions | 783 |
| Medical aid contributions | 255 |
| Other | 4 |
| Gain on share options exercised | 3 603 |

- **Non-executive directors**

Non-executive directors' fees, which comprise separate remuneration for board activity and committee participation, are approved at the annual general meeting (AGM). The fees are benchmarked against the same comparative group used for executive directors detailed on page 102 every two years and proposed at the median. Increases in the intervening years are linked to the group's general inflationary salary increase percentage.

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. Proposed fees are detailed in the notice of meeting set out on page 182 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.


100% cotton tab top curtain (145x225) R129.99 each
buttoned scatters R49.99 each
bamboo tall vase & plate R129.99 each
bobble-trim scatter R79.99
We do value
Our Way
Mr Price
Home
HZ147194/E/1

## The emoluments of non-executive directors for the year were as follows (R'000):

| | Salary | Vehicle allowances and expenses | Pension contributions | Other benefits | Fees | **Total 2011** | Total 2010 |
|---|---|---|---|---|---|---|---|
| LJ Chiappini | 1 786 | 268 | 454 | 72 | 405 | **2 985** | 2 844 |
| SB Cohen | 1 905 | 238 | 438 | 104 | 405 | **3 090** | 2 862 |
| K Getz | | | | | 225 | **225** | 210 |
| MR Johnston | | | | | 400 | **400** | 375 |
| RM Montanyane | | | | | 268 | **268** | 250 |
| NG Payne | | | | | 441 | **441** | 300 |
| LJ Ring | | | | | 71 | **71** | 160 |
| MJD Ruck | | | | | 364 | **364** | 340 |
| SEN Sebotsa | | | | | 183 | **183** | 250 |
| WJ Swain | | | | | 476 | **476** | 370 |
| M Tembe | | | | | 214 | **214** | 200 |
| Total | 3 691 | 506 | 892 | 176 | 3 452 | **8 717** | 8 161 |
| % change over prior year | | | | | | 6.8% | |

Note: 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.

As a result of the activities carried out by both management and the remuneration and nominations committee, coupled with input received from the company's advisors, PwC, several changes to the long-term incentive plans are proposed. The benefits to both the company and its associates have been carefully evaluated for suitability and affordability. Those changes which require shareholder approval are detailed in the notice of annual general meeting on pages 178 to 182 of this report.

## Analysis of the remuneration of non-executive directors for their services as board committee chairmen and members is detailed below:

| | **2011** | | **2012 proposed** | |
|---|---|---|---|---|
| Committee | Chairman | Member | Chairman | Member |
| Audit and compliance | R171 000 | R96 000 | R171 000 | R96 000 |
| Risk and sustainability | R120 000 | R80 000 | R120 000 | R80 000 |
| Remuneration and nominations | R80 000 | R54 000 | R100 000 | R64 000 |
| Transformation | Executive | R43 000 | Executive | R46 000 |

The remuneration of non-executive directors for the 2012 financial year is to be approved by shareholders at the annual general meeting in August 2011. Special resolution No.1 is detailed on page 182 in the notice of annual general meeting.

# REPORT ON OUR PEOPLE

*Mr Price Group constantly strives to be a sought after employer offering leading career opportunities in fashion-value retailing with an energetic and entrepreneurial working environment.*

## Employee engagement

Inspired by the group's core founding values - Passion, Value and Partnership as articulated through the Dreams and Beliefs philosophy, the group beneficially impacts the lives of not only the 17 877 employees, but also their families and the communities in which they reside. Mr Price's active involvement in these communities through the RedCap Foundation has received top national corporate social investment awards.

## Talent acquisition

While developing homegrown talent is a high priority, attracting the right skills externally is equally important to cater for growth. New and innovative ways are constantly introduced to engage potential employees, such as the company's social networking capabilities or active relationships and involvement with selected schools, colleges and universities. CV's can be registered online on the company's website and improvements to administering and storing applicants' data has allowed a more active management of talent pools.

All new associates attend induction programmes introducing their job specific requirements, working environment and the core values contained in Dreams and Beliefs. For head office associates this involves a two day induction session, while store associates are inducted into their particular store or region.

**The group secured its accreditation as a best employer in the Corporate Research Foundation's Best Employers Survey for the third time, further assisting to attract talent to the group.**

The company has a staff turnover of 23.7% per annum in stores and 14.2% per annum at head office including support services (permanent associates only). These statistics are within industry norms. Vacancies are preferably filled in-house or with applicants drawn from the local communities with exceptions occurring when associates apply for more senior positions that may require relocation. Stringent pre-employment assessments are conducted for all store positions, including numeracy and behavioural attributes, to ensure a minimum skills standard is maintained.

## Employment equity

The group's philosophy is to encourage associates to achieve their full potential, irrespective of race or gender. In line with this philosophy, associates are encouraged to apply for and secure growth opportunities in the group as these arise.

The group recognises the need for its workforce to be fully representative of national demographics and continues attracting, employing and developing people from previously-disadvantaged groups. Special attention is given to employing graduates from previously-disadvantaged backgrounds and preparing them for future management and specialist retail positions. Pre-employment internships are offered as a way of evaluating young prospective employees, while the RedCap Foundation's JumpStart programme provides soft skills training and work experience in a Mr Price Group store or distribution centre for unemployed matriculants. Approximately 13% of these participants are employed by the group at the end of the programme.

An employment equity and skills development forum, 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 ensure adherence to relevant legislation.

## Employee relations

All associates with more than 12 months full-time service are invited to participate in the Mr Price Group share or share option schemes, detailed on pages 105 to 109 of this report. As these employees are therefore part-owners in the company, they are referred to as partners.

Maintaining good working relationships is of utmost importance to the group. Developing and maintaining one-on-one relationships with associates opens communication channels with management, while frequent communication sessions are held within divisions to update associates on business progress, celebrate achievements and introduce new associates. General employee communication and information-sharing is conducted through Red Cap TV with informative broadcasts delivered fortnightly to associates through intranet or point-of-sale technologies.

**Total Employment Equity Representation at Occupational Levels**

| Total African, Coloured and Indian representation across occupational levels | Female Actual 2011 % | Female Goal 2011 % | Total Actual 2011 % | Total Goal 2011 % |
|---|---|---|---|---|
| Top management | 3.0 | 0.0 | 3.0 | 3.4 |
| Senior management | 7.9 | 8.1 | 11.8 | 10.5 |
| Professionally qualified | 17.6 | 22.7 | 32.1 | 35.6 |
| Skilled technical | 58.0 | 55.1 | 78.4 | 72.2 |
| Semi-skilled | 70.6 | 71.0 | 96.7 | 95.8 |
| Unskilled | 42.0 | 38.1 | 99.3 | 98.4 |

With its preferred "appoint from within" philosophy the group identifies and develops associates from previously-disadvantaged backgrounds with the potential to attain top management positions and succession plans accordingly. The Future Leaders Programme, through which experienced, well qualified individuals are carefully selected and employed as high-level management trainees, will assist the group in attaining its employment equity goals for the senior management and professionally qualified categories.

The executive transformation committee sets out and the board transformation committee ratifies appropriate employment equity targets in line with the group's broad-based black economic empowerment plans. Goals have been set to 2017 with action plans to address representations required at senior levels. Regular reporting will monitor progress made.

**A social media policy has been developed to provide guidelines for new and innovative ways of communicating internally using social networking technologies.**

Climate and culture surveys are conducted regularly across all divisions and where areas of concern are identified, associates are encouraged to discuss these in facilitated focus groups, thus contributing to improving the workplace.

A complete review, upgrade and re-documentation of human resource policies has been undertaken and the policies standardised across the divisions for the first time. Renewed control, communication and monitoring of best practice policies will ensure the group retains its status as a leading destination for career retailers.

The group complies with all relevant labour 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.

During the year, 50.2% of dismissals were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA). Of these cases referred, 35.3% were settled at either conciliation or arbitration. From the cases arbitrated at the CCMA, 67.2% were determined in favour of the group.

## Performance and career development

The group actively encourages high performance and the achievement of personal goals. Performance is measured against well-defined incentive targets and performance discussions are conducted at year end or as required during the year. Fireside chats are held with associates at least annually to discuss personal growth and career development with line managers responsible for ensuring that these chats are conducted properly and give rise to meaningful personalised development plans.

## Rewards and recognition

The group recognises and rewards associates for exceptional performance. This is achieved through various celebrations, awards and cash incentive payments. Associates who have delivered outstanding performance or who are responsible for exceptional innovation, are acknowledged annually by receiving the Mr Price Group medallion. The Mr Price Group 'Running Man' statue is presented to associates who have contributed consistently to the group's progress over an extended period. Recipients wholly embody the business culture and are committed to the core beliefs. The group also recognises associates for long service.

## Ethical behaviour

The group has partnered with an independent organisation to provide a confidential toll-free number for reporting suspected fraudulent activity or unacceptable behaviour. Associates are encouraged to be alert to fraudulent or unacceptable activity and immediately report instances to the Whistle Blowers' fraud hotline. Internal audit confidentially investigate reported incidents.

Each associate receives and acknowledges receipt of a detailed business code of conduct upon joining the group. Senior and other selected associates complete annual declarations 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.

## Wellness

Full-time associates are offered membership to the subsidised group medical aid. The cost-effective medical aid product Discovery KeyCare Plus was introduced in 2008 to improve associates' access to medical aid benefits and to HIV/Aids treatment and there continues to be a positive response to the affordable benefits offered, resulting in a steady increase in membership. Currently 3 528 associates, representing 35.6% of the permanent staff, have cover for themselves and their families through one of the medical aid options.

The group encourages associates to make healthy lifestyle choices. This philosophy is promoted annually through the Wellness Week and via regular Red Cap TV broadcasts. Through both the medical aid programmes and Wellness Week, associates have access to health counselling and prevention and risk-control programmes to assist with information and treatment regarding serious diseases.

## Occupational health and safety

The group encourages safe working practices and 2.7% of permanent associates have been trained as health, safety and/or fire marshals. This includes those who have completed a first aid course. Regular attention is paid to workplace health and safety with the required practice drills and safety reviews being conducted.

In the year under review, seven serious work-related accidents were reported, while the number of minor injuries on duty decreased from 98 to 63.

## Talent development

The board and senior management recognise the importance of attracting, developing and retaining world-class skilled retailers and managers in all disciplines to ensure competitiveness and sustainability. This is reflected in the allocation of a longer-term budget to this area.

The constantly increasing demand for scarce skills among competing southern African retail organisations and the need to retain this talent resulted in focused attention on succession planning and career development and to improving the quality and delivery of training and development during the year. The Red Cap Academy, as the in-house institution through which all learning and development programmes are facilitated, brought in new skills and improved its delivery capability. The academy employs innovative training practices including online, on-the-job and classroom-based learning, drawing on internal subject matter experts, top external faculty and carefully selected service providers.

Precise job and competency profiling is at the core of the design and development of training material and during the forthcoming year an innovative assessment centre will be introduced to ensure more accurate evaluation of individual training needs, as well as to evaluate outcomes of training received.

In November 2010, the academy received provisional accreditation as a training provider from the Wholesale and Retail SETA, a significant achievement ensuring that associates can gain credits towards qualifications and secure recognition for training received.

Merchandise skills continue to be the academy's primary focus in accordance with the group's merchandise standards, as well as frontline operations management development. Based on the demands of the business, in-house trainee development programmes in merchandise and store operations ensure trainees are provided with meaningful work under the guidance of allocated mentors and trained according to an individually paced hierarchy of learning.

The "Fast Forward" merchant training programme is the primary mechanism through which merchandise training is conducted, whereas the e-learning methodology continues providing an effective training solution to the geographically widespread store locations. This method has made available learning and development initiatives to thousands of associates at store level, providing access to learning at point-of-sale terminals on a daily basis and new modules are continually being developed. Participation is actively encouraged as a way to progress careers and promote job security. The effectiveness of the medium is highlighted by the 14 133 e-learning modules completed. Examples of modules include an overview of point-of-sale, stock control, credit and business administration, customer service or a specific module on product knowledge.

Customer service training was a particular focus during the year and will continue into the forthcoming year.

The group supports the national skills initiative through learnerships. These are available across various disciplines such as logistics, store management and finance and enable associates to receive a nationally recognised qualification. During the year, 84 associates were actively involved in the learnership programme, 80% of whom are previously-disadvantaged individuals.

**Management and leadership development**

The group has a history of successful leadership growth attributable to appropriate succession planning and the application of innovative programmes designed to sustain unique group leadership capabilities across the different disciplines and brands. Given the hands-on nature of retail, the group's approach to leadership development is to encourage managers to take direct ownership for their particular area of responsibility and to use the programmes provided to build their own entrepreneurial leadership style. During the year, the group partnered with the Gordon Institute of Business Science to provide creative and highly developmental leadership programmes for designated individuals. These programmes are designed to cater for unique peer group needs, taking into account the day-to-day time and scheduling demands of the busy retail working environment and include:

- The Emerging Leaders Development Programme for entry level leaders who display high potential for future leadership positions;
- The Advanced Leaders Development Programme available to individuals who are already in positions of influence and are candidates for growth into higher levels of leadership; and

*"During the year, 84 associates were actively involved in the learnership programme, 80% of whom are previously-disadvantaged individuals."*

- The Executive Development Programme designed for incumbent senior executives who have specific developmental requirements in line with the demands of their positions and / or current group strategic priorities.

Programmes with more direct skills development objectives are also offered to managers and leaders, either to facilitate individual growth or to promote the development of a collective group capability. These include:

- The internationally facilitated programme in Strategic Planning and Management in Retailing focused on productivity measures and key retail performance indicators;
- The Area Manager Development Programme that develops retail operational management skills; and
- The Management Development Programme that measures and develops high potential managers against international leadership competencies.

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

OUR INVESTMENT IN LEARNING AND DEVELOPMENT INCREASED BY 42% THIS YEAR.

| Key achievements in talent development | 2011 | 2010 |
|---|---|---|
| Number of off-the-job learning and development programmes | **15 244** | 11 500 |
| Number of programmes in various skills and compliance completed (inclusive of e-learning) | **23 515** | 6 732 |
| Associates who have completed various leadership development programmes | **1 203** | 751 |
| Investment in learning and development | **R9 963 796** | R7 000 000 |
| Average learning and development days per person | **3.1** | 2.3 |
| Percentage of previously-disadvantaged individuals participating in learning and development programmes | **83%** | 83% |
| Percentage of females participating in learning and development programmes | **73%** | 71% |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# BOARD OF DIRECTORS

## EXECUTIVE DIRECTORS

**Alastair McArthur (57)**
Chairman
19 years service

**Stuart Bird (51)**
Chief executive officer
CA(SA)
17 years service

**Mark Blair (45)**
Chief financial officer
CA(SA)
5 years service

## NON-EXECUTIVE DIRECTORS

**Keith Getz (55)**
Non-executive director
BProc LLM
Board directorship since 2005
Partner of Bernadt Vukic Potash & Getz
Other directorships include:
Spur Corporation Limited

**Nigel Payne (51)**
Independent non-executive director
CA(SA) MBL
Board directorship since 2007
Other directorships include:
JSE Limited, The Bidvest Group Limited, BSi Steel Limited, Strate Limited
Member of the King Committee on Corporate Governance

**Maud Motanyane (59)**
Independent non-executive director
Dip Library Science, Fellow of the World Press Institute, Member of the Institute of Directors, Founding Editor of Tribute Magazine and Jikelele Media Group
Board directorship since 2008
Other directorships include:
Urban Brew Production Company, Kagiso Media Limited, G4 Securicor Plc, Catholic Education Trust, The Historic Schools Restoration Project

**Moses Tembe (49)**
Independent non-executive director
BA Public Administration and Political Science
Graduate Caltex Business Management Programme (UCT)
Former Secretary General of the National African Federated Chamber of Commerce (KZN)
Former President of Durban Chamber of Commerce and Industry
Board directorship since 2008
Other directorships include:
Elgin Brown & Hamer (Pty) Ltd, Dynachem (Pty) Ltd, Santova Logistics (Pty) Ltd, Durban Infrastructure Development Trust, Crescendo Venture Capital (Pty) Ltd

**Sonja Sebotsa (39)**
Independent non-executive director
LLB Hons (London School of Economics and Political Science)
MA (McGill University Montreal)
Registered person with the Securities and Futures Authority of the UK
Founding partner of Identity Partners
Board directorship since 2008
Other directorships include:
RMB Holdings Limited, Anglo Platinum Limited, Discovery Holdings Limited

**John Swain (70)**
Independent non-executive director
CA(SA)
Board directorship since 1994
Former partner of Ernst & Young
Other directorships include:
Impro Technologies (Pty) Ltd, Kaymac Holdings (Pty) Ltd, The Sharks (Pty) Ltd

**Myles Ruck (55)**
Independent non-executive director
BBusSc, PMD (Harvard)
Former CEO of Liberty Group Limited
Board directorship since 2007
Other directorships include: Aveng Limited, Standard Bank Group Limited, The Standard Bank of South Africa Limited, The Shanduka Group Limited



## HONORARY CHAIRMEN AND LEAD DIRECTOR

**Laurie Chiappini (66)**

Honorary chairman
24 years service

**Stewart Cohen (66)**

Honorary chairman
BCom LLB MBA
24 years service

**Bobby Johnston (62)**

Lead independent non-executive director
CA(SA)
Board directorship since 1994
Former chairman of JSE Limited
Other directorships include:
JSE Limited, Strate Limited





## ALTERNATE DIRECTORS AND COMPANY SECRETARY

**Neill Abrams (46)**

Alternate to Stewart Cohen
BA, LLB (Wits)
LLM (Cambridge)
Alternate director since 26 August 2010
Other directorships include:
Ocado Group plc

**Tracey Chiappini-Young (39)**

Alternate to Laurie Chiappini
B.Bus.Sci. (UCT)
CFA (CFA Institute) Assoc. in Applied Science (FIT)
TRIUM EMBA (LSE, NYU Stern, HEC)
Alternate director since 26 August 2010
Other directorships include:
Taunina (Pty) Ltd,
Tsiba Education Trust

**Steve Ellis (49)**

Alternate to Mark Blair
Chief information officer
CA(SA)
19 years service

**Larry Ring (62)**

Alternate to Bobby Johnston
BSc MSC PhD
Board directorship since 1998
Chancellor Professor of Business
Mason School of Business,
The College of William and Mary,
Williamsburg, Virginia USA

**Chris Yuill (67)**

Group secretary
CA(SA) MBA
33 years service

## BOARD COMMITTEES

**Audit and compliance committee**

John Swain (Chairman)
Bobby Johnston
Nigel Payne
Myles Ruck

**Remuneration and nominations committee**

Bobby Johnston (Chairman)
Keith Getz
Maud Motanyane
Nigel Payne
Myles Ruck
John Swain

**Risk and sustainability committee**

Nigel Payne (Chairman)
Stuart Bird
Mark Blair
Steve Ellis
John Swain

**Transformation committee**

Alastair McArthur (Chairman)
Stuart Bird
Mark Blair
Maud Motanyane
Myles Ruck
Moses Tembe

# DIVISIONAL HEADS



## TRADING DIVISIONS

**Nicci Lyne** (39)

Managing director
Mr Price Apparel

**Arn de Haas** (41)

Managing director
Mr Price Home

**Clint Larsson** (41)

Managing director
Mr Price Sport



## TRADING DIVISIONS

**Roger Maingard** (46)

Managing director
Sheet Street

**Larry Simon** (49)

Managing director
Miladys

**Rex Samuelson** (48)

Managing director
Financial Services




## SUPPORT SERVICES

**Greg Azzopardi (50)**
Managing director
Group Real Estate

**Verna Botha-Richards (43)**
Group Risk and Sustainability director

**Steve Glendinning (50)**
Group People director

**Sherene Moodley (41)**
Group Audit executive



## SUPPORT SERVICES

**Werner Pelser (38)**
General manager
Group Distribution

**Allan Yates (58)**
General manager
Mr Price International

**Pete van Wyk (55)**
Managing director
Systems and Logistics

**Shareholders' diary**

| | |
|---|---|
| May | Announcement of annual results and declaration of final dividend to shareholders |
| June | Publication of 2011 annual integrated report |
| June | Payment of final dividend to shareholders |
| August | Annual general meeting of shareholders |
| November | Announcement of interim dividend to shareholders |
| November | Publication of interim report covering the 26 weeks ended 1 October 2011 |
| December | Payment of interim dividend to shareholders |

## Ordinary and B ordinary share ownership as at 2 April 2011

| | Ordinary shares | | | | B ordinary shares | | | |
|---|---|---|---|---|---|---|---|---|
| **Holdings** | **Number of shareholders** | **%** | **Number of shares** | **%** | **Number of shareholders** | **%** | **Number of shares** | **%** |
| 5 000 | 6 488 | 50.07 | 3 202 190 | 1.29 | | | | |
| 5 001 - 10 000 | 5 448 | 42.04 | 17 277 482 | 6.96 | | | | |
| 10 001 - 50 000 | 811 | 6.26 | 23 950 493 | 9.64 | | | | |
| 50 001 - 100 000 | 183 | 1.41 | 60 370 020 | 24.30 | | | | |
| Over 100 000 | 28 | 0.22 | 143 606 203 | 57.81 | 5 | 100.00 | 16 222 560 | 100.00 |
| | 12 958 | 100.00 | 248 406 388 | 100.00 | 5 | 100.00 | 16 222 560 | 100.00 |
| **Category** | **Number of shareholders** | **%** | **Number of shares** | **%** | **Number of shareholders** | **%** | **Number of shares** | **%** |
| Pension funds | 146 | 1.13 | 14 462 994 | 5.82 | | | | |
| Nominee companies and corporate bodies | 1 079 | 8.33 | 167 648 359 | 67.50 | | | | |
| Individuals and trusts | 11 727 | 90.50 | 46 435 922 | 18.69 | 5 | 100.00 | 16 222 560 | 100.00 |
| Staff share schemes | 6 | 0.04 | 19 859 113 | 7.99 | | | | |
| | 12 958 | 100.00 | 248 406 388 | 100.00 | 5 | 100.00 | 16 222 560 | 100.00 |

**Public and non-public shareholders**

At 2 April 2011 the percentage direct or indirect shareholdings of public and non-public shareholders in the listed ordinary shares of the company was as follows:

| | **Number of shareholders** | **% holding** |
|---|---|---|
| Public shareholders | 12 926 | 74.86 |
| Non-public shareholders | 32 | 25.14 |
| Shareholders holding more than 10%* | 7 | 16.41 |
| Directors of the company or its subsidiaries | 19 | 0.74 |
| Trustees of employees' share schemes or retirement benefit schemes | 6 | 7.99 |

*Seven underlying shareholders constitute the overall shareholding of the Public Investment Corporation.

**Major shareholders**

To the company's best knowledge and belief, the following shareholders or fund managers held discretionary beneficial interest and/or administered client portfolios amounting to 5% or more of the issued ordinary shares of the company at 2 April 2011:

| | Beneficial holding | | Portfolio administration Discretionary | |
|---|---|---|---|---|
| | **%** | **Shares** | **%** | **Shares** |
| Public Investment Corporation | 16.41 | 40 767 636 | - | - |
| Coronation Fund Managers | 5.00 | 12 416 796 | 5.99 | 14 873 766 |
| Mr Price Share Trusts | 7.99 | 19 859 113 | - | - |
| Fidelity International | 5.79 | 14 383 803 | 0.13 | 314 281 |

Details of the beneficial interests in B ordinary shares are reflected on page 133.

**Share price performance**

Refer to page 70 for stock exchange information.

## DECLARATION OF FINAL CASH DIVIDEND

for the 53 week period ended 2 April 2011

The directors have declared a final cash dividend to shareholders of 175.3 cents per ordinary and unlisted B ordinary share, for the 53 week period ended 2 April 2011.

The following dates are applicable:

| | |
|---|---|
| Last date to trade 'cum' the dividend | Friday 17 June 2011 |
| Shares trade 'ex' the dividend | Monday 20 June 2011 |
| Record date | Friday 24 June 2011 |
| Payment to shareholders on | Monday 27 June 2011 |

Shareholders may not dematerialise or rematerialise their share certificates between Monday 20 June 2011 and Friday 24 June 2011, both dates inclusive.

## APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the 53 week period ended 2 April 2011

The preparation and presentation of the annual financial statements and all other information included in this annual report are the responsibility of the directors. The information provided in this annual report has been prepared in accordance with the provisions of the Companies Act and complies with International Financial Reporting Standards. In discharging their responsibilities, both for the integrity and fairness of these statements, the directors rely on the internal controls and the risk management procedures applied by management.

Based on the information and explanations given by management and the internal auditors and on comment by the independent auditor on the results of their statutory audit, the directors are of the opinion that:

- the internal controls are adequate;
- the financial records may be relied upon in the preparation of the annual financial statements;
- appropriate accounting policies, supported by reasonable and prudent judgments and estimates, have been applied; and
- the annual financial statements fairly present the results and the financial position of the company and the group.

The annual financial statements are prepared on the going concern basis and nothing has come to the attention of the directors to indicate that the company and the group will not remain a going concern.

The annual financial statements of the company and the group which appear on pages 129 to 177 were approved by the board of directors on 26 May 2011 and are signed on its behalf by:

AE McArthur
Chairman

SI Bird
Chief executive officer

## GROUP SECRETARY STATEMENT

I hereby certify that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

CS Yuill
Group secretary
26 May 2011

We have audited the annual financial statements and the group annual financial statements of Mr Price Group Limited, which comprise the remuneration report, the directors' report, the statement of financial position and the consolidated statement of financial position at 2 April 2011, the income statement and the consolidated income statement, the statement of comprehensive income and the consolidated statement of comprehensive income, the statement of cash flows and the consolidated statement of cash flows, the statement of changes in equity and the consolidated statement of changes in equity for the 53 weeks then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 102 to 115 and 130 to 177.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements and the group annual financial statements present fairly, in all material respects, the financial position of the company and the group at 2 April 2011 and their financial performance and their cash flows for the 53 weeks then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

*Ernst & Young Inc.*

Ernst & Young Inc.
Director – Vinodhan Pillay
Registered Auditor
Chartered Accountant (SA)

1 Pencarrow Crescent
La Lucia Ridge Office Estate
Durban
4000

26 May 2011

**Nature of business**

The main business of the group is retail distribution through 937 stores in Southern Africa and 24 franchised stores in Africa. The retail chains focus on clothing, footwear, sportswear, sporting goods, accessories and homewares. Refer to pages 10 and 11 for more detailed information.

**Corporate governance**

The directors subscribe to the values of good corporate governance as set out in the King Report for Corporate Governance in South Africa 2009 (King III). By supporting the code the directors have recognised the need to conduct the business with integrity and to account to stakeholders in accordance with International Financial Reporting Standards. Specific disclosure requirements are dealt with on pages 72 to 79 of this integrated report.

**Retail calendar**

The group reports on the retail calendar of trading weeks incorporating trade from Sunday to Saturday each week. Accordingly, the results for the financial year under review are for a 53 week period from 28 March 2010 to 2 April 2011 (2010: 52 week period from 29 March 2009 to 27 March 2010).

**Financial results**

The financial results of the company and the group are set out in the statements of comprehensive income on page 142. An analysis of group profit is set out in more detail on page 160 to this integrated report.

**Dividends**

Ordinary and B ordinary dividends

It is the group's policy to make two dividend payments each year, an interim in December and a final in June/July.

Interim: A cash dividend of 76.7 cents per share (2010: 46.2 cents per share) was made payable on 20 December 2010 to shareholders registered on 17 December 2010.

Final: A cash dividend of 175.3 cents per share (2010: 126.8 cents per share) has been declared payable on 27 June 2011 to shareholders registered on 24 June 2011.

**Consolidated entities**

The aggregate amount of group profits and losses after taxation attributable to consolidated entities was:

| R'000 | **2011** | 2010 |
|---|---|---|
| Profits | **69 969** | 67 181 |
| Losses | **(163)** | (559) |
| | **69 806** | 66 622 |

Details of the financial interest in consolidated entities are set out on page 174.

**Net shareholders' equity**

Authorised and issued share capital

There were no changes in the authorised share capital during the year. In the second half of the financial year, 1 250 000 B ordinary shares were converted to ordinary shares on a one-for-one basis.

**Subsequent events**

No events, material to the understanding of this report, have occurred between the financial year end and the date of this report.

**Directorate**

The following changes in the directorate of the company took place during the year:

In terms of the company's articles of association, K Getz, AE McArthur, NG Payne and MJD Ruck resigned as directors and were re-elected at the annual general meeting.

At the annual general meeting of the company on 26 August 2010:

- LJ Chiappini and SB Cohen were appointed honorary chairmen;
- AE McArthur was appointed chairman;
- SI Bird was appointed chief executive officer;
- N Abrams, TA Chiappini-Young, SA Ellis and Prof. LJ Ring were appointed alternate directors; and
- S van Niekerk retired from the company and CS Yuill retired from the board.

Particulars of the present directors and secretary are provided on pages 122 and 123 of the integrated report. None of the directors have long-term service contracts with the company or any of its consolidated entities.

**Emoluments**

Details of emoluments paid to executive and non-executive directors are set out in the remuneration report on pages 112 to 115.

At the financial year end the directors were interested in the company's issued shares as follows:

| | 2011 | | | | | 2010 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Direct beneficial** | **Indirect beneficial** | **Held by associate** | **Total** | **%** | Direct beneficial | Indirect beneficial | Held by associate | Total | % |
| **Ordinary shares** | | | | | | | | | | |
| SI Bird | **211 384** | **-** | **-** | **211 384** | **0.09** | 211 384 | - | - | 211 384 | 0.09 |
| MM Blair | **30 512** | **-** | **-** | **30 512** | **0.01** | 30 512 | - | - | 30 512 | 0.01 |
| LJ Chiappini | **-** | **600 011** | **-** | **600 011** | **0.24** | - | 600 011 | - | 600 011 | 0.24 |
| TA Chiappini-Young[1] | **199** | **-** | **-** | **199** | **0.00** | N/A | N/A | N/A | - | - |
| SB Cohen | **490** | **14 013** | **44 588** | **59 091** | **0.02** | 490 | 14 013 | 44 588 | 59 091 | 0.02 |
| SA Ellis[1] | **116 853** | **67 248** | **-** | **184 101** | **0.07** | 116 853 | 67 248 | - | 184 101 | 0.08 |
| K Getz | **-** | **-** | **20 000** | **20 000** | **0.01** | - | - | 20 000 | 20 000 | 0.01 |
| MR Johnston | **-** | **-** | **91 250** | **91 250** | **0.04** | - | - | 91 250 | 91 250 | 0.04 |
| AE McArthur | **627** | **-** | **-** | **627** | **0.00** | 627 | - | - | 627 | 0.00 |
| LJ Ring[1] | **2 500** | **-** | **2 500** | **5 000** | **0.00** | 2 500 | - | 2 500 | 5 000 | 0.00 |
| MJD Ruck[2] | **-** | **-** | **-** | **-** | **0.00** | - | - | 44 | 44 | 0.00 |
| SEN Sebotsa | **1 000** | **-** | **-** | **1 000** | **0.00** | - | - | - | - | 0.00 |
| WJ Swain | **-** | **611 670** | **-** | **611 670** | **0.25** | - | 611 670 | - | 611 670 | 0.25 |
| S van Niekerk[3] | **N/A** | **N/A** | **N/A** | **-** | **-** | 298 662 | - | 2 038 | 300 700 | 0.12 |
| CS Yuill[3] | **N/A** | **N/A** | **N/A** | **-** | **-** | 1 147 582 | 542 503 | - | 1 690 085 | 0.68 |
| | | | | **1 814 845** | **0.73** | | | | 3 804 475 | 1.54 |
| **Total issued ordinary shares** | | | | **248 406 388** | | | | | 247 156 388 | |

| | 2011 | | | | | 2010 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Direct beneficial** | **Indirect beneficial** | **Held by associate** | **Total** | **%** | Direct beneficial | Indirect beneficial | Held by associate | Total | % |
| **B ordinary shares** | | | | | | | | | | |
| LJ Chiappini | **-** | **7 017 208** | **-** | **7 017 208** | **43.26** | - | 7 517 208 | - | 7 517 208 | 43.02 |
| SB Cohen | **-** | **7 017 208** | **-** | **7 017 208** | **43.26** | - | 7 517 208 | - | 7 517 208 | 43.02 |
| MR Johnston | **-** | **-** | **46 504** | **46 504** | **0.29** | - | - | 46 504 | 46 504 | 0.27 |
| AE McArthur | **-** | **744 022** | **-** | **744 022** | **4.59** | - | 994 022 | - | 994 022 | 5.69 |
| | | | | **14 824 942** | **91.40** | | | | 16 074 942 | 92.00 |

Notes:

1. Appointed alternate director on 26 August 2010.
2. Shares held by director's daughter who is now older than 18 years. Disclosure of her holding is therefore no longer required.
3. Resigned as director on 26 August 2010.
4. During the year, 1 250 000 B ordinary shares were converted to ordinary shares on a one-for-one basis, resulting in a decrease in the B ordinary capital and a corresponding increase in the ordinary share capital.
5. The 1 397 618 B ordinary shares not detailed above belong to trusts of which Mr MR Johnston's major children are beneficiaries. Mr Johnston has no direct or indirect beneficial ownership in these shares and has relinquished all voting rights thereto.
6. There have been no changes in the above interests between the year end and the date of approval of these financial statements.

The annual financial statements have been prepared on the historic cost and going concern bases, except where indicated otherwise in a policy below. The annual financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS').

Unless otherwise indicated, any references to the group include the company.

## 1. Consolidation

Consolidated entities (which include special purpose entities such as staff share trusts and insurance cell captives) are defined as entities in which the group has the power to govern the financial and operating policies of the entity so as to gain benefit from its activities. Consolidated entities are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date control ceases. A change in ownership of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated.

## 2. Property, plant and equipment

Land is carried at cost less any accumulated impairment. Property developments are carried at cost, less any recognised impairment. Cost includes any directly related professional fees incurred for development purposes.

Buildings comprise capitalised leased office buildings which are recognised at the fair value of the buildings at date of commencement of the lease agreement, or if lower, the present value of the minimum lease payments. The buildings are depreciated over the period of the lease.

Furniture, fittings, equipment, vehicles, computer equipment and improvements to leasehold premises are stated at historic cost less accumulated depreciation and any accumulated impairment, and are depreciated, on the straight line basis to their expected residual values, over the estimated useful lives of the assets concerned which are as follows:

| | |
|---|---|
| Furniture, fittings, equipment and vehicles | Five to 14 years |
| Computer equipment | Three to five years |
| Improvements to leasehold premises | Over period of lease subject to a maximum of 10 years |

The assets' expected residual values, estimated useful lives, and depreciation policy are reviewed, and adjusted if appropriate, on an annual basis. Changes in the estimated useful life or expected pattern of consumption of future benefits embodied in the asset are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

## 3. Intangible assets

*Computer software*
Acquired software not regarded as an integral part of hardware is capitalised at historic cost and is amortised on the straight line basis over its estimated useful life (two to five years), from the date of its being commissioned into the group.

All other costs that are directly associated with the production of identifiable software controlled by the group, and that are expected to generate economic benefits exceeding one year, are recognised as part of the cost of the intangible assets. Direct costs include the software development employee costs. Costs associated with developing software are recognised as an expense as incurred if it is not expected that they will provide future economic benefits to the group.

*Goodwill*
Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets of the acquired consolidated entity or operation at date of acquisition, and is carried at cost less accumulated impairment losses.

*Trademarks*
Trademarks are initially recorded at historic cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation and net of accumulated impairment. Amortisation

is calculated on a straight line basis to allocate the cost of trademarks over their estimated useful lives which do not exceed 20 years.

*Customer lists*
Customer lists are initially recorded at historic cost and are carried at cost less accumulated amortisation. Amortisation is calculated on a straight line basis to allocate the cost of the lists over the period from which it is expected to generate revenue (four to six years).

Changes in the estimated useful life or expected pattern of consumption of future benefits embodied in intangible assets are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

## 4. Impairment and derecognition of non-financial assets

Assets, other than financial assets, goodwill and intangible assets not yet brought into use, are tested for indicators of impairment on an annual basis. Should such an indicator exist, the asset is then tested for impairment.

Separately recognised goodwill and intangible assets not yet brought into use are tested for impairment annually or more frequently if changes in circumstances indicate that the carrying amount may be impaired.

The amount of the impairment is determined by assessing the recoverable amount of the asset or cash generating unit to which the asset relates. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where the recoverable amount of the asset or cash generating unit or group of cash generating units is less than the carrying amount, an impairment loss is recognised in the income statement.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognised previously. Impairments are reversed in the income statement in the period that the indicator of such reversal is in existence, unless the relevant asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. Impairments to goodwill are never reversed.

The derecognition of a non-financial asset takes place upon disposal or when it is no longer expected to generate any further economic benefits. Any derecognition gain/loss is recorded in the income statement in the period of derecognition.

## 5. Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is determined on the following bases:

- the cost of merchandise purchased for resale is determined using the weighted average method; and
- consumables are valued at invoice cost on a first-in, first-out basis.

Costs include the charges incurred in bringing inventories to their present location and condition and are net of discounts from suppliers.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 6. Taxation

The taxation expense represents the sum of current taxation, secondary taxation on companies and deferred taxation. Taxation rates that have been enacted or substantively enacted by the reporting date are used to determine the taxation balances.

*Current taxation*
The taxation currently payable is based on the taxable profit for the year, which differs from the profit for the year in the income statement as it excludes both items of income or expense that are taxable or deductible in other years and those items that are never taxable or deductible. Current income taxation relating to items recognised directly in equity is also recognised in equity and not in profit or loss.

*Secondary taxation on companies (STC)*
STC is provided for on the amount by which dividends paid exceed dividends received.

*Deferred taxation*
Deferred taxation is provided for all temporary differences (other than temporary differences created on initial recognition which are not part of a business combination and at the time of the transaction no taxation or accounting effect has been recognised and goodwill for which amortisation is not deductible for accounting purposes) arising between the tax bases of assets and liabilities and their carrying amounts on the statement of financial position. Deferred taxation relating to items recognised outside profit and loss is recognised outside profit and loss. Deferred taxation items are recognised in correlation to the underlying transaction either in comprehensive income or directly in equity.

Deferred taxation assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and that future taxable profit will be available to allow all or part of the deferred taxation asset to be utilised. Deferred income taxation is provided on temporary differences arising on investments in consolidated entities and associates, except for deferred income taxation liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## 7. Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

## 8. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and is recognised when it is probable that the economic benefits associated with the transaction will flow to the group and the amount of revenue can be reliably measured. Revenue is shown net of estimated customer returns, discounts and value added taxation (VAT) and after eliminating sales within the group.

*Retail sales*
Retail sales comprise net income from the sale of merchandise and are recognised when the significant risks and rewards of ownership pass to the customer.

*Premium income*
Premiums are recognised when due in terms of the relevant contract and are shown before the deduction of commission and claims, which are recognised in administrative and other operating expenses.

*Service fee revenue*
Revenue from a contract to provide services is recognised in the month in which the service charge accrues. Service fee revenue is derived from the provision of information technology and debtor management services.

*Club fees*
Club fees are recognised in the month in which the customer charge accrues.

*Interest*
Interest received is recognised on a time proportion basis at the effective interest rate as imputed in the contract.

*Rental income*
Rental income in respect of operating leases is recognised on a straight line basis over the lease period.

*Dividend income*
Dividend income includes the value of cash dividends received and surpluses distributed by a staff share trust and cumulative preference dividends distributed by a consolidated entity. Dividends are recognised when the right to receive payment has been established.

*Amortisation of long-term receivables*
Amortisation income is recognised using the effective interest rate implicit in the cash flows of the receivable.

*Fees*
Fees represent fee income from consolidated entities in respect of various administrative and operating functions performed on their behalf. Fees are recognised when the charge accrues.

## 9. Leases

Assets held in terms of finance leases, which transfer to the group substantially all the risks and rewards of ownership, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense on a straight line basis over the term of the lease. Contingent rentals (including turnover clause rentals) arising under operating leases are recognised as an expense in the period in which liability is accrued.

## 10. Borrowing costs

Borrowing costs are capitalised where they are directly attributable to the acquisition, construction or production of a qualifying asset. All other borrowing costs are expensed in the period in which they occur.

## 11. Dividends to shareholders

Dividends in respect of equity instruments, and secondary taxation on companies ensuing therefrom, are recorded in the period in which the dividend is paid and are charged directly to equity and included in the taxation charge, respectively.

## 12. Foreign currencies

*Functional and presentation currency*
Items included in the financial statements of the group's foreign consolidated entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in Rands, which is the group's functional and presentation currency.

*Transactions and balances*
Transactions in foreign currencies are translated to the functional currency using the spot exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities designated in foreign currencies are translated using the spot exchange rates prevailing at the reporting date. Non monetary items are translated at historic rates or, where applicable, at the rate prevailing on the date of revaluation. All exchange differences are recognised in income in the period in which they occur.

*Group companies*
The results and position of consolidated entities that have a functional currency that differs from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income statement items are translated at the average rate for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of other comprehensive income.

On disposal of the consolidated entity the accumulated exchange differences in other comprehensive income are recognised in the income statement.

## 13. Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Subsequent measurement is made in accordance with the specific instrument provisions of IAS 39 Financial Instruments: Recognition and Measurement. Where a legally enforceable right of offset exists for recognised financial assets and liabilities, and the group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously, the related asset and liability are offset.

Financial assets are reviewed annually for any evidence of impairment, and any impairment loss is recognised immediately in the income statement.

*Long-term receivables*
Long-term receivables are classified as a 'loan or receivable' and are recorded at fair value at inception using the effective interest rate implicit in the cash flows of the receivable. This effective interest rate is established by considering the market rate of interest for a similar investment on the date of each contribution. The long-term receivables are carried at amortised cost.

The deferred receivables, which are classified as a 'loan or receivable', are represented by advances to the participants in the Deferred Implementation Share Scheme and are recoverable when participants exercise their right to take up the shares.

The annual amortised cost adjustments are reflected in the income statement.

*Trade and other receivables*
Trade receivables, which generally have six to 24 month terms and are recognised and carried at amortised cost, namely the original invoice amount plus associated costs and interest charges to date, less any impairment allowance for uncollectible amounts, are classified as 'loans and receivables'. Provision is made when there is objective evidence that the group will have difficulty collecting the debts. Significant financial difficulties of the debtors and default or delinquency in payments are considered indicators that the trade receivables are impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling expenses. Bad debts are written off in the income statement when it is considered that the group will be unable to

recover the debt and it has been handed to a third party for collection. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

Other receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method and are carried net of any accumulated impairment.

*Cash and cash equivalents*
Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, net of bank overdrafts. Cash and cash equivalents are classified as receivables originated by the enterprise and are measured at amortised cost.

*Derivative financial instruments*
The group uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently measured at fair value, which is calculated with reference to current forward exchange contracts with equivalent maturity periods. Gains or losses arising from fair value adjustments are taken directly to the income statement.

*Trade and other payables*
Trade payables, which are primarily settled on 30 day terms and are occasionally extended to 90 day terms, are carried at cost, being the fair value of the consideration to be paid in the future for goods and services rendered. These are subsequently measured at amortised cost using the effective interest rate method.

Other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

*Loans and borrowings*
Loans and borrowings are initially recognised at the fair value of the consideration received plus directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

*Financial guarantees*
Financial guarantees are initially recognised at their fair value and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised.

*Amounts owing by/to consolidated entities*
Consolidated entity balances are initially recognised at the fair value of the consideration received, and are subsequently measured at amortised cost using the effective interest rate method. Current amounts owing are settled on 30 day terms.

*Impairments and derecognition*
Financial assets are reviewed annually for any evidence of impairment. Provision is made for impairment if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount is reduced and the amount of the loss is recognised in the income statement. If the loan has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate under the contract. If considered practical, the impairment may be measured on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the income statement.

The derecognition of a financial asset takes place when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risk and rewards of ownership to another entity. Any derecognition gain/loss is recorded in the income statement in the period of derecognition. The group derecognises financial liabilities when the group's obligations are discharged, cancelled or they expire.

## 14. Employee benefits

*Short-term employee benefits*
Short-term employee benefits are recognised in the period of service. Short-term employee benefits paid in advance are treated as prepayments and are expensed over the period of the benefit.

*Post retirement benefits*

Defined benefit retirement fund and post retirement medical aid fund

The costs of providing benefits under the defined retirement benefit fund and the obligation for post retirement medical aid benefits (which is limited to members of the defined benefit retirement fund) is determined using the projected unit credit actuarial valuation method. Actuarial gains or losses, which can arise from differences between expected and actual outcomes, or changes in actuarial assumptions, are recognised immediately in other comprehensive income. Any increase in the present value of plan liabilities expected to arise from employee service during the period is charged to operating profit.

The defined benefit fund asset reflected in the statement of financial position represents the present value of the defined benefit asset as adjusted for unrecognised past service costs and as reduced by the fair value of scheme assets. The asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

Past service costs are recognised immediately to the extent that benefits have already vested, and are otherwise amortised on a straight line basis over the average period until the benefits become vested.

Defined contribution retirement fund

Payments to defined contribution retirement funds are expensed as they accrue in terms of services provided by employees.

*Share-based payments*

The group operates share incentive schemes for the granting of non-transferable options or shares to associates (employees). Equity-settled share-based payments in terms of the schemes are measured at fair value (excluding the impact of any non-market vesting conditions) at the date of the grant, which is expensed over the period of vesting of the grant, with a corresponding adjustment to equity. Fair value is actuarially determined using a binomial valuation model. At each reporting date the estimate of the number of options that are expected to vest is revised, and the impact of this revision is recognised on a cumulative catch-up basis in the income statement, with a corresponding adjustment to equity. Assumptions used in the respective valuations are detailed in note 9.6.

*Restraints of trade*

Restraints of trade payments are expensed over the contractual periods from which benefits are expected.

*Performance incentives*

The group recognises a liability and expense for performance incentives which are based on formulae which take into consideration the profit for the year and other operational targets.

## 15. Treasury shares

Shares in Mr Price Group Limited held by the staff share trusts are classified as treasury shares and are eliminated from issued share capital on consolidation.

## 16. Segment reporting

The group's retailing operations are reported within two operating segments, namely the Apparel and Home divisions. Group service divisions are reported in the Central Services segment.

## 17. Cost of sales

Cost of sales comprise the direct cost of merchandise sold and incorporates the cost of distribution, inventory losses and provisions for markdowns less discounts received from suppliers.

## 18. Selling expenses

Selling expenses comprise the cost incurred in the marketing and advertising of merchandise, store operations and the provision of credit facilities.

## 19. Administrative and other operating expenses

These expenses comprise costs related to the operation of the support functions within the group other than those included in selling expenses.

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
as at 2 April 2011

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | Notes | **R'000** | R'000 | **R'000** | R'000 |
| **Assets** | | | | | |
| Non-current assets | | **607 681** | 686 475 | **818 569** | 905 324 |
| Property, plant and equipment | 3 | **459 634** | 530 407 | **448 095** | 520 261 |
| Intangible assets | 4 | **79 164** | 69 970 | **74 014** | 69 970 |
| Consolidated entities | 5 | | | **231 644** | 233 700 |
| Long-term receivables and prepayments | 6 | **338** | 338 | **-** | - |
| Defined benefit fund asset | 29 | **20 241** | 16 795 | **20 241** | 16 795 |
| Deferred taxation assets | 16 | **48 304** | 68 965 | **44 575** | 64 598 |
| Current assets | | **3 253 456** | 2 923 769 | **3 377 052** | 3 030 388 |
| Inventories | 7 | **953 666** | 934 671 | **919 224** | 899 036 |
| Trade and other receivables | 8 | **931 278** | 818 355 | **925 889** | 814 404 |
| Current amounts owing by consolidated entities | 5 | | | **377 196** | 359 196 |
| Cash and cash equivalents | | **1 368 512** | 1 170 743 | **1 154 743** | 957 752 |
| **Total assets** | | **3 861 137** | 3 610 244 | **4 195 621** | 3 935 712 |
| **Equity and liabilities** | | | | | |
| Equity attributable to shareholders | | **2 394 184** | 2 070 823 | **2 229 659** | 1 895 497 |
| Issued capital | 9 | **111** | 114 | **111** | 114 |
| Capital reserves | 10 | **167 272** | 126 286 | **146 070** | 107 329 |
| Treasury share transactions | 11 | **(662 841)** | (450 589) | **(717 879)** | (485 593) |
| Retained income | | **2 909 725** | 2 412 561 | **2 806 161** | 2 279 076 |
| Foreign currency translation reserve | 12 | **(19 064)** | (15 123) | | |
| Defined benefit fund actuarial gains and losses | 13 | **(4 804)** | (5 429) | **(4 804)** | (5 429) |
| Insurance reserve | 14 | **3 785** | 3 003 | | |
| Non-current liabilities | | **179 010** | 200 966 | **176 558** | 197 411 |
| Lease obligations | 15 | **160 519** | 180 329 | **158 811** | 177 556 |
| Deferred taxation liabilities | 16 | **744** | 782 | **-** | - |
| Long-term provisions | 17 | **4 810** | 8 462 | **4 810** | 8 462 |
| Post retirement medical benefits | 29 | **12 937** | 11 393 | **12 937** | 11 393 |
| Current liabilities | | **1 287 943** | 1 338 455 | **1 789 404** | 1 842 804 |
| Trade and other payables | 18 | **1 241 624** | 1 310 170 | **1 221 444** | 1 298 310 |
| Current amounts owing to consolidated entities | 5 | | | **526 416** | 522 976 |
| Current provisions | 17 | **3 227** | 4 388 | **3 227** | 4 388 |
| Current portion of lease obligations | 15 | **37 742** | 14 133 | **36 823** | 14 077 |
| Taxation | | **5 350** | 9 764 | **1 494** | 3 053 |
| **Total equity and liabilities** | | **3 861 137** | 3 610 244 | **4 195 621** | 3 935 712 |

| | Notes | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|---|
| Revenue | | **10 973 327** | 9 747 910 | **10 954 320** | 9 719 126 |
| Retail sales and other income | | **10 913 094** | 9 668 279 | **10 901 288** | 9 648 352 |
| Interest received | | **60 233** | 79 631 | **53 032** | 70 774 |
| - on cash deposits | | **60 233** | 41 484 | **53 032** | 33 307 |
| - on amortisation of long-term receivables | | **-** | 38 147 | **-** | 37 467 |
| | | | | | |
| Retail sales and other income | | **10 913 094** | 9 668 279 | **10 901 288** | 9 648 352 |
| Retail sales | | **10 673 364** | 9 454 130 | **10 531 969** | 9 391 081 |
| Interest on trade receivables | | **163 965** | 149 832 | **163 369** | 149 287 |
| Income from consolidated entities | | | | **179 023** | 78 939 |
| Premium income | | **47 714** | 36 845 | **164** | 1 772 |
| Club fees | | **12 092** | 12 147 | **11 896** | 11 979 |
| Service fee revenue | | **7 091** | 8 557 | **7 091** | 8 557 |
| Other income | | **8 868** | 6 768 | **7 776** | 6 737 |
| | | | | | |
| Costs and expenses | | **9 479 326** | 8 676 761 | **9 409 390** | 8 677 910 |
| Cost of sales | | **6 201 640** | 5 685 157 | **6 212 904** | 5 760 739 |
| Selling expenses | | **2 505 393** | 2 313 226 | **2 439 943** | 2 253 988 |
| Administrative and other operating expenses | | **772 293** | 678 378 | **756 543** | 663 183 |
| | | | | | |
| Profit from operating activities | 19 | **1 433 768** | 991 518 | **1 491 898** | 970 442 |
| Finance costs | | **(5 571)** | (4 723) | **(31 541)** | (33 040) |
| Finance interest received | | **60 233** | 41 484 | **53 032** | 33 307 |
| Profit after finance interest | | **1 488 430** | 1 028 279 | **1 513 389** | 970 709 |
| Net adjustment to carrying value of contributions to export partnerships | 6.1/8 | **(4 226)** | (164 688) | **(4 226)** | (164 688) |
| Profit before taxation | | **1 484 204** | 863 591 | **1 509 163** | 806 021 |
| Taxation | 20 | **473 950** | 190 023 | **443 558** | 165 260 |
| Profit attributable to shareholders | | **1 010 254** | 673 568 | **1 065 605** | 640 761 |

| **Earnings per share** | | **cents per share** | cents per share | **% change** |
|---|---|---|---|---|
| Basic | 21 | **412.3** | 273.5 | 51 |
| Headline | 21 | **418.9** | 276.9 | 51 |
| Core basic | 21 | **414.0** | 282.2 | 47 |
| Core headline | 21 | **420.6** | 285.7 | 47 |
| Diluted basic | 21 | **382.7** | 259.7 | 47 |
| Diluted headline | 21 | **388.8** | 263.0 | 48 |
| Diluted core basic | 21 | **384.3** | 268.0 | 43 |
| Diluted core headline | 21 | **390.4** | 271.3 | 44 |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the 53 week period ended 2 April 2011

| | Notes | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|---|
| Profit attributable to shareholders | | **1 010 254** | 673 568 | **1 065 605** | 640 761 |
| **Other comprehensive income** | | | | | |
| Currency translation adjustments | 12 | **(3 941)** | (8 979) | | |
| Defined benefit fund actuarial gains/(losses) | 13 | **868** | (4 134) | **868** | (4 134) |
| Deferred taxation thereon | 13 | **(243)** | 1 158 | **(243)** | 1 158 |
| Total comprehensive income for the year attributable to shareholders, net of taxation | | **1 006 938** | 661 613 | **1 066 230** | 637 785 |

## CONSOLIDATED STATEMENTS OF CASH FLOWS
for the 53 week period ended 2 April 2011

| | Notes | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Operating profit before working capital changes | 24.1 | **1 535 455** | 1 100 117 | **1 590 765** | 1 082 202 |
| Working capital changes | 24.2 | **(210 002)** | 89 444 | **(217 637)** | 86 656 |
| Cash generated from operations | | **1 325 453** | 1 189 561 | **1 373 128** | 1 168 858 |
| Interest on trade receivables | | **163 965** | 149 832 | **163 369** | 149 287 |
| Net finance income received/(costs paid) | | **59 521** | 28 518 | **25 893** | (8 091) |
| Taxation paid | 24.3 | **(444 241)** | (346 467) | **(411 594)** | (321 302) |
| Net cash inflows from operating activities | | **1 104 698** | 1 021 444 | **1 150 796** | 988 752 |
| **Cash flows from investing activities** | | | | | |
| Net receipts in respect of long-term receivables | 24.4 | **-** | 42 361 | **-** | 39 525 |
| Disposal of investment in subsidiary | | **-** | 18 452 | | |
| Replacement of intangible assets | | **(4 945)** | (4 598) | **(4 945)** | (4 598) |
| Additions to intangible assets | | **(28 893)** | (40 218) | **(23 743)** | (40 218) |
| Replacement of property, plant and equipment | | **(71 921)** | (26 430) | **(70 667)** | (24 916) |
| Additions to property, plant and equipment | | **(49 815)** | (91 722) | **(45 906)** | (89 103) |
| Proceeds on disposal of property, plant and equipment | | **531** | 1 231 | **531** | 1 231 |
| Net cash outflows from investing activities | | **(155 043)** | (100 924) | **(144 730)** | (118 079) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from disposal of investments by staff share trust | | **-** | 26 | | |
| (Decrease)/increase in short-term liability | | **(268)** | 2 730 | **(268)** | 2 730 |
| (Decrease)/increase in net current amounts owing to/by consolidated entities | 24.5 | | | **(14 560)** | 26 311 |
| Decrease in long-term liability | | **(9 698)** | (9 966) | **(9 698)** | (9 966) |
| Dividends to shareholders | 24.6 | **(512 308)** | (348 731) | **(538 520)** | (367 835) |
| Grants to staff share trusts | | | | **(204 380)** | (24 625) |
| Net (purchases)/sales of Mr Price Group Limited shares by staff share trusts | | **(161 214)** | 25 426 | | |
| Deficit on treasury share transactions | | **(64 538)** | (71 284) | **(41 649)** | (63 377) |
| Net cash outflows from financing activities | | **(748 026)** | (401 799) | **(809 075)** | (436 762) |
| Net increase in cash and cash equivalents | | **201 629** | 518 721 | **196 991** | 433 911 |
| Cash and cash equivalents at beginning of the year | | **1 170 743** | 660 787 | **957 752** | 523 841 |
| Exchange losses | | **(3 860)** | (8 765) | | |
| Cash and cash equivalents at end of the year | | **1 368 512** | 1 170 743 | **1 154 743** | 957 752 |

## STATEMENT OF CHANGES IN EQUITY - GROUP
for the 53 week period ended 2 April 2011

| R'000 | Notes | Share capital | Share premium | Staff share trust obligation to participants | Capital redemption reserve fund | Share options equity account | Treasury share transactions: Treasury shares at cost | Treasury share transactions: Deficit on treasury share transactions | Treasury share transactions: Taxation relating to grants to share trusts | Foreign currency translation reserve | Defined benefit fund actuarial gains and losses | Insurance reserve | Retained income | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 28 March 2009** | | 114 | 11 672 | 6 590 | 300 | 77 648 | (391 462) | (43 299) | 20 494 | (6 144) | (2 453) | 2 024 | 2 088 703 | **1 764 187** |
| Total comprehensive income | | | | | | | | | | (8 979) | (2 976) | 979 | 672 589 | **661 613** |
| Profit for the year | | | | | | | | | | | | | 673 568 | **673 568** |
| Other comprehensive income: | | | | | | | | | | (8 979) | (2 976) | 979 | (979) | **(11 955)** |
| Currency translation adjustments | 12 | | | | | | | | | (8 979) | | | | **(8 979)** |
| Increase in insurance reserve | 14 | | | | | | | | | | | 979 | (979) | **-** |
| Defined benefit fund actuarial losses | 13 | | | | | | | | | | (4 134) | | | **(4 134)** |
| Deferred taxation thereon | 13 | | | | | | | | | | 1 158 | | | **1 158** |
| Treasury shares acquired | 11 | | | | | | (24 625) | | | | | | | **(24 625)** |
| Taxation relating to grants to share trusts | 11 | | | | | | | | 10 086 | | | | | **10 086** |
| Effect of consolidation of staff share trusts | 11 | | | 550 | | | (550) | | | | | | | **-** |
| Deficit on treasury share transactions | 11 | | | | | | | (71 284) | | | | | | **(71 284)** |
| Recognition of share-based payments | 9.6 | | | | | 29 526 | | | | | | | | **29 526** |
| Treasury shares sold | 11 | | | | | | 50 051 | | | | | | | **50 051** |
| 2009 final dividend to shareholders | 22 | | | | | | | | | | | | (233 024) | **(233 024)** |
| 2010 interim dividend to shareholders | 22 | | | | | | | | | | | | (115 707) | **(115 707)** |
| **Balance at 27 March 2010** | | 114 | 11 672 | 7 140 | 300 | 107 174 | (366 586) | (114 583) | 30 580 | (15 123) | (5 429) | 3 003 | 2 412 561 | **2 070 823** |
| Total comprehensive income | | | | | | | | | | (3 941) | 625 | 782 | 1 009 472 | **1 006 938** |
| Profit for the year | | | | | | | | | | | | | 1 010 254 | **1 010 254** |
| Other comprehensive income: | | | | | | | | | | (3 941) | 625 | 782 | (782) | **(3 316)** |
| Currency translation adjustments | 12 | | | | | | | | | (3 941) | | | | **(3 941)** |
| Increase in insurance reserve | 14 | | | | | | | | | | | 782 | (782) | **-** |
| Defined benefit fund actuarial gains | 13 | | | | | | | | | | 868 | | | **868** |
| Deferred taxation thereon | 13 | | | | | | | | | | (243) | | | **(243)** |
| Conversion of B ordinary to ordinary share capital | 9.4 | (3) | 3 | | | | | | | | | | | **-** |
| Treasury shares acquired | 11 | | | | | | (219 654) | | | | | | | **(219 654)** |
| Taxation relating to grants to share trusts | 11 | | | | | | | | 13 743 | | | | | **13 743** |
| Effect of consolidation of staff share trusts | 11 | | | 2 456 | | | (2 456) | | | | | | | **-** |
| Deficit on treasury share transactions | 11 | | | | | | 2 213 | (64 538) | | | | | | **(62 325)** |
| Recognition of share-based payments | 9.6 | | | | | 38 527 | | | | | | | | **38 527** |
| Treasury shares sold | 11 | | | | | | 58 440 | | | | | | | **58 440** |
| 2010 final dividend to shareholders | 22 | | | | | | | | | | | | (319 771) | **(319 771)** |
| 2011 interim dividend to shareholders | 22 | | | | | | | | | | | | (192 537) | **(192 537)** |
| **Balance at 2 April 2011** | | **111** | **11 675** | **9 596** | **300** | **145 701** | **(528 043)** | **(179 121)** | **44 323** | **(19 064)** | **(4 804)** | **3 785** | **2 909 725** | **2 394 184** |

## STATEMENT OF CHANGES IN EQUITY - COMPANY

for the 53 week period ended 2 April 2011

| R'000 | Notes | Share capital | Share premium | Capital redemption reserve fund | Share options equity account | Treasury share transactions: Treasury shares at cost | Treasury share transactions: Deficit on treasury share transactions | Taxation relating to grants to share trusts | Defined benefit fund actuarial gains and losses | Retained income | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 28 March 2009** | | 114 | 66 | 300 | 77 437 | (384 872) | (43 299) | 20 494 | (2 453) | 2 006 150 | **1 673 937** |
| Total comprehensive income | | | | | | | | | (2 976) | 640 761 | **637 785** |
| Profit for the year | | | | | | | | | | 640 761 | **640 761** |
| Other comprehensive income: | | | | | | | | | (2 976) | | **(2 976)** |
| Defined benefit fund actuarial losses | 13 | | | | | | | | (4 134) | | **(4 134)** |
| Deferred taxation thereon | 13 | | | | | | | | 1 158 | | **1 158** |
| Grants to staff share trusts | 11 | | | | | (24 625) | | | | | **(24 625)** |
| Deficit on treasury share transactions | 11 | | | | | | (63 377) | | | | **(63 377)** |
| Taxation relating to grants to share trusts | 11 | | | | | | | 10 086 | | | **10 086** |
| Recognition of share-based payments | 9.6 | | | | 29 526 | | | | | | **29 526** |
| 2009 final dividend to shareholders | 22 | | | | | | | | | (245 576) | **(245 576)** |
| 2010 interim dividend to shareholders | 22 | | | | | | | | | (122 259) | **(122 259)** |
| **Balance at 27 March 2010** | | 114 | 66 | 300 | 106 963 | (409 497) | (106 676) | 30 580 | (5 429) | 2 279 076 | **1 895 497** |
| Total comprehensive income | | | | | | | | | 625 | 1 065 605 | **1 066 230** |
| Profit for the year | | | | | | | | | | 1 065 605 | **1 065 605** |
| Other comprehensive income: | | | | | | | | | 625 | | **625** |
| Defined benefit fund actuarial gains | 13 | | | | | | | | 868 | | **868** |
| Deferred taxation thereon | 13 | | | | | | | | (243) | | **(243)** |
| Conversion of B ordinary to ordinary share capital | 9.4 | (3) | 3 | | | | | | | | **-** |
| Grants to staff share trusts | 11 | | | | | (204 380) | | | | | **(204 380)** |
| Deficit on treasury share transactions | 11 | | | | | | (41 649) | | | | **(41 649)** |
| Taxation relating to grants to share trusts | 11 | | | | | | | 13 743 | | | **13 743** |
| Recognition of share-based payments | 9.6 | | | | 38 738 | | | | | | **38 738** |
| 2010 final dividend to shareholders | 22 | | | | | | | | | (335 550) | **(335 550)** |
| 2011 interim dividend to shareholders | 22 | | | | | | | | | (202 970) | **(202 970)** |
| **Balance at 2 April 2011** | | **111** | **69** | **300** | **145 701** | **(613 877)** | **(148 325)** | **44 323** | **(4 804)** | **2 806 161** | **2 229 659** |

## 1. Adoption of new Standards and changes in accounting policies

In the current year the group adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB), the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and the Accounting Practices Board (APB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2010.

The following Interpretations were adopted during the year and did not lead to any changes in the group's accounting policies, except as detailed in note 1.1:

| **Statement, Interpretation or Standard** | **Effective for annual periods beginning on or after** |
|---|---|
| • Improvements to IFRS | 1 January 2010 |
| • IFRS 2 Amendments to IFRS 2 Share-based Payments | 1 January 2010 |
| • IFRS 3 Business Combinations | 1 July 2009 |
| • IFRIC 17 Distributions of Non-cash Assets to Owners | 1 July 2009 |
| • IFRIC 18 Transfer of Assets from Customers | 1 July 2009 |
| • IAS 27 Consolidated and Separate Financial Statements | 1 July 2009 |
| • IAS 32 Amendment for Classification of Rights Issues | 1 February 2010 |
| • IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items | 1 July 2009 |

1.1 Changes in accounting policies

*IFRS 2 Amendments to Share-based Payments (revised)*
An amendment was issued that clarified the scope and accounting for cash-settled share-based payments. This had no financial impact in the current year.

*IFRS 3 Business Combinations (revised)*
The revised standard continues to apply the acquisition method to business combinations but with some significant changes. All payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. This had no financial impact in the current year.

*IAS 27 Consolidated and Separate Financial Statements (revised)*
IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The Standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact in the current year.

1.2 Statements, Interpretations or Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following Statements, Interpretations and Standards were in issue but not yet effective:

| **Statement, Interpretation or Standard** | **Effective for annual periods beginning on or after** |
|---|---|
| • Improvements to IFRS | 1 January 2011 |
| • IFRS 1 Amendments for Additional Exemptions for First-time Adopters | 1 July 2010 |
| • IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters | 1 July 2011 |
| • IFRS 7 Disclosures - Transfers of Financial Assets (Amendments to IFRS) | 1 July 2011 |
| • IFRS 9 Financial Instruments | 1 January 2013 |
| • IFRS 10 Consolidated Financial Statements | 1 January 2013 |
| • IFRS 11 Joint Arrangements | 1 January 2013 |
| • IFRS 12 Disclosures of Interests in Other Entities | 1 January 2013 |
| • IFRS 13 Fair Value Measurement | 1 January 2013 |
| • IFRIC 14 Amendment for Prepayment of a Minimum Funding Requirement | 1 January 2011 |
| • IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010 |
| • IAS 24 Related Party Disclosure | 1 January 2011 |
| • IAS 12 Deferred Tax - Recovery of Underlying Assets | 1 January 2012 |

The directors anticipate that the adoption of the above in future periods will have no material financial impact on the financial statements of the group and will only result in additional disclosure requirements with the exception of IFRS 9. The impact of this new statement is currently being assessed. These Statements, Interpretations and Standards will be adopted at the respective effective dates.

## 2. Significant accounting estimates

Estimation uncertainty

The key assumptions concerning the future and other key sources of information uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out as follows:

*Employee benefits actuarially determined*

The costs of the defined benefit pension fund plan, the post retirement medical benefit fund and share-based payments are determined actuarially. The actuarial valuations involve making assumptions regarding various factors (as detailed in notes 9.5, 9.6 and 29). Due to the long-term nature of these liabilities such estimates are subject to uncertainty.

*Provision for net realisable value of inventory*

The provision for net realisable value of inventory represents management's estimate of the extent to which merchandise on hand at the reporting date will be sold below cost. This estimate takes into consideration past trends, evidence of impairment at year end and an assessment of future saleability, which takes into account fashionability and seasonal changes.

*Provision for impairment of trade receivables*

The provision for impairment of trade receivables represents management's estimate of the extent to which trade receivables at the reporting date will not be subsequently recovered. This estimate takes into consideration past trends and makes an assessment of additional risk factors, which are likely to impact recoverability.

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 R'000** | 2010 R'000 | **2011 R'000** | 2010 R'000 |
| **3. Property, plant and equipment** | | | | |
| Owned | | | | |
| Cost | **1 214 333** | 1 198 233 | **1 189 576** | 1 176 867 |
| Accumulated depreciation and impairment | **(756 117)** | (670 945) | **(742 899)** | (659 725) |
| Net carrying amount | **458 216** | 527 288 | **446 677** | 517 142 |
| Leased | | | | |
| Cost | **26 654** | 26 654 | **26 654** | 26 654 |
| Accumulated depreciation | **(25 236)** | (23 535) | **(25 236)** | (23 535) |
| Net carrying amount | **1 418** | 3 119 | **1 418** | 3 119 |
| Total net carrying amount | **459 634** | 530 407 | **448 095** | 520 261 |

An analysis of the movement of property, plant and equipment is shown on pages 175 and 176.

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| **4. Intangible assets** | | | | |
| Cost or carrying amount | **152 868** | 123 307 | **147 718** | 123 307 |
| Accumulated amortisation and impairment | **(73 704)** | (53 337) | **(73 704)** | (53 337) |
| Net carrying amount | **79 164** | 69 970 | **74 014** | 69 970 |
| An analysis of the movement of intangible assets is shown on page 177. | | | | |
| **5. Consolidated entities** | | | | |
| Carrying value of shares | | | **228 564** | 228 564 |
| Ordinary shares at cost | | | **210** | 210 |
| Preference shares at revaluation of future rights acquired | | | **228 354** | 228 354 |
| Carrying value of long-term loans | | | **3 080** | 5 136 |
| Long-term loans at cost | | | **4 156** | 6 212 |
| Impairment provisions | | | **(1 076)** | (1 076) |
| The loans are unsecured, bear interest at rates of up to 15% per annum and have no fixed dates of repayment. | | | | |
| | | | **231 644** | 233 700 |
| Net current amounts owing to consolidated entities | | | **(149 220)** | (163 780) |
| Current amounts owing by consolidated entities | | | **377 196** | 359 196 |
| Current amounts owing to consolidated entities | | | **(526 416)** | (522 976) |
| | | | **82 424** | 69 920 |
| An analysis of the financial interest in consolidated entities is shown on page 174. | | | | |
| **6. Long-term receivables and prepayments** | | | | |
| 6.1 Carrying value of contributions made by the company to export partnerships | | | | |
| Opening carrying value of contributions | **63 498** | 259 779 | **63 498** | 259 779 |
| Repayment received | **-** | (39 525) | **-** | (39 525) |
| Movements impacting the income statement | **(4 226)** | (164 688) | **(4 226)** | (164 688) |
| Impairment realised through unbundling | **(4 226)** | (202 155) | **(4 226)** | (202 155) |
| Interest amortisation for the year | **-** | 37 467 | **-** | 37 467 |
| Assumption of liability | **-** | 9 000 | **-** | 9 000 |
| Reallocation from accounts payable | **-** | (1 068) | **-** | (1 068) |
| Closing carrying value of contributions | **59 272** | 63 498 | **59 272** | 63 498 |
| Less: amount to be received in the next financial year transferred to trade and other receivables (note 8) | **(59 272)** | (63 498) | **(59 272)** | (63 498) |
| | **-** | - | **-** | - |

During the previous financial year, the company and relevant stakeholders concluded agreements which effectively brought its involvement in export partnerships to an end. Refer to note 27.2 for further information.

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|

## 6. Long-term receivables and prepayments (continued)

6.2 Deferred receivables

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| Carrying value of receivables | **338** | 338 | | |
| Advances made | **332** | 332 | | |
| Less: accumulated net amortised cost adjustments | **6** | 6 | | |
| Beginning of the year | **6** | (674) | | |
| During the year | **-** | 680 | | |
| | **338** | 338 | **-** | - |

These amounts are due by employees of the group in terms of the rules of the Deferred Implementation Share Scheme. In compliance with IAS 39 Financial Instruments: Recognition and Measurement, the advances have been measured at initial recognition using market rates of interest at the date of each advance which range from 11.5% to 23.5%.

## 7. Inventories

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| Merchandise purchased for resale | **943 470** | 924 761 | **909 028** | 889 126 |
| Consumable stores | **10 196** | 9 910 | **10 196** | 9 910 |
| | **953 666** | 934 671 | **919 224** | 899 036 |
| The write-down of inventories provided for in the valuation of merchandise purchased for resale was | **79 705** | 92 701 | **78 355** | 92 290 |

## 8. Trade and other receivables

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| Trade receivables (net) | **760 917** | 724 066 | **756 768** | 720 825 |
| Prepayments | **95 198** | 8 058 | **94 760** | 8 034 |
| Other receivables | **15 891** | 22 733 | **15 089** | 22 047 |
| Short-term portion of contributions to export partnerships | **59 272** | 63 498 | **59 272** | 63 498 |
| | **931 278** | 818 355 | **925 889** | 814 404 |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | | **R'000** | R'000 | **R'000** | R'000 |

## 8. Trade and other receivables (continued)

| | | | | | |
|---|---|---|---|---|---|
| 8.1 Gross trade receivables | | **835 187** | 797 278 | **830 718** | 793 940 |
| Impairment provision | | **(74 270)** | (73 212) | **(73 950)** | (73 115) |
| Net trade receivables | | **760 917** | 724 066 | **756 768** | 720 825 |
| The ageing of the gross trade receivables is as follows: | | | | | |
| | Days from transaction | | | | |
| Current | 30 | **631 053** | 575 107 | **627 713** | 572 618 |
| Status 1 | 60 | **108 509** | 121 689 | **107 879** | 121 180 |
| Status 2 | 90 | **42 695** | 46 171 | **42 473** | 45 954 |
| Status 3 | 120 | **25 576** | 27 490 | **25 453** | 27 363 |
| Status 4 | 150 | **17 784** | 16 713 | **17 686** | 16 648 |
| Status 5 | 180 | **9 570** | 10 108 | **9 514** | 10 077 |
| | | **835 187** | 797 278 | **830 718** | 793 840 |

Interest is charged on outstanding accounts in accordance with the National Credit Act (NCA) and has fluctuated in accordance with legislated changes to the repo rate.

The group has provided for receivables in all ageing status levels based on estimated irrecoverable amounts from the sale of merchandise, determined by reference to past default experience.

Before accepting new credit customers, the group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer, while ensuring compliance with the requirements of the NCA. Limits and scoring are reviewed at least annually in accordance with the requirements of the NCA and upon request by a customer. Due to the nature of the business, there are no customers that represent more than 5% of the total balance of trade receivables. The group does not have any balances which are past due date and have not been provided for, as the provisioning methodology applied takes the entire debtor population into consideration.

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **R'000** | R'000 | **R'000** | R'000 |
| 8.2 Movement in the impairment provision | | | | |
| Balance at beginning of the year | **(73 212)** | (65 795) | **(73 115)** | (65 698) |
| Impairment losses net of losses reversed | **(1 058)** | (7 417) | **(835)** | (7 417) |
| Balance at end of the year | **(74 270)** | (73 212) | **(73 950)** | (73 115) |

In determining the recoverability of trade receivables, the group considers any changes in credit quality of the receivables up to reporting date. The concentration of credit risk is limited, as the customer base is large and unrelated. The impairment provision for each ageing category is illustrated below:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | | **R'000** | R'000 | **R'000** | R'000 |
| | Days from transaction | | | | |
| Current and impaired | 30 | **10 867** | 10 317 | **10 818** | 10 303 |
| Past due and impaired | | | | | |
| Status 1 | 60 | **12 571** | 11 684 | **12 507** | 11 668 |
| Status 2 | 90 | **13 997** | 12 338 | **13 940** | 12 321 |
| Status 3 | 120 | **17 662** | 13 569 | **17 607** | 13 551 |
| Status 4 | 150 | **10 268** | 12 575 | **10 218** | 12 558 |
| Status 5 | 180 | **8 905** | 12 729 | **8 860** | 12 714 |
| | | **74 270** | 73 212 | **73 950** | 73 115 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **R'000** | R'000 | **R'000** | R'000 |

## 8. Trade and other receivables (continued)

8.3 Other receivables

| | | | | |
|---|---|---|---|---|
| The expected maturity for other receivables is as follows: | | | | |
| On demand | **6 383** | 13 430 | **6 383** | 13 419 |
| Less than three months | **3 837** | 3 843 | **3 250** | 3 332 |
| Three months to one year | **5 671** | 5 460 | **5 456** | 5 296 |
| | **15 891** | 22 733 | **15 089** | 22 047 |

8.4 Subsequent to year end, the receivable relating to the export partnerships was recovered.

## 9. Share capital

| | | | | |
|---|---|---|---|---|
| 9.1 Authorised | | | | |
| 323 300 000 ordinary shares of 0.025 cent each | **81** | 81 | **81** | 81 |
| 19 700 000 B ordinary shares of 0.3 cent each | **59** | 59 | **59** | 59 |
| | **140** | 140 | **140** | 140 |
| 150 000 5.5% cumulative preference shares of R2 each | **300** | 300 | **300** | 300 |
| Total authorised share capital | **440** | 440 | **440** | 440 |
| 9.2 Issued | | | | |
| Ordinary | | | | |
| 248 406 388 (2010: 247 156 388) ordinary shares of 0.025 cent each | **62** | 62 | **62** | 62 |
| B ordinary | | | | |
| 16 222 560 (2010: 17 472 560) B ordinary shares of 0.3 cent each | **49** | 52 | **49** | 52 |
| Total issued share capital | **111** | 114 | **111** | 114 |

9.3 The B ordinary shares are unlisted and are convertible into ordinary shares on a one-for-one basis at the instance of the B ordinary shareholders. The voting rights attached to the ordinary and B ordinary shares are in the same ratio as the par value of the respective shares. In the event of a poll, ordinary shareholders are entitled to one vote per share and B ordinary shareholders to 12 votes per share.

9.4 During the year, 1 250 000 issued B ordinary shares were converted into issued ordinary shares on a one-for-one basis.

9.5 Share Trusts and Share Purchase Schemes

The company operates six share trusts, a share option scheme and a deferred implementation share scheme for the benefit of associates including executive directors, employed by the company and its consolidated entities. In terms of the deeds of trust, ordinary shares in Mr Price Group Limited may be acquired by the trust or awarded under the option schemes for the benefit of associates in the group, including directors.

Details of shares and options held in terms of the deed of trust and the schemes are as follows:

9.5.1 The Mr Price Group Share Trust

This trust is currently dormant.

## 9. Share capital (continued)

9.5 Share Trusts and Share Purchase Schemes (continued)

9.5.2 The Mr Price Group Deferred Implementation Share Scheme

Ordinary shares in Mr Price Group Limited

| | Group 2011 shares | Group 2010 shares |
|---|---|---|
| Beginning of the year | **75 000** | 495 507 |
| Taken up by participants | **-** | (420 507) |
| End of the year | **75 000** | 75 000 |

Deferred receivables which result from the operation of this scheme are detailed in note 6.2. There will be no further options issued under this scheme.

9.5.3 The Mr Price Group Share Option Scheme

Options over ordinary shares in Mr Price Group Limited

| | Group 2011 options | Group 2010 options |
|---|---|---|
| Beginning of the year | **2 217 635** | 5 671 706 |
| Surrendered by participants | **(209 674)** | (584 519) |
| Options exercised | **(1 145 885)** | (2 869 552) |
| End of the year | **862 076** | 2 217 635 |

Options held at the beginning of the year were exercisable at prices between 33 cents and R21.20 per share in a period between three years and 10 years after the dates of the offers. No new options were granted during the year under this scheme due to the introduction of the share schemes detailed in notes 9.5.4 to 9.5.8. No further options will be issued under this scheme.

The vesting period of the options is detailed on page 109.

Option prices have been restated where necessary to recognise subdivisions and capitalisation issues. The earliest opportunity at which share options are exercisable falls within the financial years ending as follows:

| Year end | Weighted average price | Options |
|---|---|---|
| Vested | R13.47 | 862 076 |

9.5.4 Mr Price Executive Director Share Trust

Options over ordinary shares in Mr Price Group Limited

| | Group 2011 options | Group 2010 options |
|---|---|---|
| Beginning of the year | **4 079 000** | 3 620 000 |
| New options granted | **945 000** | 1 183 000 |
| Options exercised | **(724 000)** | (724 000) |
| End of the year | **4 300 000** | 4 079 000 |

New options were granted during the year at a strike price of between R46.00 and R62.77 per share, which was determined by the lower of the 30 day volume-weighted average price (VWAP) and closing share price on the business day prior to the award.

The vesting period of the options is detailed on page 109.

The earliest opportunity at which share options are exercisable falls within the financial years ending as follows:

| Year end | Weighted average prices | Options |
|---|---|---|
| 2012 | R21.15 | 724 000 |
| 2013 | R21.76 | 818 000 |
| 2014 | R21.76 | 818 000 |
| 2015 | R32.02 | 807 000 |
| 2016 | R53.03 | 1 039 000 |
| 2017 | R26.50 | 94 000 |
| | | 4 300 000 |

9.5.5 Mr Price Executive Share Trust

Options over ordinary shares in Mr Price Group Limited

| | Group | |
|---|---|---|
| | **2011 options** | 2010 options |
| Beginning of the year | **3 114 800** | 3 193 000 |
| New options granted | **689 000** | 936 000 |
| Surrendered by participants | **-** | (459 600) |
| Options exercised | **(502 200)** | (554 600) |
| End of the year | **3 301 600** | 3 114 800 |

New options were granted during the year at a strike price of between R41.62 and R60.10 per share, which was determined by the lower of the 30 day VWAP and the closing share price on the business day prior to the award.

The vesting period of the options is detailed on page 109.

The earliest opportunity at which share options are exercisable falls within the financial years ending as follows:

| Year end | Weighted average prices | Options |
|---|---|---|
| 2012 | R21.15 | 502 200 |
| 2013 | R21.15 | 502 200 |
| 2014 | R21.13 | 558 866 |
| 2015 | R31.64 | 825 999 |
| 2016 | R51.91 | 789 001 |
| 2017 | R32.10 | 103 334 |
| 2018 | R41.62 | 20 000 |
| | | 3 301 600 |

## 9. Share capital (continued)

9.5 Share Trusts and Share Purchase Schemes (continued)

9.5.6 Mr Price Senior Management Share Trust

Options over ordinary shares in Mr Price Group Limited

| | Group | |
|---|---|---|
| | **2011 options** | 2010 options |
| Beginning of the year | **4 749 250** | 4 580 000 |
| New options granted | **1 036 312** | 1 182 250 |
| Surrendered by participants | **(345 903)** | (299 000) |
| Options exercised | **(688 000)** | (714 000) |
| End of the year | **4 751 659** | 4 749 250 |

New options were granted during the year at a strike price of between R58.82 and R60.10 per share, which was determined by the lower of the 30 day VWAP and the closing share price on the business day prior to the award.

The vesting period of the options is detailed on page 109.

The earliest opportunity at which share options are exercisable falls within the financial years ending as follows:

| Year end | Weighted average prices | Options |
|---|---|---|
| 2012 | R21.70 | 699 333 |
| 2013 | R21.28 | 715 999 |
| 2014 | R21.62 | 935 999 |
| 2015 | R31.41 | 1 061 580 |
| 2016 | R53.69 | 1 120 987 |
| 2017 | R41.78 | 163 714 |
| 2018 | R60.10 | 54 047 |
| | | 4 751 659 |

9.5.7 Mr Price General Staff Share Trust

Options over ordinary shares in Mr Price Group Limited

| | Group | |
|---|---|---|
| | **2011 options** | 2010 options |
| Beginning of the year | **13 840 823** | 11 285 107 |
| New options granted | **3 287 245** | 4 618 546 |
| Surrendered by participants | **(2 167 825)** | (2 062 830) |
| End of the year | **14 960 243** | 13 840 823 |

New options were granted during the year at a strike price of between R41.62 and R60.10 per share, which was determined by the lower of the 30 day VWAP and the closing share price on the business day prior to the award.

The vesting period of the options is detailed on page 109.

The earliest opportunity at which share options are exercisable falls within the financial years ending as follows:

| Year end | Weighted average prices | Options |
|---|---|---|
| 2012 | R21.65 | 1 098 722 |
| 2013 | R24.11 | 2 498 701 |
| 2014 | R21.89 | 3 044 577 |
| 2015 | R30.07 | 3 106 457 |
| 2016 | R41.15 | 2 967 046 |
| 2017 | R43.60 | 1 596 531 |
| 2018 | R53.42 | 648 209 |
| | | 14 960 243 |

9.5.8 Mr Price Partners Share Trust

Ordinary shares in Mr Price Group Limited

| | Group 2011 shares | Group 2010 shares |
|---|---|---|
| Beginning of the year | **6 300 000** | 5 410 750 |
| New shares awarded | **1 498 250** | 1 939 500 |
| Surrendered by participants | **(1 190 500)** | (1 018 000) |
| Shares taken up | **(47 000)** | (32 250) |
| End of the year | **6 560 750** | 6 300 000 |

The options are expected to vest unconditionally over a period of 39 years from the date of award.

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| **9. Share capital (continued)** | | | | |
| 9.6 Share-based payments | | | | |
| Share-based payments relating to equity-settled share-based payment transactions in terms of the Share Option Schemes | **38 527** | 29 526 | **38 738** | 29 526 |

Share-based payments are measured at fair value (excluding the impact of any non-market vesting conditions) at the date of the grant, which is expensed over the period of vesting. The fair value of each option grant is estimated at the date of the grant using an actuarial binomial option pricing model.

The assumptions supporting inputs into the model for options granted during the year are as follows:

| | Executive Director Share Trust | Executive Share Trust | Senior Management Share Trust | General Staff Share Trust | Partners Share Trust |
|---|---|---|---|---|---|
| • Weighted average strike price | R55.67 | R56.53 | R60.10 | R51.21 | R0.00 |
| • Expected volatility (%) | 31.12 - 34.84 | 31.23 - 34.84 | 31.23 - 34.83 | 30.71 - 33.08 | Not applicable |
| • Expected option life | 5 years | 5 years | 5 years | 7 years | 39 years |
| • Risk free interest rate (%) | 6.40 - 7.71 | 6.40 - 8.42 | 6.40 - 7.71 | 7.10 - 8.50 | 5.72 - 8.15 |
| • Expected dividend yield (%) | 4.05 - 4.30 | 4.05 - 4.74 | 4.05 | 4.05 - 4.94 | Not applicable |

The expected volatility was determined, based on the historical volatility of the company's share price over the expected lifetime of each grant. The expected life of the options has been determined taking into account the restrictions on non-transferability and exercise, and management's best estimate of probable exercise behaviour.

The risk free rate used is the yield on zero-coupon South African government bonds which have a term consistent with the expected option life.

In the calculation of the fair value of the options, allowance is not made for non-market conditions (such as forfeitures and leavers) during the vesting period. Adjustment for these conditions is made in the annual expense charge, with an allowance for forfeitures being made in the vesting period at rates varying between 0% and 15% compounded per annum.

9.7 The Mr Price Group Employees Share Investment Trust

The company administers a staff share purchase scheme which facilitates the purchase of shares in the company for the benefit of associates, including executive directors, employed by the company and its consolidated entities. The acquisition of shares is funded by contributions from participants while the company is authorised to provide additional funding of up to 15% of the contributions made.

9.8 Unissued share capital

The unissued share capital, required for the purposes of carrying out the terms of the various share trusts and schemes, is under the control of the directors until the conclusion of the forthcoming annual general meeting.

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| **10. Capital reserves** | | | | |
| 10.1 Share premium account | **11 675** | 11 672 | **69** | 66 |
| Beginning of the year | **11 672** | 11 672 | **66** | 66 |
| Conversion of B ordinary to ordinary shares | **3** | - | **3** | - |
| 10.2 Staff share trust obligation to participants<br>This represents the obligation of the staff share trust to deliver shares to participants. | **9 596** | 7 140 | | |
| 10.3 Capital redemption reserve fund<br>Arising on the redemption of 5.5% cumulative preference shares | **300** | 300 | **300** | 300 |
| 10.4 Share options equity account | **145 701** | 107 174 | **145 701** | 106 963 |
| Beginning of the year | **107 174** | 77 648 | **106 963** | 77 437 |
| Recognition of share-based payments for the year | **38 527** | 29 526 | **38 738** | 29 526 |
| The above equity account represents cumulative share-based payment charges that have been credited to equity. | | | | |
| Total capital reserves | **167 272** | 126 286 | **146 070** | 107 329 |
| **11. Treasury share transactions** | | | | |
| 19 784 112 (2010: 17 331 401) ordinary shares in Mr Price Group Limited held by staff share trusts | **(528 043)** | (366 586) | **-** | - |
| Deficit on treasury share transactions | **(179 121)** | (114 583) | **(148 325)** | (106 676) |
| Taxation relating to grants to share trusts | **44 323** | 30 580 | **44 323** | 30 580 |
| Grants by company to staff share trusts | | | **(613 877)** | (409 497) |
| | **(662 841)** | (450 589) | **(717 879)** | (485 593) |
| **12. Foreign currency translation reserve** | | | | |
| Beginning of the year | **(15 123)** | (6 144) | | |
| Currency translation adjustments for the year | **(3 941)** | (8 979) | | |
| End of the year | **(19 064)** | (15 123) | | |
| The foreign currency translation reserve comprises the cumulative translation adjustments arising on the consolidation of the foreign subsidiary in Botswana. | | | | |
| **13. Defined benefit fund actuarial gains and losses** | | | | |
| Beginning of the year | **(5 429)** | (2 453) | **(5 429)** | (2 453) |
| Current year actuarial gains/(losses) | **868** | (4 134) | **868** | (4 134) |
| Deferred taxation thereon | **(243)** | 1 158 | **(243)** | 1 158 |
| End of the year | **(4 804)** | (5 429) | **(4 804)** | (5 429) |

Refer to note 29 for details of the recognition of defined benefit fund actuarial gains and losses.

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **R'000** | R'000 |
| **14. Insurance reserve** | | |
| Beginning of the year | **3 003** | 2 024 |
| Increase in reserve | **782** | 979 |
| End of the year | **3 785** | 3 003 |

The group acts as a medium for the offering of insurance products to its customers, for which it earns commission income. The group is also a dividend beneficiary of the insurance cells which offer these insurance products. The products on offer include funeral policies, vehicle insurance, a credit protection plan and lost card protection.

The reserves in respect of these insurance cells are maintained in accordance with legislation governing financial service providers. The long-term insurance cell maintains an Incurred But Not Reported (IBNR) reserve equal to three months of net premiums (i.e. gross premiums less commissions and administration fees). The short-term cells maintain 25% of net premiums as a solvency reserve and an IBNR reserve equal to 7% of the annual risk premium. During the year the cells received 2 038 (2010: 1 850) claims and incurred R4.2 million (2010: R4.6 million) in claim costs. The long and short-term cells have cumulative current assets of R38.2 million (2010: R49.9 million) and current liabilities of R17.3 million (2010: R9.0 million). During the year, a dividend of R41.7 million was paid by the cells to the company.

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **R'000** | R'000 | **R'000** | R'000 |
| **15. Lease obligations** | | | | |
| 15.1 Capitalised finance lease | | | | |
| Minimum lease payments | **10 469** | 22 929 | **10 469** | 22 929 |
| Within one year | **10 469** | 12 460 | **10 469** | 12 460 |
| After one year but less than five years | **-** | 10 469 | **-** | 10 469 |
| Less: interest charges | **(771)** | (3 265) | **(771)** | (3 265) |
| Present value of lease obligation | **9 698** | 19 664 | **9 698** | 19 664 |
| The present value of the lease obligation is due as follows: | **9 698** | 19 664 | **9 698** | 19 664 |
| Within one year | **9 698** | 9 966 | **9 698** | 9 966 |
| After one year but less than five years | **-** | 9 698 | **-** | 9 698 |
| The finance lease is recognised in respect of buildings for which the present value of the minimum lease payments due in terms of the lease agreement amounted substantially to the fair value of the buildings at the time the agreement was entered into. The average effective borrowing rate on the lease is 17.5%. | | | | |
| 15.2 Straight line operating lease liability | **188 563** | 174 798 | **185 936** | 171 969 |
| Total lease obligations | **198 261** | 194 462 | **195 634** | 191 633 |
| Less: amounts due for settlement within 12 months | **(37 742)** | (14 133) | **(36 823)** | (14 077) |
| Capitalised finance lease | **(9 698)** | (9 966) | **(9 698)** | (9 966) |
| Straight line lease liability | **(28 044)** | (4 167) | **(27 125)** | (4 111) |
| Total long-term portion of lease obligations | **160 519** | 180 329 | **158 811** | 177 556 |

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| **16. Deferred taxation** | | | | |
| Attributable to: | | | | |
| Prepayments | **25 565** | 1 817 | **25 565** | 1 817 |
| Provisions | **(93 271)** | (85 592) | **(93 143)** | (85 554) |
| Other temporary differences | **(27 072)** | (12 518) | **(24 215)** | (8 971) |
| Defined benefit fund asset | **5 668** | 4 703 | **5 668** | 4 703 |
| Grants to staff share trusts | **41 550** | 23 407 | **41 550** | 23 407 |
| | **(47 560)** | (68 183) | **(44 575)** | (64 598) |
| Beginning of the year | **(68 183)** | 66 685 | **(64 598)** | 68 527 |
| Movements during the year | **20 623** | (134 868) | **20 023** | (133 125) |
| Participation in export partnerships | **-** | (123 754) | **-** | (123 754) |
| Prepayments | **23 748** | (3 071) | **23 748** | (3 071) |
| Provisions | **(7 679)** | (11 196) | **(7 589)** | (11 196) |
| Other temporary differences | **(14 554)** | (10 953) | **(15 244)** | (9 210) |
| Defined benefit fund actuarial losses | **965** | (620) | **965** | (620) |
| Grants to staff share trusts | **18 143** | 14 726 | **18 143** | 14 726 |
| End of the year | **(47 560)** | (68 183) | **(44 575)** | (64 598) |
| Deferred taxation liabilities | **744** | 782 | **-** | - |
| Deferred taxation assets | **(48 304)** | (68 965) | **(44 575)** | (64 598) |
| | **(47 560)** | (68 183) | **(44 575)** | (64 598) |
| **17. Provisions** | | | | |
| Onerous lease contracts | | | | |
| Balance at beginning of the year | **12 850** | - | **12 850** | - |
| Provision (released)/raised during the year | **(4 813)** | 12 850 | **(4 813)** | 12 850 |
| Balance at end of the year | **8 037** | 12 850 | **8 037** | 12 850 |
| Long-term | **4 810** | 8 462 | **4 810** | 8 462 |
| Current | **3 227** | 4 388 | **3 227** | 4 388 |
| | **8 037** | 12 850 | **8 037** | 12 850 |

The provision for onerous lease contracts represents the present value of the future lease payments that the group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired terms of the leases range from one to five years.

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| **18. Trade and other payables** | | | | |
| Trade payables | **625 741** | 869 830 | **625 413** | 869 449 |
| Accruals and other payables | **615 883** | 440 340 | **596 031** | 428 861 |
| | **1 241 624** | 1 310 170 | **1 221 444** | 1 298 310 |

## 19. Profit from operating activities

*Arrived at after (crediting)/charging the following:*

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| Income from consolidated entities | | | **(179 024)** | (78 938) |
| Dividend income | | | **(124 902)** | (34 083) |
| Fees | | | **(53 957)** | (44 432) |
| Finance income | | | **(165)** | (423) |
| Amortisation of intangible assets (page 177) | **24 238** | 17 435 | **24 238** | 17 435 |
| Associate costs | **1 267 535** | 1 117 821 | **1 246 831** | 1 098 970 |
| Salaries, wages and other benefits | **1 153 872** | 1 020 193 | **1 134 299** | 1 002 544 |
| Share-based payments (note 9.6) | **38 527** | 29 526 | **38 738** | 29 526 |
| Defined contribution pension funds expense | **73 285** | 66 159 | **71 943** | 64 957 |
| Defined benefit pension fund net expense | **295** | 477 | **295** | 477 |
| Current service cost | **2 481** | 2 566 | **2 481** | 2 566 |
| Interest cost | **5 633** | 4 544 | **5 633** | 4 544 |
| Expected return on fund assets | **(7 819)** | (6 633) | **(7 819)** | (6 633) |
| Post retirement medical aid benefits (note 29.2) | **1 556** | 1 466 | **1 556** | 1 466 |
| Current service cost | **583** | 549 | **583** | 549 |
| Interest cost | **973** | 917 | **973** | 917 |
| Auditors' remuneration | **3 727** | 4 323 | **3 538** | 4 130 |
| Audit fees | **3 610** | 4 104 | **3 446** | 3 933 |
| Other services | **117** | 219 | **92** | 197 |
| Consulting fees | **14 307** | 9 933 | **14 264** | 9 846 |
| Technical services | **14 237** | 9 838 | **14 237** | 9 838 |
| Administrative and other services | **70** | 95 | **27** | 8 |
| Defined benefit fund asset movement | **(2 578)** | (1 920) | **(2 578)** | (1 920) |
| Depreciation of property, plant and equipment (pages 175 and 176) | **170 763** | 162 943 | **167 156** | 159 391 |
| Impairment of intangible assets (page 177) | **-** | 192 | **-** | - |
| Impairment of property, plant and equipment (page 175) | **2 274** | - | **2 274** | - |
| Movement in provisions (note 17) | **(4 813)** | 12 850 | **(4 813)** | 12 850 |
| Net amortised cost adjustment of deferred receivables (note 6.2) | **-** | (680) | | |
| Net loss on disposal and scrapping of intangible assets (page 177) | **-** | 2 382 | **-** | 2 382 |
| Net loss on disposal and scrapping of property, plant and equipment | **19 266** | 8 323 | **19 184** | 8 251 |
| Net loss on foreign exchange | **21 078** | 14 633 | **21 078** | 14 633 |
| Forward exchange contracts | **21 027** | 14 116 | **21 027** | 14 116 |
| Transactions | **51** | 517 | **51** | 517 |
| Operating lease rentals | **876 957** | 813 938 | **852 213** | 790 395 |
| Land and buildings | **850 737** | 787 005 | **826 134** | 763 672 |
| Equipment | **17 182** | 17 749 | **17 110** | 17 623 |
| Motor vehicles | **9 038** | 9 184 | **8 969** | 9 100 |

## 20. Taxation

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| 20.1 South African and foreign taxation | | | | |
| 20.1.1 South African taxation | | | | |
| This year | **457 504** | 176 674 | **434 864** | 161 341 |
| Current | | | | |
| Normal taxation | **396 994** | 303 423 | **378 533** | 287 730 |
| Secondary taxation on companies | **53 197** | 34 943 | **49 030** | 34 943 |
| Deferred | | | | |
| Current year temporary differences | **7 313** | (161 692) | **7 301** | (161 332) |
| Prior years | **-** | (1 427) | **-** | (1 427) |
| Current | **-** | (20 791) | **-** | (20 791) |
| Deferred | **-** | 19 364 | **-** | 19 364 |
| 20.1.2 Foreign taxation | | | | |
| This year | **16 594** | 14 776 | **8 694** | 5 346 |
| Current | **15 986** | 16 154 | **8 694** | 5 346 |
| Deferred | **608** | (1 378) | **-** | - |
| Prior years | **(148)** | - | **-** | - |
| Current | **(126)** | - | **-** | - |
| Deferred | **(22)** | - | **-** | - |
| Total taxation | **473 950** | 190 023 | **443 558** | 165 260 |

In addition to the above, current normal taxation and deferred taxation amounting to R31.9 million (2010: R24.8 million) and R18.1 million (2010: R14.8 million) respectively have been credited and charged to equity. Deferred income taxation of R0.2 million has been charged to the statement of comprehensive income.

| 20.2 Reconciliation of taxation rate | **%** | % | **%** | % |
|---|---|---|---|---|
| Standard rate | **28.0** | 28.0 | **28.0** | 28.0 |
| Adjusted for: | | | | |
| Secondary taxation on companies | **3.6** | 4.0 | **3.2** | 4.3 |
| Exempt income | **-** | - | **(2.3)** | (1.2) |
| Prior year underprovision | **-** | (0.4) | **-** | (0.4) |
| Net adjustment to contributions to export partnerships | **0.1** | (11.2) | **0.1** | (12.0) |
| Other | **0.2** | 1.6 | **0.4** | 1.8 |
| Effective taxation rate | **31.9** | 22.0 | **29.4** | 20.5 |

The effective taxation rate in the prior year was distorted by the unbundling of the export partnerships as detailed in note 6.1.

## 21. Earnings per ordinary and B ordinary share

21.1 Reconciliation of earnings

The calculation of basic, headline and core headline earnings per share is based on:

| | Group | |
|---|---|---|
| | **2011 R'000** | 2010 R'000 |
| Basic earnings – profit attributable to shareholders | **1 010 254** | 673 568 |
| Loss on disposal, scrapping and impairment of property, plant and equipment and intangible assets | **21 540** | 10 897 |
| Taxation | **(5 395)** | (2 330) |
| Headline earnings | **1 026 399** | 682 135 |
| Net impact of participation in export partnerships | **4 226** | 21 569 |
| Core headline earnings | **1 030 625** | 703 704 |

21.2 Number of shares

The weighted average number of shares in issue amount to 245 023 570 (2010: 246 320 079).

21.3 Dilution impact

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares, which currently comprise share options and shares. A calculation is made in order to determine the number of shares that could have been issued at fair value (determined as the average annual market price of the shares) based on the monetary value of the subscription rights attached to outstanding options.

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| Number of shares per basic earnings per share calculation | **245 023 570** | 246 320 079 |
| Weighted average number of ordinary shares under option deemed to have been issued for no consideration | **18 938 241** | 13 039 066 |
| Number of shares for calculation of diluted earnings per share | **263 961 811** | 259 359 145 |

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|

## 22. Dividends to shareholders

Ordinary and B ordinary shares

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| | **319 771** | 233 024 | **335 550** | 245 576 |
| Prior year final distribution: 126.8 cents per share (2010: 92.8 cents per share) | **335 550** | 245 576 | **335 550** | 245 576 |
| Dividend paid by Partners Share Trust | **7 585** | 4 827 | | |
| Less: dividend received on shares held by staff share trusts | **(23 364)** | (17 379) | | |
| | **192 537** | 115 707 | **202 970** | 122 259 |
| Interim dividend: 76.7 cents per share (2010: 46.2 cents per share) | **202 970** | 122 259 | **202 970** | 122 259 |
| Dividend paid by Partners Share Trust | **4 266** | 2 245 | | |
| Less: dividend received on shares held by staff share trusts | **(14 699)** | (8 797) | | |
| Total net dividend to shareholders | **512 308** | 348 731 | **538 520** | 367 835 |

In respect of the current year the board of directors propose that on the 27 June 2011 a cash dividend of 175.3 cents per share be paid to shareholders who are registered on the "Record date" of the 24 June 2011. This dividend has not been reflected as a liability in these financial statements. The total estimated dividend to be paid by the company is R463.9 million. The secondary taxation charge is estimated to amount to R46.4 million.

## 23. Directors' emoluments

The emoluments received by the directors from the company were:

| | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|
| Executive directors | | |
| Salaries | **13 277** | 13 312 |
| Bonuses and performance related payments | **16 576** | 15 557 |
| Vehicle allowances and expenses | **1 255** | 1 410 |
| Pension contributions | **2 811** | 2 869 |
| Other material benefits | **5 215** | 414 |
| | **39 134** | 33 562 |
| Non-executive directors | | |
| Salaries | **3 691** | 3 466 |
| Fees | **3 452** | 3 215 |
| Vehicle allowances and expenses | **506** | 439 |
| Pension contributions | **892** | 877 |
| Other material benefits | **176** | 164 |
| | **8 717** | 8 161 |

Details of individual director's emoluments and share incentive scheme transactions are disclosed on pages 112 and 115.

## 24. Notes to the statements of cash flows

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| **24.1 Operating profit before working capital changes** | | | | |
| Profit before taxation | **1 484 204** | 863 591 | **1 509 163** | 806 021 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | **170 763** | 162 943 | **167 156** | 159 391 |
| Amortisation of intangible assets | **24 238** | 17 435 | **24 238** | 17 435 |
| Loss on disposal and scrapping of property, plant and equipment | **19 266** | 8 323 | **19 184** | 8 251 |
| Loss on disposal of business unit | **-** | (119) | **-** | - |
| Impairment of property, plant and equipment | **2 274** | - | **2 274** | - |
| Profit on disposal of investments by staff share trust | **-** | (26) | | |
| Loss on disposal of intangible assets | **-** | 2 382 | **-** | 2 382 |
| Net finance income | **(54 662)** | (36 761) | **(21 491)** | (267) |
| Interest on trade receivables | **(163 965)** | (149 832) | **(163 369)** | (149 287) |
| Other non-cash items | **53 337** | 232 181 | **53 610** | 238 276 |
| Straight line operating lease liability movement | **13 765** | 25 937 | **13 967** | 24 835 |
| Share option expenses | **38 527** | 29 526 | **38 738** | 29 526 |
| Amortisation of long-term receivables | **-** | (38 147) | **-** | (37 467) |
| Impairment of export partnerships | **4 226** | 202 155 | **4 226** | 202 155 |
| Other | **(3 181)** | 12 710 | **(3 321)** | 19 227 |
| | **1 535 455** | 1 100 117 | **1 590 765** | 1 082 202 |
| **24.2 Working capital changes** | | | | |
| Increase in trade and other receivables | **(112 923)** | (59 484) | **(111 485)** | (58 718) |
| (Increase)/decrease in inventories | **(18 995)** | 67 785 | **(20 188)** | 67 582 |
| (Decrease)/increase in trade and other payables | **(78 084)** | 81 143 | **(85 964)** | 77 792 |
| | **(210 002)** | 89 444 | **(217 637)** | 86 656 |
| **24.3 Taxation paid** | | | | |
| Amounts unpaid at beginning of the year | **(58 419)** | 109 269 | **(61 545)** | 105 741 |
| Taxation | **9 764** | 42 584 | **3 053** | 37 214 |
| Deferred taxation | **(68 183)** | 66 685 | **(64 598)** | 68 527 |
| Amounts charged to the income statements | **473 950** | 190 023 | **443 558** | 165 260 |
| Taxation | **466 051** | 333 729 | **436 257** | 307 228 |
| Deferred taxation | **7 899** | (143 706) | **7 301** | (141 968) |
| Amounts charged to equity | **(13 500)** | (11 244) | **(13 500)** | (11 244) |
| Taxation | **(31 886)** | (24 813) | **(31 886)** | (24 813) |
| Deferred taxation | **18 386** | 13 569 | **18 386** | 13 569 |
| Amounts unpaid at end of the year | **42 210** | 58 419 | **43 081** | 61 545 |
| Taxation | **(5 350)** | (9 764) | **(1 494)** | (3 053) |
| Deferred taxation | **47 560** | 68 183 | **44 575** | 64 598 |
| Amounts paid | **444 241** | 346 467 | **411 594** | 321 302 |

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| 24.4 Net receipts in respect of long-term receivables | | | | |
| Amounts received from export partnerships | **-** | (39 525) | **-** | (39 525) |
| Decrease in deferred receivables | **-** | (2 836) | | |
| Net amounts received | **-** | (42 361) | **-** | (39 525) |
| 24.5 Amounts owing (by)/to consolidated entities | | | | |
| Increase in current amounts owing to consolidated entities | | | **3 440** | 30 446 |
| Increase in current amounts owing by consolidated entities | | | **(18 000)** | (4 135) |
| | | | **(14 560)** | 26 311 |
| 24.6 Dividends to shareholders | | | | |
| Dividends to ordinary and B ordinary shareholders | **538 520** | 367 835 | **538 520** | 367 835 |
| Less: dividends on shares held by staff share trusts | **(38 063)** | (26 176) | | |
| Add: dividends paid by Partners Share Trust | **11 851** | 7 072 | | |
| | **512 308** | 348 731 | **538 520** | 367 835 |

## 25. Capital expenditure

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| The capital expenditure authorised by the directors of the company or its consolidated entities but not provided for in the financial statements amounts to | **304 683** | 187 058 | **304 683** | 187 058 |
| of which contracts have been placed for | **60 840** | 61 470 | **60 840** | 61 470 |

The above capital expenditure is expected to be financed from future cash flows.

## 26. Operating lease commitments

Future minimum rentals payable under non-cancellable leases, which predominantly relate to land and buildings, are as follows:

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| Within one year | **827 694** | 714 494 | **805 353** | 694 397 |
| After one year but less than five years | **1 748 614** | 1 657 914 | **1 704 353** | 1 622 518 |
| More than five years | **508 716** | 459 273 | **501 058** | 456 022 |
| | **3 085 024** | 2 831 681 | **3 010 764** | 2 772 937 |

## 27. Financial guarantees and other contingent liabilities

*Financial guarantees*

27.1 The company had previously provided support to the purchasers of the Hub chains as security for operating lease obligations. The business has subsequently been resold in 2008 and the company has been irrevocably indemnified by the new owner in respect of any amount that may be payable as a result of previously providing these guarantees. The probability of incurring any expense in this regard is considered to be remote.

27.2 The suretyships, guarantees and indemnities previously granted in respect of the export partnerships have fallen away as a consequence of the unbundling process. The company has indemnified its partners in respect of the GEIS dispute detailed in note 27.3 below.

*Contingent liabilities*

27.3 The company is a joint defendant against a claim for the refund of R20 million of allowances received by the export partnerships in terms of the GEIS regulations. No material loss is expected to arise from this claim.

## 28. Financial risk management

The group is exposed, directly and indirectly, to market risk, including, primarily, changes in interest rates and currency exchange rates and uses derivatives and other financial instruments in connection with its risk management activities.

The board of directors carries the ultimate responsibility for the overseeing of the group's risk management framework. The board has a risk and sustainability committee and is responsible for the overall process of risk management. The committee meets at least four times per year and assists the board who is accountable for designing, implementing and monitoring the process of risk management and integrating it into the daily activities of the group.

28.1 Capital and treasury risk management

The group manages its capital to ensure that the group will be able to maintain healthy capital ratios in order to sustain its business and maximise shareholder value. Any adjustments are made in light of economic conditions and may include adjusting dividend cover or returning capital to shareholders.

Due to its level of net cash resources, the group has no material borrowings. Cash reserves are available to meet current working capital and capital investment requirements.

The treasury function is administered at group level where strategies for the funding of working capital requirements and capital expenditure projects are implemented, taking into account cash flow projections and expected movements in interest rates. The group has a policy of remaining highly liquid in order to have the available cash flow to fund expansion of existing businesses and any possible new ventures.

An interest sensitivity analysis for cash and cash equivalents has not been disclosed as the amounts involved are considered immaterial.

28.2 Foreign exchange risk management

28.2.1 Investment in foreign operations

The group is directly exposed to exchange rate fluctuations through its investments in operations outside South Africa. All amounts lent to consolidated entities are rand denominated. The group's investment exposure to currency fluctuations is limited to the Botswana subsidiary as the other African countries in which the group is invested have currencies that are pegged to the rand.

The analysis below details the group's sensitivity to a 10% increase and decrease in the rand against the pula and its effect on equity for the year. The sensitivity analysis includes only outstanding pula denominated monetary items and adjusts their translation at year end for a 10% change in the exchange rate.

| | | Group | |
|---|---|---|---|
| | | **2011** | 2010 |
| | | **R'000** | R'000 |
| Rate variance | +10% | **850** | 2 079 |
| | -10% | **(850)** | (2 079) |

28.2.2 Transactions in foreign currencies

Historically, the group's policy has been to not directly import merchandise but it is indirectly exposed to currency movements to the extent that purchases of merchandise with import content are made from suppliers. Direct importing is done on a limited basis with all transactions being covered by forward exchange contracts. Forward exchange contracts (FEC's) are used to address limited cases of direct exposure and forward rand denominated commitments are negotiated with local suppliers.

| | Group 2011 | Group 2010 | Company 2011 | Company 2010 |
|---|---|---|---|---|

At year end forward exchange contract commitments were:

| | Group 2011 | Group 2010 | Company 2011 | Company 2010 |
|---|---|---|---|---|
| Current liability US$'000 | **27 307** | 6 276 | **27 307** | 6 276 |
| Exchange rate R/US$ - average | **R 7.234** | R 7.796 | **R 7.234** | R 7.796 |

The contracts will mature within periods varying up to six months after year end and translates to R187.5 million (2010: R47.2 million) at the market rate of an equivalent contract at year end.

With reference to these forward exchange contracts, the analysis below details the group's sensitivity to a 10% increase and decrease in the rand against the dollar and its effect on income for the year, assuming no change in retail selling prices. The sensitivity analysis includes only outstanding dollar denominated FEC's and adjusts their translation at year end for a 10% change in the exchange rate.

| | | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|---|
| Rate variance | +10% | **(18 749)** | (4 728) | **(18 749)** | (4 728) |
| | -10% | **18 749** | 4 728 | **18 749** | 4 728 |

28.3 Credit risk management

Credit risk is concentrated principally in periodic short-term cash investments, in trade receivables and loans to consolidated entities. The group deposits short-term cash surpluses only with major banks of high quality credit standing. The granting of credit to trade debtors is controlled with statistical scoring models and performance parameters which are reviewed on a regular basis. The maximum exposure in respect of trade debtors and the group's risk management policies regarding trade receivables is disclosed in note 8.

The analysis below details the group's sensitivity to a 1% increase and decrease in the interest rate charged to debtors and its effect on income for the year.

| | | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|---|
| Rate variance | +1% | **8 355** | 7 406 | **8 323** | 7 378 |
| | -1% | **(8 355)** | (7 406) | **(8 323)** | (7 378) |

At 2 April 2011 the group did not consider there to be any significant concentration of credit risk for which it had not adequately provided.

28.4 Liquidity management

The group manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows. The group has significant cash reserves and minimal borrowings which enable it to borrow funds externally should it require to do so to meet any working capital or possible expansion requirements.

## 28. Financial risk management (continued)

28.4 Liquidity management (continued)

As a consequence of banking legislation which requires fees to be paid relative to the size of the facility, the group has only entered into limited loan facility arrangements to the extent that fees are not payable. The year end position was as follows:

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| Total facilities | **444 000** | 450 000 | **444 000** | 450 000 |
| Less: drawn down portion | **-** | - | **-** | - |
| Total undrawn banking facilities | **444 000** | 450 000 | **444 000** | 450 000 |

There is no foreseeable need to enter into borrowings based on the group's existing cash resources and expected future cash flows. Furthermore, due to the group's strong financial position, should further borrowings be required, the group should be able to obtain any necessary funding at short notice, subject to bank approval.

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| Borrowing powers<br>In terms of the company's articles of association, borrowing powers at year end were limited to 150% of group equity attributable to shareholders | **3 591 276** | 3 106 234 | **3 591 276** | 3 106 234 |
| Actual borrowings outside the group at year end were | **9 698** | 19 664 | **9 698** | 19 664 |
| At year end bank balances were | **1 364 996** | 1 168 557 | **1 152 471** | 955 656 |
| Net cash resources were | **1 355 298** | 1 148 893 | **1 142 773** | 935 992 |

Included in group cash resources is an amount of R37.9 million (2010: R49.7 million) relating to the insurance cell captives from which the company may only draw fee and dividend income.

The table below details the group's expected maturity for its non-derivative financial liabilities:

| | On demand | Less than three months | Three months to one year | One to five years | Total |
|---|---|---|---|---|---|
| **Group (R'000)** | | | | | |
| **2011** | | | | | |
| Capitalised finance lease | - | 2 094 | 8 375 | - | 10 469 |
| Trade and other payables | 179 111 | 949 657 | 112 856 | - | 1 241 624 |
| | 179 111 | 951 751 | 121 231 | - | 1 252 093 |
| 2010 | | | | | |
| Capitalised finance lease | - | 1 990 | 10 470 | 10 469 | 22 929 |
| Trade and other payables | 487 095 | 723 550 | 99 525 | - | 1 310 170 |
| | 487 095 | 725 540 | 109 995 | 10 469 | 1 333 099 |
| **Company (R'000)** | | | | | |
| **2011** | | | | | |
| Capitalised finance lease | - | 2 094 | 8 375 | - | 10 469 |
| Trade and other payables | 174 365 | 935 242 | 111 837 | - | 1 221 444 |
| | 174 365 | 937 336 | 120 212 | - | 1 231 913 |
| 2010 | | | | | |
| Capitalised finance lease | - | 1 990 | 10 470 | 10 469 | 22 929 |
| Trade and other payables | 486 818 | 712 155 | 99 337 | - | 1 298 310 |
| | 486 818 | 714 145 | 109 807 | 10 469 | 1 321 239 |

The group expects to meet its obligations from existing cash reserves and from operating cash flows. The group's derivative financial liabilities comprise forward exchange contracts which are disclosed in note 28.2.2.

28.5 Fair value hierarchy

As at 2 April 2011 the group held financial instruments measured at fair value in the form of foreign exchange contracts. The group used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.
The fair value of forward exchange contracts is measured using Level 1 techniques. There have been no transfers between the levels during the year (refer to note 28.2.2).

Fair value of financial instruments
The estimated fair values of recognised financial instruments approximate their carrying amounts.

## 29. Retirement benefits

29.1 Pension schemes

29.1.1 Membership

The funds are registered in terms of the Pension Funds Act and provide for pensions and related benefits for all permanent employees. Membership is compulsory after the first year of service. Membership details are disclosed in the remuneration report on page 105.

29.1.2 Contributions

In the case of the group defined benefit fund, pensions are based on length of service and highest average annual salary earned over two years during the last 10 years of employment. The members are required to contribute to the funds mainly at the rate of 7.5% of their pensionable remuneration while the employer is required to contribute to the defined contribution funds mainly at the rate of 11.0% of pensionable remuneration and to the defined benefit fund mainly at the rate of 16.8% of pensionable remuneration (excluding disability benefits). In the case of the defined benefit fund, the employer rate has been calculated based on the Projected Unit Credit method.

29.1.3 Valuations

Defined benefit pension fund
In terms of the Pension Funds Act, the defined benefit fund should be actuarially valued every three years. In the statutory valuation as at 31 December 2008, past service liabilities were determined by valuing all future payments expected to be made out of the fund in respect of benefits accrued up to the valuation date. The actuarial valuation of assets was R66.3 million and the liability for accrued benefits, including a solvency reserve of R6.8 million, was R62.8 million, resulting in a funding level of 105.5% and a distributable surplus of R3.5 million. The possible conversion of the fund's benefit structure from defined benefit to defined contribution is currently being investigated. It is expected that the distributable surplus could be required to fund such a conversion and accordingly it has been retained in the employer surplus account. The valuation took into account the minimum benefits payable on a member's exit from the fund after 1 January 2004, in terms of the Pension Funds Second Amendment Act of 2001. In the opinion of the actuary the fund was in a sound financial position.

| | Group and Company | |
|---|---|---|
| | **2011** | 2010 |
| | **R'000** | R'000 |

## 29. Retirement benefits (continued)

29.1 Pension schemes (continued)

29.1.3 Valuations (continued)

The funded status of the defined benefit retirement fund, actuarially calculated annually at reporting date in terms of IAS 19, is as follows:

| | **2011** | 2010 |
|---|---|---|
| Benefit obligation | **(63 539)** | (57 975) |
| Fund assets | **83 780** | 74 770 |
| Net benefit fund asset | **20 241** | 16 795 |

The amounts recognised in the income statement are detailed in note 19.

| | **2011** | 2010 |
|---|---|---|
| Estimated return on fund assets | **11 699** | 11 384 |

The following main assumptions were used in performing the calculation:

- Discount rate - 9.00% per annum (2010: 9.25% per annum)
- Rate of return on assets - 10.00% per annum (2010: 10.25% per annum)
- Future salary increases - 6.75% per annum (2010: 6.50% per annum)

Movements in the present value of the defined benefit obligation in the current period were as follows:

| | **2011** | 2010 |
|---|---|---|
| Defined benefit obligation at beginning of the year | **57 975** | 47 642 |
| Current service cost | **2 481** | 2 566 |
| Member contributions | **969** | 1 171 |
| Interest cost | **5 633** | 4 544 |
| Actuarial loss | **3 012** | 8 885 |
| Benefits paid | **(5 826)** | (6 099) |
| Risk premiums | **(705)** | (734) |
| Defined benefit obligation at end of the year | **63 539** | 57 975 |

Movements in the present value of the fund assets in the current period were as follows:

| | **2011** | 2010 |
|---|---|---|
| Fair value of fund assets at beginning of the year | **74 770** | 66 651 |
| Expected return on assets | **7 819** | 6 633 |
| Contributions | **3 842** | 3 568 |
| Risk premiums | **(705)** | (734) |
| Benefits paid | **(5 826)** | (6 099) |
| Actuarial gain | **3 880** | 4 751 |
| Fair value of fund assets at end of the year | **83 780** | 74 770 |

| | Group and Company 2011 % | 2010 % |
|---|---|---|
| The estimated asset composition of the fair value of total plan fund is as follows: | | |
| Cash | **12.5** | 14.7 |
| South African equities | **53.1** | 53.9 |
| South African bonds | **14.8** | 12.0 |
| South African property and other | **3.1** | 5.1 |
| International assets | **16.5** | 14.3 |
| | **100.0** | 100.0 |

The amounts for the current and previous four periods are as follows (R'000):

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Defined benefit obligation | **(63 539)** | (57 975) | (47 642) | (48 487) | (46 467) |
| Fund assets | **83 780** | 74 770 | 66 651 | 77 119 | 70 512 |
| Net fund asset | **20 241** | 16 795 | 19 009 | 28 632 | 24 045 |

Defined contribution pension funds
The defined contribution funds were, previously, valuation exempt in terms of Regulation 2 of the Pension Funds Act but were subject to annual actuarial reviews. This valuation exemption has been withdrawn in terms of the regulations of the Pension Funds Second Amendment Act of 2001. The most recent statutory valuations were undertaken as at 1 December 2006 and in the opinion of the actuary the funds were in a sound financial position. The fund was granted valuation exemption by the Financial Services Board on 22 April 2010 until 31 December 2012. The most recent interim actuarial review was conducted as at 31 December 2008 and in the opinion of the actuary the funds were in a sound financial position.

29.2 Post retirement medical benefits

The obligation of the group to pay medical aid contributions for members who have retired is no longer part of the conditions of employment for new associates. A limited number of pensioners and current associates who remain members of the defined benefit pension fund are entitled to this benefit. The entitlement to the benefit for current associates is dependent upon the associate remaining in service until retirement age. An actuarial valuation, in terms of IAS 19, of the group's liability at 31 March 2011 for this future benefit was undertaken. Valuations are undertaken every three years. The main assumptions used in performing these valuations are reviewed annually. Any detection of a material variation in a main assumption would give rise to a new valuation. The obligation for post retirement medical aid benefits is unfunded. The following main assumptions were used in performing the valuation at 31 March 2011:
Liability was based on current membership
Health care cost inflation - 8.0% per annum
Discount rate - 9.25% per annum
CPI inflation - 6.00% per annum
Average retirement age - 62 years
Continuation at retirement - 100%

| | Group and Company 2011 R'000 | 2010 R'000 |
|---|---|---|
| Activity during the year was as follows: | | |
| Benefit obligation at beginning of the year | **11 393** | 9 962 |
| Net increase in provision during the year | **1 544** | 1 431 |
| Provision in income statement | **1 556** | 1 466 |
| Contributions | **(12)** | (35) |
| Benefit obligation at end of the year | **12 937** | 11 393 |

The amounts for the current and previous four periods are as follows (R'000):

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Defined benefit obligation | **12 937** | 11 393 | 9 962 | 8 610 | 7 816 |

## 30. Related party transactions

30.1 Directors

Refer to the report of the directors on pages 130 in respect of transactions with directors.

30.2 Compensation of key management personnel

| | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| Short-term employee benefits | **56 051** | 42 789 | **56 051** | 42 789 |
| Post employment pension benefits | **6 332** | 5 237 | **6 332** | 5 237 |
| Share-based payments | **10 041** | 3 685 | **10 041** | 3 685 |
| | **72 424** | 51 711 | **72 424** | 51 711 |

The above compensation excludes amounts paid to directors as disclosed in the remuneration report.

30.3 Transactions with related parties

The following transactions were entered into with individuals, who meet the definition of close family members to key management personnel, or entities over which such individuals are deemed to have a controlling influence:

| Related party | Transaction type | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|---|
| Basfour 3053 (Pty) Ltd | Lease rental | **-** | 792 | **-** | 792 |
| Oceanet (Pty) Ltd | Lease rental | **3 083** | 2 854 | **3 083** | 2 854 |
| Shelanti Trust | Lease rental | **-** | 80 | **-** | 80 |
| Spike Apparel CC | Inventory purchased | **371** | 1 626 | **371** | 1 626 |
| International Supply Company | Inventory purchased | **13 469** | 12 966 | **13 469** | 12 966 |
| | | **16 923** | 18 318 | **16 923** | 18 318 |

Legal fees of R0.3 million (2010: R1.5million) were paid or payable to of attorneys Bernadt, Vukic, Potash & Getz of which Mr K Getz, a non-executive director, is a partner.

Amounts owed to related parties at year end:

| Related party | Group 2011 R'000 | Group 2010 R'000 | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|---|---|
| International Supply Company | **1** | - | **1** | - |
| Bernadt, Vukic, Potash & Getz | **80** | 630 | **80** | 630 |
| | **81** | 630 | **81** | 630 |

30.4 Export partnerships
Refer to notes 6.1 and 8 in respect of transactions with export partnerships.

30.5 Participants in staff share trusts
Refer to notes 9.5 and 9.6 in respect of transactions with participants in the staff share trusts.

30.6 Post retirement benefit funds
Refer to notes 19 and 29 in respect of transactions with post retirement benefit funds.

| | Company 2011 R'000 | Company 2010 R'000 |
|---|---|---|

## 30. Related party transactions (continued)

30.7 Inter group transactions

The following transactions occurred between the company and its consolidated entities:

| | 2011 | 2010 |
|---|---|---|
| Sales | 327 831 | 310 335 |

Refer to note 19 for income received from consolidated entities.

## 31. Segmental reporting

31.1 Business segments

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 for performance assessment. Segment performance is evaluated based on operating profit or loss. Net finance interest and income taxes are managed on a group basis and are not allocated to operating segments.

| | Apparel | | Home | | Central Services | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| R'000 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Retail sales and other income | 7 782 964 | 6 878 458 | 3 119 944 | 2 778 311 | 115 541 | 75 716 | (105 355) | (64 206) | 10 913 094 | 9 668 279 |
| External | 7 782 964 | 6 878 458 | 3 119 944 | 2 778 311 | 10 186 | 11 510 | - | - | 10 913 094 | 9 668 279 |
| Internal | - | - | - | - | 105 355 | 64 206 | (105 355) | (64 206) | - | - |
| Profit from operating activities | 1 284 567 | 980 308 | 271 218 | 101 147 | (122 017) | (89 937) | - | - | 1 433 768 | 991 518 |
| Net finance income | | | | | | | | | 54 662 | 36 761 |
| Net adjustment to contributions to export partnerships | | | | | | | | | (4 226) | (164 688) |
| Profit before taxation | | | | | | | | | 1 484 204 | 863 591 |
| Taxation | | | | | | | | | 473 950 | 190 023 |
| Profit attributable to shareholders | | | | | | | | | 1 010 254 | 673 568 |
| Divisional assets | 1 607 267 | 1 509 056 | 612 817 | 626 977 | 1 641 053 | 1 474 211 | - | - | 3 861 137 | 3 610 244 |
| Divisional liabilities | 863 723 | 968 305 | 456 824 | 423 427 | 148 888 | 150 196 | (2 482) | (2 507) | 1 466 953 | 1 539 421 |
| Capital expenditure | 78 846 | 48 448 | 14 910 | 17 740 | 61 818 | 96 780 | - | - | 155 574 | 162 968 |
| Depreciation and amortisation | 87 926 | 82 779 | 46 801 | 48 421 | 60 274 | 49 178 | - | - | 195 001 | 180 378 |

31.2 Geographical segments

| | South Africa | | Other Africa | | Total | |
|---|---|---|---|---|---|---|
| R'000 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Retail sales and other income | 10 443 068 | 9 220 677 | 470 026 | 447 602 | 10 913 094 | 9 668 279 |
| Assets | 3 697 586 | 3 434 389 | 163 551 | 175 855 | 3 861 137 | 3 610 244 |
| Capital expenditure | 151 619 | 158 835 | 3 955 | 4 133 | 155 574 | 162 968 |

## FINANCIAL INTEREST IN CONSOLIDATED ENTITIES

for the 53 week period ended 2 April 2011

| | Notes | Issued capital 2011 R | Issued capital 2010 R | Carrying value of shares 2011 R'000 | Carrying value of shares 2010 R'000 | Indebtedness less impairment provisions 2011 R'000 | Indebtedness less impairment provisions 2010 R'000 |
|---|---|---|---|---|---|---|---|
| **Operating subsidiaries** | | | | | | | |
| Specialty Stores (Botswana) (Pty) Limited | 1 | **100** | 100 | **-** | - | **23 852** | 21 160 |
| Mr Price (Lesotho) (Pty) Limited | 2 | **1 000** | 1 000 | **1** | 1 | **5 729** | 5 564 |
| Mr Price Group (Namibia) (Pty) Limited | 3 | **100** | 100 | **-** | - | **48 897** | 71 613 |
| Mr Price Group Credit Finance Company (Pty) Limited | 4 | **100** | 100 | **228 354** | 228 354 | **(243 560)** | (238 109) |
| Millews Fashions (Johannesburg) (Pty) Limited | 5 | **28 000** | 28 000 | **-** | - | **1 839*** | 4 759 |
| Madame Lorraine Fashion Holdings (Pty) Limited | 6 | **100** | 100 | **-** | - | **7 662** | - |
| **Share trusts** | | | | | | | |
| Mr Price Group Staff Share Trust and Share Purchase Scheme | | | | | | **331** | 331 |
| Mr Price Group Employees Share Investment Trust | | | | | | **(527)** | (123) |
| Mr Price Executive Director Share Trust | | | | | | **11** | 10 |
| Mr Price Executive Share Trust | | | | | | **930** | 20 |
| Mr Price Senior Management Share Trust | | | | | | **1 819** | 5 |
| Mr Price General Staff Share Trust | | | | | | **11** | 10 |
| Mr Price Partners Share Trust | | | | | | **11** | 5 |
| **Cell captives** | | | | | | | |
| Guardrisk Insurance Company Limited (Cell number 136) | | **20** | 20 | **100** | 100 | **-** | - |
| Guardrisk Life Limited (Cell number 048) | | **20** | 20 | **100** | 100 | **6 863** | - |
| **Dormant subsidiaries** | | | | | | | |
| Raava Jewellers (Namibia) (Pty) Limited | | **100** | 100 | **1** | 1 | **-** | - |
| Retail Shop Fitting Services (Pty) Limited | | **1 600** | 1 600 | **8** | 8 | **(8)** | (23 889) |
| Hughes Extension 17 Township (Pty) Limited | | **100** | 100 | **-** | - | **-** | - |
| **Total** | | | | **228 564** | 228 564 | **(146 140)** | (158 644) |

**Notes:**

1. Operates Mr Price, Mr Price Home, Miladys and Sheet Street stores in Botswana.
2. Operates Mr Price and Sheet Street stores in Lesotho.
3. Operates Mr Price, Mr Price Home, Miladys, Sheet Street and Mr Price Sport stores in Namibia.
4. Previously financed the trade receivables of the group.
5. Develops and leases premises to group operations.
6. Recovers overdue debts from credit customers. Subsequent to year end, the company's name has been changed to Associated Credit Specialists (Pty) Limited.
7. The company owns 100% of the equity and preference share capital (where applicable) of all subsidiaries and cell captives.

* The company has subordinated this loan in favour of other creditors until such time as the entity's assets, fairly valued, exceed its liabilities.

## ANALYSIS OF THE MOVEMENT OF OWNED PROPERTY, PLANT AND EQUIPMENT

for the 53 week period ended 2 April 2011

| | Furniture, fittings, equipment and vehicles | | Computer equipment | | Improvements to leasehold premises | | Land | | Buildings | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| R'000 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| **Group** | | | | | | | | | | | | |
| Net carrying amount at beginning of the year | **474 542** | 526 280 | **42 615** | 43 962 | **10 131** | 9 562 | **-** | 4 576 | **-** | 14 100 | **527 288** | 598 480 |
| Cost | **1 050 940** | 1 012 098 | **114 690** | 105 472 | **32 603** | 28 916 | **-** | 4 576 | **-** | 15 729 | **1 198 233** | 1 166 791 |
| Accumulated depreciation and impairment | **(576 398)** | (485 818) | **(72 075)** | (61 510) | **(22 472)** | (19 354) | **-** | - | **-** | (1 629) | **(670 945)** | (568 311) |
| Current year movements | | | | | | | | | | | | |
| Additions | **105 460** | 96 288 | **13 647** | 18 177 | **2 629** | 3 687 | **-** | - | **-** | - | **121 736** | 118 152 |
| Disposals and scrapping | **(19 388)** | (9 546) | **(3)** | (8) | **-** | - | **-** | (4 576) | **-** | (13 757) | **(19 391)** | (27 887) |
| Impairments | **(2 274)** | - | **-** | - | **-** | - | **-** | - | **-** | - | **(2 274)** | - |
| Exchange differences | **(81)** | (214) | **-** | - | **-** | - | **-** | - | **-** | - | **(81)** | (214) |
| Depreciation | **(145 117)** | (138 266) | **(20 455)** | (19 516) | **(3 490)** | (3 118) | **-** | - | **-** | (343) | **(169 062)** | (161 243) |
| Net carrying amount at end of the year | **413 142** | 474 542 | **35 804** | 42 615 | **9 270** | 10 131 | **-** | - | **-** | - | **458 216** | 527 288 |
| Made up as follows: | | | | | | | | | | | | |
| Net carrying amount | **413 142** | 474 542 | **35 804** | 42 615 | **9 270** | 10 131 | **-** | - | **-** | - | **458 216** | 527 288 |
| Cost | **1 058 092** | 1 050 940 | **121 107** | 114 690 | **35 134** | 32 603 | **-** | - | **-** | - | **1 214 333** | 1 198 233 |
| Accumulated depreciation and impairment | **(644 950)** | (576 398) | **(85 303)** | (72 075) | **(25 864)** | (22 472) | **-** | - | **-** | - | **(756 117)** | (670 945) |
| **Company** | | | | | | | | | | | | |
| Net carrying amount at beginning of the year | **465 892** | 519 074 | **42 598** | 43 945 | **8 652** | 7 277 | **-** | - | **-** | - | **517 142** | 570 296 |
| Cost | **1 042 736** | 1 006 233 | **112 351** | 103 107 | **21 780** | 18 093 | **-** | - | **-** | - | **1 176 867** | 1 127 433 |
| Accumulated depreciation and impairment | **(576 844)** | (487 159) | **(69 753)** | (59 162) | **(13 128)** | (10 816) | **-** | - | **-** | - | **(659 725)** | (557 137) |
| Current year movements | | | | | | | | | | | | |
| Additions | **100 297** | 92 155 | **13 647** | 18 177 | **2 629** | 3 687 | **-** | - | **-** | - | **116 573** | 114 019 |
| Disposals and scrapping | **(19 306)** | (9 474) | **(3)** | (8) | **-** | - | **-** | - | **-** | - | **(19 309)** | (9 482) |
| Impairment | **(2 274)** | - | **-** | - | **-** | - | **-** | - | **-** | - | **(2 274)** | - |
| Depreciation | **(142 317)** | (135 863) | **(20 455)** | (19 516) | **(2 683)** | (2 312) | **-** | - | **-** | - | **(165 455)** | (157 691) |
| Net carrying amount at end of the year | **402 292** | 465 892 | **35 787** | 42 598 | **8 598** | 8 652 | **-** | - | **-** | - | **446 677** | 517 142 |
| Made up as follows: | | | | | | | | | | | | |
| Net carrying amount | **402 292** | 465 892 | **35 787** | 42 598 | **8 598** | 8 652 | **-** | - | **-** | - | **446 677** | 517 142 |
| Cost | **1 046 458** | 1 042 736 | **118 806** | 112 351 | **24 312** | 21 780 | **-** | - | **-** | - | **1 189 576** | 1 176 867 |
| Accumulated depreciation and impairment | **(644 166)** | (576 844) | **(83 019)** | (69 753) | **(15 714)** | (13 128) | **-** | - | **-** | - | **(742 899)** | (659 725) |

Details of land:

Remaining extent of Erf 397 and Erf 2247 Knysna in the Municipality and Division of Knysna, Province of the Western Cape, was disposed of during the prior year as part of the sale of Basfour 3043 (Pty) Ltd.

# ANALYSIS OF THE MOVEMENT OF LEASED PROPERTY, PLANT AND EQUIPMENT
for the 53 week period ended 2 April 2011

| | Buildings | |
|---|---|---|
| | **2011** | 2010 |
| | **R'000** | R'000 |
| **Group and Company** | | |
| Net carrying amount at beginning of the year | **3 119** | 4 819 |
| Cost | **26 654** | 26 654 |
| Accumulated depreciation | **(23 535)** | (21 835) |
| Current year movement | | |
| Depreciation | **(1 701)** | (1 700) |
| Net carrying amount at end of the year | **1 418** | 3 119 |
| Made up as follows: | | |
| Net carrying amount | **1 418** | 3 119 |
| Cost | **26 654** | 26 654 |
| Accumulated depreciation | **(25 236)** | (23 535) |

## ANALYSIS OF THE MOVEMENT OF INTANGIBLE ASSETS

for the 53 week period ended 2 April 2011

| R'000 | Computer software 2011 | Computer software 2010 | Customer lists 2011 | Customer lists 2010 | Goodwill 2011 | Goodwill 2010 | Trademarks 2011 | Trademarks 2010 | Total 2011 | Total 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | |
| Net carrying amount at beginning of the year | **52 553** | 32 584 | **16 493** | 11 455 | **584** | 776 | **340** | 348 | **69 970** | 45 163 |
| Cost or carrying amount | **82 523** | 55 170 | **21 983** | 13 466 | **584** | 776 | **18 217** | 18 207 | **123 307** | 87 619 |
| Accumulated amortisation and impairment | **(29 970)** | (22 586) | **(5 490)** | (2 011) | **-** | - | **(17 877)** | (17 859) | **(53 337)** | (42 456) |
| Current year movements | | | | | | | | | | |
| Additions arising from external development/acquisition | **18 396** | 25 479 | **5 203** | 8 517 | **5 150** | - | **-** | 10 | **28 749** | 34 006 |
| Additions arising from internal development | **5 089** | 10 810 | **-** | - | **-** | - | | - | **5 089** | 10 810 |
| Disposals | **(406)** | (2 382) | **-** | - | **-** | - | **-** | - | **(406)** | (2 382) |
| Impairment | **-** | - | **-** | - | **-** | (192) | **-** | - | **-** | (192) |
| Amortisation | **(17 939)** | (13 938) | **(6 280)** | (3 479) | **-** | - | **(19)** | (18) | **(24 238)** | (17 435) |
| Net carrying amount at end of the year | **57 693** | 52 553 | **15 416** | 16 493 | **5 734** | 584 | **321** | 340 | **79 164** | 69 970 |
| Made up as follows: | | | | | | | | | | |
| Net carrying amount | **57 693** | 52 553 | **15 416** | 16 493 | **5 734** | 584 | **321** | 340 | **79 164** | 69 970 |
| Cost or carrying amount | **101 731** | 82 523 | **27 186** | 21 983 | **5 734** | 584 | **18 217** | 18 217 | **152 868** | 123 307 |
| Accumulated amortisation and impairment | **(44 038)** | (29 970) | **(11 770)** | (5 490) | **-** | - | **(17 896)** | (17 877) | **(73 704)** | (53 337) |
| **Company** | | | | | | | | | | |
| Net carrying amount at beginning of the year | **52 553** | 32 584 | **16 493** | 11 455 | **584** | 584 | **340** | 348 | **69 970** | 44 971 |
| Cost or carrying amount | **82 523** | 55 170 | **21 983** | 13 466 | **584** | 584 | **18 217** | 18 207 | **123 307** | 87 427 |
| Accumulated amortisation and impairment | **(29 970)** | (22 586) | **(5 490)** | (2 011) | **-** | - | **(17 877)** | (17 859) | **(53 337)** | (42 456) |
| Current year movements | | | | | | | | | | |
| Additions arising from external development/acquisition | **18 396** | 25 479 | **5 203** | 8 517 | **-** | - | **-** | 10 | **23 599** | 34 006 |
| Additions arising from internal development | **5 089** | 10 810 | **-** | - | **-** | - | **-** | - | **5 089** | 10 810 |
| Disposals | **(406)** | (2 382) | **-** | - | **-** | - | **-** | - | **(406)** | (2 382) |
| Amortisation | **(17 939)** | (13 938) | **(6 280)** | (3 479) | **-** | - | **(19)** | (18) | **(24 238)** | (17 435) |
| Net carrying amount at end of the year | **57 693** | 52 553 | **15 416** | 16 493 | **584** | 584 | **321** | 340 | **74 014** | 69 970 |
| Made up as follows: | | | | | | | | | | |
| Net carrying amount | **57 693** | 52 553 | **15 416** | 16 493 | **584** | 584 | **321** | 340 | **74 014** | 69 970 |
| Cost or carrying amount | **101 731** | 82 523 | **27 186** | 21 983 | **584** | 584 | **18 217** | 18 217 | **147 718** | 123 307 |
| Accumulated amortisation and impairment | **(44 038)** | (29 970) | **(11 770)** | (5 490) | **-** | - | **(17 896)** | (17 877) | **(73 704)** | (53 337) |

The goodwill raised in the current year relates to the acquisition of Associated Credit Specialists, a debt collection business.

**Notice is hereby given that the 78th annual general meeting of shareholders will be held in the boardroom of Mr Price Group Limited ("the company"), Upper Level, North Concourse, 65 Masabalala Yengwa Avenue (previously NMR Avenue), Durban on Thursday 25 August 2011 at 14h30. The following business will be conducted and resolutions proposed, considered and, if deemed fit, passed with or without modification:**

**Memorandum of Incorporation**

Until the Companies Act, No. 71 of 2008, as amended, ("Companies Act") came into effect on 1 May 2011, the memorandum of incorporation ("MOI") of the company comprised its memorandum of association and its articles of association. On the date that the Companies Act came into effect, the memorandum of association and articles of association of the company automatically converted into the company's MOI. Accordingly, for consistency of reference in this notice of annual general meeting, the term "MOI" is used throughout to refer to the company's memorandum of association and its articles of association (which now form the company's MOI, as aforesaid). All references to a provision in the company's MOI in this notice of annual general meeting (including all of the relevant ordinary and special resolutions contained herein) refer to provisions of that portion of the company's MOI that was previously called the company's articles of association.

**1. Ordinary resolution No. 1 – Adoption of the annual financial statements**

"Resolved that the annual financial statements for the year ended 2 April 2011, incorporating the report of the directors and the report of the audit and compliance committee, having been considered, be adopted."

**2. Ordinary resolution Nos. 2.1 to 2.5 – Re-election of retiring directors**

"Resolved to re-elect, each by way of a separate vote, the following directors who retire by rotation in terms of clause 116 of the company's MOI, but being eligible, offer themselves for re-election:

2.1 Mr SB Cohen;
2.2 Mr MR Johnston;
2.3 Mrs SEN Sebotsa;
2.4 Mr WJ Swain; and
2.5 Mr M Tembe."

Abbreviated biographical details of the above directors are set out on pages 122 and 123 of this annual integrated report.

**3. Ordinary resolution No. 3 – Re-election of independent auditor and election of designated auditor**

"Resolved that, as recommended by the audit and compliance committee, Ernst & Young Inc. be re-elected as the independent registered auditor of the company and Ms MI Delport be appointed as the designated registered auditor to hold office for the ensuing year."

**4. Ordinary resolution Nos. 4.1 to 4.4 – Election of members of the audit and compliance committee**

"Resolved that, subject to the passing of ordinary resolutions 2.2 and 2.4, the following independent non-executive directors be elected, each by way of a separate vote, as members of the audit and compliance committee of the company for the period from 26 August 2011 until the conclusion of the next annual general meeting of the company in August 2012:

4.1 Mr NG Payne;
4.2 Mr MR Johnston;
4.3 Mr MJD Ruck; and
4.4 Mr WJ Swain."

Abbreviated biographical details of the above directors are set out on pages 122 and 123 of this annual integrated report.

**5. Ordinary resolution No. 5 – Amendments to the Mr Price Partners Share Trust Deed and Scheme Rules**

"Resolved that the Mr Price Partners Share Scheme Rules be and are hereby amended by:

- deleting clause 7.3 and inserting the following clause 7.3 in place thereof:

  "7.3 The maximum allocation of Shares that may be acquired by any one Participant in terms of all the Mr Price Incentive Schemes shall be 3 000 000 ordinary shares."

and that the Mr Price Partners Share Trust be and is hereby amended by:

- deleting clause 17.3 and inserting the following clause 17.3 in place thereof:

  "17.3 The maximum allocation of Shares that may be acquired by any one Participant in terms of all the Mr Price Incentive Schemes shall be 3 000 000 ordinary shares."."

**Reason and effect**

The reason and effect of the amendment is to increase the maximum allocation of shares which can be granted to any participant across the following share schemes: Mr Price Partners Share Scheme, Mr Price General Staff Share Scheme, Mr Price Senior Management Share Scheme, Mr Price Executive Share Scheme and Mr Price Executive Director Share Scheme. The current maximum allocation to any one participant across all the schemes is 2 327 422 share options.

**6. Ordinary resolution No. 6 - Amendments to the Mr Price General Staff Share Trust Deed and Scheme Rules**

"Resolved that the Mr Price General Staff Share Scheme Rules be and are hereby amended by:

- inserting the new clause 1.1.6A after clause 1.1.6 which shall read as follows:

  "1.1.6A "Core HEPS" means the core headline earnings per share of Mr Price, which excludes the profits and/or losses of non-core activities, as determined by the board of Mr Price."

- inserting the new clause 1.1.6B after clause 1.1.6A which shall read as follows:

  "1.1.6B "CPI" means the Consumer Price Index in respect of the Republic of South Africa as notified by the Central Statistics Services (or its successor) from time to time. Should the Consumer Price Index cease to be published, then the Auditors shall be empowered to determine an alternative similar index to be the CPI for the purposes hereof."

- inserting the new clause 1.1.13A after clause 1.1.13 which shall read as follows:

  "1.1.13A "Initial Allocation ex November 2011" means the initial award of an Option for the first time to any Eligible Employee in terms of the Share Scheme as and from 1 November 2011."

- inserting the new clause 1.1.35A after clause 1.1.35 which shall read as follows:

  "1.1.35A "Vesting Condition" means an increase in the Core HEPS of the previous financial year of not less than 1% (one percent) above CPI."

- inserting the words "the First Vesting Date ex November 2011, the Second Vesting Date ex November 2011, the Third Vesting Date ex November 2011, the Fourth Vesting Date ex November 2011, the Fifth Vesting Date ex November 2011" after the reference to "the Third Vesting Date" as it appears in clause 1.1.36."

- deleting clause 6.5 and inserting the following clause 6.5 in place thereof:

  "6.5 The maximum allocation of Shares that may be acquired by any one Participant in terms of all the Mr Price Incentive Schemes shall be 3 000 000 ordinary shares."

- inserting the following new clause 8.1A after clause 8.1 which shall read as follows:

  "8.1A Subject to the provisions of clause 8.8 below, Options forming part of any Initial Allocation ex November 2011 shall only be capable of being exercised in terms hereof (during the Exercise Period) on the basis of :

  8.1A.1 20% (twenty percent) thereof as at the 3rd (third) anniversary of the Option Date ("First Vesting Date ex November 2011");

  8.1A.2 20% (twenty percent) thereof as at the 4th (fourth) anniversary of the Option Date ("Second Vesting Date ex November 2011");

  8.1A.3 20% (twenty percent) thereof as at the 5th (fifth) anniversary of the Option Date ("Third Vesting Date ex November 2011");

  8.1A.4 20% (twenty percent) thereof as at the 6th (sixth) anniversary of the Option Date ("Fourth Vesting Date ex November 2011");

  8.1A.5 20% (twenty percent) thereof as at the 7th (seventh) anniversary of the Option Date ("Fifth Vesting Date ex November 2011")."

- inserting the words at the start of clause 8.2:

  "Subject to the provisions of clause 8.8 below."

- inserting the words at the start of clause 8.3:

  "Subject to the provisions of clause 8.8 below."

- inserting the words at the start of clause 8.4:

  "Subject to the provisions of clause 8.8 below."

- inserting the following new clause 8.8 after clause 8.7 which shall read as follows:

  "8.8 In respect of any Initial Allocation ex November 2011, or any Initial Allocation to any Key Associate or any future allocations (being any allotment subsequent to the Initial Allocation) of any Options awarded as and from 1 November 2011, such Options shall be subject to the Vesting Condition being met as at each stipulated Vesting Date. If such Vesting Condition is not met as at such stipulated Vesting Date, the relevant percentage exercised rights of such Option applicable to such stipulated Vesting Date shall lapse. For the avoidance of any doubt, any or all of the remaining rights under such Option shall however not be affected or prejudiced by the provisions hereof unless any subsequent Vesting Condition is not met as at any other stipulated Vesting Date."

and that the Mr Price General Staff Share Trust Deed be and is hereby amended by:

- deleting clause 17.3 of the Trust Deed and inserting the following new clause 17.3:

  "17.3 The maximum allocation of Shares that may be acquired by any one Participant in terms of all the Mr Price Incentive Schemes shall be 3 000 000 ordinary shares."."

**Reason and effect**

The reason and effect of the amendments is to:

- increase the maximum allocation of shares which can be granted to any participant across the following share schemes: Mr Price Partners Share Scheme, Mr Price General Staff Share Scheme, Mr Price Senior Management Share Scheme, Mr Price Executive Share Scheme and Mr Price Executive Director Share Scheme. The current maximum allocation to any one participant across all the schemes is 2 327 422 share options;
- reduce the vesting period required for initial allocations granted under this scheme. Current options vest in three equal tranches from five to seven years from the offer date. The amendments would allow the options to vest in five equal tranches from three to seven years from the date of offer. The earlier vesting of initial allocations would improve the degree to which the scheme operates as a retention mechanism for general staff in the competitive retail industry; and
- ensure that no options offered under the scheme would be entitled to vest if a minimum group performance target of core HEPS growing at a rate of 1% above CPI, was not achieved.

**7. Ordinary resolution No. 7 – Amendments to the Mr Price Senior Management Share Trust Deed and Scheme Rules**

"Resolved that the Mr Price Senior Management Share Scheme Rules be and are hereby amended by:

- inserting the new clause 1.1.6A after clause 1.1.6 which shall read as follows:

  "1.1.6A "Core HEPS" means the core headline earnings per share of Mr Price, which excludes the profits and/or losses of non-core activities, as determined by the board of Mr Price."

- inserting the new clause 1.1.6B after clause 1.1.6A which shall read as follows:

  "1.1.6B "CPI" means the Consumer Price Index in respect of the Republic of South Africa as notified by the Central Statistics Services (or its successor) from time to time. Should the Consumer Price Index cease to be published, then the Auditors shall be empowered to determine an alternative similar index to be the CPI for the purposes hereof."

- inserting the new clause 1.1.37A after clause 1.1.37 which shall read as follows:

  "1.1.37A "Vesting Condition" means an increase in the Core HEPS of the previous financial year of not less than 1% (one percent) above CPI."

- deleting clause 6.5 and inserting the following clause 6.5 in place thereof:

  "6.5 The maximum allocation of Shares that may be acquired by any one Participant in terms of all the Mr Price Incentive Schemes shall be 3 000 000 ordinary shares."

- inserting the words "subject to the provisions of clause 8.7 below," at the beginning of clause 8.1.

- inserting the words "subject to the provisions of clause 8.7 below," at the beginning of clause 8.2.

- inserting the words "subject to the provisions of clause 8.7 below," at the beginning of clause 8.3.

- inserting the new clause 8.7 after clause 8.6, which shall read as follows:

  "8.7 In respect of any Initial Allocation or any future allocations (being any allotment subsequent to the Initial Allocation) of any Options awarded as and from 1 November 2011, such Options shall be subject to the Vesting Condition being met as at each stipulated Vesting Date. If such Vesting Condition is not met as at such stipulated Vesting Date, the relevant percentage exercised rights of such Option applicable to such stipulated Vesting Date shall lapse. For the avoidance of any doubt, any or all of the remaining rights under such Option shall however not be affected or prejudiced by the provisions hereof unless any subsequent Vesting Condition is not met as at any other stipulated Vesting Date."

and that the Mr Price Senior Management Share Trust Deed be and is hereby amended by:

- deleting clause 17.3 and inserting the following new clause 17.3 in place thereof:

  "17.3 The maximum allocation of Shares that may be acquired by any one Participant in terms of all the Mr Price Incentive Schemes shall be 3 000 000 ordinary shares."."

**Reason and effect**

The reason and effect of the amendments is to:

- increase the maximum allocation of shares which can be granted to any participant across the following share schemes: Mr Price Partners Share Scheme, Mr Price General Staff Share Scheme, Mr Price Senior Management Share Scheme, Mr Price Executive Share Scheme and Mr Price Executive Director Share Scheme. The current maximum allocation to any one participant across all the schemes is 2 327 422 share options; and
- ensure that no options offered under the scheme would be entitled to vest if a minimum group performance target of core HEPS growing at a rate of 1% above CPI, was not achieved.

**8. Ordinary resolution No. 8 – Amendment to the Mr Price Executive Share Trust Deed and Scheme Rules**

"Resolved that the Mr Price Executive Share Scheme Rules be and are hereby amended by:

- inserting the new clause 1.1.6A after clause 1.1.6 which shall read as follows:

  "1.1.6A "Core HEPS" means the core headline earnings per share of Mr Price, which excludes the profits and/or losses of non-core activities, as determined by the board of Mr Price."

- inserting the new clause 1.1.6B after clause 1.1.6A which shall read as follows:

  "1.1.6B "CPI" means the Consumer Price Index in respect of the Republic of South Africa as notified by the Central Statistics Services (or its successor) from time to time. Should the Consumer Price Index cease to be published, then the Auditors shall be empowered to determine an alternative similar index to be the CPI for the purposes hereof."

- inserting the new clause 1.1.17A after clause 1.1.17 which shall read as follows:

  "1.1.17A "Performance Criteria" means performance criteria linked to such aspects of the financial performance of the Group or any part thereof (including any division), as determined by the remuneration committee."

- inserting the words "and Performance Criteria" after the words "in HEPS" in clause 1.1.18.

- inserting the new clause 1.1.33A after clause 1.1.33 which shall read as follows:

  "1.1.33A "Vesting Condition" means an increase in the Core HEPS of the previous financial year of not less than 1% (one percent) above CPI."

- deleting clause 6.5 and inserting the following clause 6.5 in place thereof:

  "6.5 The maximum allocation of Shares that may be acquired by any one Participant in terms of all the Mr Price Incentive Schemes shall be 3 000 000 ordinary shares."

- deleting clause 7.4.1 and inserting the following clause 7.4.1 in place thereof:

  "7.4.1 to the extent that it is not exercised within 5 (five) years of the Vesting Date of such Option (or any part thereof)."

- inserting the words "subject to the provisions of clause 8.7 below," at the beginning of clause 8.1.

- inserting the words "subject to the provisions of clause 8.7 below," at the beginning of clause 8.2.

- deleting clause 8.3 and inserting the following new clause 8.3 in place thereof:

  "8.3 Subject to the provisions of clause 8.7 below, an Option must be exercised within 5 (five) years of the Vesting Date of such Option (or any part thereof) ("Option Exercise Date")."

- inserting the new clause 8.7. after clause 8.6, which shall read as follows:

  "8.7 In respect of any Initial Allocation or any future allocations (being any allotment subsequent to the Initial Allocation) of any Options awarded as and from 1 November 2011, such Options shall be subject to the Vesting Condition being met as at each stipulated Vesting Date. If such Vesting Condition is not met as at such stipulated Vesting Date, the relevant percentage exercised rights of such Option applicable to such stipulated Vesting Date shall lapse. For the avoidance of any doubt, any or all of the remaining rights under such Option shall however not be affected or prejudiced by the provisions hereof unless any subsequent Vesting Condition is not met as at any other stipulated Vesting Date."

and that the Mr Price Executive Share Trust Deed be and is hereby amended by:

- deleting clause 17.3 of the Trust Deed and inserting the following new clause 17.3:

  "17.3 The maximum allocation of Shares that may be acquired by any one Participant in terms of all the Mr Price Incentive Schemes shall be 3 000 000 ordinary shares."."

**Reason and effect**

The reason and effect of the amendments is to:

- increase the maximum allocation of shares which can be granted to any participant across the following share schemes: Mr Price Partners Share Scheme, Mr Price General Staff Share Scheme, Mr Price Senior Management Share Scheme, Mr Price Executive Share Scheme and Mr Price Executive Director Share Scheme. The current maximum allocation to any one participant across all the schemes is 2 327 422 share options;
- ensure that no options offered under the scheme would be entitled to vest if a minimum group performance target of core HEPS growing at a rate of 1% above CPI, was not achieved;
- extend the period of exercise for vested options from 90 days to five years. Currently, all exercised options need to be exercised within 90 days of vesting, whereafter they are forfeited. The amendment, which is in line with the recommendations resulting from an external review of the group's long-term incentive structures, would ensure that participants are not forced to exercise options during periods of share price weakness; and
- allow the board to amend the performance criteria determining strike price discounts. Currently strike price discounts are only linked to the group's core HEPS (headline earnings per share) performance. It is the intention of the board to base performance conditions on a combination of divisional profitability and group performance. This would ensure that underperforming divisions do not benefit unfairly, as is the case with a discount based solely on group performance.

**9. Ordinary resolution No. 9 – Amendments to the Mr Price Executive Director Share Trust Deed and Scheme Rules**

"Resolved that the Mr Price Executive Director Share Scheme Rules be and are hereby amended by:

- inserting the new clause 1.1.6A after clause 1.1.6 which shall read as follows:

  "1.1.6A "Core HEPS" means the core headline earnings per share of Mr Price, which excludes the profits and/or losses of non-core activities, as determined by the board of Mr Price."

- inserting the new clause 1.1.6B after clause 1.1.6A which shall read as follows:

  "1.1.6B "CPI" means the Consumer Price Index in respect of the Republic of South Africa as notified by the Central Statistics Services (or its successor) from time to time. Should the Consumer Price Index cease to be published, then the Auditors shall be empowered to determine an alternative similar index to be the CPI for the purposes hereof."

- inserting the new clause 1.1.29A after clause 1.1.29 which shall read as follows:

  "1.1.29A "Vesting Condition" means an increase in the Core HEPS of the previous financial year of not less than 1% (one percent) above CPI."

- deleting clause 6.5 and inserting the following clause 6.5 in place thereof:

  "6.5 The maximum allocation of Shares that may be acquired by any one Participant in terms of all the Mr Price Incentive Schemes shall be 3 000 000 ordinary shares."

- deleting clause 7.4.1 and inserting the following clause 7.4.1 in place thereof:

  "7.4.1 to the extent that it is not exercised within 5 (five) years of the Vesting Date of such Option (or any part thereof)."

- inserting the words "subject to the provisions of clause 8.6 below," at the beginning of clause 8.1.

- renumbering clause 8.2A as clause 8.1A.
- inserting the words "subject to the provisions of clause 8.6 below," at the beginning of clause 8.1A (previously 8.2A).
- inserting the words "subject to the provisions of clause 8.6 below," at the beginning of clause 8.2.
- inserting the new clause 8.6 after clause 8.5, which shall read as follows:

  "8.6 In respect of any Initial Allocation or any future allocations (being any allotment subsequent to the Initial Allocation) of any Options awarded as and from 1 November 2011, such Options shall be subject to the Vesting Condition being met as at each stipulated Vesting Date. If such Vesting Condition is not met as at such stipulated Vesting Date, the relevant percentage exercised rights of such Option applicable to such stipulated Vesting Date shall lapse. For the avoidance of any doubt, any or all of the remaining rights under such Option shall however not be affected or prejudiced by the provisions hereof unless any subsequent Vesting Condition is not met as at any other stipulated Vesting Date."

and that the Mr Price Executive Director Share Trust Deed be and is hereby amended by:

- deleting clause 17.3 of the Trust Deed and inserting the following new clause 17.3:

  "17.3 The maximum allocation of Shares that may be acquired by any one Participant in terms of all the Mr Price Incentive Schemes shall be 3 000 000 ordinary shares."."

**Reason and effect**

The reason and effect of the amendments is to:

- increase the maximum allocation of shares which can be granted to any participant across the following share schemes: Mr Price Partners Share Scheme, Mr Price General Staff Share Scheme, Mr Price Senior Management Share Scheme, Mr Price Executive Share Scheme and Mr Price Executive Director Share Scheme. The current maximum allocation to any one participant across all the schemes is 2 327 422 share options;
- ensure that no options offered under the scheme would be entitled to vest if a minimum group performance target of core HEPS growing at a rate of 1% above CPI, was not achieved; and
- extend the period of exercise for vested options from 90 days to five years. Currently, all vested options need to be exercised within 90 days of vesting, whereafter they are forfeited. The amendment, which is in line with the recommendations resulting from an external review of the group's long-term incentive structures, would ensure that participants are not forced to exercise options during periods of share price weakness.

**Trust deeds and scheme rules**

The detailed amendments referred to in ordinary resolutions 5 to 9 will be available for inspection by shareholders during normal business hours at the company's registered office and at the offices of the company's transfer secretaries, commencing on 30 June 2011.

**10. Ordinary resolution No. 10 - Non-binding advisory vote on the remuneration policy of the company**

"Resolved that in terms of the recommendations of the King Code of Governance for South Africa 2009 (King III), the remuneration policy of the company, as set out on pages 102 to 115 of this annual integrated report under the heading "Remuneration Report" be and is hereby adopted."

**11. Special Resolution No. 1 – Remuneration of directors**

"Resolved that the annual remuneration of each non-executive director of the company, for services rendered as directors, be approved as a special resolution in terms of Section 66 of the Companies Act with effect from 1 April 2011 as follows:

| | | |
|---|---|---|
| 1.1 | joint honorary chairman of the company | R405 000 |
| 1.2 | lead director of the company | R270 000 |
| 1.3 | other director of the company | R190 000 |
| 1.4 | chairman of the audit and compliance committee | R171 000 |
| 1.5 | member of the audit and compliance committee | R 96 000 |
| 1.6 | chairman of the risk and sustainability committee | R120 000 |
| 1.7 | member of the risk and sustainability committee | R 80 000 |
| 1.8 | chairman of the remuneration and nominations committee | R100 000 |
| 1.9 | member of the remuneration and nominations committee | R 64 000 |
| 1.10 | member of the transformation committee | R 46 000." |

Note: In addition to the above fee structure, 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 and is reported retrospectively in the annual integrated report.

**Reason and effect**

The reason for and effect of special resolutions number 1.1 to 1.10 is to grant the company the authority to pay fees to its non-executive directors for their services as directors, in line with the recommendations of King III and the Companies Act.

**12. Special resolution No. 2 – General authority to repurchase shares**

"Resolved that the board of directors of the company be and is hereby authorised, by way of a renewable general authority, to approve the purchase from time to time of its own issued ordinary shares by the company, or approve the purchase of ordinary shares in the company by any consolidated entity of the company upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but always subject to the provisions of the Companies Act, the MOI and the Listings Requirements of the JSE, when applicable, and any other relevant authority, provided that:

a) authorisation thereto has been given by the MOI;
b) a resolution has been passed by the board of directors confirming that the board has authorised the general repurchase, that the company passed the solvency and liquidity test and that since the test was done, there have been no material changes to the financial position of the group;
c) the company is authorised by shareholders in terms of a special resolution of the company in a general meeting, which authorisation shall be valid only until the next annual general meeting, provided it shall not extend beyond 15 months from the date of passing of this special resolution;
d) the general repurchase of securities will be affected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party (reported trades prohibited);
e) in determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value of the company's securities over the five business days immediately preceding the date of the repurchase of such ordinary shares by the company. The JSE should be consulted for a ruling if the company's securities have not traded in such five business day period;
f) the acquisition of ordinary shares in aggregate in any one financial year does not exceed 20% of the company's issued ordinary share capital in that financial year;
g) the company or consolidated entity are not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the Listings Requirements of the JSE unless they have in place a repurchase programme where the dates and quantities of the company's securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period;
h) when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made;
i) at any point in time, the company will only appoint one agent to effect any repurchase(s) on its behalf;
j) any such general repurchases are subject to exchange control regulations and approval at that point in time; and
k) the number of shares purchased and held by a consolidated entity or consolidated entities of the company shall not exceed 10% in the aggregate of the number of issued shares in the company at the relevant times."

### Reason and effect

The reason for and effect of the special resolution is to authorise the company and/or any consolidated entity of the company, by way of general approval, to acquire the company's issued shares on the terms and conditions and in such amounts to be determined from time to time by the directors of the company, subject to the limitations set out above.

### Statement of board's intention

The directors of the company have no specific intention to effect the provisions of the special resolution but will, however, continually review the group's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of the special resolution.

### Statement of directors

As at the date of this report, the company's directors undertake that, having considered the effect of repurchasing the maximum number of shares (as contemplated in special resolution number 2), they will not implement any such repurchase unless for a period of 12 months following the date of the general repurchase:

a) the company and the group are in a position to repay their debts in the ordinary course of business;
b) the assets of the company and the group, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the liabilities of the company and the group;
c) the share capital and reserves of the company and the group are adequate for ordinary business purposes;
d) the available working capital is adequate to continue the ordinary business purposes of the company and the group; and
e) upon entering the market to proceed with the repurchase, the company's sponsor has confirmed the adequacy of the company's and the group's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE.

Additional disclosure in terms of the Listings Requirements of the JSE Section 11.26
The Listings Requirements of the JSE require the following disclosures, which are provided elsewhere in the annual integrated report of which this notice forms part as set out below:

- Directors and management - pages 122 to 125
- Major shareholders of the company - page 126
- Directors' interests in securities - pages 132 and 133
- Share capital of the company - page 151

### Litigation statement

In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on pages 122 and 123 of the annual integrated report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

### Directors' responsibility statement

The directors, whose names are given on pages 122 and 123 of the annual integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the abovementioned resolutions and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the abovementioned resolutions contain all information required by law and the Listings Requirements of the JSE.

### Material change [11.26 (b) (iii)]

Other than the facts and developments reported on in the annual integrated report, there have been no material changes in the financial position of the company and its consolidated entities since the date of signature of the audit report.

**13.** **Special resolution No. 3 – Financial assistance to related or inter-related company**

"Resolved that the directors, in terms of and subject to the provisions of Section 45 of the Companies Act, be authorised to cause the company to provide any financial assistance to any company or corporation which is related or inter-related to the company."

**Reason and effect**

The reason for and effect of special resolution number 3 is to grant the directors of the company the authority to cause the company to provide financial assistance, in the normal course of business, to any company or corporation which is related or inter-related to the company. It does not authorise the provision of financial assistance to a director or prescribed officer of the company.

**14.** **To transact such other business as may be transacted at an annual general meeting**

**Voting and proxies**

Shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own name' registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder. Proxy forms must be forwarded to reach the company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 or be posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107 to be received by them not less than 24 hours before the time fixed for the holding of the meeting (excluding Saturdays, Sundays and public holidays). Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own name' registration.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company holding an ordinary share shall have one vote for every ordinary share held in the company by such shareholder and every shareholder holding a B ordinary share shall have 12 votes per share for every B ordinary share held in the company by such shareholder. Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own name' registration, should contact their CSDP or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

**Voting percentages required for the passing of resolutions:**

| | |
|---|---|
| - ordinary resolutions numbers 1 to 4 and 10: | more than 50% of votes cast |
| - ordinary resolutions numbers 5 to 9: | more than 75% of votes cast |
| - Special resolution numbers 1 to 3: | more than 75% of votes cast |

**Participation in the meeting**

The board of directors of the company has determined that the record date for the purpose of determining which shareholders of the company are entitled to receive notice of the 78th annual general meeting was Friday 17 June 2011 and the record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday 19 August 2011. Accordingly, only shareholders who are registered in the register of members of the company on Friday 19 August 2011 will be entitled to participate in and vote at the annual general meeting.

The company is intending to offer shareholders reasonable access to participate in the meeting through electronic means. Information of the form of this participation will be provided on the group's website and SENS.

Shareholders are encouraged to attend the annual general meeting.

By order of the board

CS Yuill
Group secretary
26 May 2011

**Registered office:**

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

**Transfer secretaries:**

Computershare Investor Services (Proprietary) Ltd, 70 Marshall Street, Johannesburg, 2001.
PO Box 61051, Marshalltown, 2107.


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### Group secretary and registered office

CS Yuill
Upper Level, North Concourse,
65 Masabalala Yengwa Avenue,
Durban, 4001.
PO Box 912, Durban, 4000.

### Registration number

1933/004418/06

### Domicile and country of incorporation

Republic of South Africa

### Transfer secretaries

Computershare Investor Services (Proprietary) Limited,
70 Marshall Street,
Johannesburg, 2001.
PO Box 61051, Marshalltown, 2107.

### Independent auditor

Ernst & Young Inc.

### Bankers

ABSA Bank Limited
The Standard Bank of South Africa Limited
First National Bank (A division of FirstRand Bank Limited)

### Sponsor

Rand Merchant Bank
(A division of FirstRand Bank Limited)

### Legal advisers

Bernadt Vukic Potash & Getz
Shepstone & Wylie
Adams & Adams

### Corporate, Mr Price Apparel, Mr Price Home, Mr Price Sport, Sheet Street, Mr Price International and RedCap Foundation

Upper Level, North Concourse,
65 Masabalala Yengwa Avenue, Durban, 4001.
Private Bag X04, Snell Parade, Durban, 4074.

### Miladys

30 Station Drive, Durban, 4001.
PO Box 3562, Durban, 4000.

### Financial Services

380 Dr Pixley Kasemba Street
Durban, 4001.
PO Box 4996, Durban, 4000.

### Whistle Blowers

PO Box 51006, Musgrave, 4062.

### Phone numbers

| | | |
|---|---|---|
| Corporate | : | (031) 310 8000 |
| Mr Price Apparel | : | (031) 310 8638 |
| Mr Price Home | : | (031) 310 8809 |
| Mr Price Sport | : | (031) 310 8545 |
| Sheet Street | : | (031) 310 8310 |
| Miladys | : | (031) 313 5500 |
| Customer Care line | : | 0800 212 535 |
| Financial Services | : | (031) 367 3311 |
| Account Services | : | 0861 066 639 |
| RedCap Foundation | : | (031) 310 8609 |
| Mr Price International | : | (031) 310 8038 |
| Whistle Blowers | : | 0860 005 111 |

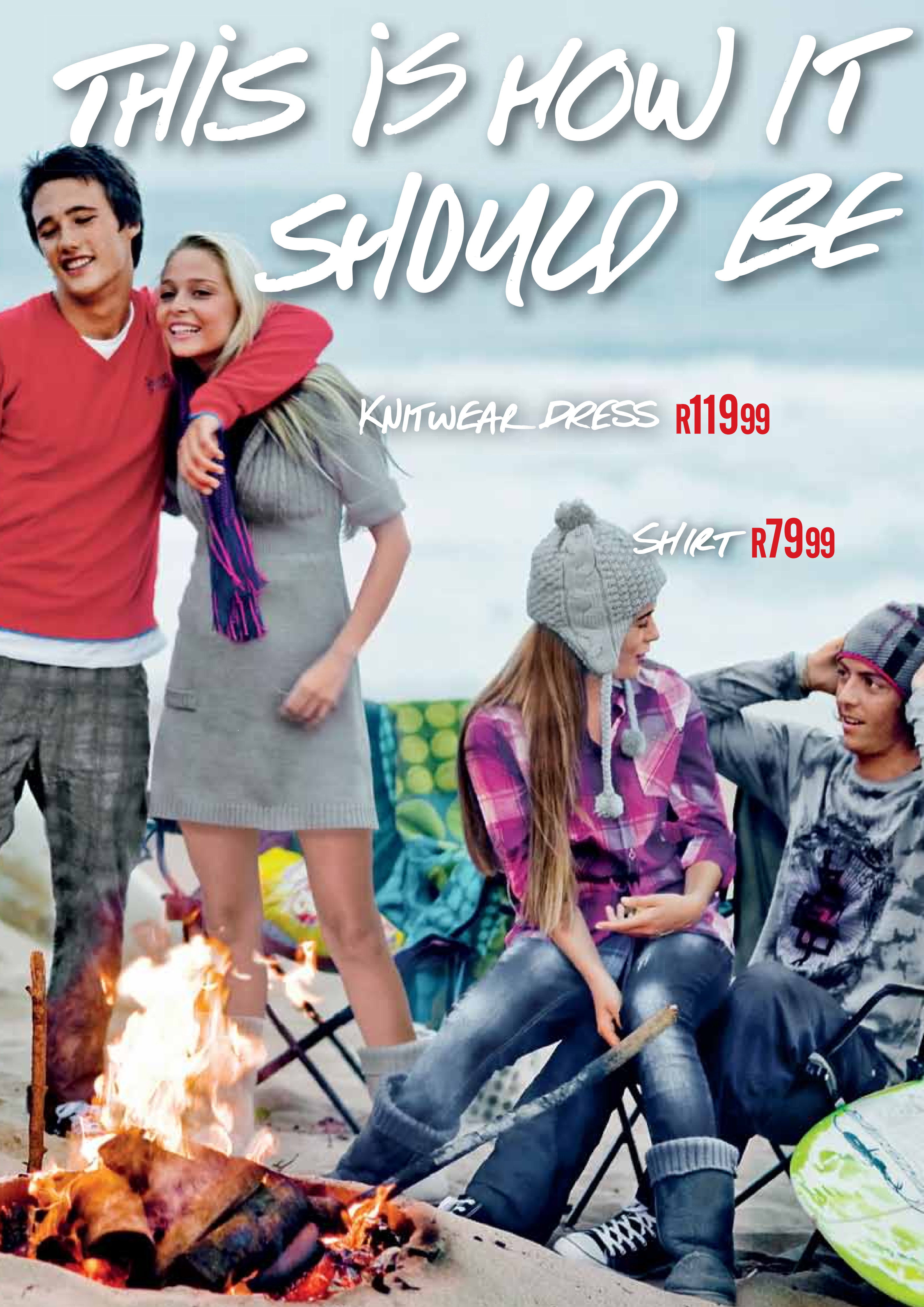
### Fax numbers

| | | |
|---|---|---|
| Corporate | : | (031) 304 3725 |
| Mr Price Apparel | : | (031) 304 3358 |
| Mr Price Home | : | (031) 328 4138 |
| Mr Price Sport | : | (031) 306 9347 |
| Sheet Street | : | (031) 310 8317 |
| Miladys | : | (031) 313 5620 |
| Financial Services | : | (031) 306 0164 |
| RedCap Foundation | : | (031) 328 4609 |

### Websites

| | | |
|---|---|---|
| Corporate | : | www.mrpricegroup.com |
| Mr Price Apparel | : | www.mrprice.co.za |
| Mr Price Sport | : | www.mrpricesport.co.za |
| Miladys | : | www.miladys.co.za |
| Mr Price Home | : | www.mrpricehome.co.za |
| Sheet Street | : | www.sheetstreet.co.za |
| RedCap Foundation | : | www.redcapfoundation.org |
| Mr Price blog | : | www.inthefashionloop.com |
| Financial Services | : | www.mrpricemoney.co.za |
| Whistle Blowers | : | www.whistleblowing.co.za |
| Careers | : | www.mrpricegroup.com/careers/ |
| Twitter | : | www.twitter.com/#!/mrpricefashion/ |
| Facebook | : | www.facebook.com/mrpriceofficial |

| | | |
|---|---|---|
| **Comparable sales** | - | Like-for-like location store sales, excluding expanded and relocated stores |
| **Current ratio** | - | Current assets as a ratio of current liabilities |
| **EBITDA margin** | - | Earnings before interest, taxation, depreciation and amortisation as a percentage of retail sales |
| **Gross margin** | - | Gross profit as a percentage of retail sales |
| **Inventory turn** | - | Cost of sales as a ratio of average inventories |
| **Net asset turn** | - | Retail sales as a ratio of equity and interest-bearing long-term liabilities |
| **Operating margin percentage** | - | Profit from operating activities as a percentage of retail sales |
| **Quick ratio** | - | Current assets less inventories as a ratio of current liabilities |
| **Return on average shareholders equity** | - | Headline earnings attributable to ordinary and B ordinary shareholders as a percentage of average equity attributable to shareholders |
| **Return on capital employed** | - | Profit before net finance income as a percentage of average equity attributable to shareholders and interest-bearing loan finance |
| **Return on net worth** | - | Profit attributable to shareholders as a percentage of equity attributable to shareholders |
| **Return on operating assets** | - | Profit from operating activities as a percentage of average equity attributable to shareholders, interest-bearing loan finance, deferred taxation liability attributable to export partnerships less contributions to export partnerships |
| **Sales density** | - | Retail sales as a percentage of weighted average net $m^2$ |


THIS IS HOW IT SHOULD BE
KNITWEAR DRESS R119 99
SHIRT R79 99

# FORM OF PROXY FOR USE BY MR PRICE GROUP LIMITED ORDINARY SHAREHOLDERS

(Registration number 1933/004418/06) (Incorporated in the Republic of South Africa) ('Mr Price' or 'the company')

**For use by Mr Price ordinary shareholders ('ordinary shareholders') at the 78th annual general meeting of the company to be held in the boardroom of Mr Price Group Limited at Upper Level, North Concourse, 65 Masabalala Yengwa Avenue, Durban, on Thursday 25 August 2011 at 14h30 (See note 1 overleaf).**

I/We ______________________________

of address ______________________________

being the holder/s of (see instruction 1 overleaf): ______________ ordinary shares in the company, hereby appoint

1. ______________________________ or failing him/her,
2. ______________________________ or failing him/her,
3. the chairman of the meeting,

as my/our proxy to attend, speak and vote for me/us and on my/our behalf or to abstain from voting at the annual general meeting of the company and at any adjournment thereof, as follows (see note 3 and instruction 2 overleaf):

| | Insert an 'X' or the number of ordinary shares you wish to vote | | |
|---|---|---|---|
| | **In favour of** | **Against** | **Abstain** |
| **1. Ordinary resolution No. 1**<br>Adoption of the annual financial statements. | | | |
| **2. Ordinary resolution Nos. 2.1 to 2.5**<br>Re-election of retiring directors | | | |
| 2.1 Mr SB Cohen | | | |
| 2.2 Mr MR Johnston | | | |
| 2.3 Mrs SEN Sebotsa | | | |
| 2.4 Mr WJ Swain | | | |
| 2.5 Mr M Tembe. | | | |
| **3. Ordinary resolution No. 3**<br>Re-election of independent auditor and election of designated auditor. | | | |
| **4. Ordinary resolution Nos. 4.1 to 4.4**<br>Election of members of the audit and compliance committee | | | |
| 4.1 Mr NG Payne | | | |
| 4.2 Mr MR Johnston | | | |
| 4.3 Mr MJD Ruck | | | |
| 4.4 Mr WJ Swain. | | | |
| **5. Ordinary resolution No. 5**<br>To approve the amendments to the Mr Price Partners Share Trust Deed and Scheme Rules. | | | |
| **6. Ordinary resolution No. 6**<br>To approve the amendments to the Mr Price General Staff Share Trust Deed and Scheme Rules. | | | |
| **7. Ordinary resolution No. 7**<br>To approve the amendments to the Mr Price Senior Management Share Trust Deed and Scheme Rules. | | | |
| **8. Ordinary resolution No. 8**<br>To approve the amendments to the Mr Price Executive Share Trust Deed and Scheme Rules. | | | |
| **9. Ordinary resolution No. 9**<br>To approve the amendments to the Mr Price Executive Director Share Trust Deed and Scheme Rules. | | | |
| **10. Ordinary resolution No. 10**<br>To vote in a non-binding advisory capacity on the remuneration policy of the company. | | | |
| **11. Special resolution Nos. 1.1 to 1.10**<br>To approve the remuneration of non-executive directors, namely: | | | |
| 1.1 joint honorary chairman of the company R405 000 | | | |
| 1.2 lead director of the company R270 000 | | | |
| 1.3 other director of the company R190 000 | | | |
| 1.4 chairman of the audit and compliance committee R171 000 | | | |
| 1.5 member of the audit and compliance committee R96 000 | | | |
| 1.6 chairman of the risk and sustainability committee R120 000 | | | |
| 1.7 member of the risk and sustainability committee R80 000 | | | |
| 1.8 chairman of the remuneration and nominations committee R100 000 | | | |
| 1.9 member of the remuneration and nominations committee R64 000 | | | |
| 1.10 member of the transformation committee R46 000. | | | |
| **12. Special resolution No. 2**<br>To enable the company or any consolidated entity of the company to acquire the company's issued ordinary shares. | | | |
| **13. Special resolution No. 3**<br>To enable the provision of financial assistance to related or inter-related companies or corporations. | | | |

Signed at ______________________________ on ______________ 2011

Signature/s ______________________________

Assisted by me (where applicable) ______________________________

Please read the notes and instructions overleaf

**NOTES:**

1. Attendance and voting at meetings and appointing of proxies is only automatically open to shareholders who have not dematerialised their shares or who have dematerialised their shares and registered them in their own name. All other shareholders should contact their CSDP or broker to make the relevant arrangements to attend and vote at the meeting.
2. An ordinary shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be an ordinary shareholder of the company.
3. Every ordinary shareholder present in person or by proxy and entitled to a vote at the meeting shall, on a show of hands, have one vote only, irrespective of the number of shares such ordinary shareholder holds and, in the event of a poll, every ordinary share in the company shall have one vote.

**INSTRUCTIONS ON SIGNING AND LODGING THIS FORM OF PROXY:**

1. An ordinary shareholder may insert the name of a proxy or the names of two alternative proxies of the ordinary shareholder's choice in the space/s provided overleaf, with or without deleting 'the chairman of the meeting', but any such deletion must be initialled by the ordinary shareholder. Should this space be left blank, the proxy will be exercised by the chairman of the meeting. The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. An ordinary shareholder's voting instructions to the proxy must be indicated by the insertion of an 'X' or, alternatively, the number of ordinary shares such ordinary shareholder wishes to vote, in the appropriate spaces provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the meeting as he/she thinks fit in respect of all the ordinary shareholder's ordinary shares. An ordinary shareholder or his/her proxy is not obliged to use all the ordinary shares held by the ordinary shareholder, but the total number of ordinary shares voted, or those in respect of which abstention is recorded, may not exceed the total number of ordinary shares held by the ordinary shareholder.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid the completed form of proxy must be lodged with the transfer secretaries of the company, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001, (PO Box 61051, Marshalltown, 2107), to be received by them not later than Wednesday, 24 August 2011 at 14h30.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant ordinary shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such ordinary shareholder wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
8. The chairman of the meeting may accept any form of proxy which is completed, other than in accordance with these instructions and notes, provided that the chairman is satisfied as to the manner in which an ordinary shareholder wishes to vote.