**Mr Price**
**GROUP LIMITED**

# Annual Financial Statements

for the 52 week period ended 30 March 2013

## APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the 52 week period ended 30 March 2013

The preparation and presentation of the Annual Financial Statements and all other information included in this Report are the responsibility of the Directors. The information provided herein has been prepared in accordance with the provisions of the Companies Act and complies with International Financial Reporting Standards and the AC 500 Standards as issued by the Accounting Practices Board and its successors. 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 judgements 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 have been prepared under the supervision of the Chief Financial Officer, Mr MM Blair, CA(SA).

The Annual Financial Statements of the Company and the Group were approved by the Board of Directors on 22 May 2013 and are signed on its behalf by:

| | |
|---|---|
| NG Payne<br>Chairman | SI Bird<br>Chief Executive Officer |

## COMPANY SECRETARY STATEMENT

I hereby certify that the Company has lodged with the Companies and Intellectual Property Commission 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.

HE Grosvenor
Company Secretary
22 May 2013

## REPORT OF THE INDEPENDENT AUDITOR

for the 52 week period ended 30 March 2013

We have audited the consolidated and separate Annual Financial Statements of Mr Price Group Limited, which comprise the consolidated and separate statements of financial position as at 30 March 2013, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the 52 weeks then ended, and a summary of significant accounting policies and other explanatory notes, and Directors report, as set out on pages 4 to 65.

### 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 the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated 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 the 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 about 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 management, 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 present fairly, in all material respects, the consolidated and separate financial position of Mr Price Group Limited as at 30 March 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the 52 weeks then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

*Ernst & Young Inc.*

Ernst & Young Inc.
Director – Jane Oliva
Registered Auditor
Chartered Accountant (SA)

1 Pencarrow Crescent, La Lucia Ridge
Office Estate, Durban, 4000

22 May 2013

# REPORT OF THE DIRECTORS

for the 52 week period ended 30 March 2013

## NATURE OF BUSINESS

The main business of the Group is retail distribution through 1 029 corporate-owned and 26 franchised stores in Africa. The retail chains focus on clothing, footwear, sportswear, sporting goods, accessories and homeware.

## CORPORATE GOVERNANCE

The Directors subscribe to the values of good corporate governance as set out in the King Code of Governance for 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.

## 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 52 week period from 1 April 2012 to 30 March 2013 (2012: 52 week period from 3 April 2011 to 31 March 2012).

## FINANCIAL RESULTS

The financial results of the Group are set out in the statements of comprehensive income on page 18.

## DIVIDENDS

### Ordinary and B ordinary dividends

It is the Group's policy to make 2 dividend payments each year, an interim in December and a final in June.

Interim: A cash dividend of 133.0 cents per share (2012: 93.6 cents per share) was made payable on 18 December 2012 to shareholders registered on 14 December 2012.

Final: A cash dividend of 265.0 cents per share (2012: 220.4 cents per share) has been declared, payable on 24 June 2013 to shareholders registered on 21 June 2013.

## CONSOLIDATED ENTITIES

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

| R'000 | **2013** | 2012 |
|---|---|---|
| Profits | **122 525** | 90 121 |
| Losses | **(3 005)** | (2) |
| | **119 520** | 90 119 |

## NET SHAREHOLDERS' EQUITY

### Authorised and issued share capital

There were no changes in the authorised share capital during the year. During the year, 1 433 457 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:

Ms D Naidoo was appointed as a non-executive Director on 16 May 2012.

In terms of the Company's articles of association, LJ Chiappini, MR Johnston, NG Payne and RM Motanyane resigned as Directors and were re-elected at the Annual General Meeting of the Company on 30 August 2012.

Ms SEN Sebotsa retired as a non-executive Director on 30 August 2012.

Prof. LJ Ring retired as an Alternate non-executive Director on 30 March 2013.

Particulars of the present Directors and Company Secretary are provided overleaf. None of the Directors have long-term service contracts with the Company or any of its consolidated entities.

**BOARD OF DIRECTORS:**

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

*Independent
^ Non-executive

**Company Secretary:** HE Grosvenor

**EMOLUMENTS**

Details of emoluments paid to executive and non-executive Directors are set out in the Remuneration Report on pages 61 and 63.

BOARD OF DIRECTORS

**Interest in shares of the Company**

At the financial year end the Directors were interested in the Company's issued shares as follows:

| | 2013 | | | | | 2012 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Direct beneficial** | **Indirect beneficial** | **Held by associate** | **Total** | **%** | Direct beneficial | Indirect beneficial | Held by associate | Total | % |
| **Ordinary shares** | | | | | | | | | | |
| SI Bird | **211 384** | **-** | **-** | **211 384** | **0.08** | 211 384 | - | - | 211 384 | 0.08 |
| MM Blair | **56 836** | **-** | **800** | **57 636** | **0.02** | 56 836 | - | 800 | 57 636 | 0.02 |
| LJ Chiappini | **-** | **316 349** | **-** | **316 349** | **0.13** | - | 303 011 | - | 303 011 | 0.12 |
| TA Chiappini-Young | **199** | **-** | **-** | **199** | **0.00** | 199 | - | - | 199 | 0.00 |
| SB Cohen | **490** | **131 121** | **44 588** | **176 199** | **0.07** | 490 | 14 013 | 44 588 | 59 091 | 0.02 |
| SA Ellis | **56 853** | **67 248** | **-** | **124 101** | **0.05** | 116 853 | 67 248 | - | 184 101 | 0.07 |
| 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 |
| LJ Ring[1] | **2 500** | **-** | **2 500** | **5 000** | **0.00** | 2 500 | - | 2 500 | 5 000 | 0.00 |
| SEN Sebotsa[2] | **1 000** | **-** | **-** | **1 000** | **0.00** | 1 000 | - | - | 1 000 | 0.00 |
| WJ Swain | **-** | **611 670** | **-** | **611 670** | **0.24** | - | 611 670 | - | 611 670 | 0.24 |
| | | | | **1 614 788** | **0.64** | | | | 1 544 342 | 0.60 |
| **Total issued ordinary shares** | | | | **251 183 867** | | | | | 249 750 410 | |

**NOTES:**

1. Retired as Alternate Director on 30 March 2013.
2. Retired by rotation as Director on 30 August 2012.

## REPORT OF THE DIRECTORS (continued)

for the 52 week period ended 30 March 2013

| | Direct beneficial | Indirect beneficial | Held by associate | 2013 Total | % | Direct beneficial | Indirect beneficial | Held by associate | 2012 Total | % |
|---|---|---|---|---|---|---|---|---|---|---|
| **B ordinary shares** | | | | | | | | | | |
| LJ Chiappini | - | 6 000 759 | - | 6 000 759 | 44.63 | - | 6 717 108 | - | 6 717 108 | 45.15 |
| SB Cohen | - | 6 000 000 | - | 6 000 000 | 44.63 | - | 6 717 108 | - | 6 717 108 | 45.15 |
| MR Johnston | - | - | 46 504 | 46 504 | 0.34 | - | - | 46 504 | 46 504 | 0.31 |
| | | | | 12 047 263 | 89.60 | | | | 13 480 720 | 90.61 |
| **Total B ordinary shares** | | | | 13 445 081 | | | | | 14 878 538 | |

**NOTES:**

1. During the year, 1 433 457 B ordinary shares were converted to ordinary shares on a one-for-one basis, resulting in a decrease in the B-ordinary issued capital and a corresponding increase in the ordinary share capital.
2. The 1 397 818 B ordinary shares not detailed above belong to:
   - (a) trusts (1 397 618 shares) 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; and
   - (b) Mr AE McArthur (200 shares).
3. There have been no changes in the above interests between the year end and the date of approval of these financial statements.

# STATEMENT OF ACCOUNTING POLICIES
for the 52 week period ended 30 March 2013

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'). The consolidated financial statements are presented in Rands and all values are rounded to the nearest million (R'm), except when otherwise indicated.

Unless otherwise indicated, any references to the Group include the Company.

## 1. Consolidation

The consolidated financial statements comprise the financial statements of the Group and its consolidated entities as at 30 March 2013.

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 financial statements of the consolidated entities are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

Capitalised leased office buildings 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 shorter of the period of the finance lease and the useful life of the buildings.

Buildings occupied in the normal course of business are recognised at cost less accumulated depreciation and impairment losses.

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 | 5 to 14 years |
| Computer equipment | 3 to 5 years |
| Improvements to leasehold premises | Over period of lease subject to a maximum of 10 years |
| Buildings | 20 years |

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, and only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which incurred.

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

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

*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 (2 to 5 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 1 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*
Acquired customer lists expected to generate future economic benefits 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 (4 to 6 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other fair value indicators. 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 or 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*
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. 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 other comprehensive income or 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 for all dividends declared up to 31 March 2012.

*Dividend Witholding Tax (DWT)*
DWT has replaced STC effective 1 April 2012 and is a tax levied on the beneficial owner of the shares instead of the Company. The tax is withheld by the Company's Transfer Secretary and is paid over to the South African Tax Authority on the beneficiaries' behalf. The resultant tax expense has been transferred to the shareholder and is no longer accounted for as part of the tax charge for the Company.

*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 tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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 tax is provided on temporary differences arising on investments in consolidated entities and associates, except for deferred income tax 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.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Value-Added Tax (VAT)*
Expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

  Revenue and income are recognised net of the amount of VAT, except:
- When the VAT due on the sale or income is not payable to the taxation authority, in which case the full amount is recognised as revenue or income as applicable.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## 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. Where the effect of discounting to present value is material, provisions raised are adjusted to reflect the time value of money. 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 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. It is the Group's policy to sell its products to the retail customer with a right to return within a specified period. Accumulated experience is used to estimate and provide for such returns.

*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.

*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 (recognised as finance costs) and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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. The resulting difference arising from the straight line basis and contractual cash flows is recognised as an operating lease obligation or asset.

## 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 are recorded in the period in which the dividend is paid and are charged directly to equity.

## 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 the income statement in the period in which they occur.

## 12. Foreign currencies

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

*Trade and other receivables*
Trade receivables, which generally have 6 to 12 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. Various economic factors and changes in the delinquency of 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 over 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, 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 benefit retirement 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. Upon vesting, the amount remaining in the share-based payment reserve relating to any such vested tranche is transferred within equity to retained earnings.

# STATEMENT OF ACCOUNTING POLICIES
for the 52 week period ended 30 March 2013

## 14. Employee benefits (continued)

*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 include a component 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 recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised as equity. Voting rights related to these shares are restricted for the Group. Share options exercised during the reporting period are settled with treasury shares.

## 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. The Group presents information about geographical areas based on retail sales and other income. The information reported is similar to the information provided to the chief operating decision makers to enable them to assess performance and allocate resources.

## 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 30 March 2013

| | Notes | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Non-current assets | | **927** | 744 | **885** | 956 |
| Property, plant and equipment | 3 | **660** | 540 | **589** | 485 |
| Intangible assets | 4 | **105** | 102 | **100** | 97 |
| Consolidated entities | 5 | | | **40** | 277 |
| Long-term receivables | 6 | **8** | 10 | **8** | 10 |
| Defined benefit fund asset | 29 | **20** | 16 | **20** | 16 |
| Deferred taxation assets | 16 | **134** | 76 | **128** | 71 |
| Current assets | | **3 970** | 3 552 | **3 583** | 3 610 |
| Inventories | 7 | **1 236** | 1 168 | **1 163** | 1 116 |
| Trade and other receivables | 8 | **1 513** | 1 183 | **1 491** | 1 175 |
| Current amounts owing by consolidated entities | 5 | | | **153** | 454 |
| Cash and cash equivalents | | **1 221** | 1 201 | **776** | 865 |
| **Total assets** | | **4 897** | 4 296 | **4 468** | 4 566 |
| **Equity and liabilities** | | | | | |
| Equity attributable to shareholders | | **3 316** | 2 781 | **2 945** | 2 536 |
| Issued capital | 9 | **-** | - | **-** | - |
| Capital reserves | 10 | **169** | 141 | **137** | 114 |
| Treasury share transactions | 11 | **(1 059)** | (869) | **(1 241)** | (971) |
| Retained income | | **4 223** | 3 537 | **4 057** | 3 403 |
| Foreign currency translation reserve | 12 | **(16)** | (22) | | |
| Defined benefit fund actuarial gains and losses | 13 | **(8)** | (10) | **(8)** | (10) |
| Insurance reserve | 14 | **7** | 4 | | |
| Non-current liabilities | | **206** | 195 | **196** | 192 |
| Lease obligations | 15 | **179** | 171 | **174** | 169 |
| Deferred taxation liabilities | 16 | **5** | 1 | **-** | - |
| Long-term provisions | 17 | **6** | 8 | **6** | 8 |
| Post retirement medical benefits | 29 | **16** | 15 | **16** | 15 |
| Current liabilities | | **1 375** | 1 320 | **1 327** | 1 838 |
| Trade and other payables | 18 | **1 276** | 1 234 | **1 240** | 1 209 |
| Current amounts owing to consolidated entities | 5 | | | **5** | 551 |
| Current provisions | 17 | **4** | 6 | **4** | 6 |
| Current portion of lease obligations | 15 | **34** | 29 | **33** | 29 |
| Taxation | | **61** | 51 | **45** | 43 |
| **Total equity and liabilities** | | **4 897** | 4 296 | **4 468** | 4 566 |

# CONSOLIDATED INCOME STATEMENTS

for the 52 week period ended 30 March 2013

| | Notes | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|---|
| Revenue | | **13 720** | 12 122 | **13 578** | 12 047 |
| Retail sales and other income | | **13 664** | 12 062 | **13 530** | 11 994 |
| Interest received | | **56** | 60 | **48** | 53 |
| | | | | | |
| Retail sales and other income | | **13 664** | 12 062 | **13 530** | 11 994 |
| Retail sales | | **13 266** | 11 767 | **13 047** | 11 610 |
| Interest on trade receivables | | **261** | 197 | **261** | 196 |
| Income from consolidated entities | | | | **195** | 162 |
| Premium income | | **106** | 71 | **-** | - |
| Club fees | | **12** | 12 | **12** | 12 |
| Service fee revenue | | **8** | 8 | **8** | 8 |
| Other revenue | | **11** | 7 | **7** | 6 |
| | | | | | |
| Costs and expenses | | **11 592** | 10 321 | **11 465** | 10 243 |
| Cost of sales | | **7 664** | 6 843 | **7 686** | 6 859 |
| Selling expenses | | **2 996** | 2 646 | **2 881** | 2 575 |
| Administrative and other operating expenses | | **932** | 832 | **898** | 809 |
| | | | | | |
| Profit from operating activities | 19 | **2 072** | 1 741 | **2 065** | 1 751 |
| Finance costs | | **-** | (15) | **(22)** | (41) |
| Finance interest received | | **56** | 60 | **48** | 53 |
| Profit before taxation | | **2 128** | 1 786 | **2 091** | 1 763 |
| Taxation | 20 | **591** | 569 | **542** | 534 |
| Profit attributable to shareholders | | **1 537** | 1 217 | **1 549** | 1 229 |

| **Earnings per share** | | **cents per share** | cents per share | **% change** |
|---|---|---|---|---|
| Basic | 21 | **627.6** | 500.9 | **25.3** |
| Headline | 21 | **635.5** | 503.0 | **26.3** |
| Diluted basic | 21 | **577.6** | 462.5 | **24.9** |
| Diluted headline | 21 | **584.8** | 464.5 | **25.9** |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the 52 week period ended 30 March 2013

| | Notes | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|---|
| Profit attributable to shareholders | | **1 537** | 1 217 | **1 549** | 1 229 |
| **Other comprehensive income** | | | | | |
| Currency translation adjustments | 12 | **6** | (3) | | |
| Defined benefit fund actuarial gains/(losses) | 13 | **3** | (7) | **3** | (7) |
| Deferred taxation thereon | 13 | **(1)** | 2 | **(1)** | 2 |
| Total comprehensive income for the year attributable to shareholders, net of taxation | | **1 545** | 1 209 | **1 551** | 1 224 |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

for the 52 week period ended 30 March 2013

| | Notes | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Operating profit before working capital changes | 24.1 | **2 127** | 1 850 | **2 104** | 1 854 |
| Working capital changes | 24.2 | **(386)** | (517) | **(360)** | (501) |
| Cash generated from operations | | **1 741** | 1 333 | **1 744** | 1 353 |
| Interest on trade receivables | | **261** | 197 | **261** | 196 |
| Net finance income received | | **56** | 45 | **26** | 12 |
| Taxation paid | 24.3 | **(607)** | (516) | **(569)** | (484) |
| Net cash inflows from operating activities | | **1 451** | 1 059 | **1 462** | 1 077 |
| **Cash flows from investing activities** | | | | | |
| Net inflows/(outflows) in respect of long-term receivables | 24.4 | **2** | (10) | **2** | (10) |
| Liquidation of subsidiary | | **-** | - | **228** | - |
| Investment in subsidiary | | **-** | - | **12** | (46) |
| Replacement of intangible assets | | **(5)** | (6) | **(5)** | (6) |
| Additions to intangible assets | | **(44)** | (43) | **(44)** | (43) |
| Replacement of property, plant and equipment | | **(173)** | (127) | **(173)** | (123) |
| Additions to property, plant and equipment | | **(116)** | (126) | **(93)** | (81) |
| Proceeds on disposal of property, plant and equipment | | **1** | 1 | **1** | 1 |
| Net cash outflows from investing activities | | **(335)** | (311) | **(72)** | (308) |
| **Cash flows from financing activities** | | | | | |
| Decrease in short-term liability | | **-** | (10) | **-** | (10) |
| Decrease in net current amounts owing to/by consolidated entities | 24.5 | | | **(245)** | (52) |
| Dividends to shareholders | 24.6 | **(888)** | (670) | **(935)** | (712) |
| Grants to staff share trusts | | | | **(279)** | (260) |
| Treasury share transactions | | **(213)** | (233) | **(20)** | (25) |
| Net cash outflows from financing activities | | **(1 101)** | (913) | **(1 479)** | (1 059) |
| Net increase/(decrease) in cash and cash equivalents | | **15** | (165) | **(89)** | (290) |
| Cash and cash equivalents at beginning of the year | | **1 201** | 1 369 | **865** | 1 155 |
| Exchange gains/(losses) | | **5** | (3) | | |
| Cash and cash equivalents at end of the year | | **1 221** | 1 201 | **776** | 865 |

## ABRIDGED STATEMENT OF CHANGES IN EQUITY - GROUP

for the 52 week period ended 30 March 2013

| | | | | | Treasury share transactions | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| R'm | Notes | Share premium | Participants in staff share investment trust | Shared-based payments reserve | Treasury shares at cost | Deficit on 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 2 April 2011** | | 12 | 10 | 146 | (528) | (179) | 44 | (19) | (5) | 4 | 2 910 | **2 395** |
| Total comprehensive income | | | | | | | | (3) | (5) | | 1 217 | **1 209** |
| Profit for the year | | | | | | | | | | | 1 217 | **1 217** |
| Other comprehensive income: | | | | | | | | (3) | (5) | | | **(8)** |
| Currency translation adjustments | 12 | | | | | | | (3) | | | | **(3)** |
| Defined benefit fund actuarial losses | 13 | | | | | | | | (7) | | | **(7)** |
| Deferred taxation thereon | 13 | | | | | | | | 2 | | | **2** |
| Treasury shares acquired | 11 | | | | (260) | | | | | | | **(260)** |
| Taxation relating to grants to share trusts | 11 | | | | | | 32 | | | | | **32** |
| Effect of consolidation of staff share trusts | 11 | | 5 | | (5) | | | | | | | **-** |
| Deficit on treasury share transactions | 11 | | | | | (81) | | | | | | **(81)** |
| Recognition of share-based payments | 9.6 | | | 48 | | | | | | | | **48** |
| Share-based payments reserve released to retained income for vested options | | | | (80) | | | | | | | 80 | **-** |
| Treasury shares sold | 11 | | | | 108 | | | | | | | **108** |
| 2011 final dividend to shareholders | 22 | | | | | | | | | | (436) | **(436)** |
| 2012 interim dividend to shareholders | 22 | | | | | | | | | | (234) | **(234)** |
| **Balance at 31 March 2012** | | 12 | 15 | 114 | (685) | (260) | 76 | (22) | (10) | 4 | 3 537 | **2 781** |
| Total comprehensive income | | | | | | | | 6 | 2 | 3 | 1 534 | **1 545** |
| Profit for the year | | | | | | | | | | | 1 537 | **1 537** |
| Other comprehensive income: | | | | | | | | 6 | 2 | 3 | (3) | **8** |
| Currency translation adjustments | 12 | | | | | | | 6 | | | | **6** |
| Increase in insurance reserve | 14 | | | | | | | | | 3 | (3) | **-** |
| Defined benefit fund actuarial gains | 13 | | | | | | | | 3 | | | **3** |
| Deferred taxation thereon | 13 | | | | | | | | (1) | | | **(1)** |
| Treasury shares acquired | 11 | | | | (279) | | | | | | | **(279)** |
| Taxation relating to grants to share trusts | 11 | | | | | | 29 | | | | | **29** |
| Effect of consolidation of staff share trusts | 11 | | 5 | | (5) | | | | | | | **-** |
| Deficit on treasury share transactions | 11 | | | | | (113) | | | | | | **(113)** |
| Recognition of share-based payments | 9.6 | | | 63 | | | | | | | | **63** |
| Share-based payments reserve released to retained income for vested options | | | | (40) | | | | | | | 40 | **-** |
| Treasury shares sold | 11 | | | | 178 | | | | | | | **178** |
| 2012 final dividend to shareholders | 22 | | | | | | | | | | (551) | **(551)** |
| 2013 interim dividend to shareholders | 22 | | | | | | | | | | (337) | **(337)** |
| **Balance at 30 March 2013** | | **12** | **20** | **137** | **(791)** | **(373)** | **105** | **(16)** | **(8)** | **7** | **4 223** | **3 316** |

# ABRIDGED STATEMENT OF CHANGES IN EQUITY - COMPANY

for the 52 week period ended 30 March 2013

| R'm | Notes | Shared based payments reserve | Treasury share transactions: Treasury shares at share cost | Treasury share transactions: Deficit on treasury share transactions | Treasury share transactions: Taxation relating to grants to share trusts | Defined benefit fund actuarial gains and losses | Retained income | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Balance at 2 April 2011** | | 146 | (614) | (148) | 44 | (5) | 2 806 | **2 229** |
| Total comprehensive income | | | | | | (5) | 1 229 | **1 224** |
| Profit for the year | | | | | | | 1 229 | **1 229** |
| Other comprehensive income: | | | | | | (5) | | **(5)** |
| Defined benefit fund actuarial losses | 13 | | | | | (7) | | **(7)** |
| Deferred taxation thereon | 13 | | | | | 2 | | **2** |
| Grants to staff share trusts | 11 | | (260) | | | | | **(260)** |
| Deficit on treasury share transactions | 11 | | | (25) | | | | **(25)** |
| Taxation relating to grants to share trusts | 11 | | | | 32 | | | **32** |
| Recognition of share-based payments | 9.6 | 48 | | | | | | **48** |
| Share-based payments reserve released to retained income for vested options | | (80) | | | | | 80 | **-** |
| 2011 final dividend to shareholders | 22 | | | | | | (464) | **(464)** |
| 2012 interim dividend to shareholders | 22 | | | | | | (248) | **(248)** |
| **Balance at 30 March 2012** | | 114 | (874) | (173) | 76 | (10) | 3 403 | **2 536** |
| Total comprehensive income | | | | | | 2 | 1 549 | **1 551** |
| Profit for the year | | | | | | | 1 549 | **1 549** |
| Other comprehensive income: | | | | | | 2 | | **2** |
| Defined benefit fund actuarial gains | 13 | | | | | 3 | | **3** |
| Deferred taxation thereon | 13 | | | | | (1) | | **(1)** |
| Grants to staff share trusts | 11 | | (279) | | | | | **(279)** |
| Deficit on treasury share transactions | 11 | | | (20) | | | | **(20)** |
| Taxation relating to grants to share trusts | 11 | | | | 29 | | | **29** |
| Recognition of share-based payments | 9.6 | 63 | | | | | | **63** |
| Share-based payments reserve released to retained income for vested options | | (40) | | | | | 40 | **-** |
| 2012 final dividend to shareholders | 22 | | | | | | (583) | **(583)** |
| 2013 interim dividend to shareholders | 22 | | | | | | (352) | **(352)** |
| **Balance at 30 March 2013** | | **137** | **(1 153)** | **(193)** | **105** | **(8)** | **4 057** | **2 945** |

## 1. Adoption of new Standards and changes in accounting policies

The following new Standards and 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 |
|---|---|
| • IFRS 1 – Severe hyperinflation and removal of fixed dates for first time adopters (amendment) | 1 July 2011 |
| • IAS 12 – Recovery of underlying assets (amendments) | 1 January 2012 |

1.1 Changes in accounting policies

*IFRS 7 – Transfers of financial assets (amendment):*

The amendment provides for new disclosures that are required for financial assets which are not derecognised in their entirety, or are derecognised in their entirety, but where the entity has a continuing involvement in the derecognised financial assets. The Group reflects the revised disclosure requirements in the notes to the annual financial statements.

1.2 Statement, Interpretation or Standard issued 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 |
|---|---|
| • IAS 1 - Presentation of Items of Other Comprehensive Income (amendments) | 1 July 2012 |
| • IAS 19 - Employee Benefits (amendment) | 1 January 2013 |
| • IAS 27 - Separate Financial Statements | 1 January 2013 |
| • IAS 28 - Investments in Associates and Joint Ventures (as revised in 2011) | 1 January 2013 |
| • IFRS 1 - Relief from full retrospective application when accounting for loans received from government at below market rate of interest | 1 January 2013 |
| • IFRS 7 - Disclosures - offsetting financial assets and liabilities (amendment) | 1 January 2013 |
| • IFRS 10 - Consolidated Financial Statements | 1 January 2013 |
| • IFRS 10 - Investment entities final amendment – exception to consolidation (amendments) | 1 January 2013 |
| • IFRS 11 - Joint Arrangements | 1 January 2013 |
| • IFRS 12 - Disclosure of Involvement with Other Entities | 1 January 2013 |
| • IFRS10, IFRS11 and IFRS 12 - Transition guidance amendments | 1 January 2013 |
| • IFRS 13 - Fair Value Measurement | 1 January 2013 |
| • IFRS 9 - Financial instruments | 1 January 2015 |
| • Improvements to IFRSs | Mainly 1 January 2013 |

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 and judgements

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.

*Income taxes*

The Group is subject to income tax in more than one jurisdiction. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.


Mr Price
GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 30 March 2013

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **3. Property, plant and equipment** | | | | |
| Owned | | | | |
| Cost | **1 528** | 1 291 | **1 434** | 1 220 |
| Accumulated depreciation and impairment | **(868)** | (751) | **(845)** | (735) |
| Net carrying amount | **660** | 540 | **589** | 485 |
| Leased | | | | |
| Cost | **27** | 27 | **27** | 27 |
| Accumulated depreciation | **(27)** | (27) | **(27)** | (27) |
| Net carrying amount | **-** | - | **-** | - |
| Total net carrying amount | **660** | 540 | **589** | 485 |

An analysis of the movement of property, plant and equipment is shown on pages 51 and 52.

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **4. Intangible assets** | | | | |
| Cost or carrying amount | **199** | 180 | **194** | 175 |
| Accumulated amortisation and impairment | **(94)** | (78) | **(94)** | (78) |
| Net carrying amount | **105** | 102 | **100** | 97 |

An analysis of the movement of intangible assets is shown on page 53.

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **5. Consolidated entities** | | | | |
| Carrying value of shares | | | **5** | 231 |
| Ordinary shares at cost | | | **5** | 3 |
| Preference shares at carrying value | | | **-** | 228 |
| Carrying value of long-term loans | | | **35** | 46 |
| Long-term loans at cost | | | **36** | 47 |
| Impairment provisions | | | **(1)** | (1) |
| The loans are unsecured, bear interest at rates of up to 15% per annum and have no fixed dates of repayment. | | | | |
| | | | **40** | 277 |
| Net current amounts owing by/(to) consolidated entities | | | **148** | (97) |
| Current amounts owing by consolidated entities | | | **153** | 454 |
| Current amounts owing to consolidated entities | | | **(5)** | (551) |
| Current amounts are interest free and are settled within 12 months. | | | | |
| | | | **188** | 180 |

An analysis of the financial interest in consolidated entities is shown on page 50.

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **6. Long-term receivables** | | | | |
| Enterprise development loan | | | | |
| Loan to accredited supplier | **8** | 10 | **8** | 10 |
| Total loan outstanding | **9** | 10 | **9** | 10 |
| Less: amount to be received in the next financial year transferred to trade and other receivables | **(1)** | - | **(1)** | - |
| The Company loaned R10 million interest free to a long-standing supplier as part of an enterprise development initiative to assist in the construction of a new footwear factory with enhanced capacity. The sum is repayable in monthly instalments of R100 000 which commenced in January 2013. The monthly instalment will increase by 7.0% annually. | | | | |
| | **8** | 10 | **8** | 10 |
| **7. Inventories** | | | | |
| Merchandise purchased for resale | **1 224** | 1 154 | **1 151** | 1 102 |
| Consumable stores | **12** | 14 | **12** | 14 |
| | **1 236** | 1 168 | **1 163** | 1 116 |
| The write-down of inventories provided for in the valuation of merchandise purchased for resale was | **102** | 99 | **95** | 97 |

## 8. Trade and other receivables

| | | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|---|
| | Trade receivables (net) | **1 431** | 1 110 | **1 426** | 1 104 |
| | Prepayments | **50** | 37 | **36** | 37 |
| | Other receivables | **32** | 36 | **29** | 34 |
| | | **1 513** | 1 183 | **1 491** | 1 175 |
| 8.1 | Gross trade receivables | **1 571** | 1 225 | **1 566** | 1 217 |
| | Impairment provision | **(140)** | (115) | **(140)** | (113) |
| | Net trade receivables | **1 431** | 1 110 | **1 426** | 1 104 |

The ageing of the gross trade receivables is as follows:

| | Days from transaction | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|---|
| Current | 30 | **1 117** | 894 | **1 113** | 888 |
| Status 1 | 60 | **240** | 171 | **240** | 170 |
| Status 2 | 90 | **92** | 68 | **92** | 68 |
| Status 3 | 120 | **58** | 45 | **58** | 44 |
| Status 4 | 150 | **42** | 31 | **41** | 31 |
| Status 5 | 180 | **22** | 16 | **22** | 16 |
| | | **1 571** | 1 225 | **1 566** | 1 217 |

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 any new credit customer, 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 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|---|
| 8.2 | Movement in the impairment provision | | | | |
| | Balance at beginning of the year | **(115)** | (74) | **(113)** | (74) |
| | Impairment losses net of losses reversed | **(25)** | (41) | **(27)** | (39) |
| | Balance at end of the year | **(140)** | (115) | **(140)** | (113) |

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. Each ageing category of the net trade receivables are illustrated below:

| Days from transaction | | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|---|
| Current and impaired | 30 | **11** | 12 | **11** | 10 |
| Past due and impaired | | | | | |
| Status 1 | 60 | **20** | 17 | **20** | 17 |
| Status 2 | 90 | **25** | 20 | **25** | 20 |
| Status 3 | 120 | **34** | 27 | **34** | 27 |
| Status 4 | 150 | **33** | 22 | **33** | 22 |
| Status 5 | 180 | **17** | 17 | **17** | 17 |
| | | **140** | 115 | **140** | 113 |

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **8. Trade and other receivables (continued)** | | | | |
| 8.3 Other receivables | | | | |
| The expected maturity for other receivables is as follows: | | | | |
| On demand | **5** | 3 | **6** | 2 |
| Less than three months | **18** | 25 | **14** | 24 |
| 3 months to 1 year | **9** | 8 | **9** | 8 |
| | **32** | 36 | **29** | 34 |
| **9. Share capital** | | | | |
| ***Notes 9.1 and 9.2 are quoted in R'000.*** | | | | |
| 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 |
| Total authorised share capital | **140** | 140 | **140** | 140 |
| 9.2 Issued | | | | |
| Ordinary | | | | |
| 251 183 867 (2012: 249 750 410) ordinary shares of 0.025 cent each | **63** | 62 | **63** | 62 |
| B ordinary | | | | |
| 13 445 081 (2012: 14 878 538) B ordinary shares of 0.3 cent each | **40** | 45 | **40** | 45 |
| Total issued share capital | **103** | 107 | **103** | 107 |

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, 1 433 457 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 6 share trusts and a share option 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. These share schemes are more fully detailed in the Remuneration Report on pages 54 to 65.

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 2013 shares | Group 2012 shares |
|---|---|---|
| Beginning of the year | - | 75 000 |
| Taken up by participants | - | (75 000) |
| End of the year | - | - |

9.5.3 The Mr Price Group Share Option Scheme

Options over ordinary shares in Mr Price Group Limited

| | Group 2013 options | Group 2012 options |
|---|---|---|
| Beginning of the year | 310 539 | 862 076 |
| Surrendered by participants | (14 500) | (19 500) |
| Options exercised | (144 470) | (532 037) |
| End of the year | 151 569 | 310 539 |

Options held at the beginning of the year were exercisable at prices between R3.06 and R21.20 per share in a period between 3 and 10 years after the dates of the offers which commenced in May 1989. No new options were granted during the year under this scheme due to the introduction of the share schemes detailed in note 9.5.4. No further options will be issued under this scheme.

The vesting period of the options is detailed on page 59.

Option prices have been restated where necessary to recognise subdivisions and capitalisation issues. The share options under this scheme have all vested and have a weighted average option price of R12.73.

## 9. Share capital (continued)

9.5.4 5 share trusts were established in November 2006 to replace The Mr Price Group Share Option Scheme.

Details of these trusts are as follows:

| Trust name | Mr Price Executive Director Share Trust | Mr Price Executive Share Trust | Mr Price Senior Management Share Trust | Mr Price General Staff Share Trust | Mr Price Partners Share Trust | Group Total |
|---|---|---|---|---|---|---|
| **Award type** | **Options** | **Options** | **Options** | **Options** | **Shares** | |
| Options/shares at 2 April 2011 | 4 300 000 | 3 301 600 | 4 751 659 | 14 960 243 | 6 560 750 | 33 874 252 |
| New options/shares granted | 403 100 | 897 500 | 994 331 | 1 801 272 | 645 083 | 4 741 286 |
| Surrendered by participants | - | (82 000) | (245 052) | (1 539 592) | (1 151 750) | (3 018 394) |
| Options/shares exercised | (724 000) | (482 200) | (638 000) | (1 060 409) | (50 750) | (2 955 359) |
| Options/shares at 31 March 2012 | 3 979 100 | 3 634 900 | 4 862 938 | 14 161 514 | 6 003 333 | 32 641 785 |
| New options/shares granted* | 249 238 | 333 727 | 625 793 | 817 676 | 430 767 | 2 457 201 |
| Surrendered by participants | - | (286 000) | (194 721) | (904 618) | (979 170) | (2 364 509) |
| Options/shares exercised | (678 000) | (482 200) | (659 333) | (2 283 982) | (35 124) | (4 138 639) |
| Options/shares at 30 March 2013 | 3 550 338 | 3 200 427 | 4 634 677 | 11 790 590 | 5 419 806 | 28 595 838 |
| * New options/shares were granted during the current year at a strike price (per share): The strike price was determined by the lower of the 30 day volume-weighted average price and the closing share price on the business day prior to the award. | R133.67 | R133.67 | R126.29 - R133.67 | R89.43 - R133.67 | N/A | R89.43 - R133.67 |
| The vesting periods of the options/shares are detailed on page 59. | | | | | | |
| The earliest opportunity at which share options are exercisable falls within financial years ending: | | | | | | |
| Number of options | | | | | | |
| 2014 | 958 000 | 538 866 | 897 998 | 2 832 088 | N/A | 5 226 952 |
| 2015 | 807 000 | 773 999 | 966 330 | 2 577 918 | N/A | 5 125 247 |
| 2016 | 1 039 000 | 735 001 | 1 046 671 | 3 150 038 | N/A | 5 970 710 |
| 2017 | 497 100 | 707 833 | 963 754 | 2 150 574 | N/A | 4 319 261 |
| 2018 | 249 238 | 405 226 | 707 166 | 840 800 | N/A | 2 202 430 |
| 2019 | - | 39 502 | 49 389 | 239 172 | N/A | 328 063 |
| 2020 | - | - | 3 369 | - | N/A | 3 369 |
| | 3 550 338 | 3 200 427 | 4 634 677 | 11 790 590 | N/A | 23 176 032 |
| Weighted average prices: | | | | | | |
| 2014 | R21.76 | R21.13 | R20.24 | R21.99 | N/A | R21.81 |
| 2015 | R32.02 | R31.68 | R31.28 | R29.69 | N/A | R30.66 |
| 2016 | R53.03 | R52.54 | R53.55 | R62.15 | N/A | R57.87 |
| 2017 | R67.04 | R71.59 | R71.34 | R56.73 | N/A | R63.61 |
| 2018 | R133.67 | R121.17 | R125.53 | R61.54 | N/A | R101.22 |
| 2019 | - | R 74.38 | R79.88 | R72.07 | N/A | R73.53 |
| 2020 | - | - | R126.29 | - | N/A | R 126.29 |
| Number of years over which shares are expected to vest unconditionally | N/A | N/A | N/A | N/A | 39 | 39 |

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **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 (refer notes 9.5.3 to 9.5.4) | 63 | 48 | 63 | 48 |

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:

| | Mr Price Executive Director Share Trust | Mr Price Executive Share Trust | Mr Price Senior Management Share Trust | Mr Price General Staff Share Trust | Mr Price Partners Share Trust |
|---|---|---|---|---|---|
| • Weighted average strike price | R133.67 | R133.67 | R133.56 | R127.75 | R0.00 |
| • Expected volatility (%) | 31.53 | 31.47 - 31.85 | 31.23 - 31.85 | 26.64 - 32.53 | N/A |
| • Expected option life | 5 years | 5 years | 5 years | 7 years | 39 years |
| • Risk-free interest rate (%) | 6 | 5.99 - 6.48 | 5.99 - 6.58 | 5.49 - 7.79 | 5.01 - 9.28 |
| • Expected dividend yield (%) | 3.10 | 3.10 | 3.10 - 3.18 | 3.10 - 3.36 | N/A |

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 employees, including executive Directors, employed by the Company and its consolidated entities. The acquisition of shares is funded by contributions from participants (employees) while the Company is authorised to provide additional funding of up to 15% of the contributions made. The 15% contribution made by the Company is expensed in the year incurred as an associate cost. In terms of guidance issued by the JSE Limited, the Company has consolidated the Trust as it was created to incentivise and reward the employees of the Group. In the Trust's annual financial statements it has assets being Mr Price Group Limited shares to be given to participants in the future. These shares are registered in the name of the Trust and not the employees. In addition, the financial statements show a liability for the shares to be given to employees when they request them. In the Group financial statements the Mr Price Group Limited shares are reflected as treasury shares as they have not yet been transferred to the employees, while the amounts received for the shares to be given to employees are treated as equity transactions in terms of paragraphs 16 and 22 of IAS 32. Accordingly, the treasury shares will be used to settle the obligation to employees, but are shown as treasury shares until they are transferred into the name of the employee or sold on their behalf. The employees have a claim against the Company until the shares are delivered to them and therefore while the treasury shares have been earmarked to settle the Trust's obligation to employees, the obligation is not regarded as meeting the derecognition criteria. As noted above this obligation is regarded in the Group financial statements as equity and not a financial liability.

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 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **10. Capital reserves** | | | | |
| 10.1 Share premium account | **12** | 12 | **-** | - |
| Beginning of the year | **12** | 12 | **-** | - |
| Conversion of B ordinary to ordinary shares | **-** | - | **-** | - |
| 10.2 Participants in staff share investment trust (note 9.7) | **20** | 15 | | |
| Beginning of the year | **15** | 10 | | |
| Net movement for the year | **5** | 5 | | |
| 10.3 Share-based payments reserve | **137** | 114 | **137** | 114 |
| Beginning of the year | **114** | 146 | **114** | 146 |
| Recognition of share-based payments for the year | **23** | (32) | **23** | (32) |
| Share-based payments for options/shares granted in prior years | **48** | 38 | **48** | 38 |
| Share-based payments for options/shares granted in current year | **5** | 6 | **5** | 6 |
| Adjustment for forfeitures | **10** | 4 | **10** | 4 |
| Share-based payments reserve transferred to retained income for options that have vested | **(40)** | (80) | **(40)** | (80) |
| The above equity account represents cumulative share-based payment charges that have been credited to equity net of transfers to retained income for options that have vested. | | | | |
| Total capital reserves | **169** | 141 | **137** | 114 |
| **11. Treasury share transactions** | | | | |
| 18 856 474 (2012: 20 707 018) ordinary shares in Mr Price Group Limited held by staff share trusts | **(791)** | (685) | | |
| Balance at beginning of the year | **(685)** | (528) | | |
| Treasury shares acquired | **(279)** | (260) | | |
| Treasury shares sold | **178** | 108 | | |
| Mr Price Group Employees Share Investment Trust (note 9.7) | **(5)** | (5) | | |
| Deficit on treasury share transactions | **(373)** | (260) | **(193)** | (173) |
| Balance at beginning of the year | **(260)** | (179) | **(173)** | (148) |
| Current year movement arising from the take-up of vested options | **(113)** | (81) | **(20)** | (25) |
| Taxation relating to grants to share trusts | **105** | 76 | **105** | 76 |
| Balance at beginning of the year | **76** | 44 | **76** | 44 |
| Current year movement | **29** | 32 | **29** | 32 |
| Grants by Company to staff share trusts | | | **(1 153)** | (874) |
| Balance at beginning of the year | | | **(874)** | (614) |
| Grants made during the year | | | **(279)** | (260) |
| | **(1 059)** | (869) | **(1 241)** | (971) |

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **12. Foreign currency translation reserve** | | | | |
| Beginning of the year | **(22)** | (19) | | |
| Currency translation adjustments for the year | **6** | (3) | | |
| End of the year | **(16)** | (22) | | |

The foreign currency translation reserve comprises the cumulative translation adjustments arising on the consolidation of the foreign subsidiaries in Botswana, Nigeria and Ghana.

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **13. Defined benefit fund actuarial gains and losses** | | | | |
| Beginning of the year | **(10)** | (5) | **(10)** | (5) |
| Current year actuarial gains/(losses) | **3** | (7) | **3** | (7) |
| Deferred taxation thereon | **(1)** | 2 | **(1)** | 2 |
| End of the year | **(8)** | (10) | **(8)** | (10) |

Refer to note 29 for details of the recognition of defined benefit fund actuarial gains and losses.

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **14. Insurance reserve** | | | | |
| Beginning of the year | **4** | 4 | | |
| Increase in reserve | **3** | - | | |
| End of the year | **7** | 4 | | |

The Group acts as a medium for the offering of insurance products to its customers, for which it earns commission.

The principal risk that the insurance cells face is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the cells is to ensure that sufficient reserves are available to cover these potential liabilities.

The main risks that the insurance cells are exposed to are as follows:
- Mortality risk: the risk of loss arising due to policyholder death experience differing from that expected;
- Morbidity risk: the risk of loss arising due to policyholder health experience differing from that expected;
- Expense risk: the risk of loss arising from expense experience differing from that expected; and
- Policyholder decision risk: risk of loss arising due to policyholder experiences (lapses and surrenders) differing from that expected.

The risk structure per product is as follows:
*Guardrisk Insurance Company Limited (Cell number 136)*

| | % of insured risk: Mr Price Group Limited | % of insured risk: Guardrisk Insurance Company Limited |
|---|---|---|
| Customer Protection Plan | **100** | - |
| Funeral Plan | **100** | - |
| 360 Degrees Protection Plan | **100** | - |
| A2B Commuter Personal Accident Plan | **100** | - |
| Medinet Critical Illness and Hospitalisation Plan | **100** | - |

## 14. Insurance reserve (continued)

*Guardrisk Life Limited (Cell number 048)*

Mr Price Group Limited bears 100% of the risk for all products, except motor vehicle insurance where the aggregate excess and stop loss on own damage are insured through Chartis.

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 a claims factor (minimum 33%) applied to 3 months of net premiums (i.e. gross premiums less commissions and administration fees). The short-terms cells are required to maintain a solvency ratio equal to 25% of net premiums as a solvency reserve and an IBNR reserve equal to 7% of the annual risk premium, that is reflected in the statement of financial position under trade and other payables. The long and short-term cells have cumulative current assets of R72.0 million (2012: R50.8 million) and current liabilities of R27.3 million (2012: R15.3 million). During the year a dividend of R48.9 million (2012 : R20.0 million) was paid by the cells to the Company.

Premium income and claims history:

| | **2013** | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| Premium income (R'm) | **106** | 71 | 48 | 37 |
| Number of claims | **2 318** | 2 043 | 2 038 | 1 850 |
| Claim costs (R'm) | **9** | 5 | 4 | 5 |
| Claim costs as a percentage of premium income | **8.9%** | 7.5% | 8.8% | 12.5% |

## 15. Lease obligations

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 R'm** | 2012 R'm | **2013 R'm** | 2012 R'm |
| Straight line operating lease liability | **213** | 200 | **207** | 198 |
| Less: amounts due for settlement within 12 months | **(34)** | (29) | **(33)** | (29) |
| Total long-term portion of lease obligations | **179** | **171** | **174** | **169** |

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 R'm** | 2012 R'm | **2013 R'm** | 2012 R'm |
| **16. Deferred taxation** | | | | |
| Attributable to: | | | | |
| Prepayments | **7** | 7 | **7** | 7 |
| Provisions | **(115)** | (70) | **(115)** | (70) |
| Other temporary differences | **(53)** | (25) | **(53)** | (22) |
| Defined benefit fund asset | **6** | 4 | **6** | 4 |
| Grants to staff share trusts | **85** | 65 | **85** | 65 |
| Straight line operating lease liability | **(59)** | (56) | **(58)** | (55) |
| | **(129)** | (75) | **(128)** | (71) |
| Beginning of the year | **(75)** | (48) | **(71)** | (45) |
| Movements during the year | **(54)** | (27) | **(57)** | (26) |
| Prepayments | **-** | (19) | **-** | (19) |
| Provisions | **(45)** | (29) | **(45)** | (29) |
| Other temporary differences | **(28)** | 2 | **(31)** | 3 |
| Defined benefit fund actuarial gains/(losses) | **2** | (1) | **1** | (1) |
| Grants to staff share trusts | **20** | 23 | **20** | 23 |
| Straight line operating lease liability | **(3)** | (3) | **(2)** | (3) |
| End of the year | **(129)** | (75) | **(128)** | (71) |
| Deferred taxation liabilities | **5** | 1 | **-** | - |
| Deferred taxation assets | **(134)** | (76) | **(128)** | (71) |
| | **(129)** | (75) | **(128)** | (71) |
| **17. Provisions** | | | | |
| Onerous lease contracts | | | | |
| Balance at beginning of the year | **14** | 8 | **14** | 8 |
| Provision (released)/raised during the year | **(4)** | 6 | **(4)** | 6 |
| Balance at end of the year | **10** | 14 | **10** | 14 |
| Long-term | **6** | 8 | **6** | 8 |
| Current | **4** | 6 | **4** | 6 |
| | **10** | 14 | **10** | 14 |

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 1 to 5 years.

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 R'm** | 2012 R'm | **2013 R'm** | 2012 R'm |
| **18. Trade and other payables** | | | | |
| Trade payables | **673** | 648 | **672** | 648 |
| Other payables | **603** | 586 | **568** | 561 |
| | **1 276** | 1 234 | **1 240** | 1 209 |

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **19. Profit from operating activities** | | | | |
| *Arrived at after (crediting)/charging the following:* | | | | |
| Income from consolidated entities | | | **(195)** | (162) |
| Dividend income | | | **(120)** | (97) |
| Fees | | | **(75)** | (65) |
| Amortisation of intangible assets (page 53) | **27** | 26 | **27** | 26 |
| Associate costs | **1 507** | 1 396 | **1 471** | 1 370 |
| Salaries, wages and other benefits | **1 353** | 1 264 | **1 319** | 1 240 |
| Share-based payments (note 9.6) | **63** | 48 | **63** | 48 |
| Defined contribution pension funds expense | **88** | 82 | **86** | 80 |
| Defined benefit pension fund net expense | **2** | - | **2** | - |
| Current service cost | **4** | 3 | **4** | 3 |
| Interest cost | **7** | 6 | **7** | 6 |
| Expected return on fund assets | **(9)** | (9) | **(9)** | (9) |
| Post retirement medical aid benefits (note 29.2) | **1** | 2 | **1** | 2 |
| Auditors' remuneration | **4** | 5 | **4** | 5 |
| Audit fees | **3** | 5 | **3** | 5 |
| Other services | **1** | - | **1** | - |
| Consulting fees | **12** | 12 | **11** | 12 |
| Technical services | **11** | 12 | **11** | 12 |
| Administrative and other services | **1** | - | **-** | - |
| Defined benefit fund asset movement | **(2)** | (3) | **(2)** | (3) |
| Depreciation of property, plant and equipment (page 51) | **162** | 164 | **154** | 158 |
| Impairment of intangible assets (page 53) | **11** | - | **11** | - |
| Movement in provisions (note 17) | **(4)** | 6 | **(4)** | 6 |
| Net loss on disposal and scrapping of intangible assets | **8** | - | **8** | - |
| Net loss on disposal and scrapping of property, plant and equipment | **8** | 7 | **8** | 7 |
| Net losses/(gains) on foreign exchange | **12** | (9) | **12** | (9) |
| Forward exchange contracts | **12** | (8) | **12** | (8) |
| Transactions | **-** | (1) | **-** | (1) |
| Operating lease rentals | **1 013** | 913 | **960** | 884 |
| Land and buildings | **982** | 885 | **931** | 856 |
| Equipment | **20** | 18 | **19** | 18 |
| Motor vehicles | **11** | 10 | **10** | 10 |

## 20. Taxation

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **20.1 South African and foreign taxation** | | | | |
| **20.1.1 South African taxation** | | | | |
| This year | **564** | 552 | **534** | 526 |
| Current | | | | |
| Normal taxation | **642** | 527 | **610** | 503 |
| Secondary taxation on companies | **-** | 65 | **-** | 62 |
| Deferred | | | | |
| Current year temporary differences | **(78)** | (40) | **(76)** | (39) |
| Prior years | **-** | - | **-** | - |
| Current | **2** | 4 | **2** | 4 |
| Deferred | **(2)** | (4) | **(2)** | (4) |
| **20.1.2 Foreign taxation** | | | | |
| This year | **27** | 17 | **8** | 8 |
| Current | **23** | 17 | **8** | 8 |
| Deferred | **4** | - | **-** | - |
| Total taxation | **591** | 569 | **542** | 534 |

In addition to the above, current normal taxation and deferred taxation amounting to R49.4 million (2012: R55.2 million) and R20.5 million (2012: R21.0 million) respectively have been credited and charged to equity relating to the grants to staff share trusts (refer note 11). Deferred income taxation of R0.8 million (2012: R2.1 million) has been credited 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 | **-** | 3.5 |
| Exempt income | **-** | (0.2) | **(1.4)** | (1.8) |
| Other | **(0.2)** | 0.5 | **(0.7)** | 0.6 |
| Effective taxation rate | **27.8** | 31.9 | **25.9** | 30.3 |

## 21. Earnings per ordinary and B ordinary share

21.1 Reconciliation of earnings

The calculation of basic and headline earnings per share is based on:

| | Group 2013 R'm | Group 2012 R'm |
|---|---|---|
| Basic earnings – profit attributable to shareholders | **1 537** | 1 217 |
| Loss on disposal, scrapping and impairment of property, plant and equipment and intangible assets | **27** | 7 |
| Taxation | **(7)** | (2) |
| Headline earnings | **1 557** | 1 222 |

21.2 Number of shares

The weighted average number of shares in issue is 244 979 901 (2012: 242 996 303).

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 2013 Shares | Group 2012 Shares |
|---|---|---|
| Number of shares per basic earnings per share calculation | **244 979 901** | 242 996 303 |
| Weighted average number of ordinary shares under option deemed to have been issued for no consideration | **21 222 081** | 20 144 027 |
| Number of shares for calculation of diluted earnings per share | **266 201 982** | 263 140 330 |

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **22. Dividends to shareholders** | | | | |
| Ordinary and B ordinary shares | | | | |
| | **551** | 436 | **583** | 464 |
| Prior year final distribution: 220.4 cents per share (2012: 175.3 cents per share) | **583** | 464 | **583** | 464 |
| Dividend paid by Partners Share Trust | **11** | 10 | | |
| Less: dividend received on shares held by staff share trusts | **(43)** | (38) | | |
| | **337** | 234 | **352** | 248 |
| Interim dividend: 133.0 cents per share (2012: 93.6 cents per share) | **352** | 248 | **352** | 248 |
| Dividend paid by Partners Share Trust | **6** | 5 | | |
| Less: dividend received on shares held by staff share trusts | **(21)** | (19) | | |
| Total net dividend to shareholders | **888** | 670 | **935** | 712 |

In respect of the current year, the Board of Directors propose that on the 24 June 2013 a cash dividend of 265.0 cents per share be paid to shareholders who are registered on the "Record date" of 21 June 2013. This dividend has not been reflected as a liability in these financial statements. The total estimated dividend to be paid by the Company is R701.3 million.

| | Company 2013 R'm | Company 2012 R'm |
|---|---|---|
| **23. Directors' emoluments** | | |
| The emoluments received by the Directors from the Company were: | | |
| Executive Directors | | |
| Salaries | **9** | 11 |
| Bonuses and performance related payments | **13** | 18 |
| Vehicle allowances and expenses | **1** | 1 |
| Pension contributions | **2** | 3 |
| | **25** | 33 |
| Non-executive Directors | | |
| Salaries | **4** | 4 |
| Fees | **5** | 4 |
| Vehicle allowances and expenses | **1** | - |
| Pension contributions | **1** | 1 |
| | **11** | 9 |

Details of individual Director's emoluments and share incentive scheme transactions are disclosed on pages 61 to 63.

## 24. Notes to the statements of cash flows

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **24.1 Operating profit before working capital changes** | | | | |
| Profit before taxation | **2 128** | 1 786 | **2 091** | 1 763 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | **162** | 164 | **154** | 158 |
| Amortisation of intangible assets | **27** | 26 | **27** | 26 |
| Loss on disposal and scrapping of property, plant and equipment | **8** | 7 | **8** | 7 |
| Impairment of intangible assets | **11** | - | **11** | - |
| Loss on disposal of intangible assets | **8** | - | **8** | - |
| Net finance income | **(56)** | (45) | **(26)** | (12) |
| Interest on trade receivables | **(261)** | (197) | **(261)** | (196) |
| Other non-cash items | **100** | 109 | **92** | 108 |
| Straight line operating lease liability movement | **13** | 12 | **9** | 12 |
| Share option expenses | **63** | 48 | **63** | 48 |
| Other | **24** | 49 | **20** | 48 |
| | **2 127** | 1 850 | **2 104** | 1 854 |
| **24.2 Working capital changes** | | | | |
| Increase in trade and other receivables | **(355)** | (291) | **(343)** | (289) |
| Increase in inventories | **(70)** | (234) | **(45)** | (215) |
| Increase in trade and other payables | **39** | 8 | **28** | 3 |
| | **(386)** | (517) | **(360)** | (501) |
| **24.3 Taxation paid** | | | | |
| Amounts unpaid at beginning of the year | **(24)** | (43) | **(28)** | (44) |
| Taxation | **51** | 5 | **43** | 1 |
| Deferred | **(75)** | (48) | **(71)** | (45) |
| Amounts charged to the income statements | **591** | 569 | **542** | 534 |
| Taxation | **667** | 613 | **620** | 577 |
| Deferred | **(76)** | (44) | **(78)** | (43) |
| Amounts charged to equity | **(28)** | (34) | **(28)** | (34) |
| Taxation | **(49)** | (55) | **(49)** | (55) |
| Deferred taxation | **21** | 21 | **21** | 21 |
| Amounts unpaid at end of the year | **68** | 24 | **83** | 28 |
| Taxation | **(61)** | (51) | **(45)** | (43) |
| Deferred taxation | **129** | 75 | **128** | 71 |
| Amounts paid | **607** | 516 | **569** | 484 |
| **24.4 Net (inflows)/outflows in respect of long-term receivables** | | | | |
| Loan to accredited supplier | **(2)** | 10 | **(2)** | 10 |

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **24. Notes to the statements of cash flows (continued)** | | | | |
| 24.5 Amounts owing to/(by) consolidated entities | | | | |
| (Decrease)/increase in current amounts owing to consolidated entities | | | **(546)** | 25 |
| Decrease/(increase) in current amounts owing by consolidated entities | | | **301** | (77) |
| | | | **(245)** | (52) |
| 24.6 Dividends to shareholders | | | | |
| Dividends to ordinary and B ordinary shareholders | **935** | 712 | **935** | 712 |
| Less: dividends on shares held by staff share trusts | **(64)** | (57) | | |
| Add: dividends paid by Partners Share Trust | **17** | 15 | | |
| | **888** | 670 | **935** | 712 |
| **25. Capital expenditure** | | | | |
| The capital expenditure authorised by the Directors of the Company or its consolidated entities but not provided for in the financial statements amounts to | **549** | 311 | **549** | 311 |
| of which contracts have been placed for | **99** | 115 | **99** | 115 |
| 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: | | | | |
| Within 1 year | **917** | 852 | **866** | 827 |
| After 1 year but less than 5 years | **1 991** | 1 883 | **1 853** | 1 823 |
| More than 5 years | **324** | 509 | **314** | 503 |
| | **3 232** | 3 244 | **3 033** | 3 153 |

## 27. Financial guarantees

The Company had previously provided support to the purchasers of the Hub chains as security for operating lease obligations. The business was subsequently 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.

## 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 4 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 is a cash-based business. The Group monitors capital through a process of analysing the underlying cash flows, which in turn drives the residual capital structure, consisting of share capital, share premium, reserves and retained income as quantified in the statement of changes in equity.

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, Nigeria and Ghana subsidiaries 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, naira and cedi respectively and its effect on equity for the year. The sensitivity analysis adjusts their translation at year end for a 10% change in the exchange rate.

**Group**

| | | **2013 R'm** | 2012 R'm |
|---|---|---|---|
| Rate variance - pula | +10% | **2** | 1 |
| | -10% | **(2)** | (1) |
| Rate variance - naira | +10% | **-** | - |
| | -10% | **-** | - |
| Rate variance - cedi | +10% | **1** | - |
| | -10% | **(1)** | - |
| Group - total foreign exchange exposure | +10% | **3** | 1 |
| | -10% | **(3)** | (1) |

## 28. Financial risk management (continued)

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 transactions being covered by forward exchange contracts (FECs) when deemed appropiate. FECs are used to address limited cases of direct exposure and forward rand denominated commitments are negotiated with local suppliers.

At year end FEC commitments were:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Current liability US$'m | **1** | 26 | **1** | 26 |
| Exchange rate R/US$ - average contract rate | **R8.811** | R7.859 | **R8.811** | R7.859 |
| Exchange rate R/US$ - year end closing rate | **R9.243** | R 7.705 | **R9.243** | R7.705 |

The contracts will mature within periods varying up to 6 months after year end and translates to R7.3 million (2012: R201.6 million) at the market rate of an equivalent contract at year end.

With reference to these FECs, 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 FECs and adjusts their translation at year end for a 10% change in the exchange rate.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | | **R'm** | R'm | **R'm** | R'm |
| Rate variance - US Dollar | +10% | **(1)** | (20) | **(1)** | (20) |
| | -10% | **1** | 20 | **1** | 20 |

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 receivables and the Group's risk management policies regarding trade receivables are 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 | | Company | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | | **R'm** | R'm | **R'm** | R'm |
| Rate variance | +1% | **14** | 10 | **14** | 10 |
| | -1% | **(14)** | (10) | **(14)** | (10) |

At 30 March 2013 the Group did not consider there to be any significant concentration of credit risk for which it had not adequately provided.

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 R'm** | 2012 R'm | **2013 R'm** | 2012 R'm |

## 28. Financial risk management (continued)

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 will enable it to borrow funds externally should it require to do so to meet any working capital or possible expansion requirements.

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 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| Total facilities | **445** | 445 | **445** | 445 |
| Less: drawn down portion | **-** | - | **-** | - |
| Total undrawn banking facilities | **445** | 445 | **445** | 445 |

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 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| 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 | **4 974** | 4 169 | **4 974** | 4 169 |
| Actual borrowings outside the Group at year end were | **-** | - | **-** | - |
| At year end bank balances were | **1 217** | 1 198 | **773** | 863 |
| Net cash resources were | **1 217** | 1 198 | **773** | 863 |

Included in Group cash resources is an amount of R71.4 million (2012: R50.6 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 3 months | 3 months to 1 year | Total |
|---|---|---|---|---|
| **Group (R'm)** | | | | |
| **2013** | | | | |
| Trade and other payables | 174 | 1 018 | 84 | 1 276 |
| | 174 | 1 018 | 84 | 1 276 |
| 2012 | | | | |
| Trade and other payables | 233 | 922 | 79 | 1 234 |
| | 233 | 922 | 79 | 1 234 |
| **Company (R'm)** | | | | |
| **2013** | | | | |
| Trade and other payables | 165 | 995 | 80 | 1 240 |
| | 165 | 995 | 80 | 1 240 |
| 2012 | | | | |
| Trade and other payables | 229 | 905 | 75 | 1 209 |
| | 229 | 905 | 75 | 1 209 |

The Group expects to meet its obligations from existing cash reserves and from operating cash flows. The Group's derivative financial liabilities comprise FECs which are disclosed in note 28.2.2. Please refer to note 26 for operating lease commitments.

## 28. Financial risk management (continued)

28.5 Fair value hierarchy

As at 30 March 2013 the Group held financial instruments measured at fair value in the form of FECs. 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 FECs 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 56.

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 2 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 13.72% 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 3 years. In the statutory valuation as at 31 December 2011, 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 R91.4 million and the liability for accrued benefits, including a solvency reserve of R13.9 million, was R88.7 million, resulting in a funding level of 103.1% and a distributable surplus of R2.8 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.

## 29. Retirement benefits (continued)

29.1 Pension schemes (continued)

29.1.3 Valuations (continued)

| | Group and Company 2013 R'm | 2012 R'm |
|---|---|---|
| The funded status of the defined benefit retirement fund, actuarially calculated annually at reporting date in terms of IAS 19, is as follows: | | |
| Benefit obligation | **(85)** | (76) |
| Plan assets | **105** | 92 |
| Net benefit plan asset | **20** | 16 |
| The amounts recognised in the income statement are detailed in note 19. | | |
| Estimated return on plan assets | **9** | 9 |

The following main assumptions were used in performing the calculation:

- Discount rate - 8.90% per annum (2012: 8.25% per annum)
- Rate of return on assets - 9.25% per annum (2012: 9.25% per annum)
- Future salary increases - 7.60% per annum (2012: 6.50% per annum)

Movements in the present value of the defined benefit obligation in the current period were as follows:

| | 2013 R'm | 2012 R'm |
|---|---|---|
| Defined benefit obligation at beginning of the year | **76** | 64 |
| Current service cost | **4** | 3 |
| Member contributions | **1** | 1 |
| Interest cost | **7** | 6 |
| Actuarial loss | **6** | 8 |
| Benefits paid | **(8)** | (5) |
| Risk premiums | **(1)** | (1) |
| Defined benefit obligation at end of the year | **85** | 76 |

Movements in the present value of the plan assets in the current period were as follows:

| | 2013 R'm | 2012 R'm |
|---|---|---|
| Fair value of plan assets at beginning of the year | **92** | 84 |
| Expected return on assets | **9** | 9 |
| Contributions | **4** | 4 |
| Risk premiums | **(1)** | (1) |
| Benefits paid | **(8)** | (5) |
| Actuarial gain | **9** | 1 |
| Fair value of plan assets at end of the year | **105** | 92 |

## 29. Retirement benefits (continued)

29.1 Pension schemes (continued)

29.1.3 Valuations (continued)

The estimated asset composition of the fair value of total plan assets is as follows:

| | Group and Company 2013 % | 2012 % |
|---|---|---|
| Cash | **12.6** | 14.3 |
| South African equities | **44.4** | 45.4 |
| South African bonds | **13.4** | 11.6 |
| South African property and other | **4.9** | 4.4 |
| International assets | **24.7** | 24.3 |
| | **100.0** | 100.0 |

The amounts for the current and previous 4 periods are as follows (R'm):

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Defined benefit obligation | **(85)** | (76) | (64) | (58) | (48) |
| Plan assets | **105** | 92 | 84 | 75 | 67 |
| Net plan asset | **20** | 16 | 20 | 17 | 19 |

Defined contribution 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 permanent valuation exemption by the Financial Services Board on 25 October 2011. 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 3 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
Average retirement age - 62 years
Continuation at retirement - 100%

Activity during the year was as follows:

| | Group and Company 2013 R'm | 2012 R'm |
|---|---|---|
| Benefit obligation at beginning of the year | **15** | 13 |
| Net increase in provision during the year | **1** | 2 |
| Provision in income statement | **1** | 2 |
| Contributions | **-** | - |
| Benefit obligation at end of the year | **16** | 15 |

The amounts for the current and previous 4 periods are as follows (R'm):

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Defined benefit obligation | **16** | 15 | 13 | 11 | 10 |

## 30. Related party transactions

| | Group 2013 R'm | Group 2012 R'm | Company 2013 R'm | Company 2012 R'm |
|---|---|---|---|---|
| **30.1 Directors** | | | | |
| Refer to the Report of the Directors on pages 6 and 7 in respect of transactions with Directors. | | | | |
| **30.2 Compensation of key management personnel** | | | | |
| Short-term employee benefits | **61** | 68 | **61** | 68 |
| Post employment pension benefits | **7** | 8 | **7** | 8 |
| Share-based payments | **13** | 10 | **13** | 10 |
| | **81** | 86 | **81** | 86 |
| The above compensation includes amounts paid to executive senior management personnel and 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 | | | | |
| International Supply Company — Inventory purchased | **-** | 11 | **-** | 11 |
| | **-** | 11 | **-** | 11 |
| Legal fees of R0.6 million (2012: R1.9 million) were paid or payable to attorneys Bernadt, Vukic, Potash & Getz of which Mr K Getz, a non-executive Director, is a partner. | | | | |
| Consulting fees of R0.2 million (2012: R0.3 million) were paid to Prof. LJ Ring, an Alternate non-executive Director. | | | | |
| Amounts owed to related parties at year end: | | | | |
| Related party | | | | |
| Bernadt, Vukic, Potash & Getz | **0.2** | 0.1 | **0.2** | 0.1 |
| | **0.2** | 0.1 | **0.2** | 0.1 |

30.4 Participants in staff share trusts

Refer to notes 9.5 and 9.7 in respect of transactions with participants in the staff share trusts.

30.5 Post retirement benefit funds

Refer to notes 19 and 29 in respect of transactions with post retirement benefit funds.

## 30. Related party transactions (continued)

30.6 Inter group transactions

The following transactions occurred between the Company and its consolidated entities:

| | Company 2013 R'm | Company 2012 R'm |
|---|---|---|
| Sales | **498** | 391 |

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 3 reportable segments as follows:

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

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

| | Apparel | | Home | | Central Services | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| R'm | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Revenue | **9 759** | 8 673 | **3 893** | 3 379 | **156** | 145 | **(144)** | (135) | **13 664** | 12 062 |
| External | **9 759** | 8 673 | **3 893** | 3 379 | **12** | 10 | **-** | - | **13 664** | 12 062 |
| Internal | **-** | - | **-** | - | **144** | 135 | **(144)** | (135) | **-** | - |
| Profit from operating activities | **1 728** | 1 515 | **492** | 373 | **(148)** | (147) | **-** | - | **2 072** | 1 741 |
| Net finance income | | | | | | | | | **56** | 45 |
| Profit before taxation | | | | | | | | | **2 128** | 1 786 |
| Taxation | | | | | | | | | **591** | 569 |
| Profit attributable to shareholders | | | | | | | | | **1 537** | 1 217 |
| Divisional assets | **2 510** | 2 102 | **721** | 657 | **1 666** | 1 537 | **-** | - | **4 897** | 4 296 |
| Divisional liabilities | **903** | 908 | **482** | 451 | **201** | 160 | **(5)** | (4) | **1 581** | 1 515 |
| Capital expenditure | **174** | 124 | **45** | 43 | **119** | 135 | **-** | - | **338** | 302 |
| Depreciation and amortisation | **89** | 86 | **38** | 43 | **62** | 61 | **-** | - | **189** | 190 |

31.2 Geographical segments

| | South Africa | | Other Africa | | Total | |
|---|---|---|---|---|---|---|
| R'm | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| Revenue | **12 946** | 11 513 | **718** | 549 | **13 664** | 12 062 |
| Assets | **4 595** | 4 075 | **302** | 221 | **4 897** | 4 296 |
| Capital expenditure | **326** | 292 | **12** | 10 | **338** | 302 |

## FINANCIAL INTEREST IN CONSOLIDATED ENTITIES

for the 52 week period ended 30 March 2013

| | Notes | Issued capital 2013 Shares | Issued capital 2012 Shares | Carrying value of shares 2013 R'm | Carrying value of shares 2012 R'm | Indebtedness less impairment provisions 2013 R'm | Indebtedness less impairment provisions 2012 R'm |
|---|---|---|---|---|---|---|---|
| **Operating subsidiaries** | | | | | | | |
| Specialty Stores (Botswana) (Pty) Limited | 1 | **100** | 100 | **-** | - | **38** | 41 |
| Mr Price (Lesotho) (Pty) Limited | 2 | **1 000** | 1 000 | **-** | - | **7** | 4 |
| Mr Price Group (Namibia) (Pty) Limited | 3 | **100** | 100 | **-** | - | **35** | 61 |
| Mr Price Chain Stores International Limited (Nigeria) | 4 | **500 000** | 500 000 | **2** | 2 | **37** | 12 |
| Mr Price Chain Stores International Limited (Ghana) | 5 | **480 000** | - | **2** | - | **20** | - |
| Mr Price Credit Finance Company (Pty) Limited | 6 | **-** | 100 | **-** | 228 | **-** | (235) |
| Millews Fashions (Johannesburg) (Pty) Limited | 7 | **28 000** | 28 000 | **-** | - | **34** | 46 |
| Associated Credit Specialists (Pty) Limited | 8 | **100** | 100 | **-** | - | **1** | 14 |
| **Share trusts** | | | | | | | |
| Mr Price Group Staff Share Trust and Share Purchase Scheme | | | | | | **-** | - |
| Mr Price Group Employees Share Investment Trust | | | | | | **-** | - |
| Mr Price Executive Director Share Trust | | | | | | **1** | 1 |
| Mr Price Executive Share Trust | | | | | | **1** | 1 |
| Mr Price Senior Management Share Trust | | | | | | **1** | 2 |
| Mr Price General Staff Share Trust | | | | | | **1** | - |
| Mr Price Partners Share Trust | | | | | | **-** | - |
| **Cell captives** | | | | | | | |
| Guardrisk Insurance Company Limited (Cell number 136) | | **20** | 20 | **-** | - | **-** | - |
| Guardrisk Life Limited (Cell number 048) | | **20** | 20 | **-** | - | **7** | 2 |
| **Dormant subsidiaries** | | | | | | | |
| Raava Jewellers (Namibia) (Pty) Limited | | **100** | 100 | **1** | 1 | **-** | - |
| Hughes Extension 17 Township (Pty) Limited | | **100** | 100 | **-** | - | **-** | - |
| **Total** | | | | **5** | 231 | **183** | (51) |

**Notes:**

1. Operates Mr Price Apparel, Mr Price Home, Miladys and Sheet Street stores in Botswana.
2. Operates Mr Price Apparel, Mr Price Home and Sheet Street stores in Lesotho.
3. Operates Mr Price Apparel, Mr Price Home, Miladys, Sheet Street and Mr Price Sport stores in Namibia.
4. Operates Mr Price Apparel stores in Nigeria.
5. Operates a Mr Price Apparel store in Ghana.
6. Previously financed the trade receivables of the Mr Price Group. Company liquidated during the year.
7. Develops and leases premises to Group operations.
8. Recovers overdue debts from credit customers.

The Company owns 100% of the equity and preference share capital (where applicable) of all subsidiaries and cell captives.

## ANALYSIS OF THE MOVEMENT OF OWNED PROPERTY, PLANT AND EQUIPMENT

for the 52 week period ended 30 March 2013

| | Furniture, fittings, equipment and vehicles | | Computer equipement | | Improvements to leasehold premises | | Buildings | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| R'm | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| **Group** | | | | | | | | | | |
| Net carrying amount at beginning of the year | **450** | 413 | **42** | 36 | **11** | 9 | **37** | - | **540** | 458 |
| Cost or carrying amount | **1 079** | 1 058 | **134** | 121 | **39** | 35 | **39** | - | **1 291** | 1 214 |
| Accumulated depreciation and impairment | **(629)** | (645) | **(92)** | (85) | **(28)** | (26) | **(2)** | - | **(751)** | (756) |
| Current year movements | | | | | | | | | | |
| Additions | **237** | 182 | **50** | 26 | **2** | 6 | **-** | 39 | **289** | 253 |
| Disposals and scrapping | **(7)** | (7) | **(1)** | - | **-** | - | **-** | - | **(8)** | (7) |
| Exchange differences | **1** | - | **-** | - | **-** | - | **-** | - | **1** | - |
| Depreciation | **(137)** | (138) | **(21)** | (20) | **(2)** | (4) | **(2)** | (2) | **(162)** | (164) |
| Net carrying amount at end of the year | **544** | 450 | **70** | 42 | **11** | 11 | **35** | 37 | **660** | 540 |
| Made up as follows: | | | | | | | | | | |
| Net carrying amount | **544** | 450 | **70** | 42 | **11** | 11 | **35** | 37 | **660** | 540 |
| Cost or carrying amount | **1 274** | 1 079 | **174** | 134 | **41** | 39 | **39** | 39 | **1 528** | 1 291 |
| Accumulated depreciation and impairment | **(730)** | (629) | **(104)** | (92) | **(30)** | (28) | **(4)** | (2) | **(868)** | (751) |
| **Company** | | | | | | | | | | |
| Net carrying amount at beginning of the year | **433** | 402 | **41** | 36 | **11** | 8 | **-** | - | **485** | 446 |
| Cost or carrying amount | **1 061** | 1 046 | **131** | 119 | **28** | 24 | **-** | - | **1 220** | 1 189 |
| Accumulated depreciation and impairment | **(628)** | (644) | **(90)** | (83) | **(17)** | (16) | **-** | - | **(735)** | (743) |
| Current year movements | | | | | | | | | | |
| Additions | **215** | 173 | **49** | 25 | **2** | 6 | **-** | - | **266** | 204 |
| Disposals and scrapping | **(7)** | (7) | **(1)** | - | **-** | - | **-** | - | **(8)** | (7) |
| Depreciation | **(131)** | (135) | **(21)** | (20) | **(2)** | (3) | **-** | - | **(154)** | (158) |
| Net carrying amount at end of the year | **510** | 433 | **68** | 41 | **11** | 11 | **-** | - | **589** | 485 |
| Made up as follows: | | | | | | | | | | |
| Net carrying amount | **510** | 433 | **68** | 41 | **11** | 11 | **-** | - | **589** | 485 |
| Cost or carrying amount | **1 233** | 1 061 | **171** | 131 | **30** | 28 | **-** | - | **1 434** | 1 220 |
| Accumulated depreciation and impairment | **(723)** | (628) | **(103)** | (90) | **(19)** | (17) | **-** | - | **(845)** | (735) |

Details of buildings:
Remainder of portion 4 of Erf 11383 Richards Bay Registration Division GV, Province of Kwa-Zulu Natal, in extent 2 616 square metres.
Remaining extent of Erf 4749 Bethlehem District, Bethlehem Province, Free State, in extent of 3 538 square metres.

## ANALYSIS OF THE MOVEMENT OF LEASED PROPERTY, PLANT AND EQUIPMENT

for the 52 week period ended 30 March 2013

| | Buildings | |
|---|---|---|
| | **2013** | 2012 |
| | **R'm** | R'm |
| **Group and Company** | | |
| Net carrying amount at beginning of the year | **-** | 1 |
| Cost | **27** | 27 |
| Accumulated depreciation | **(27)** | (26) |
| Current year movement | | |
| Depreciation | **-** | (1) |
| Net carrying amount at end of the year | **-** | - |
| Made up as follows: | | |
| Net carrying amount | **-** | - |
| Cost | **27** | 27 |
| Accumulated depreciation | **(27)** | (27) |

## ANALYSIS OF THE MOVEMENT OF INTANGIBLE ASSETS

for the 52 week period ended 30 March 2013

| R'm | Computer software 2013 | Computer software 2012 | Customer lists 2013 | Customer lists 2012 | Goodwill 2013 | Goodwill 2012 | Trademarks 2013 | Trademarks 2012 | Total 2013 | Total 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | |
| Net carrying amount at beginning of the year | **82** | 58 | **14** | 15 | **6** | 6 | **-** | - | **102** | 79 |
| Cost or carrying amount | **122** | 102 | **34** | 27 | **6** | 6 | **18** | 18 | **180** | 153 |
| Accumulated amortisation and impairment | **(40)** | (44) | **(20)** | (12) | **-** | - | **(18)** | (18) | **(78)** | (74) |
| Current year movements | | | | | | | | | | |
| Additions arising from external development/acquisition | **41** | 38 | **2** | 7 | **-** | - | **-** | - | **43** | 45 |
| Additions arising from internal development | **6** | 4 | **-** | - | **-** | - | **-** | - | **6** | 4 |
| Disposals | **(8)** | - | **-** | - | **-** | - | **-** | - | **(8)** | - |
| Impairment | **-** | - | **(11)** | - | **-** | - | **-** | - | **(11)** | - |
| Amortisation | **(23)** | (18) | **(4)** | (8) | **-** | - | **-** | - | **(27)** | (26) |
| Net carrying amount at end of the year | **98** | 82 | **1** | 14 | **6** | 6 | **-** | - | **105** | 102 |
| Made up as follows: | | | | | | | | | | |
| Net carrying amount | **98** | 82 | **1** | 14 | **6** | 6 | **-** | - | **105** | 102 |
| Cost or carrying amount | **149** | 122 | **26** | 34 | **6** | 6 | **18** | 18 | **199** | 180 |
| Accumulated amortisation and impairment | **(51)** | (40) | **(25)** | (20) | **-** | - | **(18)** | (18) | **(94)** | (78) |
| **Company** | | | | | | | | | | |
| Net carrying amount at beginning of the year | **82** | 58 | **14** | 15 | **1** | 1 | **-** | - | **97** | 74 |
| Cost or carrying amount | **122** | 102 | **34** | 27 | **1** | 1 | **18** | 18 | **175** | 148 |
| Accumulated amortisation and impairment | **(40)** | (44) | **(20)** | (12) | **-** | - | **(18)** | (18) | **(78)** | (74) |
| Current year movements | | | | | | | | | | |
| Additions arising from external development/acquisition | **41** | 38 | **2** | 7 | **-** | - | **-** | - | **43** | 45 |
| Additions arising from internal development | **6** | 4 | **-** | - | **-** | - | **-** | - | **6** | 4 |
| Disposals | **(8)** | - | **-** | - | **-** | - | **-** | - | **(8)** | - |
| Impairment | **-** | - | **(11)** | - | **-** | - | **-** | - | **(11)** | - |
| Amortisation | **(23)** | (18) | **(4)** | (8) | **-** | - | **-** | - | **(27)** | (26) |
| Net carrying amount at end of the year | **98** | 82 | **1** | 14 | **1** | 1 | **-** | - | **100** | 97 |
| Made up as follows: | | | | | | | | | | |
| Net carrying amount | **98** | 82 | **1** | 14 | **1** | 1 | **-** | - | **100** | 97 |
| Cost or carrying amount | **149** | 122 | **26** | 34 | **1** | 1 | **18** | 18 | **194** | 175 |
| Accumulated amortisation and impairment | **(51)** | (40) | **(25)** | (20) | **-** | - | **(18)** | (18) | **(94)** | (78) |

The goodwill raised previously relates to the acquisition of Associated Credit Specialists, a debt collection business.

# REMUNERATION REPORT

## THE REMUNERATION REPORT PROVIDES AN OVERVIEW OF THE GROUP'S REMUNERATION PHILOSOPHY, POLICY, PRACTICES AND GOVERNANCE, WITH PARTICULAR FOCUS ON EXECUTIVE AND NON-EXECUTIVE DIRECTORS.

The Group has reviewed its remuneration practices in relation to King III and, to maintain its competitive edge, has applied the principles that are appropriate for the business. There have been no material changes to the principles during the year under review. The disclosure of the remuneration of executive Directors is governed by the JSE Listings Requirements and the Companies Act (71 of 2008) with additional recommendations from King III. The Group complies with all disclosure aspects, except the recommendation of paragraph 180 of King III. This relates to the present value of long-term incentives which are not disclosed due to the varied valuation models and the unpredictable forecasting element required to determine the value of the share options when vesting. The Group's opinion is that to view the present value option awards as remuneration is misleading, in that the present value does not reflect the value paid to or receivable by the executive. Such gains in option values can only be determined upon exercise of the shares. However, share option disclosure has been enhanced in order to aid shareholder evaluation (refer to page 62).

The following proposals were approved by shareholders at the Annual General Meeting held in August 2012:

- Fees for the non-executive Directors;
- Remuneration Policy (non-binding vote); and
- Various amendments to the share schemes.

The Group is appreciative of the input and feedback received from shareholders. The general feedback has been that the level of disclosure on remuneration matters is detailed and clearly laid out. Specific issues raised relating to long-term incentives are detailed on page 58, while other suggestions for improved disclosure have been incorporated into this report.

## REMUNERATION PHILOSOPHY

Driven by the principles of Passion, Value and Partnership, the Group culture encourages and incentivises high performance and sustainability as the key drivers of business success. To support this, an entrepreneurial management style is encouraged, providing all associates with the room to innovate and grow, effectively enabling ordinary people to achieve extraordinary things.

The ability to attract, retain and motivate competent people is critical to the Group's continued growth and long-term sustainability and is therefore the core of the remuneration philosophy. This philosophy aims to create partnerships with associates in the journey of continued growth through market-related base pay and benefits, attractive performance-driven incentives, recognition and reward programmes and share option schemes.

Being a value retailer, the Group aims to pay basic salaries and benefits at the market median. In the case of newly-appointed associates whose remuneration is below the median, the intention is that adjustments will be made to raise them to the median over a 3 year period, commensurate with their increased experience. Associates are provided with the opportunity to earn well above the median through generous incentives. This is achieved by reaching stretch performance targets, whereby associates' efforts are aligned with strong corporate performance and increased shareholder value. Each incentive measure is within the scope and control of the individual concerned, with only certain executive Directors' measures including an element based on headline earnings per share.

## REMUNERATION POLICY AND PRACTICES

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

Remuneration levels are influenced by work performance and scarcity of skills, especially in the area of merchandising. Given that performance-related incentives form a material part of remuneration packages, ongoing performance feedback is vital. Associates annually participate in performance and career development evaluations, focusing on work achievements, learning and development needs and values and cultural alignment. Remuneration is not influenced by race, creed or gender, with the emphasis on equal pay for equal work.

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

In the case of senior management, roles were graded according to the Paterson and Towers Watson global grading job evaluation methodology. The benchmarks included PE Corporate Services' Total Executive Remuneration Survey (which comprises approximately 800 companies listed on the JSE, private companies and parastatals), as well as the JSE database which contains information extracted from annual reports of listed companies. Each position is strictly benchmarked against like-for-like criteria and necessary adjustments are made to ensure competitive pay. In establishing an appropriate peer group for organisational benchmarking, the individual's role and business size, including turnover, profit before tax, total assets, number of employees and annual salary and wage bill, are taken into account, as well as the level of the individual's decision-making.

In conjunction with PwC, a peer group of companies was selected to benchmark the remuneration of executive Directors, including, where applicable, basic pay, short-term incentives and share option awards. In the case of executive Directors, this included 8 retail companies, 4 companies with a similar market capitalisation and 4 companies that had achieved similar total shareholder returns. In respect of non-executive Directors, due to this new peer group only being finalised after the distribution of the 2012 Annual Integrated Report, which contained the preposed fees for the 2013 financial year, fees were benchmarked against a pre-existing peer group. The peer groups will be aligned when the next external benchmark study is conducted.

There is strong alignment between the types of benefits offered to permanent associates. The Group can justify areas where differentiation has been applied, specifically where consideration has been given to the position's seniority and the need to attract and retain key skills.

## EMPLOYMENT CONTRACTS

All associates sign letters of employment, which stipulate the notice period. The contract may be terminated by either party giving written notice of 1 month for a store or head office associate, 3 months for a divisional Director and 6 months for executive Directors.

Despite 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 or providing 'balloon' payments on termination or retirement.

## REMUNERATION STRUCTURE

Remuneration and reward structures comply with the remuneration philosophy and are categorised into 3 elements:

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

Refer to page 61 for the breakdown of executive Directors' remuneration for the year.

### Fixed Remuneration

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

Basic Pay

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, as long as internal equity was not disrupted and the employment achieved the Group's commitment to ensuring the right candidate fit. All associates earn above legislated minimum wages.

Medical Aid Benefits

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 2 986 associates covered by the Group medical aid. Associates are approached 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. During the past year, Discovery KeyCare Access was introduced as a further cost-effective and affordable offering to associates.

Post-retirement medical aid benefits, which are no longer a condition of service, are available to a limited number of associates who remain members of the closed defined benefit pension fund. These benefits are no longer available to new associates.

Retirement Fund Benefits

Retirement benefits for the majority of associates employed in South Africa, Swaziland and Lesotho are provided in a funded defined benefit fund and 2 funded defined contribution funds. Associates employed in Namibia, Botswana, Ghana and Nigeria are members of separate defined contribution funds in those countries. The defined benefit pension fund was closed to new entrants with effect 1 June 1997. The funds provide for pensions and related benefits for permanent associates and membership is compulsory after the first year of service. At year end, 9 348 out of a total of 11 513 permanent associates (81.2%) were members of one of the above mentioned retirement arrangements.

Vehicle Allowances and Expenses

These benefits, which include a motor vehicle allowance or company car, fuel, maintenance and insurance costs, are offered to senior associates and certain associates whose position requires them to travel for business purposes. Certain associates who are required to travel less frequently for business purposes are reimbursed for this cost. The benefit value is commensurate with the level of seniority. No material ex-gratia payments are routinely paid.

### Variable Remuneration

All associates, including executive Directors, participate in an annual short-term incentive scheme which is related to performance. Although challenging targets are set, the incentive schemes are potentially generous to encourage the achievement of targets that can be directly influenced by superior performance.

In setting the performance targets, the Remuneration and Nominations Committee ensures targets are linked to the Group or Division's annual key imperatives, are substantially within the associate's control, do not expose the organisation to undue risk caused by their behaviour and that there is an appropriate balance between short-term and long-term incentivisation. Through the incentive bonus system, the Group rewards associates who have contributed to meeting short-term targets. Bonus payments are not deferred, as it is essential to attract and retain bright young talent, many of whom are at the age that they are committing to their first property purchase or financing their children's education.

Associates have to be in the Company's employ at financial year end to receive incentive bonuses, unless due to specific circumstances, alternative arrangements have been approved by the Remuneration and Nominations Committee.

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

Incentives are tied to specific areas under the individual's control, as follows:

Divisional Executives

The incentive schemes for the 2013 financial year were further enhanced to provide a better balance between short-term results and the achievement of key imperatives to build a sustainable business. Further amendments were made to take into account changed business conditions and areas of focus, but this did not result in any increase to the maximum level of incentives awarded.

Divisional executives are measured on divisional profitability, stock turn, shrinkage, internal audit results, cost curtailment, profitability of franchise stores, net bad debt write-off percentage and the achievement of certain strategic key imperatives. In the case of service divisions, like Systems and People, particular deliverables such as budgeted costs, service delivery, innovative business improvements and achievement of key imperatives are considered. Real Estate is measured relative to the success achieved in meeting divisional trading space targets, rent per square metre paid for new or renewed leases, the cost per square metre of developed store space and the introduction of energy efficient solutions. The methodology also includes penalty clauses - if there is a decline in internal audit score, shrinkage or stock turn to below a certain threshold, then a negative score is allocated, reducing the overall incentive payable.

The awards are only made if the division achieves its budgeted half year and annual profit targets. In that event, a maximum award of 3 months' salary is awarded at senior management level. The bulk of the short-term incentive award depends on exceeding budget and achieving stretch performance targets. The maximum that can be earned varies between 6 and 12 months basic salary, depending on the position and division.

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

Executive Directors

The incentive portion of Directors' earnings is tied to financial targets and is measured as a multiple of monthly salary. The achievement of predetermined targets is a function of:

- Measurable company performance, dependent on the executive's work function. Targets are linked to the Group's performance and are tailored annually to ensure alignment with key imperatives for the year.

  The awards are only made if the Group achieves its budgeted half year and annual profit targets. In that event, a maximum award of 4 months' salary is made. The bulk of the short-term incentive award therefore depends on exceeding budget and achieving stretch performance targets.

  For the 2013 financial year, the executive Directors' targets included: growth in headline earnings per share, return on equity, return on operating assets and the Group maintaining its B-BBEE compliance at a predetermined level. In addition to profitability targets, the Group Supply Chain Director was also measured on strategic imperatives including utilisation of offshore merchandise consolidation centres and the new distribution centre in South Africa. The maximum that can be earned is equal to 12 month's basic salary.

  For the 2014 financial year the incentive scheme has been amended to achieve a more appropriate balance between short and long-term performance – refer page 65 for details.

- Personal performance, incorporating areas of demonstrated performance contribution like leadership, innovation, effort and teamwork.

  Measuring these 'soft' issues necessitates more subjective judgement and is determined via individual and peer reviews. For executive Directors, 'soft' awards are capped at 12 months basic salary. A poor personal performance evaluation can reduce or eliminate the incentive due under measurable company performance.

**A STRONG RELATIONSHIP EXISTS BETWEEN EXECUTIVE INCENTIVES AND SUSTAINABLE VALUE CREATED FOR SHAREHOLDERS.**

## LONG-TERM INCENTIVES

Partnership and reward for performance are among the Group's key beliefs. The Group has ambitious growth plans that will require substantial capital expenditure and the continued dedication of its associates. The long-term incentives are to retain people critical to the achievement of these goals. To that end, various share and share option schemes have been established to enable all permanent associates within the SADC region to share in the long-term success of the Group. These incentives aim to retain key skills and motivate executives over the long term, which is essential to sustainable performance.

Currently, there are 5 share option schemes in addition to the Mr Price Partners Share Scheme, where shares are awarded instead of options. Associates in junior positions, where staff turnover is relatively high, are only awarded shares or options after being permanently employed for 12 months. The share schemes are subjected to an annual review to confirm their efficacy and affordability. An outline of the various schemes in operation can be found on the Group's website www.mrpricegroup.com/remunerationphilosophy.

### Mr Price Employees Share Investment Trust

Over and above these share schemes, the Mr Price Employees Share Investment Trust gives all permanent associates the opportunity to purchase shares on a monthly basis through a salary sacrifice, with an additional contribution of 15% from the Company.

### Mr Price Partners Share Scheme

At the time of designing the new share schemes in 2006, a key factor was that the share and share option schemes would, in essence, incorporate the Group's intentions regarding the ownership criteria of Broad-Based Black Economic Empowerment (B-BBEE). Rather than enter into an ownership deal with external parties, the Board resolved to embrace the true spirit of B-BBEE and, subject to certain qualifying criteria, included all associates in its various share and share option schemes. In this way, those responsible for contributing to the Group's success become partners in the business and are rewarded for sustained high performance.

Since an upfront free allocation of shares, and not share options, is awarded under the Mr Price Partners Share Scheme, participants of this scheme receive bi-annual dividends and are eligible to vote on their shares at the AGM. Furthermore, 50% of the trustees overseeing the operation of this scheme were elected by the participants in March 2011, which serves to ensure greater understanding and enhanced two-way communication between partners, the trustees and the Board. Black ownership in this scheme is 95% and the average value of shares held on behalf of each individual associate is R87 000. During the financial year, dividends received by each associate averaged R2 800.

### Share Option Schemes

The share option schemes operate on a "rolling" basis, in that annual awards are made according to benchmarked criteria and the timing of these awards coincides with a tranche vesting. This "Rand averaging" mechanism spreads the market risk, avoiding the situation where all options could be out of the money, which is a disincentive to associates. Re-pricing of strike prices is not permitted and options are not awarded to or exercised by key personnel in the Executive and Executive Director Share Schemes during closed periods.

The 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.

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

- The absence of performance conditions - the amendment approved at the Annual General Meeting introduced minimum performance conditions that must be satisfied in order for shares to vest. Performance conditions will be considered should the Company implement a forfeitable share plan (refer page 65).

- High share-usage limit - the Group's partnership approach results in all associates within the SADC region participating in the share schemes, which is unique in South Africa and critical to the success of the Company. Over 8 800 associates are members of the various share schemes in operation, which has resulted in a large number of shares or options being awarded. Participation is expected to reduce over time, as there is a shift to an allocation formula which will take into account annual guaranteed remuneration and the prevailing share price. Going forward, this should lead to smaller tranches being offered. Furthermore, the Board is of the opinion that it is not appropriate to include shares allocated under the Partners Share Scheme, which effectively operates as the Group's B-BBEE scheme. Excluding this scheme, the total number of shares committed under the various equity incentive schemes equates to 8.8% of the issued share capital. It is not anticipated that any new shares will be issued to satisfy any options granted, so no shareholder dilution will take place.

**SINCE THE INCEPTION OF THE NEW SHARE SCHEMES IN 2006, PARTICIPANTS IN THE PARTNERS SHARE SCHEME HAVE BENEFITTED BY A RISING SHARE PRICE AND A CONSISTENT INCREASE IN DIVIDENDS, IN LINE WITH COMPANY PERFORMANCE.**

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

- Variable vesting periods – allowing 'upfront' awards in order to attract key individuals, for which shares will vest in equal tranches over a number of years; as well as allowing smaller annual awards that will vest in one tranche at a fixed future date;
- Prevention of vesting in the event of poor performance - the potential for the Remuneration and Nominations Committee to prevent vesting in circumstances where the individual is deemed to have demonstrated poor personal performance;
- Extension of exercise period for vested options – previously the options had to be exercised within 90 days of vesting, failing which they lapsed. This was extended to 5 years in respect of the Executive and Executive Director Share Schemes;
- Increase in maximum individual allocation - the maximum cumulative number of shares that could be awarded to any one participant under all share schemes was increased to 3 000 000. This number is inclusive of options which have already vested and been exercised; and
- Reduction of strike price discount – performance targets, which were based on core HEPS were amended to include divisional performance, in order for participants to not benefit unfairly from Group performance if their division did not meet target. The discount percentages were also reduced.

In terms of specific authority received from shareholders, the Company may issue 46 548 430 shares to satisfy the requirements of its share schemes. Since the schemes were introduced in 2006, the Company has issued 9 463 292 shares and therefore still has 37 085 138 shares that may be issued for this purpose. The Group's current policy is to purchase shares on the open market to satisfy the requirements of the various share schemes, as opposed to issuing new shares.

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

A summary of the current vesting and exercise periods of the share schemes is detailed below:

| TRUST | VESTING PERIOD | EXERCISE PERIOD | FREQUENCY OF ALLOCATIONS |
|---|---|---|---|
| **Partners Share Trust** | Unconditional vesting occurs 60 days after the death or retirement of the recipient associate | Immediate upon unconditional vesting | A once-off initial allocation is made with no further top up allocations being awarded |
| **General Staff Share Trust** | 3 years from date of offer | within 90 days of vesting | Annually |
| **Senior Management Share Trust** | 5 years from date of offer | within 90 days of vesting | Annually |
| **Executive Share Trust** | 5 years from date of offer | within 5 years of vesting | Annually |
| **Executive Director Share Trust** | 5 years from date of offer | within 5 years of vesting | Annually |

Concerning the vesting of shares on retirement or for other reasons for ending employment, the share trusts' rules stipulate:

- Associates retiring at the age of 65 may retain unvested share options that will vest according to their original timeframes. However, given that associates are entitled to take early retirement from the age of 50, guidelines were established taking into account the age and years' service of associates retiring before 65. These guidelines permit the retention post-retirement of unvested options on a sliding scale, whereby associates can take early retirement from 50 and retain their options if they have a minimum 25 years' service, to retirement at 64 which requires 11 years' service. Retirement at 65 does not require a minimum service period. In all other retirement or dismissal situations, unvested options will lapse unless the Board exercises its discretion and permits the exercise of any or all of the unexercised options.
- In the Mr Price Partners Share Scheme, retirement causes the shares to vest unconditionally. The age and length of service guidelines detailed above have also been applied to those associates retiring before 65.

  Since the inception of the share option schemes, the Board has exercised its discretion on an exceptional basis, and has allowed 4 associates to retain unvested options post resignation. In using its discretion, the Board considered the associate's length of service, resignation circumstances, past services to the Group and the vesting period remaining on all offered tranches. In 3 cases, the tranche closest to maturity was retained while the remaining unvested tranches were forfeited. No accelerated vesting of share options is permitted.

  The risk of dilution is reduced by the Group purchasing (rather than issuing) shares on the open market to meet its various obligations under the share schemes.

The extent to which the Company is hedged against further share price appreciation and details of unvested/unexercised shares and options at the reporting date is as follows:

| SHARE SCHEME | Number of Participants | Number of Options/ Shares | % of Total Options | % of Issued Share Capital *1 | Shares Held by the Trusts to Satisfy Obligations*2 | % of Total Obligation Hedged |
|---|---|---|---|---|---|---|
| Mr Price Share Option Scheme | 91 | 151 569 | 1 | 0.06 | | |
| Mr Price General Staff Share Trust | 1 713 | 11 790 590 | 41 | 4.46 | | |
| Mr Price Senior Management Share Trust | 198 | 4 634 677 | 16 | 1.75 | | |
| Mr Price Executive Share Trust | 29 | 3 200 427 | 11 | 1.21 | | |
| Mr Price Executive Director Share Trust | 5 | 3 550 338 | 12 | 1.34 | | |
| **SUB TOTAL** | **2 036** | **23 327 601** | **81** | **8.82** | | |
| Mr Price Partners Share Trust | 6 851 | 5 419 806 | 19 | 2.05 | | |
| **TOTAL** *3 | **8 887** | **28 747 407** | **100** | **10.87** | **18 550 769** | **64.5***4 |

*1 Issued share capital includes 13 445 081 B ordinary shares convertible into ordinary shares at the instance of the B ordinary shareholder on a one-for-one basis.

*2 Future obligations are partly hedged as the Group has acquired these shares in the open market.

*3 The Partners Share Trust is effectively the Group's B-BBEE scheme, excluding which, the total reduces to 8.82% of issued share capital.

*4 In terms of cash flow, the Company's unhedged commitments, at a closing share price of R116.99 amounts to R1.2 billion. In comparison the strike price payable by participants amounts to R1.1 billion.

## REMUNERATION GOVERNANCE STRUCTURE

### Board

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

### Remuneration and Nominations Committee

The Committee oversees the remuneration of executive Directors and divisional executives. It operates according to a formal Board mandate, which can be found on the Group's website www.mrpricegroup.com.

## THE COMMITTEE IS COMPRISED OF THE FOLLOWING DIRECTORS:

- **Mr MR Johnston** *(Chairman) Lead Independent non-executive Director*
- **Mr K Getz** *Non-executive Director*
- **Mr NG Payne** *Independent non-executive Director*
- **Mr MJD Ruck** *Independent non-executive Director*
- **Mr WJ Swain** *Independent non-executive Director*

Other executive and non-executive parties attend the Committee meetings where appropriate, but no individual is present when their remuneration is discussed. Meeting attendance is disclosed under the Corporate Governance Report on page 65 of the Annual Integrated Report on the Group's website. The Chairman, Mr MR Johnston, attends the Annual General Meeting (AGM) and is available to answer shareholders' questions regarding the remuneration policy, its application and the Committee's activities.

Annual fees payable to Committee members during the 2013 financial year and approved at the AGM in August 2012 were:

- Chairman R107 000
- Member R68 000

The Committee met 4 times during the year under review. In respect of its nominations activities, the philosophy guiding the Committee on Board appointments and annual evaluations as outlined in the Corporate Governance Report on pages 62 to 64 of the Annual Integrated Report on the Group's website. In satisfying its mandate in remuneration focused matters, the main activities undertaken were to:

- Approve base increases for general staff and senior management throughout the Group;
- Approve, on the basis of the market benchmark exercise undertaken, the executive Director and divisional executive management remuneration, including the basis for determination of bonuses;
- Propose non-executive Director fees for approval by shareholders at the AGM;
- Review employment contracts of the Honorary Chairmen and approved remuneration payable in terms of the contracts;
- Review the performance of the Chairman, executive Directors and divisional management;
- Conduct an annual self-evaluation review, from which steps and targets for the improvement of processes and operational methods were agreed;
- Review and update the mandate for approval at the Special Corporate Governance meeting in March 2013;
- Review the Human Capital Management Project progress, which addressed the Group's most crucial needs through the implementation of the workforce management, and payroll solutions;

- Review the responses received from shareholders to the 2012 Remuneration Report contained in the Annual Integrated Report and identified opportunities to improve the determining methodology and future disclosure;
- Review all new allocations of shares and share options under the various share schemes operated by the Group; and
- Review the efficacy of the existing share schemes and propose changes (as detailed on page 65).

## PEOPLE DIVISION

The People Division is an integrated team responsible for implementing and monitoring human resources policies and processes. The Group People Director heads the division and, reporting directly to the CEO, attends divisional board meetings.

Key responsibilities include researching market trends in employee remuneration, benchmarking remuneration policies and practices to retail and other sectors and making remuneration recommendations to management. The main activities undertaken during the year under review were:

- Maintaining personalised communications to every associate, indicating in detail their total cost-to-company breakdown. This has allowed associates to fully understand the true value and benefit of their employment contract with the Group and is a key retention mechanism;
- Communicating share scheme changes to associates and, where requested, the provision of externally conducted personal financial counseling for those associates receiving substantial share scheme payouts;
- Assisted by PE Corporate Services SA, conducting a comprehensive and in-depth salary benchmarking exercise for key positions. This has allowed accurate external market comparisons by position, and detailed evaluation of internal remuneration equity across divisions. This exercise confirmed that, relative to the market, the Group reimburses associates in line with its stated remuneration philosophy of basic salary and benefits at the median, supplemented by generous performance incentives and rewards;
- A review of payroll processes and procedures leading to the selection and implementation of the VIP Payroll system, which will provide improved functionality in the processing and administration of pay and incentive schemes; and
- Selection of a suitable workforce management system in order to improve store efficiency. After substantial research and due diligence, this resulted in the Ceridian Dayforce Labour Scheduling System being rolled out to 114 stores during the 2nd half of the year, with the remainder to follow in the new financial year.

## EXECUTIVE DIRECTORS' REMUNERATION

The Remuneration and Nominations Committee annually reviews executive Directors' remuneration, set at the market median, to attract and retain the calibre required to successfully direct the Group's business. In line with the remuneration philosophy, performance-related incentives form a material part of the remuneration package and share option awards align the Director and Group interest in attaining profitable long-term growth.

Where appropriate, the Company enters into restraint and retention agreements with key executives (including divisional executives) to secure their services. Historically, the Group has entered into 10 such contracts with certain executive Directors and certain divisional Directors. Although the retention elements of these contracts has expired, the restraint clauses remain, stipulating that the executive concerned cannot join a competing retailer in any capacity for 3 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 or previous financial year.

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 2013 | Total 2012 |
|---|---|---|---|---|---|---|---|
| SI Bird* | 3 784 | 6 621 | 160 | 791 | 166 | **11 522** | 10 783 |
| MM Blair* | 2 795 | 4 379 | 331 | 600 | 109 | **8 214** | 7 683 |
| SA Ellis | 2 419 | 2 217 | 261 | 531 | 94 | **5 522** | 5 169 |
| AE McArthur | - | - | - | - | - | - | 9 712 |
| TOTAL | **8 998** | **13 217** | **752** | **1 922** | **369** | **25 258** | 33 347 |

Percentage reduction over prior year (24.3%)

*Considered to be prescribed officers

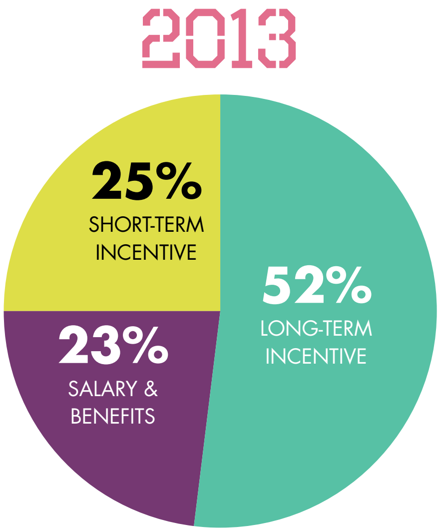
**Details of the interest of executive Directors in share options are as follows:**

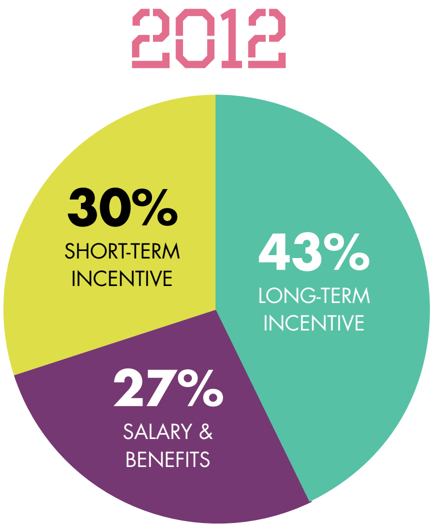
| Mr Price Executive Director Share Trust | Options held at the beginning of the year | Date of Offer | Options granted and accepted during the year | Options exercised or taken up during the year | Option price of award | Difference between acquisition price and market price of the shares on date of delivery (R'000) | Options held at the end of the year | Number of tranches remaining | Vesting date of first tranche | Vesting date of last tranche | Latest expiry date for exercise of options | Closing price |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SI Bird | 80 000[1] | 22-Nov-06 | | 40 000 | R21.15 | 4 911 | 40 000 | 1 | 22-Nov-13 | | 22-Nov-18 | R116.99 |
| | 470 000 | 27-May-09 | | 94 000 | R26.50 | 10 130 | 376 000 | 4 | 27-May-13 | 27-May-16 | 27-May-21 | R116.99 |
| | 71 000 | 22-Nov-09 | | | R32.75 | | 71 000 | 1 | 22-Nov-14 | | 22-Nov-19 | R116.99 |
| | 400 000 | 25-Aug-10 | | | R46.00 | | 400 000 | 1 | 25-Aug-15 | | 25-Aug-20 | R116.99 |
| | 90 000 | 30-Nov-10 | | | R62.77 | | 90 000 | 1 | 30-Nov-15 | | 30-Nov-20 | R116.99 |
| | 210 500 | 22-Nov-11 | | | R76.49 | | 210 500 | 1 | 22-Nov-16 | | 22-Nov-21 | R116.99 |
| | | 22-Nov-12 | 129 777 | | R133.67 | | 129 777 | 1 | 22-Nov-17 | | 22-Nov-22 | R116.99 |
| | **1 321 500** | | | | | | **1 317 277** | | | | | |
| | | | | | | | | | | | | |
| MM Blair | 234 000 | 22-Nov-06 | | 117 000 | R21.15 | 12 942 | 117 000 | 1 | 22-Nov-13 | | 22-Nov-18 | R116.99 |
| | 146 000 | 22-Nov-09 | | | R32.75 | | 146 000 | 1 | 22-Nov-14 | | 22-Nov-19 | R116.99 |
| | 155 000 | 30-Nov-10 | | | R62.77 | | 155 000 | 1 | 30-Nov-15 | | 30-Nov-20 | R116.99 |
| | 142 600 | 22-Nov-11 | | | R76.49 | | 142 600 | 1 | 22-Nov-16 | | 22-Nov-21 | R116.99 |
| | | 22-Nov-12 | 86 870 | | R133.67 | | 86 870 | 1 | 22-Nov-17 | | 22-Nov-22 | R116.99 |
| | **677 600** | | | | | | **647 470** | | | | | |
| | | | | | | | | | | | | |
| SA Ellis | 280 000 | 22-Nov-06 | | | R21.15 | | 280 000 | 2 | 22-Nov-12 | 22-Nov-13 | 22-Nov-18 | R116.99 |
| | 50 000 | 22-Nov-09 | | | R32.75 | | 50 000 | 1 | 22-Nov-14 | | 22-Nov-19 | R116.99 |
| | 50 000 | 30-Nov-10 | | | R62.77 | | 50 000 | 1 | 30-Nov-15 | | 30-Nov-20 | R116.99 |
| | 50 000 | 22-Nov-11 | | | R76.49 | | 50 000 | 1 | 22-Nov-16 | | 22-Nov-21 | R116.99 |
| | | 22-Nov-12 | 32 591 | | R133.67 | | 32 591 | 1 | 22-Nov-17 | | 22-Nov-22 | R116.99 |
| | **430 000** | | | | | | **462 591** | | | | | |
| | | | | | | | | | | | | |
| AE McArthur[2] | 654 000 | 22-Nov-06 | | 327 000 | R21.15 | 36 183 | 327 000 | 1 | 22-Nov-13 | | 20-Feb-14 | R116.99 |
| | 396 000 | 22-Nov-09 | | | R32.75 | | 396 000 | 1 | 22-Nov-14 | | 20-Feb-15 | R116.99 |
| | 250 000 | 30-Nov-10 | | | R62.77 | | 250 000 | 1 | 30-Nov-15 | | 28-Feb-16 | R116.99 |
| | **1 300 000** | | | | | | **973 000** | | | | | |
| | | | | | | | | | | | | |
| S van Niekerk[2] | 280 000 | 22-Nov-06 | | 140 000 | R21.15 | 15 491 | 140 000 | 1 | 22-Nov-13 | | 20-Feb-14 | R116.99 |
| | 50 000 | 22-Nov-09 | | | R32.75 | | 50 000 | 1 | 22-Nov-14 | | 20-Feb-15 | R116.99 |
| | **330 000** | | | | | | **190 000** | | | | | |

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

[2] Disclosure required although no longer Directors of the Company.

## Composition of executive Directors' total remuneration for the year:




### NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive Directors' fees, which comprise separate remuneration for Board activity and committee participation, are approved at the AGM. Every 2 years, the fees are benchmarked against a peer group which includes listed companies in the retail sector, certain Durban based companies and companies with a similar market capitalisation, and then 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. In addition, the Board has always felt that Directors contribute as much outside of meetings as they contribute within meetings. Proposed fees are detailed in the Notice of Meeting, set out on pages 110 and 111 of the Annual Integrated Report on the Group's website, for approval at the forthcoming AGM. Non-executive Directors do not participate in any short-term incentive schemes and do not receive share option awards.

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

| | Salary | Vehicle allowances & expenses | Pension contributions | Other benefits | Fees | Total 2013 | Total 2012 |
|---|---|---|---|---|---|---|---|
| LJ Chiappini | 1 902 | 303 | 472 | 86 | 431 | **3 194** | 3 017 |
| SB Cohen | 2 029 | 254 | 450 | 86 | 431 | **3 250** | 3 043 |
| K Getz | - | - | - | - | 377 | **377** | 254 |
| MR Johnston | - | - | - | - | 534 | **534** | 466 |
| RM Motanyane | - | - | - | - | 270 | **270** | 300 |
| D Naidoo | - | - | - | - | 279 | **279** | - |
| NG Payne | - | - | - | - | 1 000 | **1 000** | 470 |
| LJ Ring | - | - | - | 202 | - | **202** | - |
| MJD Ruck | - | - | - | - | 372 | **372** | 396 |
| SEN Sebotsa | - | - | - | - | 84 | **84** | 190 |
| WJ Swain | - | - | - | - | 537 | **537** | 505 |
| M Tembe | - | - | - | - | 270 | **270** | 236 |
| Total | 3 931 | 557 | 922 | 374 | 4 585 | **10 369** | 8 877 |

The increase in fees of 16.8% over the prior year is due to the appointments of an independent Chairman, Mr NG Payne (the previous Chairman was an executive Director), a new Director, Ms D Naidoo, and payment to Professor Larry Ring for consulting services performed prior to his retirement from the Board. If these appointments are excluded, the increase is 5.4%. Total executive and non-executive Director remuneration reflects a decrease of 15.6% over the prior year.

The Honorary Chairmen have employment contracts with the Company and the remuneration payable in terms of these contracts is decided by the Remuneration and Nominations Committee. Details explaining the role of the Honorary Chairmen, in support of their remuneration, are provided in the Corporate Governance Report on page 64 of the Annual Integrated Report on the Group's website. Their total remuneration will decrease over a 3 year period (commencing in the 2014 financial year) to the level that the Lead Director's total fees are expected to be in 2016, which is approximately R625 000 per annum. This was calculated by applying an inflationary increase of 6% per annum to the proposed Lead Director's total fees for the forthcoming year.

This has been implemented by increasing the Honorary Chairmen's fees to R625 000 in 2014, a level which will remain unaltered until 2016. Commencing 1 April 2014, the balance of their remuneration, represented by the total cost to company less the fees of R625 000, will be reduced in annual installments to 2016. Therefore in 2016, the Honorary Chairmen's salary and benefits will be Rnil, and their total remuneration, in the form of fees, will amount to R625 000.

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

| | 2013 ACTUAL | | 2014 PROPOSED | |
|---|---|---|---|---|
| BOARD OR COMMITTEE | CHAIRMAN | MEMBER | CHAIRMAN | MEMBER |
| Main Board | 1 000 000 | 202 000 | 1 050 000 | 212 000 |
| Main Board - Honorary Chairman | 431 000 | N/A | 625 000 | N/A |
| Main Board - Lead Independent Director | 325 000 | N/A | 341 000 | N/A |
| Audit and Compliance Committee | 182 000 | 102 000 | 182 000 | 102 000 |
| Board Risk Committee | N/A | 85 000 | N/A*1 | 89 000 |
| Remuneration and Nominations Committee | 107 000 | 68 000 | 112 500 | 71 500 |
| Social, Ethics, Transformation and Sustainability Committee | 107 000 | 68 000 | 112 500 | 71 500 |

*1 A total fee for the non-executive Chairman was approved by the Remuneration and Nominations Committee in March 2013, which includes his duties as Chairman of both the Board and the Board Risk Committee.

## PROPOSALS FOR FUTURE REMUNERATION POLICY

Many of the changes made to the Remuneration Policy and Practices are in response to constructive stakeholder engagement. The Group appreciates these external views and opinions and hopes that this interaction will continue.

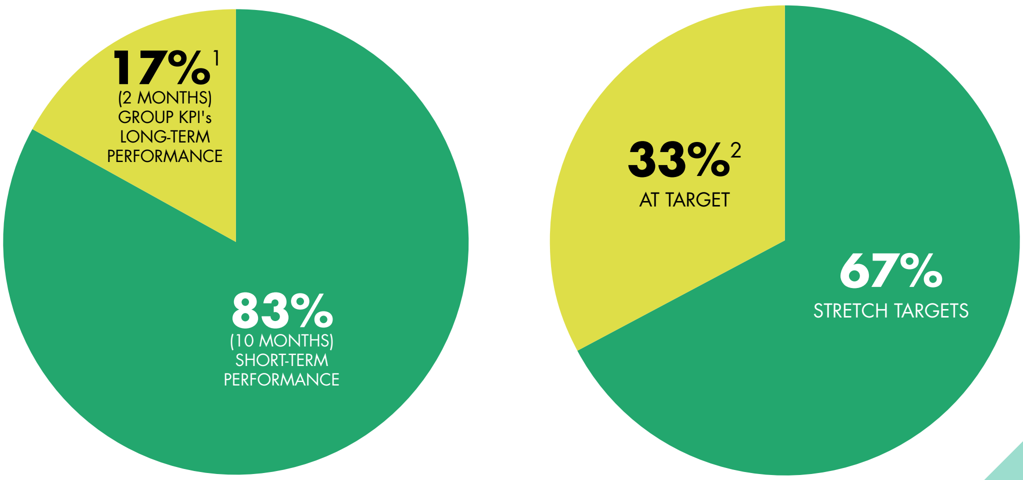
FIXED REMUNERATION:
No material changes are anticipated in the forthcoming year to base pay, medical aid benefits, car allowance and retirement benefits.

VARIABLE REMUNERATION:
Short-term performance-related incentives.

The executive Director incentive scheme for the 2014 financial year will be enhanced to:

- Provide a better balance between short-term results and the achievement of key imperatives that will result in building a sustainable business, by incorporating the Group's strategic plans; and
- Ensure an appropriate mix between incentives payable at 'target' versus 'stretch target'.

The revised structure would result in the following splits (excludes personal performance):




[1] It is envisaged that the proportion allocated to the Group strategic KPI's being achieved will increase in future in line with the improved KPI measurement criteria that are currently being developed.

[2] Based on HEPS growth target.

## LONG-TERM INCENTIVES

THE FOLLOWING AMENDMENTS TO THE SHARE SCHEMES ARE PROPOSED:

- Reduction of the option awards closer to retirement date in respect of the General Staff and Senior Management Share Schemes. As the duties and work contributions of these participants are more short-term in nature than that of the participants in the executive and executive Director shares schemes, there is less of an enduring benefit and therefore options which vest well into retirement should not be awarded to the same extent as previously, as retirement approaches;

- Following a review by PwC, the Company is researching the feasibility of introducing a forfeitable share plan (FSP). FSP's are an upfront award of shares which vest at a fixed future date and aid in incentivisation and retention. These types of schemes are becoming increasingly popular and only 18% of listed companies have option-only type share plans; and

- In light of share price performance since inception of the new share schemes in 2006, the Company has reduced the level of strike price discounts in respect of the senior management and executive share schemes and has applied more stringent criteria to the hurdle rates at which they apply. This will be further considered in 2014.

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