MR PRICE GROUP LIMITED

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

AUDITED GROUP RESULTS FOR THE YEAR ENDED 31 MARCH 2008 AND CASH DIVIDEND DECLARATION

highlights

- Retail sales up 19%
- Operating profit up 17%
- 67 new stores opened
- Diluted headline earnings per share up 15%
- Distributions per share increased by 15%
- Return on equity 40%

commentary

RESULTS

The buoyant economic environment that has been enjoyed by retailers in recent years has ended. In the second half of the year, increases in interest rates, food and fuel prices as well as property rates, all led to decreased spending, particularly on durable and semi-durable products. Despite this, group profit from operating activities increased by 16,9% to R716,2 million.

The group's operating margin decreased from 10,1% to 9,9% as a result of the impact of the abovementioned changes in the economic environment on the homewares divisions. Further growth in operating margin was inhibited by the investments made in the new businesses of Kids, Furniture, Sport and Franchising. If the impact of these new concepts is excluded in both years, the operating margin would have been 11,6% in the current year. These new investments are important for the group's future growth in order to maintain its compound annual growth rate in headline earnings per share of 23% over the past 22 years.

The group achieved a return on equity of 39,6% and diluted headline earnings per share increased by 14,8% to 210,8 cents per share.

Independent market research conducted during the year confirmed that Mr Price is now the most loved and most frequented clothing retailer in South Africa. Mr Price Home was voted the most loved homewares retailer. This supported the market share statistics supplied by the Retailers' Liaison Committee which highlighted that both the Apparel and Home divisions continued to increase their market share during these difficult times.

The final dividend has been set at 79,5 cents per share which brings the total distribution for the year to 116,0 cents per share, maintaining our cover at 1,9 times.

TRADING

The **Apparel** division (Mr Price, Miladys and Mr Price Sport) delivered excellent results, growing sales by 21,8% with retail selling price inflation of 10,6%. The operating margin improved from 12,7% to 13,8% of sales.

Mr Price grew sales by 19,7% to R3,7 billion with an increase in weighted average trading space of 6,5%. Comparable sales were 16,2% higher, with retail selling price inflation of 11,6%. Inflation was driven by changes in the mix of goods sold, with increases in sales of higher price point units such as pants and jackets. The division sold 6,7% more units than in the prior year. Once again, excellent fashion interpretations led to a strong performance across all departments. In addition the opening of eight new 'express' stores, a concept which enables Mr Price to enter trading areas not previously considered through lower operating, capital expenditure and rental costs, has proved very successful. The margins achieved are similar to the existing business and significant growth in the number of these stores is expected. This, together with the benefits realised through the implementation of Project Redgold on merchandise processes and systems, has resulted in lower markdowns and another year of enhanced profitability.

Miladys has once again produced a solid set of trading results. Sales were 10,2% higher at R945 million, with comparable sales growing 4,7%. The division opened 12 stores and grew weighted average trading space by 8,9%. Unit sales growth was 5,7% and the division experienced retail selling price inflation of 4,7%. The stand-alone René Taylor stores opened during the course of the year produced excellent trading results and the concept will be rolled out further in the next financial year.

Mr Price Sport opened a further 15 stores. The division now operates out of 23 stores and is approaching critical mass. Sales of R240 million were achieved from a weighted average trading space for the year of 22 396m². Retail selling price deflation of 0,7% was recorded and was mostly the result of changes in selling price points to increase the division's value proposition as well as a reduction in the sale of higher ticket items brought about by consumers' lower disposable incomes.

The **Home** division (Mr Price Home and Sheet Street) has been the most affected by the changes in spending patterns and recorded an increase in sales of 13,5% with retail selling price inflation of 12,4%. The operating margin was impacted by the newer Furniture and Kids departments, the changes in the basis of allocation of distribution costs and the duplicate charges incurred while transitioning to a VOIP communication system and decreased from 8,2% to 5,0% of sales.

Mr Price Home grew sales by 12,9% to R1,6 billion with an increase in weighted average trading space of 28,5%. Unit sales decreased by 0,3%, and retail selling price inflation of 12,4% was recorded, mainly due to the increasing sales contributions from the Furniture and Kids departments and the continued influence of value packs. Comparable sales were 0,7% lower than the previous year as a result of the impact of the opening of large new generation stores in close proximity to existing smaller stores. In addition, the tightening of consumer spending patterns on home products led to lower sales growth and higher markdowns.

Sheet Street increased sales by 15,0% to R736 million, with comparable sales growth of 0,7%. The division increased weighted average trading space by 22,6% and opened 26 new stores. Unit sales increased by 1,6% and retail selling price inflation of 12,6% was recorded, primarily as a consequence of changes to the merchandise mix. Action taken to broaden the assortment to appeal to more customer lifestyles, and to freshen the brand with a new store layout and wrap, has resulted in an improved sales performance since the commencement of the 2008 calendar year.

The group opened a net 67 stores, bringing the total store number to 896 at year end, and gross trading space surpassed the half a million square metres mark, finishing the year on 517 547m². Over the past year the group created nearly 700 jobs and is employing an increasing number through its Jump Start Project which is targeted at unemployed matriculants.

Mr Price Franchising successfully opened six stores in three African countries, across the Mr Price, Mr Price Home and Sheet Street brands, to bring the total franchise stores to seven. Sales have far exceeded expectations, confirming our view of franchising being an exciting growth opportunity. A further 15 franchise stores are planned for the coming financial year, including a test of the Mr Price Home brand in the Middle East.

FINANCE

The cash resources of R465,3 million, coupled with the cash flows attributable to being a predominantly cash retailer, are expected to finance our future growth plans.

At the introduction of the new share schemes last year, it was announced that shares would be purchased by the share trusts, subject to market conditions. To that end, shares to the value of R150,5 million were acquired by certain staff share trusts during the second half of the year, in order to partially cover options awarded. This had the effect of reducing finance income.

The debtor book increased by 20,5% to R542,3 million at year end. As a result of consumers' tightening financial situations and the bulk of the book being relatively immature following the rollout of credit last year, net bad debts excluding collection costs has increased to 8,6% of debtors. The debtors provision has been set at 9,0% of the debtors book at year end. Improved collections, and not the growth of the debtors book, will be the focus in the new financial year.

PROSPECTS

We are trading in difficult times, which are likely to get even tougher. Under these economic circumstances, shoppers tend to shop for value and therefore, as a value retailer, the group is well placed to attract more customers with our fashionable products at everyday low prices.

The cash sales ratio has remained at 84% and therefore the group is not dependent upon credit sales to grow its revenues. In addition, the Apparel division contributes 67% of sales and 85% of profits and its excellent performance has continued into the new year. Although exposed to the impact of reduced semi-durable purchases, the Home division, which represents one third of group sales, is responding to the changes in consumer spending by further enhancing its value positioning.

The group is well placed to increase market share over the medium term and is optimistic about achieving growth in earnings in the forthcoming year.

On behalf of the board

S B Cohen – Joint chairman
L J Chiappini – Joint chairman — Durban
A E McArthur – Chief executive officer — 28 May 2008

FINAL DIVIDEND DECLARATION

Notice is hereby given that a final cash dividend of 79,5 cents per share has been awarded to the holders of ordinary and unlisted B ordinary shares.

The following dates are applicable:

Last date to trade 'cum' the dividend	Friday	20 June 2008
Date trading commences 'ex' the dividend	Monday	23 June 2008
Record date	Friday	27 June 2008
Date of payment	Monday	30 June 2008

Shareholders may not dematerialise or rematerialise their share certificates between Monday 23 June 2008 and Friday 27 June 2008, both dates inclusive.

On behalf of the board — Durban

C S Yuill – Group secretary — 28 May 2008

DIRECTORS

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

*Non-executive director

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd

SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)

consolidated income statement

R'000	2008 March	2007 March	% change
Revenue	**7 421 124**	6 225 595	19
Retail sales	**7 203 640**	6 056 757	19
Other income	**146 176**	98 206	49
Retail sales and other income	**7 349 816**	6 154 963	19
Costs and expenses	**6 633 636**	5 542 278	20
Cost of sales	**4 364 432**	3 632 203	20
Selling expenses	**1 765 698**	1 472 949	20
Administrative and other operating expenses	**503 506**	437 126	15
Profit from operating activities	**716 180**	612 685	17
Net finance income	**23 096**	32 843	(30)
Profit after net finance income	**739 276**	645 528	15
Net adjustment to contributions to export partnerships	**30 255**	26 706	13
Profit before taxation	**769 531**	672 234	14
Taxation	**218 588**	193 070	13
Profit attributable to shareholders	**550 943**	479 164	15
Weighted average number of shares in issue (net of shares held by staff share trusts) (000)	**252 599**	250 553	1
Earnings per share (cents)			
- basic	**218,1**	191,2	14
- headline	**219,0**	191,8	14
- diluted basic	**209,9**	183,0	15
- diluted headline	**210,8**	183,6	15
Distribution cover (times)	**1,9**	1,9	-
Distributions per share (cents)	**116,0**	101,0	15

consolidated balance sheet

R'000	2008 March	2007 March
Assets		
Non-current assets	**846 334**	712 485
Property, plant and equipment	**566 176**	464 082
Intangible assets	**25 471**	5 335
Long-term receivables and prepayments	**225 439**	216 161
Defined benefit fund asset	**28 632**	24 045
Deferred taxation assets	**616**	2 862
Current assets	**1 945 182**	1 781 177
Inventories	**909 094**	741 229
Trade and other receivables	**570 811**	469 003
Cash and cash equivalents	**465 277**	570 945
Total assets	**2 791 516**	2 493 662
Equity and liabilities		
Equity attributable to shareholders	**1 479 331**	1 316 808
Non-current liabilities	**241 142**	231 263
Lease obligations	**125 846**	112 663
Deferred taxation liabilities	**106 686**	110 784
Post retirement medical benefits	**8 610**	7 816
Current liabilities	**1 071 043**	945 591
Trade and other payables	**1 034 118**	821 139
Current portion of lease obligations	**22 764**	20 215
Taxation	**14 161**	104 237
Total equity and liabilities	**2 791 516**	2 493 662

consolidated cash flow statement

R'000	2008 March	2007 March
Cash flows from operating activities		
Operating profit before working capital changes	**800 311**	697 853
Working capital changes	**(43 897)**	(98 551)
Net interest received	**127 875**	92 168
Restraints of trade	**(2 500)**	-
Taxation paid	**(303 015)**	(303 525)
Net cash inflows from operating activities	**578 774**	387 945
Cash flows from investing activities		
Net receipts/(advances) in respect of long-term receivables	**3 021**	(8 044)
Additions to and replacement of intangible assets	**(25 816)**	(3 824)
Property, plant and equipment		
- replacement	**(66 807)**	(48 812)
- additions	**(167 341)**	(177 166)
- proceeds on disposal	**1 923**	465
Net cash outflows from investing activities	**(255 020)**	(237 381)
Cash flows from financing activities		
Proceeds from issue of share capital	**13 911**	14 279
Proceeds from disposal of investments by staff share trust	**117**	303
Decrease in lease obligations	**(3 322)**	(1 958)
Purchase of shares by staff share trusts	**(150 468)**	-
Deficit on treasury share transactions	**(14 668)**	-
Distributions to shareholders	**(275 168)**	(216 315)
Net cash outflows from financing activities	**(429 598)**	(203 691)
Change in cash and cash equivalents	**(105 844)**	(53 127)
Cash and cash equivalents at beginning of the year	**570 945**	624 523
Exchange gains/(losses)	**176**	(451)
Cash and cash equivalents at end of the year	**465 277**	570 945

statement of changes in equity

R'000	2008 March	2007 March
Total equity attributable to shareholders at 1 April	**1 316 808**	1 025 647
Shares issued	**214 060**	14 279
Treasury share transactions	**(357 296)**	-
Recognition of share-based payments	**28 238**	9 432
Currency translation adjustments	**242**	(368)
Profit for the year	**550 943**	479 164
Defined benefit fund net actuarial gain	**1 504**	4 969
Distributions to shareholders	**(275 168)**	(216 315)
Total equity attributable to shareholders at 31 March	**1 479 331**	1 316 808

segmental reporting

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

R'000	2008 March	2007 March	% change
Retail sales and other income			
Apparel	**4 943 547**	4 039 248	22
Home	**2 394 968**	2 098 975	14
Central services	**49 402**	58 618	
Eliminations	**(38 101)**	(41 878)	
Total	**7 349 816**	6 154 963	19
Profit from operating activities			
Apparel	**669 603**	505 551	32
Home	**117 853**	171 998	(31)
Central services	**(73 255)**	(65 310)	
Other	**-**	(1 891)	
Eliminations	**1 979**	2 337	
Total	**716 180**	612 685	17

supplementary information

	2008 March	2007 March
Number of shares in issue (net of shares held by staff share trusts) (000)	**247 332**	251 882
Net asset value per share (cents)	**598**	523
Reconciliation of headline earnings (R'000)		
Attributable profit	**550 943**	479 164
Profit from discontinuance	**(15)**	(33)
Loss on disposal of property, plant and equipment	**3 151**	2 102
Taxation adjustment	**(914)**	(589)
Headline earnings	**553 165**	480 644
Capital expenditure		
- expended during the year	**259 964**	229 802
- authorised or committed at year end	**243 140**	297 292
Number of stores	**896**	829
Number of full-time associates	**9 794**	9 106

MILADYS
STYLE OF A WOMAN

sheet•street

Notes:

1. The results have been audited by Ernst & Young Inc. A copy of their unqualified audit report is available for inspection at the company's registered office.
2. There has been no material change to the guarantees provided by the company as disclosed in the 2007 annual financial statements.
3. The accounting policies and estimates applied are in compliance with IFRS including IAS 34 Interim Financial Reporting and are consistent with those applied in the 2007 annual financial statements. All new and revised Standards and Interpretations that became effective during the year were adopted and did not lead to any changes in accounting policies.

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