

# 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 2009 AND CASH DIVIDEND DECLARATION

2009

Highlights

- Retail sales up 19%
- All divisions achieved growth in market share
- Cash resources of R661 million
- Diluted headline earnings per share up 16%
- Final dividend up 17%
- 16 855 people employed

## RESULTS

During the current reporting period, consumer spending was inhibited by high interest rates as well as high fuel and food costs. Although these factors started to abate during the second half of the year, high levels of consumer debt and a lack of consumer confidence resulted in a continuation of negative sales growth in the retail sector. The fashion/value formula of the Mr Price Group has been able to counter this negative trend, with all divisions having gained market share as measured by the Retailers' Liaison Committee.

Retail sales for the year ended 31 March 2009 grew by 19,3% to R8,6 billion. Comparable sales, which include sales of expanded and relocated stores in like-for-like locations, were up 11,4%. Profit from operating activities increased by 15,5% and the operating margin decreased from 9,9% to 9,6% of retail sales. Profit attributable to shareholders was affected by an increase in the effective tax rate from 28,4% to 31,0%. This arose as a consequence of dividends attracting full secondary tax on companies (STC) charges in the current reporting period, while the prior period distributions were mainly from share premium which did not attract STC.

**Excluding the impact of STC, diluted HEPS increased by 20,4 %.**

Mr Price Group has continued to expand its footprint and opened a net 58 new stores, which in turn has enabled it to create in excess of 400 full-time jobs in the financial year. Our associates have benefited from their participation in the Partners Share Trust and since inception just a few years ago, approximately R13 million in tax free dividends have been awarded to them. In addition, associates should benefit materially in the long term from an enhanced share price.

The final dividend has been set at 92,8 cents per share which reflects an increase of 16,7% over the comparable period and is based on a maintained cover of 1,9 times.

**The five year compound growth rate in distributions per share now stands at 30,6%.**

## TRADING

The **Apparel** chains (Mr Price, Miladys and Mr Price Sport), which constitute 69,1% of group sales, grew sales by 22,7% to R5,9 billion (107,5 million units), with retail selling price inflation of 4,0%. Comparable sales were up 16,2%. Operating profits increased by 23,7% to R828,6 million and the operating margin

increased from 13,8% to 14,0% in the current year.

Mr Price grew sales by 24,0% to R4,5 billion on an increase in weighted average trading space of 6,7%. Comparable sales were 20,3% higher and the division recorded retail selling price inflation of 6,0%. Unit sales were up 15,7%.

Miladys increased sales by 10,2% to R1,0 billion, with a growth in weighted average trading space of 10,8% and comparable sales growth of 4,0%. The division experienced retail selling price inflation of 1,1% and a 7,0% growth in the number of units sold.

Mr Price Sport opened eight stores, bringing the total stores operated by the division to 31. Sales of R367,1 million were generated off a weighted average trading space of 38 846 m<sup>2</sup>.

Sales in the **Home** chains (Mr Price Home and Sheet Street), which constitute 30,9% of group sales, were up 12,1% to R2,7 billion (51,6 million units) and retail selling price inflation of 6,3% was recorded. Comparable sales were up 2,0%. This segment has been the most affected by the reduction in consumer spend on semi-durable products which has resulted in operating profits being 29,3% lower at R83,3 million.

Mr Price Home grew sales by 13,3% to R1,9 billion and weighted average trading space increased by 24,3%. Retail selling price inflation of 4,6% was recorded and comparable sales were up 2,5%. Unit sales were 4,4% higher.

Sheet Street increased sales by 9,7% to R0,8 billion, with weighted average trading space increasing by 13,1%. Comparable sales were 0,9% higher with retail selling price inflation of 9,7%.

**Mr Price International** opened an additional 10 franchise stores in the Mr Price, Mr Price Home and Sheet Street formats, bringing the total to 17.

## FINANCE

**The group has increased its return on capital employed to 52,5%.**

Our cash-driven business model, with 84% of sales in the current year being for cash, will enable us to maintain a healthy balance sheet. Cash generated from operating activities of R783,2 million, up 35,3% from the prior year, resulted in an increase in cash resources which now stand at R660,8 million.

The debtors book has increased by 23,3% to R668,8 million and we have continued with our cautious credit granting approach. Independent statistics confirm that the age profile of our debtors book is significantly better than the industry average. Bad debts, net of recoveries (excluding collection costs) have

decreased from 8,6% to 6,6% of year end debtors and the provision for impairment has been set at 9,8% at year end.

Despite the build-up of merchandise for Easter, which was post year end, gross inventory levels were well managed, increasing by 9,4% relative to an increase in retail sales of 19,3%. The group stock turn improved from 5,3 times to 5,5 times during a difficult trading period.

## PROSPECTS

Although we expect a more challenging trading environment in the year ahead, the South African consumer should benefit from further reductions in interest and inflation rates, which will initially aid in debt reduction. We are well positioned to capture further market share with our fashionable merchandise at everyday low prices.

On behalf of the board  
SB Cohen - Joint chairman  
LJ Chiappini - Joint chairman  
AE McArthur - Deputy chairman and CEO

Durban  
27 May 2009

## FINAL DIVIDEND DECLARATION

Notice is hereby given that a final cash dividend of 92,8 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	19 June 2009
Date trading commences 'ex' the dividend	Monday	22 June 2009
Record date	Friday	26 June 2009
Date of payment	Monday	29 June 2009

Shareholders may not dematerialise or rematerialise their share certificates between Monday 22 June 2009 and Friday 26 June 2009, both dates inclusive.

On behalf of the board  
CS Yuill - Group secretary

Durban  
27 May 2009

## DIRECTORS

LJ Chiappini\* (Joint chairman), SB Cohen\* (Joint chairman), AE McArthur (Deputy chairman and Chief executive officer), SI Bird (Deputy chief executive officer), MM Blair, SA Ellis, K Getz\*, MR Johnston\*, RM Motanyane\*, NG Payne\*, Prof. LJ Ring (USA)\*, MJD Ruck\*, SEN Sebotsa\*, WJ Swain\*, M Tembe\*, S van Niekerk, CS Yuill

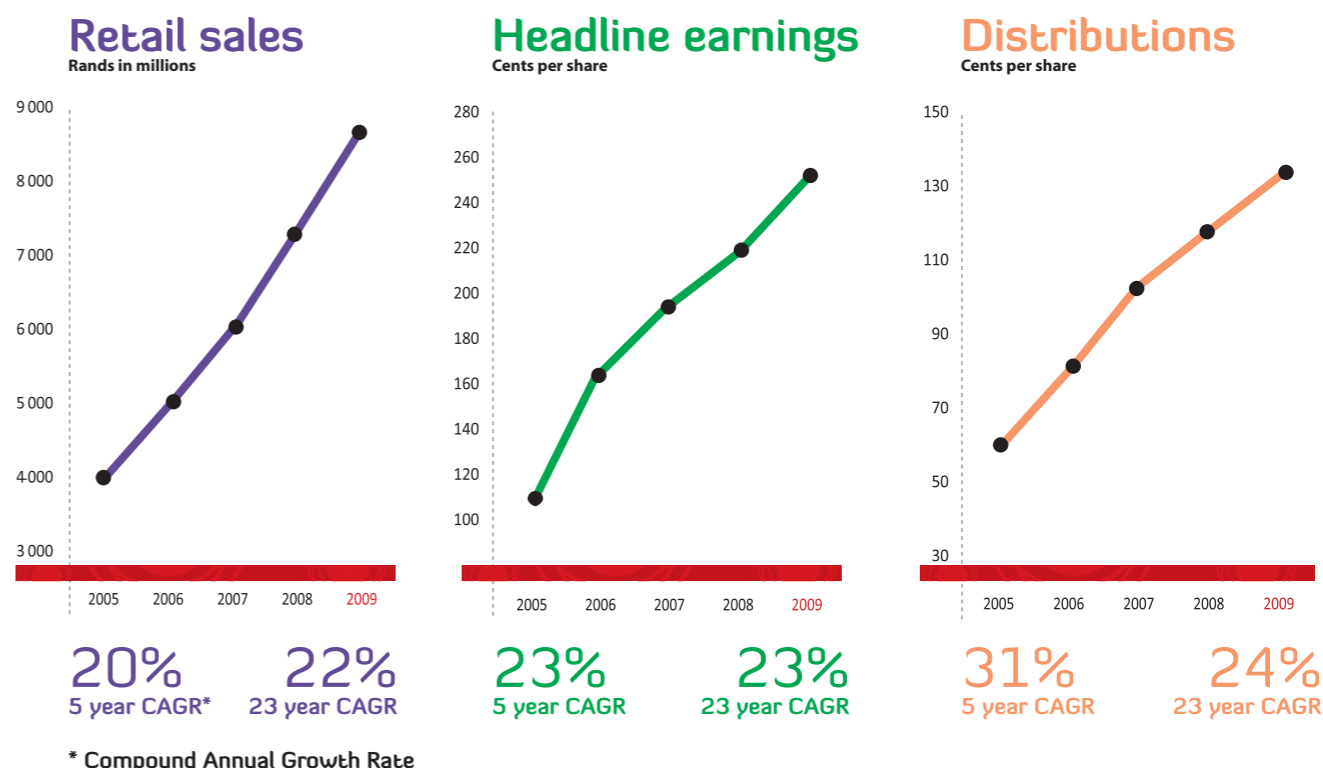
\* Non-executive director

## TRANSFER SECRETARIES

Computershare Investor Services (Proprietary) Limited

## SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)



## consolidated income statement

R'000	2009 March 52 weeks	2008 March 52 weeks	% change
<b>Revenue</b>	<b>8 857 229</b>	<b>7 421 124</b>	<b>19</b>
Retail sales	8 591 258	7 203 640	19
Other income	190 129	146 176	30
Retail sales and other income	8 781 387	7 349 816	19
Costs and expenses	7 954 199	6 633 636	20
Cost of sales	5 240 547	4 364 432	20
Selling expenses	2 104 880	1 765 698	19
Administrative and other operating expenses	608 772	503 506	21
Profit from operating activities	827 188	716 180	16
Net finance income	25 757	23 096	12
Profit after net finance income	852 945	739 276	15
Net adjustment to contributions to export partnerships	39 258	30 255	30
Profit before taxation	892 203	769 531	16
Taxation	276 480	218 588	26
Profit attributable to shareholders	615 723	550 943	12
Weighted average number of shares in issue (net of shares held by staff share trusts) (000)	247 175	252 599	(2)
<b>Earnings per share (cents)</b>			
- basic	249,1	218,1	14
- headline	251,9	219,0	15
- diluted basic	241,8	209,9	15
- diluted headline	244,6	210,8	16
Distribution cover (times)	1,9	1,9	-
Distributions per share (cents)	133,0	116,0	15

## consolidated balance sheet

R'000	2009 March	2008 March
<b>Assets</b>		
Non-current assets	893 460	846 334
Property, plant and equipment	603 299	566 176
Intangible assets	45 163	25 471
Long-term receivables and prepayments	222 748	225 439
Defined benefit fund asset	19 009	28 632
Deferred taxation assets	3 241	616
Current assets	2 377 410	1 945 182
Inventories	1 002 456	909 094
Trade and other receivables	714 167	570 811
Cash and cash equivalents	660 787	465 277
<b>Total assets</b>	<b>3 270 870</b>	<b>2 791 516</b>
<b>Equity and liabilities</b>		
Equity attributable to shareholders	1 764 187	1 479 331
Non-current liabilities	225 673	241 142
Lease obligations	145 785	125 846
Deferred taxation liabilities	69 926	106 686
Post retirement medical benefits	9 962	8 610
Current liabilities	1 281 010	1 071 043
Trade and other payables	1 208 450	1 034 118
Current portion of lease obligations	29 976	22 764
Taxation	42 584	14 161
<b>Total equity and liabilities</b>	<b>3 270 870</b>	<b>2 791 516</b>

## consolidated cash flow statement

R'000	2009 March	2008 March
<b>Cash flows from operating activities</b>		
Operating profit before working capital changes	937 825	800 311
Working capital changes	(50 242)	(43 897)
Net interest received	168 700	127 875
Restraints of trade	(1 667)	(2 500)
Taxation paid	(271 463)	(303 015)
<b>Net cash inflows from operating activities</b>	<b>783 153</b>	<b>578 774</b>
<b>Cash flows from investing activities</b>		
Net receipts in respect of long-term receivables	14 142	3 021
Additions to and replacement of intangible assets	(31 586)	(25 816)
Property, plant and equipment - replacement	(110 673)	(66 807)
- additions	(92 111)	(167 341)
- proceeds on disposal	982	1 923
<b>Net cash outflows from investing activities</b>	<b>(219 246)</b>	<b>(255 020)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	-	13 911
Proceeds from disposal of investments by staff share trust	40	117
Decrease in lease obligations	(5 054)	(3 322)
Purchase of shares by staff share trusts	(34 255)	(150 468)
Deficit on treasury share transactions	(28 631)	(14 668)
Distributions to shareholders	(299 235)	(275 168)
<b>Net cash outflows from financing activities</b>	<b>(367 135)</b>	<b>(429 598)</b>
Change in cash and cash equivalents	196 772	(105 844)
Cash and cash equivalents at beginning of the year	465 277	570 945
Exchange (losses)/gains	(1 262)	176
Cash and cash equivalents at end of the year	660 787	465 277

## statement of changes in equity

R'000	2009 March	2008 March
Total equity attributable to shareholders at 1 April	1 479 331	1 316 808
Shares issued	-	214 060
Treasury share transactions	(50 381)	(357 296)
Recognition of share-based payments	28 865	28 238
Currency translation adjustments	(1 190)	242
Profit for the year	615 723	550 943
Defined benefit fund net actuarial (loss)/gain	(8 926)	1 504
Distributions to shareholders	(299 235)	(275 168)
<b>Total equity attributable to shareholders</b>	<b>1 764 187</b>	<b>1 479 331</b>

## segmental reporting

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

R'000	2009 March	2008 March	% change
<b>Retail sales and other income</b>			
Apparel	6 081 677	4 943 547	23
Home	2 688 976	2 394 968	12
Central services	73 747	49 402	
Eliminations	(63 013)	(38 101)	
<b>Total</b>	<b>8 781 387</b>	<b>7 349 816</b>	<b>19</b>
<b>Profit from operating activities</b>			
Apparel	828 633	669 603	24
Home	83 275	117 853	(29)
Central services	(85 930)	(73 255)	
Eliminations	1 185	1 979	
<b>Total</b>	<b>827 188</b>	<b>716 180</b>	<b>16</b>

## supplementary information

	2009 March	2008 March
Number of shares in issue (net of shares held by staff share trusts) (000)	245 946	247 332
Net asset value per share (cents)	717	598
<b>Reconciliation of headline earnings (R'000)</b>		
Attributable profit	615 723	550 943
Profit from discontinuance	-	(15)
Loss on disposal and impairment of property, plant and equipment	9 441	3 151
Taxation adjustment	(2 440)	(914)
<b>Headline earnings</b>	<b>622 724</b>	<b>553 165</b>
<b>Capital expenditure (R'000)</b>		
- expended during the year	234 370	259 964
- authorised or committed at year end	193 034	243 140
Number of stores	954	896
Number of full-time associates	10 204	9 794

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 have been no adverse material changes to the guarantees provided by the company as disclosed in the 2008 annual financial statements.  
3. A contingent liability exists relating to SARS potentially seeking to hold the company liable for alleged unpaid import duties of R43,6 million by one of its suppliers. No adjustments to the financial results have been made as we have been advised that it is not probable that any liability will be incurred.  
4. 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 2008 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](http://www.mrpricegroup.com)