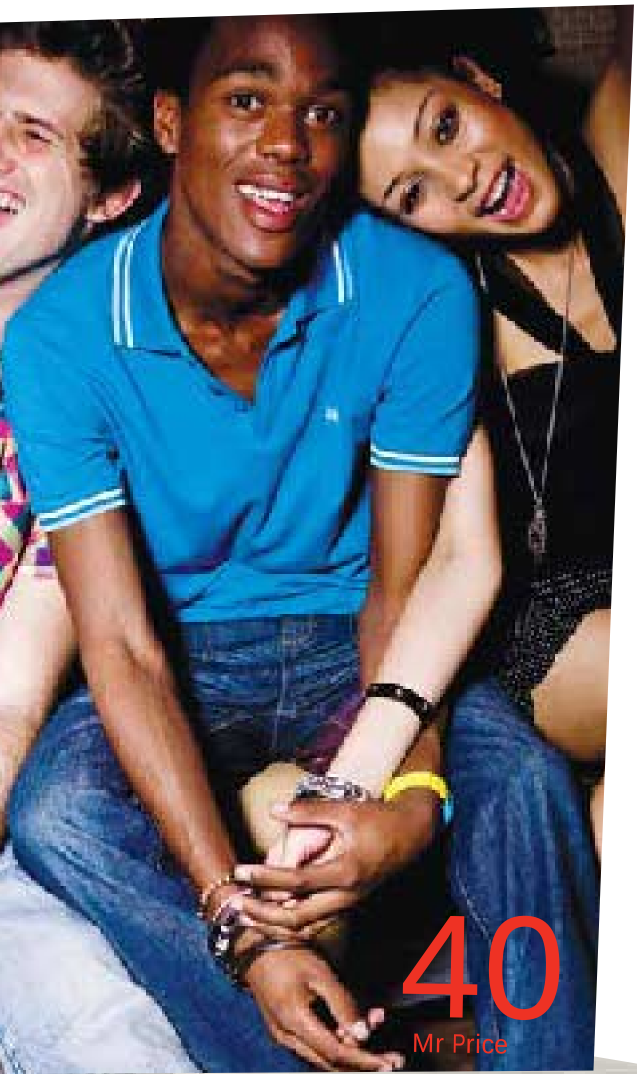
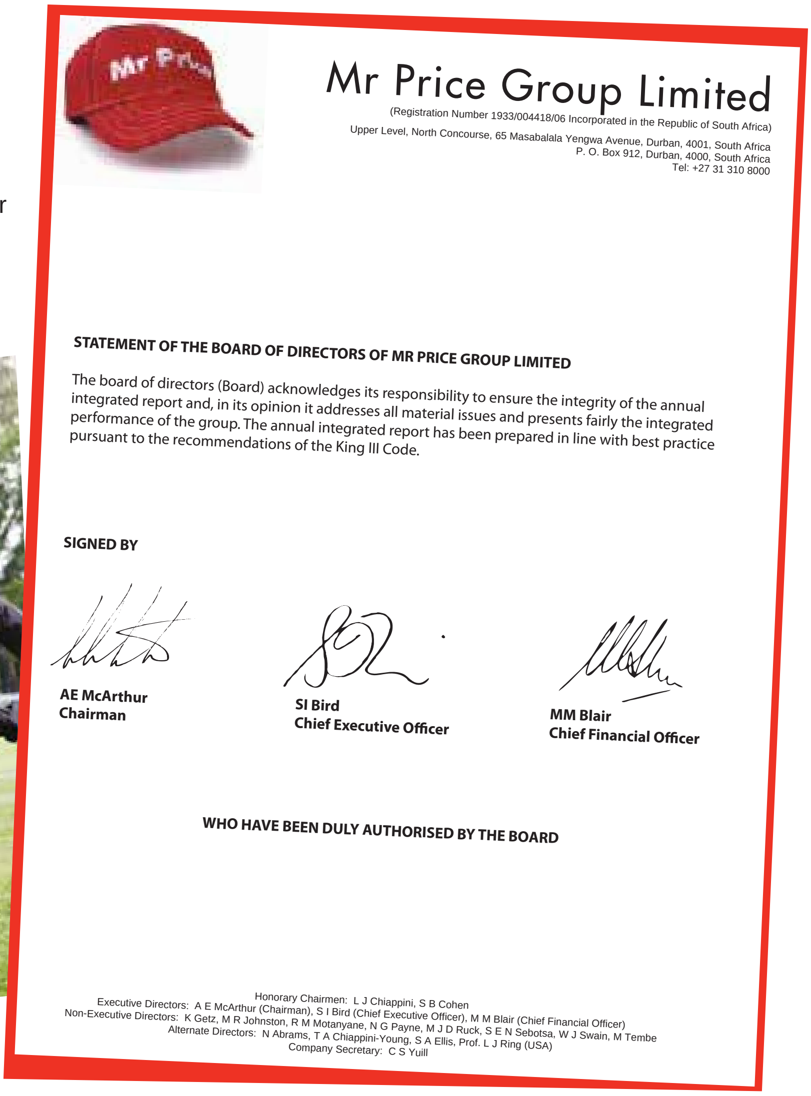


INDEX

SCOPE & BOUNDARY
OF THE ANNUAL INTEGRATED REPORT

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



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

STATEMENT OF THE BOARD OF DIRECTORS OF MR PRICE GROUP LIMITED

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

SIGNED BY

AE McArthur
Chairman

SI Bird
Chief Executive Officer

MM Blair
Chief Financial Officer

WHO HAVE BEEN DULY AUTHORISED BY THE BOARD

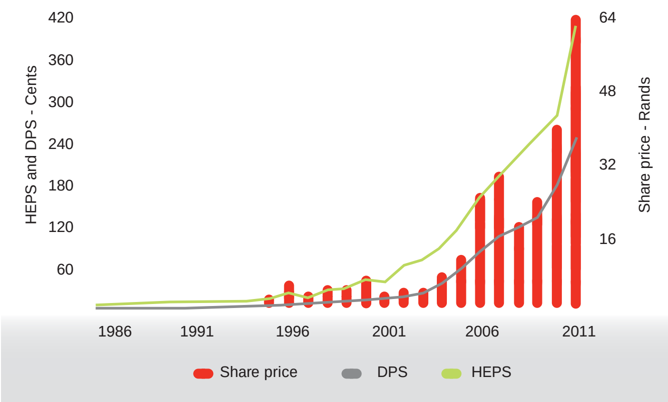
Honorary Chairmen: L J Chiappini, S B Cohen
Executive Directors: A E McArthur (Chairman), S I Bird (Chief Executive Officer), M M Blair (Chief Financial Officer)
Non-Executive Directors: K Getz, M R Johnston, R M Motanyane, N G Payne, M J D Ruck, S E N Sebotsa, W J Swain, M Tembe
Alternate Directors: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

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

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

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

2011 HIGHLIGHTS



25 Year Compound Annual Growth Rate

Headline earnings per share **23.5%** Dividends per share **25.3%**

Share price **26.2%**

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

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

Dividends per share +46%

25 year CAGR in dividends per share 25%

CASH RESOURCES OF

R1.4 BILLION

ASSOCIATES EMPLOYED

17 877

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

* Head office associates only

Customers and positioning

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

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

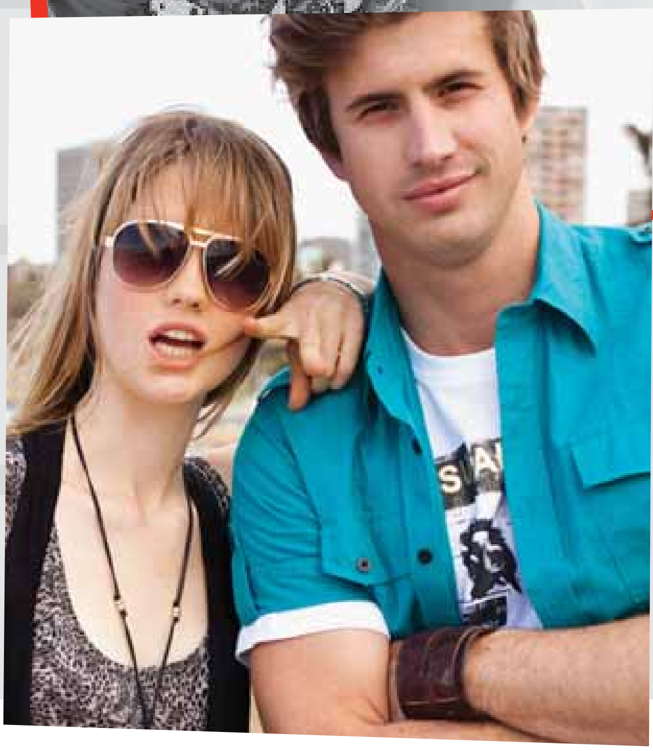
Young at heart women aged 40+ years who have fashion sensibility and require differentiated, trend appropriate garments that offer style and co-ordination. LSM range six to 10

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

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

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

Customers of the respective trading divisions. Cards available are as follows:
- Mr Pricemoney
(Mr Price Apparel, Mr Price Home, Mr Price Sport)
- Miladys
- Sheet Street



ANNUAL INTEGRATED REPORT INTRODUCTION

How do we create value and make decisions?

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

Fashion

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

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

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

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

Value

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

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

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

Cash

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

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

Governance

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

What are the circumstances under which we operate?

The sustainability journey

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

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

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

Material issues, impacts and relationships

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

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

Global context

Climate change

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

Globalisation

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

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

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

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

South African context

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

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

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

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

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

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

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

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

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

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

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

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

Industry context

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

Group context

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

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

Stakeholder engagement

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

Risks and opportunities

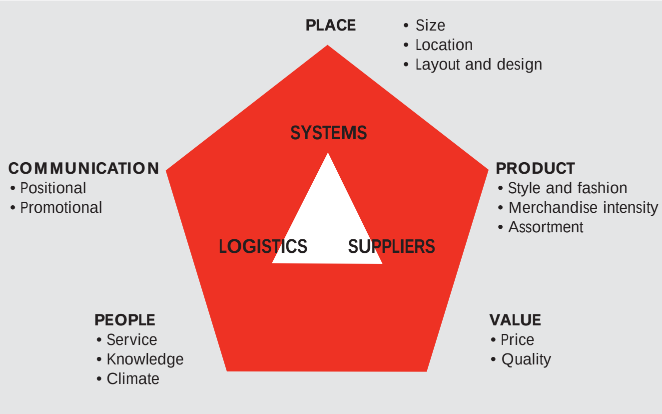
The key risks are detailed in the risk and sustainability committee report on pages 88 to 89, together with the group's responses.

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

Where do we want to go?

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

Framework used for strategic planning processes:



Strategic Profit Model

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

How do we intend to get there?

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

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

How have we fared so far over the reporting period?

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

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

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

External assurance of the integrated report

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

Economic value added

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

VALUE ADDED STATEMENT

for the 53 weeks ended 2 April 2011

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

Notes to the value added statement:

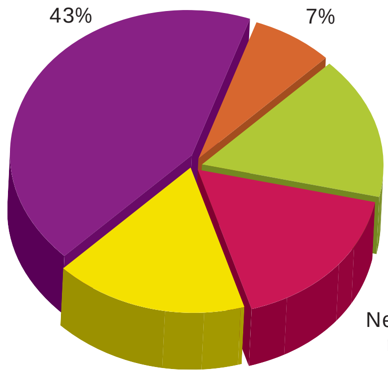
1. Value added

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

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

2. Other income

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



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

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

Activity
Mr Price Apparel has expanded 20 stores by 3 889m². Monthly assessment of trading density by store.
Mr Price Apparel, Mr Price Home and Mr Price Sport have all identified and tested smaller format stores, which will significantly contribute to future growth.
The group has exited from 24 470m² of unproductive space. Further progress is however still required. Monthly assessment of store performance.
Rental costs as a percentage of retail sales amounts to 8.0% (2010: 8.3%). Where rentals could not be negotiated in line with store feasibilities, the group elected not to renew the lease or open the store.
International consultants have been engaged to design new store layouts in the three Mr Price divisions.
The budget for the ensuing year and the strategic plans for the next seven years reflect capital expenditure allocations to the businesses that generate the highest returns. Consideration is also given to keeping all brands fresh. Mr Price Apparel received 54% of store capital expenditure and in F2012 this is expected to be 39%. An appropriate capital expenditure allocation between new stores and expanded space was made. The split in the current year was 32:68. Capital expenditure was curtailed during the recession and in the 2012 financial year this will increase significantly from R156 million to approximately R300 million. The group's strategic plans reflect total capital expenditure of R2.8 billion over the next seven years.
Desktop and country research has been completed for Nigeria, Ghana and Angola, the major African markets in which the group plans to open corporate owned stores and eight franchise stores in F2012.
Allocation is the subject of continual review, from merchandise reviews to strategic planning sessions.
The market share in Mr Price Apparel has increased to 12.4% and Mr Price Home is 19.3%.
Three potential acquisitions or strategic alliances were investigated during the year, none of which were pursued beyond initial discussions.
Total overheads reduced from 31.6% of sales to 30.7% – refer to page 12.
Significant improvement in the training format in the organisation has been made – refer to pages 118 to 120.
People development practices have been significantly enhanced – refer to pages 119 and 120.
Incentive structures are tailored annually and aligned to short-term financial results and the attainment of key imperatives per the strategic plans. Refer to pages 105 to 107.
A succession plan is in place.
A project team is in place to investigate alternatives and recommend for adoption, a best-of-breed human capital management system. This will include human resources, industrial relations, payroll and time and attendance. This will also present an opportunity to re-engineer certain of the group's business practices and processes.
The marketing team ensures alignment of marketing initiatives with the target market and campaigns are measured against sales achieved. Print and TV campaigns are to be supported by increased social media communication.
Although the capital cost will initially be higher, the benefits of acquiring best-of-breed systems will result in fewer 'school fees' being paid. An appropriate balance between the two alternatives will be maintained. The two most significant systems changes this year were both purchased systems – refer to page 55.
Implemented 'Tradestone', a product lifecycle management system during the year. This will facilitate supplier interaction and allow see-through into critical points in the procurement process - including date of order of fabric, quality control approval, date of shipping and expected date of delivery.
Divisions are continually reviewing their supply base to ensure the optimal mix of price, quality and lead times.
Resources are in the process of being restructured to ensure this area receives appropriate attention. A study is currently being conducted by international consultants to define the long-term supply chain blueprint – refer to page 56.
Detailed under margin management above.
Project Redgold is an ongoing initiative and is delivering on its objectives of ultimately increasing full priced sales and releasing working capital. Improved markdowns have had a significant impact on results in the current year and in the last four years inventory levels have increased by 5% compared to sales, which are up by 48%.
Strategic plans support the view that cash generated by the business can finance the group's future growth, the acquisition of shares for share schemes and the lowering of dividend cover.
Dividend cover has reduced from 3.3 times in 2002 to the current level of 1.6 times. A further reduction is envisaged – refer to page 65.
The group makes grants to the share trusts which utilise these to acquire shares on the open market to cover options awarded. Any purchase of shares will be implemented after reviewing market conditions.

25 YEARS OF HISTORY

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

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

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

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

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

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

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

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

Alastair McArthur

CHAIRMAN'S REPORT

Trading environment

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

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

Celebrating our history

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

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

The shareholders are the beneficiaries of their incredible efforts.

JSE ranking

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

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

The Mr Price 'DNA'

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

Social responsibility

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

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

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

Governance

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

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

Sourcing

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

Strategic vision

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

The group's next growth phase will be driven by:

- the continued search for well positioned trading locations;
- expanding high trading density stores and extraction from unprofitable space;
- internationalisation of the business, initially via Africa; and
- engaging customers via alternative communication channels.

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

Prospects

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

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

What do we believe?

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

PASSION

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

Passion is created by the formula of:

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

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

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

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

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

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

Laurie Chiappini

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

Stewart Cohen

VALUE

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

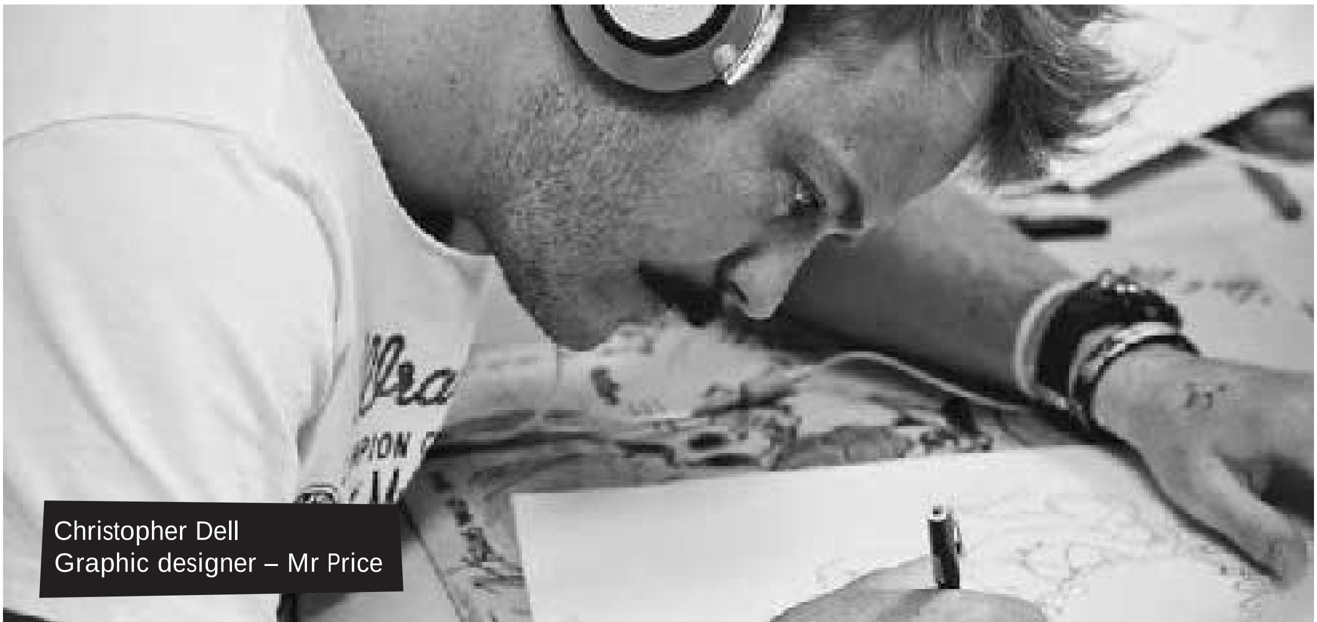
Our dream is to become the top performing retail group in Africa, by adding value to our customers' lives and worth to our partners' lives. Customers receive value from our low-cost, good-quality, low-price philosophy.

Low cost + high volume = low prices.

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

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

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



Christopher Dell
Graphic designer – Mr Price

Sinqobile Ntombela
Buyer – Oakridge mens smart

Tarryn Jacobson
Trainee buyer – Red ladies

Joanne Frédéric
Trend director – Mr Price

CUSTOMER REVIEWS

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

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

Kim

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

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

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

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

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

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

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

SHAREHOLDER VALUE

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

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

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

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

Alastair McArthur

PARTNERSHIP

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

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

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

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

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

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

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

Mary Palmer, Financial Services

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

Amy Kleynhans, Miladys

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

Theresa Konar, Financial Services

SUPPLIERS' TESTIMONIALS

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

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

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

Shane Thomson, CEO Fullimput

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

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

"Mr Price is an inspirational company to work with!

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

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

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

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

Linda Bartholomew, Director Traffic Clothing

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

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

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

Justin Mansfield, MD Powerhouse Clothing Co (Pty) Ltd

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

Nino Chidoni, Director Gemelli Clothing

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

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

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

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

CEO'S REPORT

We owe our success to our associates and partners.

Stuart Bird

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

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

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

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

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

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

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

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

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

Corporate Social Investment

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

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

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

Broad-based Black Economic Empowerment (BBBEE)

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

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

Environment

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

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

Wellness

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

Looking ahead

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

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

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

SEGMENTAL ANALYSIS

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

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

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

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

DIVISIONAL
PERFORMANCE INDICATORS

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

* Excludes international sales.

Information above is based on 52 weeks for both reporting periods

Who we are:

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

Mr Price Apparel constitutes 56% of group sales.

What we did:

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

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

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

Where we are going:

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

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

Who we are:

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

Mr Price Sport constitutes 5% of group sales.

What we did:

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

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

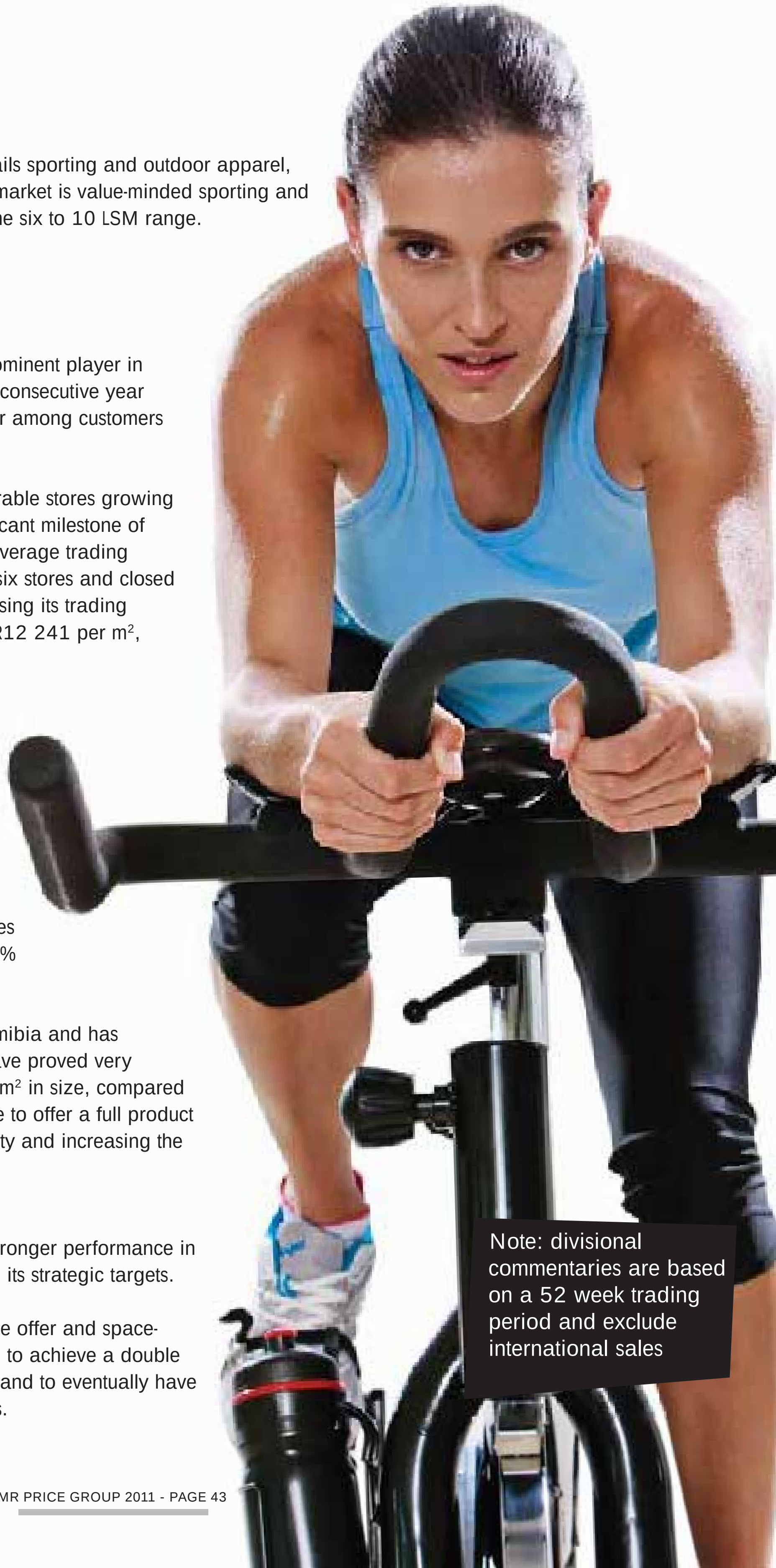
The strategy to stabilise the procurement process chain and leverage off group initiatives and purchasing power has strengthened the value offering. Working capital programmes, focusing on merchandise flow into the business and lowering terminal stock levels, delivered improved stock turns (from 3.8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

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

Where we are going:

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

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



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

MILADYS

Who we are:

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

Miladys constitutes 10% of group sales.

What we did:

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

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

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

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

Where we are going:

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

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

Who we are:

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

Mr Price Home constitutes 20% of group sales.

What we did:

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

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

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

Where we are going:

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

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

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

sheet•street
loving your home!

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

Sheet Street constitutes 9% of group sales.

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

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

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

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

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

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

INTERNATIONAL

Who we are:

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

What we did:

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

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

Where we are going:

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

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

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

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

FINANCIAL SERVICES

Who we are:

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

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

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

What we did:

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

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

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

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

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

Where we are going:

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

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

Gross trade receivables per division

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

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

REAL ESTATE

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

The objectives are:

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

The division also:

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

Overview:

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

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

SYSTEMS

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

Key deliverables were:

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

LOGISTICS AND SUPPLY CHAIN

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

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

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

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

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

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

GROUP DISTRIBUTION

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

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

SPORTS MARKETING

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

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

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

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

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

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

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

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

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

REPORT OF THE CHIEF FINANCIAL OFFICER

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

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

Highlights

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

Changes in accounting policies

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

Economic environment

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

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

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

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

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

Financial commentary

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

Mark Blair

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

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

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

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

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

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

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

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

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

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

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

The increase in operating margin can be explained as follows:

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

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

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

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

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

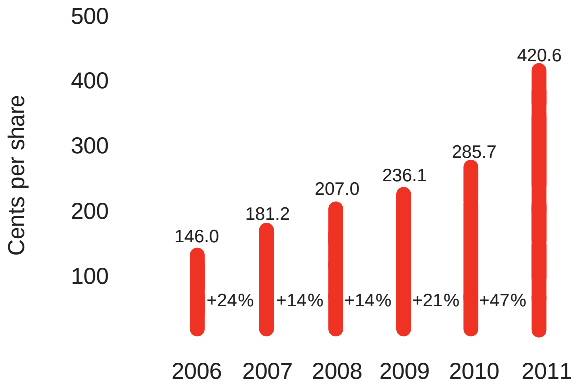
The company terminated its involvement in export partnerships at the end of the last financial year. The R4.2 million in the current year relates to the final adjustments in respect of the unbundling.

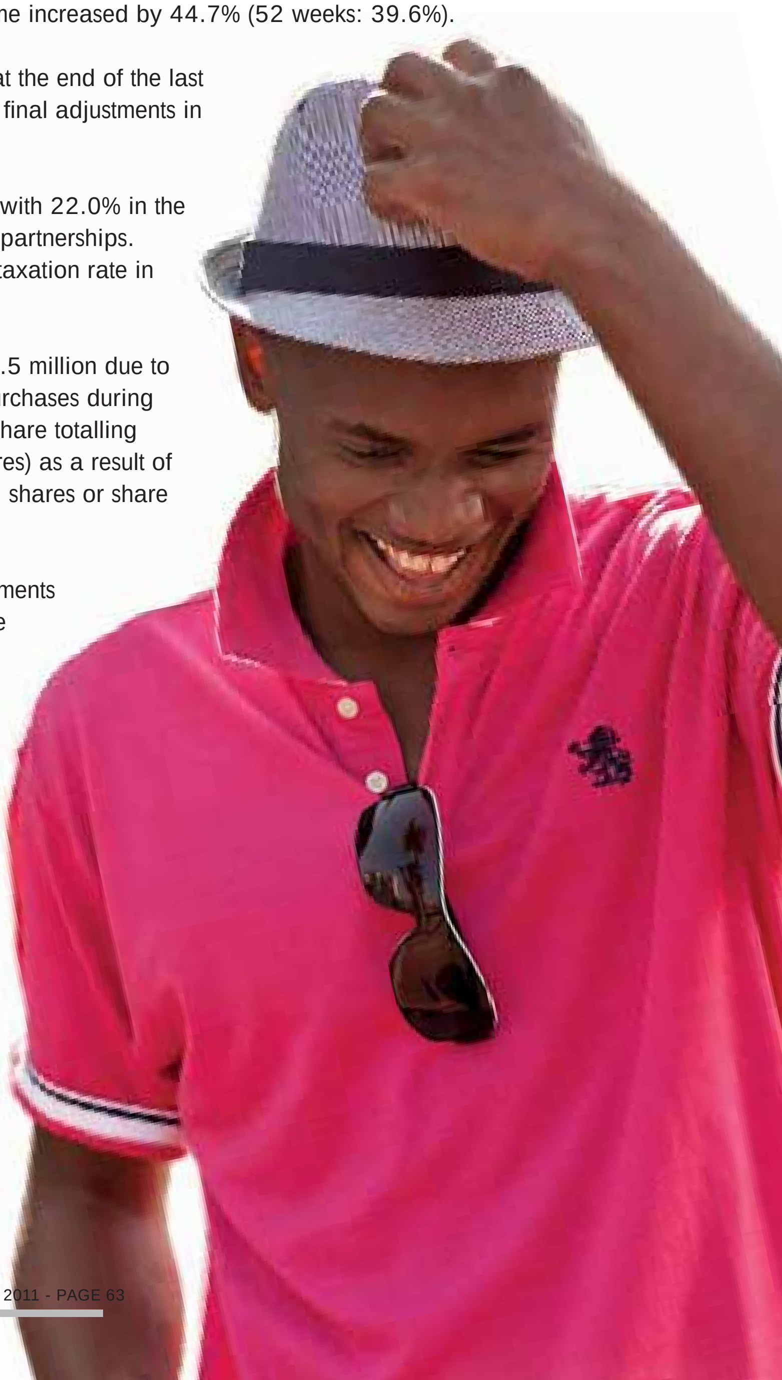
The effective **taxation** rate for the year was 31.9% compared with 22.0% in the prior year, which was distorted by the unbundling of the export partnerships. Excluding secondary taxation on companies (STC) the effective taxation rate in the current year was 28.3%.

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

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

Core headline earnings per share





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

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

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

Financial position

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

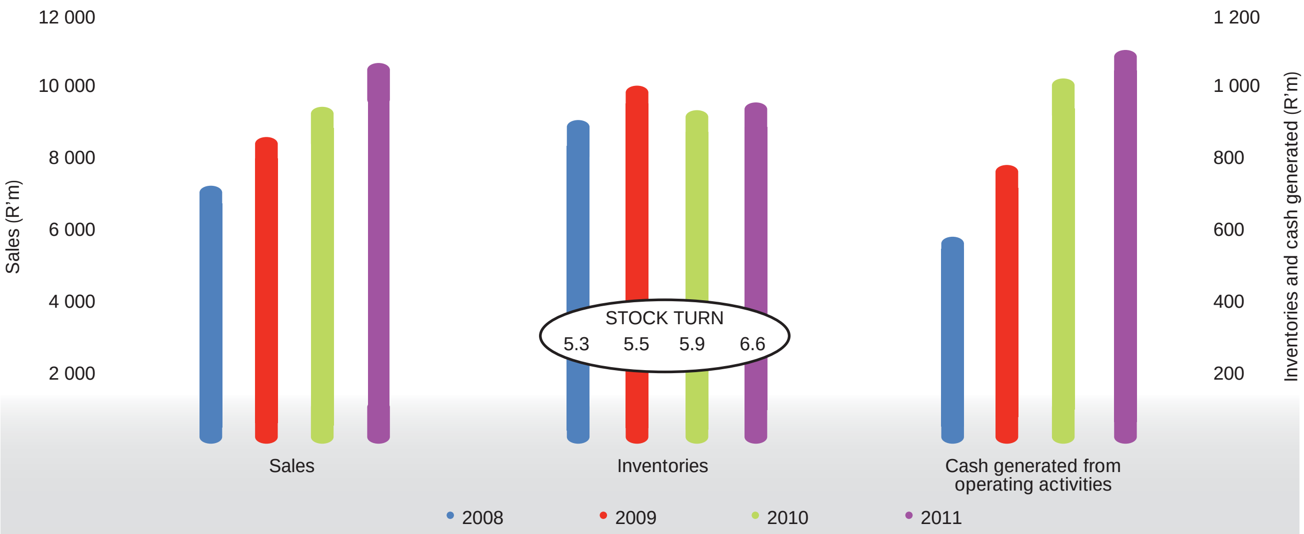
Disposals of property, plant and equipment totalling R19.4 million occurred due to the closure of non-performing stores and planned space reductions, as detailed on page 175.

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

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

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

IMPACT OF PROJECT REDGOLD



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

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

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

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

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

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

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

Treasury share transactions include:

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

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

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

Prospects

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

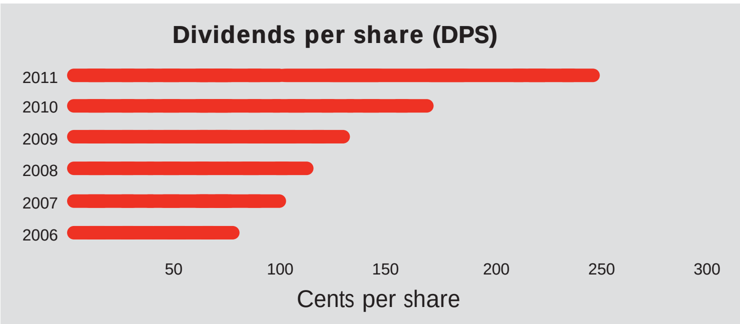
The Home chains, which had been underperforming, are now well on their way to achieving double digit operating margins and overall the business is looking forward with confidence. Investments in the key areas of information technology and supply chain are being undertaken to position the business for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

Dividend policy and final cash dividend

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

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

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



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

Abridged statements of financial position, cash flows and income

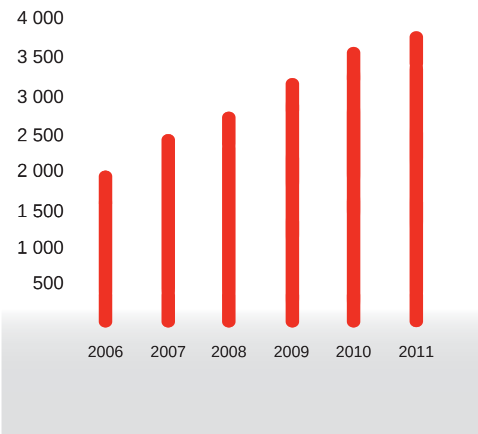
R'000	25 year compound growth %	5 year compound growth %	2011	2010	2009
Statement of financial position					
Assets					
Non-current assets			**607 681**	686 475	893 460
Property, plant and equipment			**459 634**	530 407	603 299
Export partnerships			**-**	-	220 254
Other			**148 047**	156 068	69 907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

Notes:

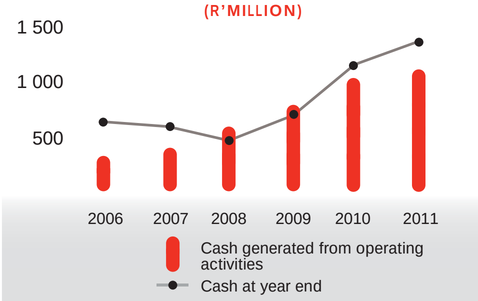
1. 2006 and 2011 were 53 week periods.
2. The 25 year compound growth rates, reflected on pages 66 to 71, are calculated from the date of acquiring control in 1986.
3. Definitions are found on page 187.

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

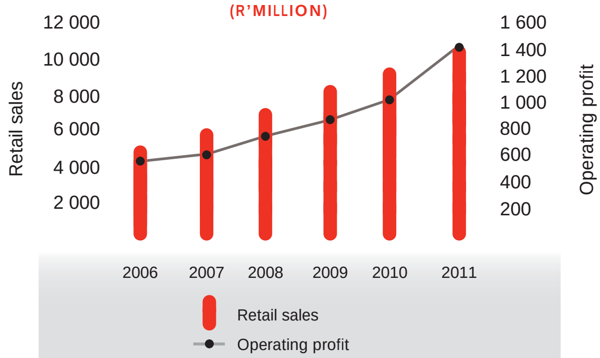
TOTAL ASSETS (R'MILLION)



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



RETAIL SALES AND OPERATING PROFIT (R'MILLION)



Stores and productivity measures

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

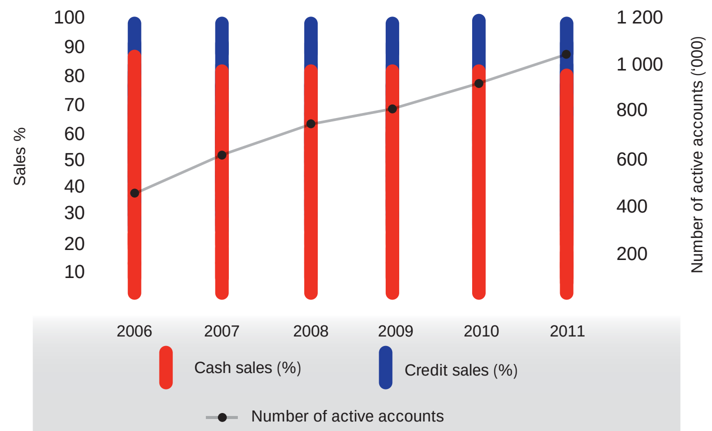
Notes:

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

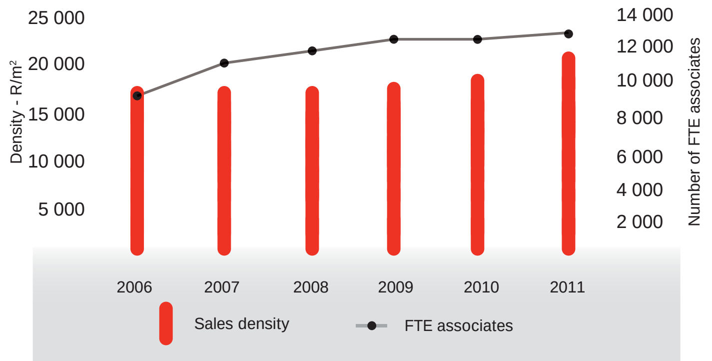
[a] Depreciation on property, plant and equipment only.
[b] Employment costs include salaries, wages and other benefits, share-based payments, restraint of trade expenses, defined contribution pension fund expense, defined benefit pension fund net expense and post retirement medical aid benefits.
[c]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

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

SALES SPLIT AND NUMBER OF ACTIVE ACCOUNTS



SALES DENSITY AND NUMBER OF FTE ASSOCIATES



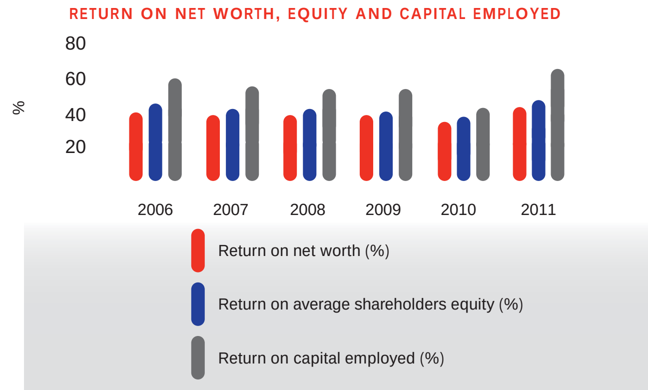
NUMBER OF STORES AND TRADING AREA

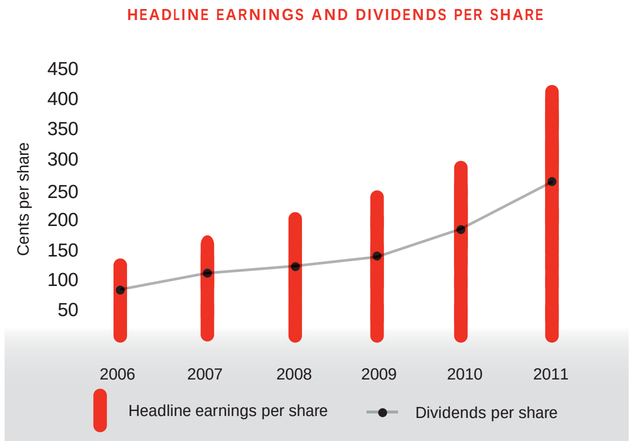
Returns, profitability and share information

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

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

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





GOVERNANCE STRUCTURES

COMMITMENT STATEMENT

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

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

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

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

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

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

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

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

COMPLIANCE

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

Principle 2.16:

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

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

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

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

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

BOARD OF DIRECTORS

Board structure

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

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

Board charter

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

Board appointments

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

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

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

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

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

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

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

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

Ongoing training and development

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

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

Independence and rotation

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

- Mr MR Johnston;
- Mrs RM Motanyane;
- Mr NG Payne;
- Mr MJD Ruck;
- Mrs SEN Sebotsa;
- Mr WJ Swain; and
- Mr M Tembe.

It was agreed that the following directors should not be classified as independent:

- The honorary chairmen, Messrs SB Cohen and LJ Chiappini, on account of their material holdings of Mr Price Group Limited B ordinary shares; and
- Mr K Getz who acts as a professional advisor to the company.

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

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

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

Board review and director performance assessment

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

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

Board meetings

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

- review and approve the board charter;
- review and approve the charters or mandates of the various board committees;
- consider the re-appointment of directors retiring by rotation;
- confirm the board chairman;
- propose the chairman and members of the audit and compliance committee (subject to approval of the membership of this committee by shareholders at The Annual General Meeting);
- confirm the chairman and members of each other committee for the forthcoming financial year;
- define levels of materiality, reserving specific powers to the board and delegating other matters with the necessary written authority to management; and
- review the level of the group's compliance with the provisions of King III.

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

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

Group secretary

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

BOARD AND MANAGEMENT COMMITTEES

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

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

CEO
SI Bird

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

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

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

QUARTERLY DIVISIONAL AUDIT COMMITTEE
Chairlady: S Moodley

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

QUARTERLY EXECUTIVE RISK COMMITTEE
Chairman: SI Bird

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

QUARTERLY EXECUTIVE TRANSFORMATION COMMITTEE
Chairman: AE McArthur

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

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

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

The board believes that, in respect of the business specifically reserved for its decision, it has satisfactorily discharged its duties and responsibilities during the year under review.

Attendance of directors at board and committee meetings

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

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

FINANCIAL REPORTING

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

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

BUSINESS CODE OF CONDUCT

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

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

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

CLOSED PERIODS

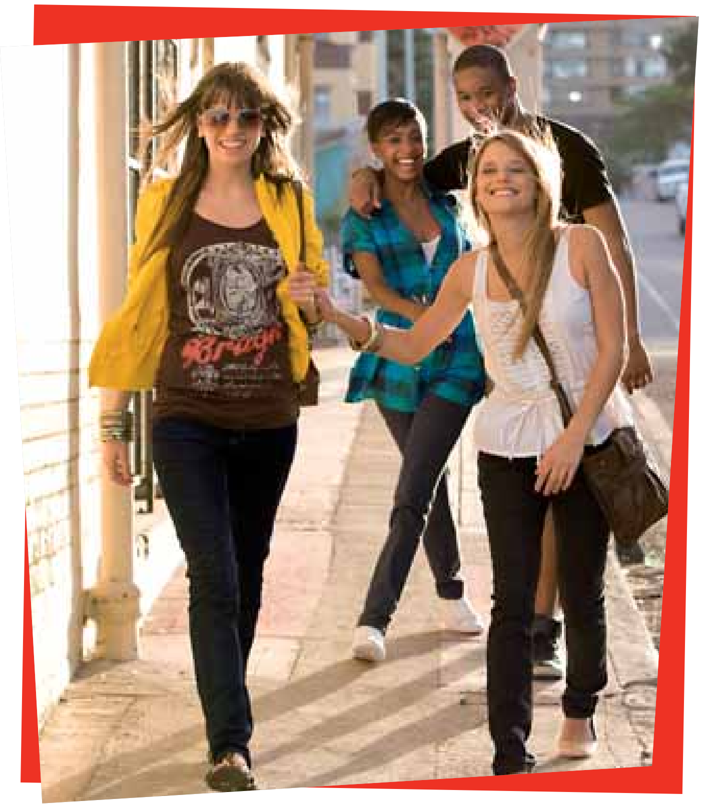
The group operates a closed period policy in line with the JSE Listings Requirements:

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

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

SPONSOR

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



AUDIT AND COMPLIANCE COMMITTEE REPORT

Mr Price Group remains committed to the principles of good governance, ethical leadership and exemplary corporate citizenship. To this end, the audit and compliance committee assists and supports the board in the discharging of its duties.

COMPOSITION

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

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

ROLE

The committee:

- assists the board discharge its responsibility to:
  - safeguard the group's assets;
  - operate adequate and effective systems of internal control, financial risk management and governance;
  - prepare materially accurate financial reporting information and statements in compliance with applicable legal/regulatory requirements and accounting standards;
  - monitor compliance with laws and regulations and the business code of conduct;
  - provide oversight of the external and internal audit functions and appointments; and
  - monitor management's control over enterprise-wide risks.
- provides a communication channel between the board, internal and external auditors and other assurance providers; and
- assists the board monitor management's control over enterprise-wide risks.

2011 COMMITTEE HIGHLIGHTS

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

ANNUAL REPORT OF THE COMMITTEE

During the year under review the committee fulfilled its mandate by meeting four times to deal with comprehensive agendas. It received the appropriate information from internal audit, external audit, management and other sources deemed necessary to fulfil its obligations. Pursuant to these activities and the investigations it conducted, the committee can report satisfaction with the external auditor's independence and established principles governing the auditor's employment for non-audit services. Having given due consideration, the committee believes:

- Mr MM Blair, who is the financial director and carries the title of chief financial officer, possesses the appropriate expertise and experience to meet his responsibilities and that the company's financial function incorporates the necessary expertise, resources and experience to adequately carry out its responsibilities;
- the company's accounting practices and the effectiveness of the internal controls have been maintained at a high standard and fully support the accuracy of the financial and related information presented to shareholders in the integrated report;
- it has satisfactorily carried out its obligations in terms of its mandate;
- it can confirm that there were no material or frequently repeated instances of non-compliance by either the group or the directors during the year; and
- the designated auditor attended a meeting of the committee not more than a month before the board met to approve the integrated report, to discuss matters of importance to the auditor and the committee regarding the company's financial statements and general affairs.

The directors believe the committee has satisfied its responsibilities under its mandate. Under the sponsorship of the committee's chairman a self-evaluation assessment was undertaken during the year and action to address certain issues requiring attention was determined.

The chairman of the committee attends the annual general meeting and is available to answer shareholders' questions.

INTERNAL AUDIT REPORT

Composition

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

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

Independent quality review

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

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

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

Independence and authority

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

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

Combined assurance

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

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

Annual assurance statement

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

Risk-based methodology

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

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

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

Scope of work

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

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

The scope included:

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

Audit scoring / grading framework

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

Grade	Description
Low-risk / very good (90%+)	Controls evaluated are adequate, appropriate and effectively implemented to provide reasonable assurance that risks are being managed and objectives should be met.
Medium-risk / adequate (75-89%)	A few specific control weaknesses were noted, but generally controls evaluated are adequate, appropriate, and effectively implemented to provide reasonable assurance that risks are being managed and objectives should be met.
High-risk / poor (<75%)	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.

Overall assessment

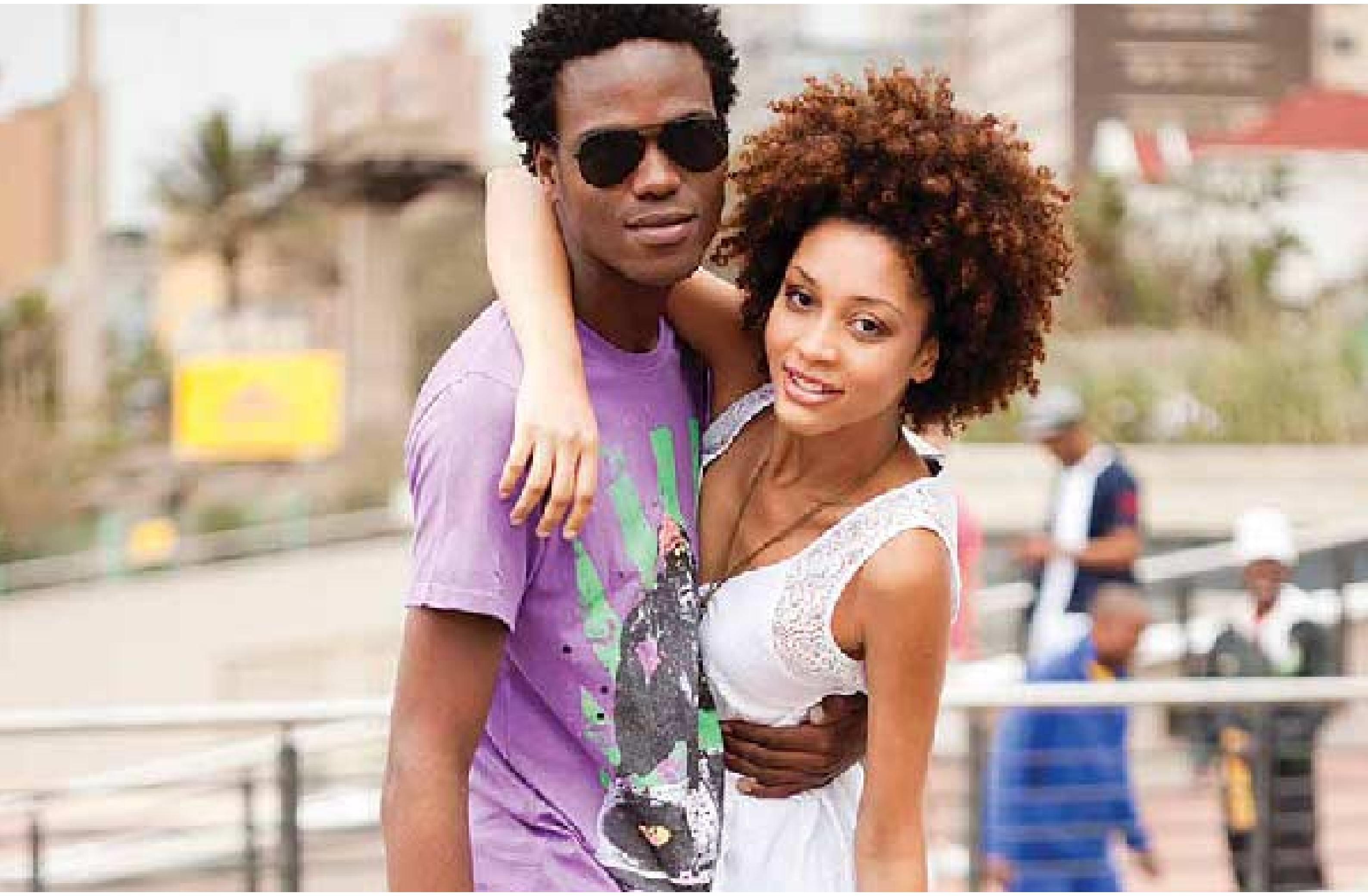
Based on the work carried out during the year under review, controls evaluated were generally very good, appropriate and effective to provide reasonable assurance that risks are being managed and that the group objectives should be met. The assessment was conducted in accordance with the International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

Internal controls

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

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

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



Risk management

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

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

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

Governance

There are very good governance structures and processes in place to:

- promote appropriate group ethics and values;
- ensure effective organisational performance and accountability; and
- adequately co-ordinate communication and activities among the board, external and internal auditors and management.

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

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

Tone at the top

Internal audit has continued to note a constructive tone at the top. Divisional management generally responds immediately and appropriately to reported weaknesses and demonstrates a willingness to adopt recommended improvements, while executive management requires, encourages and monitors quality and continuous improvement in the group's network of governance, risk management and control systems and processes.

RISK AND SUSTAINABILITY COMMITTEE REPORT

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

COMPOSITION

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

ROLE

The risk and sustainability committee is responsible for providing risk management oversight, as well as monitoring the effectiveness of the risk management framework and process. The committee reviews key risks and opportunities, assesses risk mitigation plans and reports back to the board of directors. The committee gives due consideration to the legitimate and fair expectations of all key stakeholders, resource constraints, external pressures and the drivers of the group's sustainability. Management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the group. Management is also accountable for building the competencies and capacity required of a sustainable business.

2011 COMMITTEE HIGHLIGHTS

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

APPROACH TO RISK MANAGEMENT

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

Enterprise-wide risk management (ERM)

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

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

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

Risk profile changes

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

Risk appetite

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

APPROACH TO SUSTAINABILITY

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

KEY RISKS

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

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

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

KEY BUSINESS RISKS AND RESPONSES

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

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

ENVIRONMENT

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

Risk of non-compliance

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

Carbon footprint

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

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

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

Carbon Disclosure Project

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

Environmental initiatives

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

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

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