South Africa's number one grocery store

We are extremely proud to have received this accolade in the 2013 Sunday Times Top Brands Awards, as well as being recognised as the most Reputable Retailer in South Africa by the Reputation Institute and the Most Trusted Retailer in South Africa by the 2013 Ask Africa Orange Index.

This is a strong endorsement by our customers and other stakeholders of our brand, our offering, the service we provide and the hard work we have put in over the past few years.

We are committed to improving every day to ensure that we remain South Africa's number one grocery store.

The Pick n Pay integrated annual report

We are committed to achieving the highest standards of global best practice in reporting and continue on our journey to implement these standards in the Group. We have expanded our disclosures in 2014 and will continue to engage with all stakeholders to ensure that we improve year-on-year.

Introduction

We are pleased to provide you with our integrated annual report for 2014.

Our integrated annual report is intended for all our valued stakeholders that continue to support Pick n Pay (see page 14), but is more specifically focused on our shareholders and investors.

The objective of our integrated annual report is to provide a review of the financial, social and environmental performance indicators and results for Pick n Pay Holdings Limited RF and Pick n Pay Stores Limited and all their subsidiaries and associate (the Group), as well as the opportunities and related risks faced by the Group and how these underpin our strategic objectives. We believe this report will provide our stakeholders with improved insight into our business and an increased understanding of how we create value and how we are ensuring that our value creation is sustainable in the long term.

We are committed to achieving the highest standards of global best practice in reporting, and continue on our journey to implement these standards in the Group. We have expanded our disclosures in 2014 and will continue to engage with all stakeholders to ensure that we improve year-on-year.

Scope of the report

This integrated annual report covers the financial performance, operational highlights and strategic objectives of the Group.

Pick n Pay Holdings Limited RF is an investment holding company listed on the JSE Limited (JSE), with a controlling shareholding in JSE listed Pick n Pay Stores Limited. Pick n Pay Stores Limited is an investment holding company whose subsidiaries and associate operate in the retail sector on the African continent. The Group's two major trading subsidiaries are Pick n Pay Retailers Proprietary Limited and Boxer Superstores Proprietary Limited. Pick n Pay has a 49% share in its associate TM Supermarkets Pvt Limited, which operates in Zimbabwe.

Sustainability disclosures provided in this report are specific to our Pick n Pay branded business in South Africa. It is our intention to expand these disclosures in the future to include our Boxer business and our associate TM Supermarkets, in order to provide a comprehensive view of the social and environmental impact of the Group as a whole, including our impact outside South Africa.

The report covers the 2014 annual financial period, with relevant comparison to previous periods, and has been compiled and presented in line with the requirements and principles of the following:

- The King Report on Governance for South Africa, and the King Code of Governance Principles (King III);
- The International Integrated Reporting ‹IR› Framework;
- The Global Reporting Initiative's G3.1 guidelines on reporting of non-financial information (GRI G3.1);
- The Companies Act, No 71 of 2008, as amended;
- The JSE Listings Requirements; and
- International Financial Reporting Standards (IFRS).

The report presents a range of financial and non-financial disclosures and performance measures to assist our stakeholders to make an informed and objective assessment of the Group's overall performance in 2014. Our key performance measures are presented on the inside front cover and page 1.

In our continued effort to improve our reporting, we have made some changes to the structure and presentation of information, particularly in respect of our corporate governance report (page 42) and remuneration report (page 55). This has not materially affected the consistency of our reporting, and no previously reported significant information has been excluded from the report.

Except for those listed in note 31 of the Group financial statements, there has been no other restatement of financial information in respect of prior periods, however, in considering year-on-year comparability we draw your attention to the following:
In February 2013 the Group adopted a 52-week financial reporting calendar for all future annual financial periods. This change has integrated external financial reporting with internal operational structures and will improve comparative reporting to both internal and external stakeholders going forward. As a result, the 2014 annual financial period began on 4 March 2013 and ended on 2 March 2014 (364 days) compared to the 2013 financial year,

which began on 1 March 2012 and ended on 3 March 2013 (368 days). The comparative financial period therefore reflects four extra days of turnover. Expenditure is presented on a comparable basis with both the 2014 and 2013 financial years reflecting 12 calendar months of operating expenditure. Please refer to note 29 on page 134 for the estimated impact on the financial statements.

Forward looking information

This integrated annual report contains certain forward looking statements as relates to the performance and position of the Group. All forward looking statements are solely based on the views and considerations of the directors. These statements involve risk and uncertainty as they relate to events and depend on circumstances that may occur in the future. Factors that could cause actual results to differ materially from those in forward looking statements include, but are not limited to, global and national economic and market conditions, competitive conditions and regulatory factors. These forward looking statements have not been reviewed or reported on by the Group's external auditors.

External assurance

The Board, assisted by the audit committee, is ultimately responsible for overseeing the integrity of the integrated annual report. This has been achieved by establishing skilled and experienced teams and ownership structures to undertake the reporting process and by performing a thorough review of the report.

The financial statements, contained within the integrated annual report, have been prepared under the supervision of the Chief Finance Officer, Bakar Jakoet, CA(SA).

External assurance obtained in the current period is limited to the external audit opinion on the Group and Company financial statements. We worked with a qualified, independent third party to assist us with developing a comprehensive combined assurance approach, to ensure the integrity of all data contained within the report.

Additional information

In the interests of environmental sustainability, we do not post the integrated annual report or the sustainable living report to our shareholders. Printed copies are available on request from our Company Secretary, Debra Muller, at demuller@pnp.co.za or by fax at + 27 21 797 0314.

The integrated annual report, the sustainable living report and a number of supporting documents, such as our full corporate governance charter, code of ethics, BBBEE certificate and other information relevant to Pick n Pay stakeholders are available on the investor relations section of our website, at www.picknpayinvestor.co.za.

Feedback

We hope that this 2014 integrated annual report has achieved our objective of providing you with a deeper understanding of Pick n Pay – of who we are, how we do business and where we hope to be in the future. We are committed to building on and improving on this report next year and would value your feedback in this regard. Any comments or requests for additional information can be emailed to our Company Secretary (contact details above).

Approval of the integrated annual report

The audit committee has reviewed the 2014 integrated annual report and recommended it for approval to the Board.

The board of directors acknowledges its responsibility to ensure the integrity of the integrated annual report. The directors confirm that they have collectively reviewed the content of this report and agree that it addresses the material issues faced by the Group, and provides a fair presentation of the financial position of the Group as at 2 March 2014 and its performance for the related annual financial period.

The Board authorised the integrated annual report for release on 14 April 2014.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

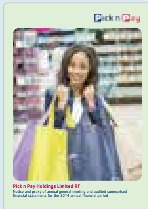
Report navigation

To best serve the needs of our various stakeholders, different sections of our full integrated annual report are available in different mediums:

Integrated annual report
A comprehensive view of the Group's strategy and our financial and operational performance for the year. The report includes the Group's complete financial statements, disclosure on our work in the area of environmental and social sustainability, our governance structures and our remuneration philosophy.

Printed and made available on request.

Available on the website at www.picknpayinvestor.co.za



Summarised results
Pick n Pay Holdings Limited RF
A high-level review of our operational and financial performance for the year, including summarised financial statements, remuneration report, relevant shareholder information, and notice of the annual general meeting and proxy voting form.

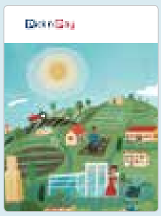
Posted to all shareholders registered in the Company's share register on 25 April 2014, in terms of the Companies Act, 71 of 2008 (as amended).

Available on the website at www.picknpayinvestor.co.za

Summarised results
Pick n Pay Stores Limited
A high level review of our operational and financial performance for the year, including summarised financial statements, remuneration report, relevant shareholder information, and notice of the annual general meeting and proxy voting form.

Posted to all shareholders registered in the Company's share register on 25 April 2014, in terms of the Companies Act, 71 of 2008 (as amended).

Available on the website at www.picknpayinvestor.co.za



Sustainable living report
This report is published in full every two years (with a condensed annual update forming part of the integrated annual report). This report details our sustainability strategy, with a review of our performance against strategic non-financial targets.

Printed and made available on request.

Available on the website at www.picknpayinvestor.co.za

ENGAGE WITH US ON:

Pick n Pay at a glance

Pick n Pay has played a valuable role in the economic and social development of South Africa over the last five decades. The Group now has 1 076 stores across all formats, directly employs 50 000 people (excluding our franchise stores) and is supplied by more than 5 000 suppliers and service providers.

Pick n Pay Holdings Limited RF and Pick n Pay Stores Limited are investment holding companies listed on the JSE since 1968. Pick n Pay Holdings Limited RF's sole purpose is the holding of the controlling shareholding in Pick n Pay Stores Limited, and is in turn controlled by the Ackerman family, who have a proud retailing history in South Africa. Pick n Pay Stores Limited, through its subsidiaries and associate, operates in the retail sector in South Africa and in six other southern African countries.

Pick n Pay is a multi-format, multi-channel retailer, with a unique focus on the customer and its communities. Since 1967 when consumer champion Raymond Ackerman purchased the first few stores, the Ackerman family's vision has grown and expanded to encompass stores in South Africa, Namibia, Botswana, Zambia, Swaziland and Lesotho. Additionally Pick n Pay owns a 49% share of a Zimbabwean supermarket business, TM Supermarkets.

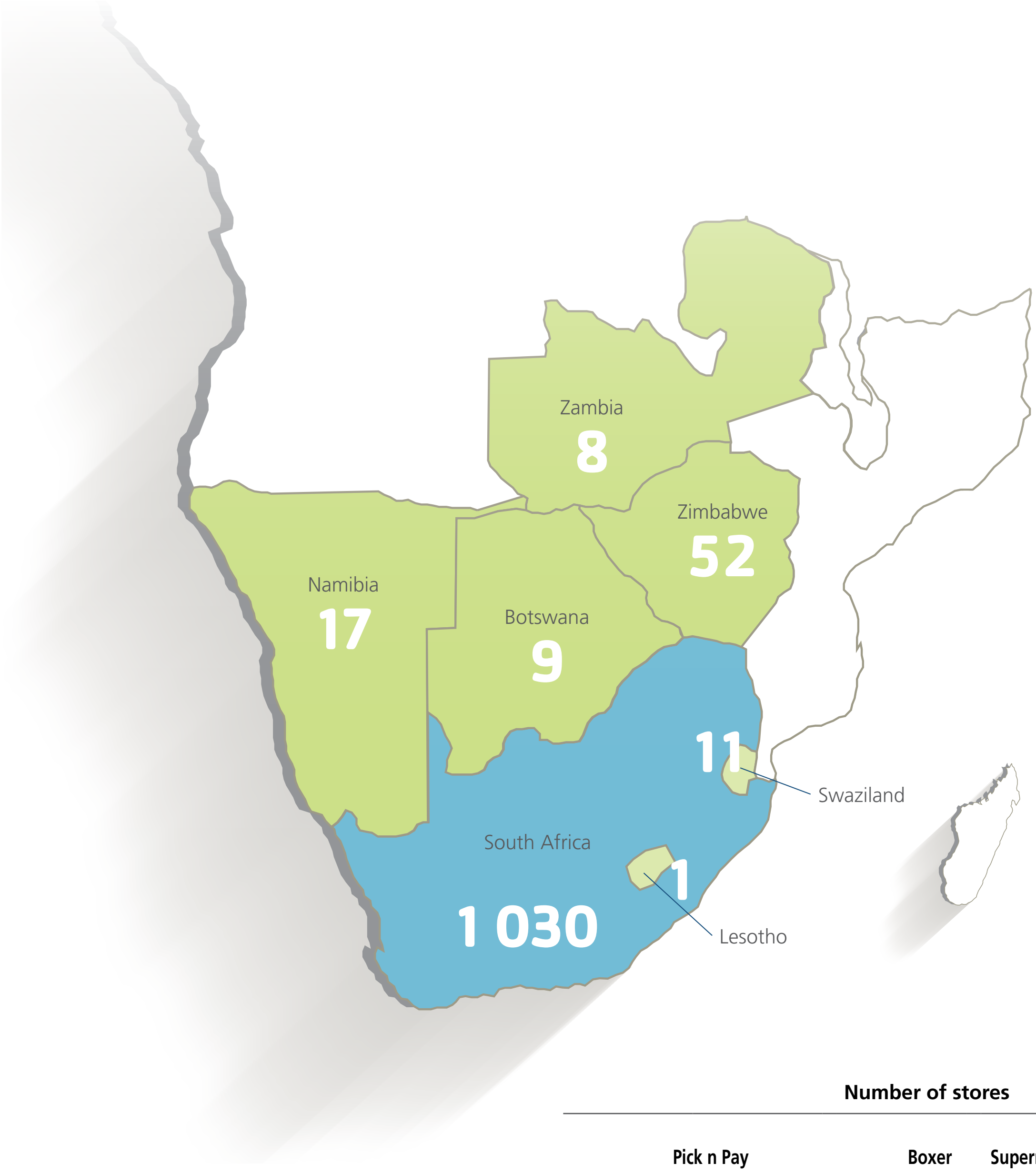
Pick n Pay has played a valuable role in the economic and social development of South Africa over the last five decades. The Group now has 1 076 stores across all formats, directly employs almost 50 000 people (excluding our franchise stores) and is supplied by more than 5 000 suppliers and service providers. Pick n Pay is a strong brand, much loved in society, which has been built on a genuine desire to make life better for our customers and to make a positive contribution to the communities in which we live and work. Brand loyalty is a key strength of our business and is what challenges us and drives us to improve each and every day in order to meet the needs of all our stakeholders.

Our offer to customers focuses on food, groceries, clothing, health and beauty products and general merchandise, but also includes additional value-added services (such as financial transactions at till points, ticketing services and the sale of iTunes' vouchers) to cater for our customers' expectations and evolving needs. To ensure a convenient and accessible shopping experience the Group operates across multiple store formats, on both an owned and franchise basis and offers a growing online shopping business.

As a major retailer in southern Africa, the Group strives to address the socio-economic challenges in the communities it serves, through the supply of high-quality, affordable food for all customers, while providing significant employment and economic opportunities across its value chain.

Store footprint

Pick n Pay has an extensive retail presence in southern Africa, with a strong and diverse portfolio of stores. Pick n Pay has 1 076 stores, having opened 111 stores in the 2014 financial year, adding net 3.4% to our space. Pick n Pay is not focused on a single customer demographic, but is focused on being the retailer for all South Africans. Our expansion programme is focused on growing the business by opening stores which reflect the changing habits and needs of our customers and which will bring new customers and communities into the Pick n Pay family. Our franchise operation adds to the scale of our business and the reach of our brand, both inside and outside of South Africa. There is no doubt that partnering with experienced retailers and entrepreneurs has been positive for our business and has helped us play a significant role in the transformation of business in South Africa. We are developing our presence outside of South Africa, which although still a relatively small part of our business, has the potential to be a second engine of growth for Pick n Pay. Pick n Pay closed its franchise business in Mauritius and Mozambique during the year, exiting territories and partnerships which were not profitable for the Group, in order to focus on more strategic opportunities.



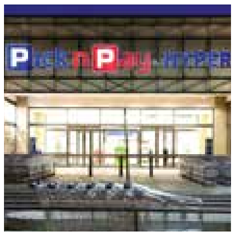
Number of stores

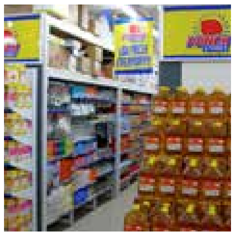
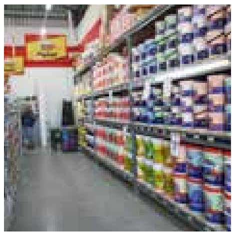
	Pick n Pay		Boxer	TM Supermarkets	
South Africa Division	**Owned**	**Franchise**	**Owned**	**Associate**	**Total**
Hypermarkets	20	—	—	—	**20**
Supermarkets	192	244	118	—	**554**
Express	—	21	—	—	**21**
Punch	—	—	16	—	**16**
Clothing	88	14	—	—	**102**
Liquor	152	121	21	—	**294**
Pharmacy (stand-alone)	4	—	—	—	**4**
Hardware (Boxerbuild)	—	—	19	—	**19**
Total South Africa Division	456	400	174	—	**1 030**
Africa Division					
Zambia	8	—	—	—	**8**
Namibia	—	17	—	—	**17**
Botswana	—	9	—	—	**9**
Swaziland	—	6	5	—	**11**
Lesotho	—	1	—	—	**1**
Zimbabwe (associate)*	—	—	—	52	**52**
Total Africa Division	8	33	5	52	**98**
Total Group stores	464	433	179	52	**1 128**
Total consolidated Group stores (excluding associate)	**464**	**433**	**179**	**—**	**1 076**

* *Trading by the Group's associate TM Supermarkets with three stores trading as Pick n Pay.*

Pick n Pay at a glance continued

Store formats

Format	Offering
Pick n Pay Supermarkets	Our supermarkets offer a wide range of groceries, as well as a targeted range of clothing and general merchandise. Customers can get everything they need, from a quick daily "top-up" to a larger weekly or monthly bulk shop and can always rely on our quality, availability and great value. Our fresh produce and butchery offering is complemented by an in-store bakery, deli and hot food counter. Pick n Pay supermarkets serve a range of communities across southern Africa, from lower and middle income families to the most affluent households. We ensure our ranges are tailored to meet the needs of the local communities we serve. Some stores focus on basic necessities and local produce, while others boast specialty service counters, wine rooms and sushi bars. Convenience is important and we provide our customers with easily accessible locations and good parking. 
Pick n Pay Hypermarkets	Our largest format store, providing customers with an expanded range of groceries, clothing and general merchandise. A hypermarket is a "one stop shop", where customers can get everything they need under one roof. Our Hypers offer fresh produce, a butchery, a deli, a bakery and a hot food counter, but also offer specialist categories not always available in a supermarket, such as home appliances, kitchenware, home improvement, garden and pool accessories, toys, stationery and an expanded health and beauty range. These retail sites are large, catering for destination shoppers, with wide aisles and clear signage and boast ample parking. Prices are very competitive, with a leaning towards multi-pack and bulk-buy items and increased targeted promotional activity. Our hypermarkets have become landmarks in their surrounding communities, regularly hosting competitions, charitable events and other community initiatives. 
Pick n Pay Express	Our partnership with BP, provides a small convenience Pick n Pay Express store on a BP petrol station forecourt. The express store is our smallest format store, offering a targeted convenience range that satisfies an immediate "top-up" shop or a quick meal solution. The range is small, with a limited choice and is mainly focused on daily necessities in small packages. There is a limited fresh food offer. Value-added services include an ATM, lottery, airtime and electricity purchases. Our sites are located in high traffic flow areas, including high density residential areas and public transport intersections. Express stores are open 24 hours. 
Pick n Pay Clothing	Pick n Pay provides the whole family with good quality, fashionable clothing and footwear at exceptional value. Our offer is broad, from baby and children's wear through to men's and ladies wear and includes casual wear, sleep wear, active wear and even caters more formally for the office. Our private label Real has become a much-loved South African brand and is complemented by our exclusive rights to the international brands Cherokee and Maui & Sons. Our standalone clothing stores provide the same quality and value-for-money as our hypermarkets and supermarkets, but with an extended range. 
Pick n Pay Liquor	Our liquor stores are situated close to our supermarkets, but with a separate entrance, as South African liquor laws do not allow for alcohol (other than wine) to be sold in supermarkets. Our liquor stores provide customers with the added convenience of purchasing alcohol at the same time as doing their grocery shop. Pick n Pay Liquor stores offer a wide range of beers, cider, fruit alcoholic beverages, wines, fortified wines and spirits. Our liquor stores help customers cater for parties and functions by providing a full delivery service, including the provision of all glassware, coolers and ice. 

Format	Offering	
Pick n Pay Pharmacy	Pick n Pay operates 24 pharmacies in store, with four stand-alone pharmacies. This is another way that we have expanded our goods and services to meet the evolving needs of our customers. We are committed to providing our customers with convenient and affordable healthcare, providing a wide range of vitamins, supplements, sports nutrition, self-medication, medical services clinics and a dispensary.	
Boxer	Boxer Superstores is a full-service supermarket, offering a wide range of groceries. The fresh produce offering is complemented by an in-store butchery, bakery and hot foods counter. Our target market is the lower- to middle-income communities of South Africa and Swaziland and as such, price and convenience is absolutely crucial for our customers. Boxer Superstores is known for being the price-fighting champion of the people, as our customers increasingly look for value and promotion. All our stores are located close to public transportation routes to cater for our customers travelling needs and our stores have a welcoming market-style atmosphere.	
Boxer Punch	Punch Stores is a smaller sized supermarket offering. These stores are located at smaller sites that have a lot of customer foot traffic around them. The store has low-expense overheads, enabling the business to further reduce the selling prices of products on shelf. Punch Stores offer customers low prices on key lines which satisfies the demand that exists within the targeted customer base. Our focused product range includes local produce, pre-packed meat; and a limited range of breads and confectionery.	
Boxer Build	Boxer Build stocks a diversified range of building and hardware supplies that provide the home owner and builder with all their building, DIY and home-improvement products at the most competitive prices. Boxer Build offers customers a savings card and access to short-term credit facilities. Transport for purchased products can also be arranged at store level. These builders' hardware outlets are located in the Eastern Cape and KwaZulu-Natal provinces.	
Boxer Superliquors	Boxer Superliquors stores are situated close to our supermarkets, but with a separate entrance, as South African liquor laws do not allow for alcohol (other than wine) to be sold in supermarkets. Our liquor stores provide customers with the added convenience of purchasing alcohol at the same time as doing their grocery shop. Boxer Superliquors carry a focused range of basic alcoholic beverages which are sold at competitive prices. Ice is available on-site.	

The Pick n Pay Group

Pick n Pay is a food, grocery and general merchandise retailer selling a wide range of products at great prices in shops where our customers are welcomed and treated with respect. We serve customers from across the range of society. As well as offering a wide range of branded products, we also have private labels to suit every budget.

The Pick n Pay Group, through its South Africa and Africa divisions, with its Pick n Pay and Boxer brands, is a food, grocery and general merchandise retailer selling a wide range of products at great prices, in shops where our customers are welcomed and treated with respect.

We serve customers across the diverse spectrum of South African society, and are expanding our reach into the African continent. As well as offering a wide range of branded products, we have Pick n Pay branded products to suit every budget: through our Finest brand, our core Pick n Pay brand and our budget No Name brand. More than half of all South Africans shop regularly in our stores and we have among the most loyal customers in the country.

We are developing as a multi-format, multi-channel business. Our stores range from large hypermarkets where customers can buy everything under one roof, through to small convenience stores where customers can shop quickly for their immediate needs. Franchise is a core part of our business model, and we are also developing convenience and other smaller store formats. Our franchisees are strong representatives of the Pick n Pay brand and we are privileged to have such committed and capable retailers serving our customers.

We have a small and growing online business, giving customers the opportunity to shop from their homes and have their products delivered to their door in one-hour time slots.

We are an international business. The rapid emergence of a consumer economy across Africa gives us the opportunity to grow into new markets. This has the potential to be a second engine of growth for the Group, bringing safe and affordable food to many new customers and communities. In recent years we have expanded beyond the boundaries of South Africa into the adjacent markets of Namibia, Botswana, Lesotho, Swaziland, Zimbabwe, and Zambia. In total we have close to 100 international stores generating sales of over R3 billion per annum and contributing meaningfully to our profits. We tailor our ownership model to what is appropriate to the local environment, whether establishing owned stores, franchised stores or a part-investment in an independent operation. During the year we closed underperforming franchise operations in Mauritius and Mozambique to enable us to focus our attention on markets with more potential.

We know that at the heart of great customer service is a great team. We employ almost 50 000 people in our owned stores and with franchise, this extends to close to 73 000 people working under the Pick n Pay and Boxer banners. Working at Pick n Pay is more than a job. It is an opportunity to learn, develop new skills and benefit through great teamwork. We are committed to training and empowering our people, and our aim is to be the employer of choice in the retail industry.

Consumer trends

Since 1994 the South African economy has grown rapidly. This growth has seen increased disposable income across society and led to a rapid growth in the consumer economy. Living standards have, on average, improved and our customers are constantly aspiring to improve their living conditions. As the economy has grown the government has increased social security payments helping to raise the conditions of the least well-off.

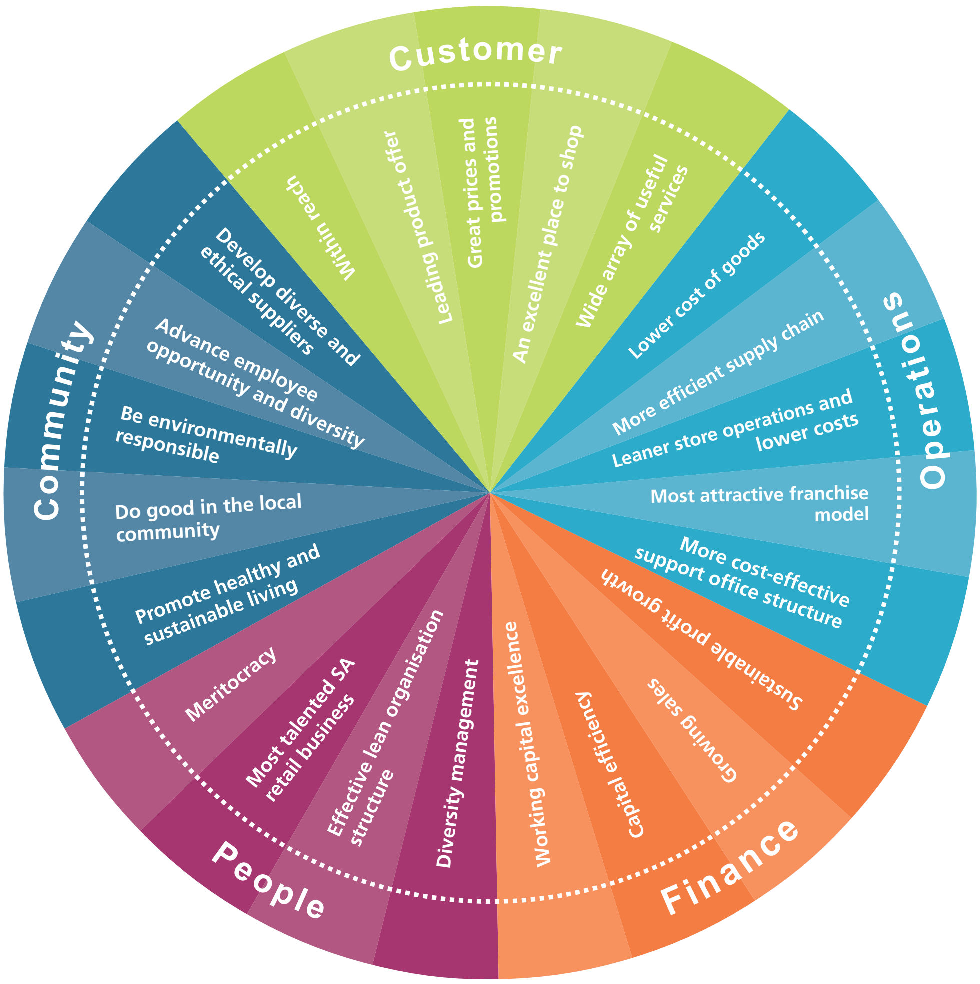
However, the benefits have not reached everyone equally. There remains much to do for us as a nation. Unemployment remains stubbornly high at over 25% for the quarter ending March 2014, with youth unemployment higher at 53%. The divergence in living standards between those with the most and those with the least is stark. Basic standards of housing, education and health remain below acceptable levels. Additionally, consumers in South Africa have come under increasing financial pressure over the past year. Living costs have risen significantly, particularly utility and fuel costs. Interest rates have also begun to rise, adding pressure to those customers who are purchasing their homes on credit or who rely on credit to fund their lifestyles. The value of the rand has fallen significantly, relative to other international currencies, putting pressure on the cost of imports and driving prices higher.

Our business principles

Three enduring principles have guided our business over the past 47 years and will continue to guide us into the future:

1. Consumer sovereignty	2. Business efficiency	3. Doing good is good business
We put customers at the heart of our business and create value for them by providing good quality, safe and nutritious food at the lowest prices we can. We provide customers with a wide range of food and non-food products at great prices in a variety of store formats that are appropriate to their shopping needs. We appeal broadly across society, exclude no-one and seek to move hand-in-hand with the changing needs and aspirations of our customers.	We negotiate the lowest possible prices from over 5 000 suppliers and service providers and transport, store and display our products as efficiently as possible to keep costs to a minimum. The scale of our business allows us to give our suppliers sufficient volume so that they can plan and manage their operations to reduce their costs. Our scale also allows us to spread our fixed costs over substantial volumes, reducing our unit costs. By becoming more efficient we are able to reinvest in improving the customer experience, ensuring we stay true to our first principle of consumer sovereignty, thereby increasing sales and in turn enabling us to run a more efficient business.	Customers reward those businesses that they believe are at the heart of society; that give back to the communities they serve. As customers reward us with their loyalty, we are able to grow, serve more customers, generate more jobs, and help more communities – whether through the support of local communities during times of crisis, or in helping to develop local suppliers, or building the capacity of our youth to contribute meaningfully to society. We believe that we will benefit in the future through our generosity today. As we build our business outside South Africa, this is the ethos that drives our investment in those countries.

Our business model is aimed at making us the retailer for every South African



Consumer trends continued

Our prices have risen substantially less sharply than CPI. However, we recognise that many of our customers are under substantial pressure to tighten their belts. They will therefore reward those retailers who provide the most compelling offer in terms of price, quality and value.

Customers in South Africa and more widely are also increasingly placing a premium on convenience. For those in work, time is an increasingly scarce commodity. Customers are seeking out those retailers who provide convenience either in the form of smaller, more local stores, or increasingly in the form of an effective online offer. Our store expansion programme recognises this trend and we are focused on opening smaller convenience stores in markets not yet widely serviced by the Group.

Our strategy

1. **Grow our core South African business**
2. **Establish the rest of Africa as a second engine of growth**
3. **Build a high performance culture**

1. Grow our core South African business

Over 90% of our turnover is generated in our domestic market. Between our two key brands, Pick n Pay and Boxer, we have stores that meet the needs of all economically active South Africans: our Pick n Pay stores largely serve middle- to upper-income customers and our Boxer stores serve lower- to middle-income customers.

Under the Pick n Pay brand, our hypermarkets provide the widest range of products under one roof at unbeatable value. Our Pick n Pay supermarkets are the core of our business and they meet the weekly and monthly food shopping requirements of our customers. Our Pick n Pay supermarkets are a combination of company-owned stores and entrepreneurial franchise stores. We have a small but growing online business which is improving every year.

Boxer provides a more limited range of products focused on fresh food, basic commodities and hardware at highly competitive prices in lower- to middle-income areas.

The two brands, Pick n Pay and Boxer, have demonstrated their ability to trade strongly alongside each other in many markets.

Reaching more customers

Our footprint includes some of the most prime retail estate in South Africa, and we remain an anchor tenant of choice for landlords and developers. Pick n Pay has over 1 000 stores, and opened 111 stores in this 2014 financial year, adding 5.8% to our overall space.

We intend to exploit the significant potential for us to reach and serve more customers by opening more stores. We do not focus on any narrow segment of the consumer market. Our aim is to be the retailer for every South African, and our strategy is to open stores in ways which reflect the changing aspirations of our customers.

The opportunity therefore extends across the range of our formats: Pick n Pay and Boxer, owned and franchise. While higher-income customers are likely to be more resilient to current economic and financial pressures, we are excited about the opportunity to bring modern food retailing and its benefits to more lower- to middle-income communities through our Pick n Pay and Boxer brands.

Improving our customer offer

We have substantial opportunity to improve both our customer offer and sales by focusing on the range, quality, value and availability of products in our stores. By doing so we believe that we can further increase the value of our business.

Over the past year we have listened hard to customers and reviewed every aspect of the shopping experience. We have substantive plans in place to improve the variety, freshness, quality of our products, to offer better value for money through stronger price discipline, more exciting promotions, and an improved loyalty programme, and to improve the speed, ease and friendliness of the shopping trip. We see the potential to expand the range of services we offer into new categories where we believe we can differentiate ourselves from established competitors.

Rewarding customer loyalty

Over the past year we have also invested in our customer offer by improving our smart shopper loyalty programme. We now have almost eight million smart shopper cards. Every second our business is open, 10 smart shopper cards are swiped at our tills.

Smart shopper will now deliver more to customers at less cost to our business. It also gives us unique insight into the changing needs and aspirations of our customers.

Improving our efficiency

In recent years we have made major investments in transforming our business from an organisation operating largely on regional lines, into one where we operate centrally those functions where our customers, employees and shareholders will benefit from our improved effectiveness. Those aspects of the business that are best handled locally will remain regionally managed. On supply chain, our Longmeadow (situated in Johannesburg) and Philippi (situated in Cape Town) central distribution centres are now fully operational. We have also centralised category management and forecasting and ordering. By doing so, we can devote more expertise into developing a more compelling product offer and making sure we improve our on-shelf availability while minimising cost and working capital. We have world-class information technology across our business, including advanced point-of-sale technology at our tills and on our shelves.

Centralisation benefits our customers through better product, better prices, better availability and less cluttered stores. It also enables us to improve our operational efficiency.

The work already undertaken provides a platform for us to make further operational improvements without significant additional spend. We plan to improve the efficiency of our operations by sourcing, delivering and operating at lower cost. We are continuing to work with our suppliers on shorter lead times and better communication.

We see substantial potential in every part of our business to save money, much of which can then be reinvested in the customer offer, giving our customers more reasons to shop with us.

2. Establish the rest of Africa as a second engine of growth

Our operations outside South Africa are already an important contributor to the Group. We have an established presence in Namibia, Botswana, Lesotho and Swaziland, and we have performed well in each market. We are expanding rapidly in Zambia, which this financial year contributed over R1 billion in sales, and have a minority share in our associate TM Supermarkets in Zimbabwe.

During the year we exited our franchise operations in Mozambique and Mauritius. These closures will allow us to focus more intently on those markets where we can build a long-term market leading business.

We continue to explore further opportunities to grow within the African continent, and have recently put a team on the ground to explore opportunities in Nigeria which is the most populous country on the continent with strong growth potential. Operating outside of our home market is complex and we are taking a measured approach to growth on the continent.

3. Build a high performance culture

We aspire to be the employer of choice in the retail sector in South Africa and will do this by offering a rewarding place to work where each individual can develop and fulfil their own personal ambitions.

We have set ambitious goals for our business for the next three to five years. To ensure that we drive our organisational development with pace and energy, we are strengthening our senior team. To ensure that we have clarity in our objectives and in measuring and driving performance, we have introduced a balanced scorecard (refer to page 11). Over the past 12 months we have improved the effectiveness of our support offices, having changed the structures in each functional area. During this process we have also become more efficient and made material cost savings.

Pick n Pay Stores Limited has adopted a new share incentive plan. The Pick n Pay Stores Limited Forfeitable Share Plan (FSP) is aimed at those executive directors and key senior management personnel who have a significant role to play in delivering the Group's strategy and in ensuring the growth and sustainability of the business in the future. An important feature of the FSP is that before employees are eligible to participate, they must first meet their individual key performance indicators, as set out in the strategic business plan and balanced scorecard – ensuring that executives are appropriately and fairly recognised and rewarded for performance delivery. Forfeitable shares are performance shares. Shares awarded under the FSP will always have performance conditions attached, and if the performance conditions are not met within the specified time period (the vesting period) the executive will forfeit the shares. Please see page 61 of the remuneration committee report for further information.

Engaging with our stakeholders

Pick n Pay recognises that the sustainability of the Group is dependent on sustainable and mutually beneficial relationships with all our stakeholders.

Our key stakeholders have been identified through ongoing engagement with various individuals, groups and organisations and are defined as those parties that have a direct stake in our business because they can affect or be affected by our activities, objectives and policies.

Communicating with, and listening to, our customers, suppliers, investors, employees, regulating authorities, media, community groups and the broader society enables us to identify and act upon the issues that affect our business, improves our understanding of stakeholders' expectations, aspirations and interests, and strengthens the transparency and accountability through which we have established valued relationships.

	Customers	Community	Employees
Why do we engage?	• Listening and responding to customer feedback, both positive and negative, assists us to continually improve our offering, which encourages sustainable revenue growth • Understanding and responding to our customers' changing needs ensures that we are able to provide them with new and compelling reasons to shop at Pick n Pay and Boxer	• The success and well-being of the communities in which we trade ultimately affect the success and well-being of our stores and our employees in those stores • When you actively engage with and support your local communities, they in turn, actively engage with and support your business, promoting the sustainability of both	• If we are to get the best out of our team (and in turn be able to deliver the best to our customers), we must actively and regularly engage with our employees on strategy, key performance indicators, financial performance and on the role we expect each individual employee to play in our business • We engage in order to identify and recognise good performance, to provide training and development where necessary and to hold each team member accountable for the job they do
Our vision	• To be the retailer for every South African • To provide a leading range of products and useful services, of outstanding quality and price, in convenient locations • To commit to ethical and informative retail practices	• To do good in our local communities – and to ensure that our local communities benefit from our ongoing investment in social, environmental and economic recovery and development • To promote healthy and sustainable living • To be environmentally responsible	• To have the best team in the retail industry • To be the most sought after employer in the retail industry • To provide access to recognition, opportunities, good working conditions and competitive remuneration • To have a diverse employee base • Meritocracy (advancement based on merit)
Our stakeholders' requirements	• Product quality and food safety • Product availability • Affordability and good value for money • Opportunities for active engagement in sustainability initiatives, such as buying sustainable seafood or using in-store recycling opportunities • A reward for loyalty	• Many varied social, environmental, economic and ethical needs • Job creation • Food safety • Opportunities for active community engagement, such as charity drives, community clean-ups and other local initiatives	• Recognition, remuneration and rewards for services provided • Training, career development and wellness programmes (including HIV education) • Sustainable business performance • To work for a responsible and ethical corporate citizen
Our engagement	• Our Customer director provides a voice to our customers on the Board, ensuring customer engagement and customer service receive priority • Personal "one on one" meetings are held with customers • Regular customer surveys, consumer forums and online customer panels • Our website www.picknpay.co.za allows for online engagement, as does our active participation on various social media platforms • Marketing campaigns • Our smart shopper loyalty programme	• Forums such as township co-operatives, community affiliations, university partnerships and the Pick n Pay Schools Club • The many varied social responsibility programmes of all our individual stores and in collaboration with the Ackerman Pick n Pay Foundation, including valuable skills development, education, small enterprise support and development, health-care, community gardens and various other initiatives	• Regular management updates ensures that employees feel part of the team • Employee surveys are conducted to ensure employees views are known and considered in strategic decision-making • Internal publications provided to employees monthly • In-house television and radio communications and employee conferences • Skills development and training • Ongoing engagement with unions
Our performance	• We are constantly monitoring calls received through our customer care line and resolving the issues raised – we saw the number of customer engagements increase by 5% to over 300 000 • We have substantially increased our digital presence with a 40% increase in the use of our Pick n Pay website, a substantial following on Twitter, a 60% increase in our YouTube subscribers and we are the most popular Facebook presence for a South African retailer with 587 000 followers • Smart shopper has given back over R1 billion in smart shopper loyalty points since its inception with more than R500 million in the 2014 financial year • Our smart shopper application is a popular download on iStore	• Pick n Pay spent R36 million on various CSI initiatives over the 2014 financial year • Our smart shopper loyalty programme has generated R1.8 million worth of points which has been donated to charity by our customers since inception • Through co-operation with the Ackerman Pick n Pay Foundations, the enterprise development programme has facilitated six rural community farms to successfully supply fresh produce through the Pick n Pay supply chain • We have assisted a small start-up company, which produces tortillas and wraps, to become a national supplier to Pick n Pay stores • An organic vegetable farm participating in our enterprise development programme supplies our Gauteng region • A small meat supplier participating in our enterprise development programme supplies fresh meat into 32 of our franchise stores around Gauteng • On "Day for Madiba", Pick n Pay, together with its franchisees, raised R5 million for good causes, including approximately R4 million for the Nelson Mandela Children's Hospital and a further R500 000 to the Nelson Mandela Children's Fund	• R92 million spent on skills training and development in 2014 • Over 330 training programmes offered to employees, ranging from basic literacy and numeracy through to computer-based training and management and leadership programmes • Over 1 600 internal promotions over the 2014 year contributing to the career advancement of valued employees • The launch of the Pick n Pay graduate programme • Chartered Accountant (SA) training programme offered at Pick n Pay • Successful labour negotiation in March 2013 secured a new wage deal for the next three years • Roll-out of the Kronos automatic labour scheduling system is facilitating transparent and efficient shift planning

We acknowledge that our stakeholders may have different and at times conflicting needs and views, and we are committed to balancing the interests of our stakeholders in a responsible and respectful manner. This, we believe, is the only way to ensure long-term relationship building. We believe in the importance of disseminating accurate information to all our stakeholders and welcome open dialogue with all parties with whom we do business.

We detail our engagement with our key stakeholders below, focusing on those groups who have either a significant interest in the operations of Pick n Pay, or have significant influence over the way we do business.

Franchisees	Shareholders	Suppliers
• Our franchise stores are an important part of the Pick n Pay business, adding significantly to scale of our business and the reach of our brand • Our franchisees are an important resource, providing a valued benchmark of financial performance in an owner-managed store • Our franchise model only works when our franchisee has the opportunity to succeed and has an active voice in the business	• In order to provide our shareholders with a comprehensive, transparent and objective understanding of the business so that our shares may trade at a fair value and that our shareholders are aware of the risks and opportunities associated with investing in our shares	• To ensure that we are able to source a leading range of high quality produce and merchandise for our customers at the best possible price and that together with our suppliers, we are able to commit to on-shelf availability, food safety and sustainable and ethical business practices
• To offer the most innovative and mutually beneficial franchise model in the retail industry • To operate as a sustainable franchisor of choice for retail entrepreneurs across the FMCG industry	• To generate consistent profits in a long-term, sustainable manner • To operate according to good corporate governance principles • To follow innovative business practices at an acceptable level of risk • To provide an attractive return on investment	• To build fair, efficient and mutually beneficial business relationships • To develop new products that meet evolving customer needs and environmental requirements • To give new product innovation the best chance of success on-shelf, through visibility and availability • To be committed to continuous development of small businesses and diverse and ethical suppliers • To contribute to job creation
• Building a sustainable business • Resource efficiency (energy, water, waste, logistics) • Security and sustainability of supply, timely delivery of products, competitive pricing, product innovation, marketing support, quality of products and food safety • Opportunities for cost reductions • Transformation and enterprise development	• Improving return on investment year-on-year • Understanding our business model, strategic direction and profit drivers • Sustainability of return on investment • Access to timely, accurate and relevant information that supports their value investment • Sufficient free float of shares for trade • Good corporate governance, including a balanced composition of the Board members • A socially responsible and ethical corporate citizen	• Fair pricing, research and development support, transparent contracts and agreements certification, infrastructure and logistical support • Opportunities for cost reduction • Transformation and enterprise development • Resource efficiency (energy, water, waste, logistics)
• One-on-one relationships are built with franchisees • Regular store visits by franchise specialists and service area consultants • Monthly meetings between the regional operational teams • Monthly CEO forum meetings with national franchise representatives • CSI programmes in the communities in which our franchisees operate	• We engage formally at least four times a year – at our two financial results presentations, our AGM and our investor day/strategic update • Our CEO and CFO regularly engage with investors, analysts and fund managers • We have an investor relations manager who engages regularly with the investment community, including retail analysts, shareholders and potential shareholders • Direct and constructive engagement on proposed resolutions prior to our annual and extraordinary general meetings • A focused investor relations section on our website www.picknpayinvestor.co.za • Result publications and JSE SENS announcements	• We conduct food safety audits at supplier factories and production facilities on an annual basis • Store visits with suppliers are conducted on a regular basis • Joint business planning sessions • New store opening programmes • Regular meetings in line with merchandise cycle timelines • Technical support is provided to suppliers where necessary • Supplier conferences • A dedicated enterprise development programme
• Opened 31 franchise stores during the year • Pick n Pay Express was named the Newcomer Franchisor of the year by the Franchise Association of South Africa (FASA) • A franchise module tailored for the emerging market has assisted franchisees trading in this environment with structured repayment of debt • On "Day for Madiba", Pick n Pay, together with its franchisees, raised R5 million for good causes, including approximately R4 million for the Nelson Mandela Children's Hospital and a further R500 000 to the Nelson Mandela Children's Fund	• We held our first investor day in August 2013 to provide our investment community with a strategic update between our two result presentations • We took part in a number of store and distribution centre visits during the 2014 year • We appointed Dr David North as our new Head of Corporate Affairs, whose portfolio includes the responsibility for investor relations • Our CEO and CFO held one-on-one meetings with 12 of our biggest shareholders in November and December 2013 • We engaged constructively with our shareholders on our proposed new share incentive plan for top management, with the subsequent shareholder resolution being passed with an 80% majority at our extraordinary general meeting	• One conference held during the year • Almost 700 health and safety audits undertaken during 2014 • Almost 350 new suppliers in 2014, and over 31 000 new products supplied in our stores • Through co-operation with the Ackerman Pick n Pay Foundations, 69 businesses and community enterprises have benefited from the enterprise development programme of which 43 are now supplying our stores. Through the programme's focus on job creation, small enterprises have been able to either support or employ 8 500 people • R33 million spent on technical support provided to suppliers

Social and environmental sustainability

Environmental, Social and Governance (ESG) issues remain high on the global, national and regional agendas. Environmental and social risks dominated the high impact/high likelihood quadrant of the World Economic Forum's ninth global risks report in January 2014. Sustainability has always been a key principle of our business, and we have a long track record of investing in social and environmental initiatives. To ensure we focus on key priorities, we review the issues and risks and build them into our strategy.

What environmental, social and governance (ESG) issues are impacting our retail sector today?

The connected challenges of energy, food and water security

We see water security joining energy and food security as a key business risk. Growing population and industrial demand at a time of less predictable supply is prompting businesses and others to develop strategies both on water efficiency and more sustainable supply chains.

Increasing levels of inequality

Poverty remains a major problem in many parts of southern Africa. Chronic unemployment, inequality and lack of opportunity give rise to significant social issues as well as health challenges. These problems are exacerbated by higher levels of household indebtedness and an ongoing dissatisfaction with service delivery in poorer areas.

Public health

This is a double challenge in many parts of Africa. On the one hand, large sections of the population face the challenge of insufficient diet and nutritional knowledge borne out of poverty, giving rise to disease and other risks. At the same time, affluent populations face an increasing risk of obesity and related health conditions. As well as seeking to raise greater awareness, governments are under pressure to legislate to mitigate some of the risks. For example, salt reduction for processed food became mandatory in South Africa and similar requirements on sugar in processed products are expected.

Supply chain transparency

Awareness of the need to ensure that ethical and environmental standards are upheld in the supply chain has grown significantly over the past decade. Greater transparency is important in ensuring standards are upheld. New global accords are emerging to tackle problems such as corruption, breaches of human rights and health and safety challenges. Growing consumer demand for accurate labelling and traceability was highlighted through the global controversy on meat mislabelling in 2013.

Carbon tax

The development of carbon taxes in various parts of the world has often created a dilemma for governments in balancing action to mitigate climate change against the desire not to impose significant additional cost pressures on consumers and businesses. A carbon tax in South Africa is now set for 2016. Prudent carbon management and footprint auditing are fundamental to the retail response.

Reporting and governance standards

This year saw new guidance documents from the International Integrated Reporting Council, the Global Reporting Initiative and SASB. This has increased the pressure on companies to comply and keep up to date.

Our priority in 2014 has been to make further progress in implementing our sustainability strategy, deepening its impact within the Group and ensuring that it adds value for our customers, our business and broader society. Our sustainability governance structure continues to provide us with oversight, performance management and reporting.

We see our sustainability strategy as inextricably linked to our business strategy, shaping our thinking and actions in two broad areas:

1. Ensuring that we become a more resilient business in the face of increasing environmental and related pressures both in the short term (e.g. fuel and electricity price increases) and in the longer term (e.g. food and water security linked to climate change).
2. Seeking to add more value to society by helping our customers, suppliers and other stakeholders meet sustainability challenges and opportunities. We see scope for innovation and partnership, for example in seeking to meet the needs of our customers who want to live more sustainable lifestyles, and in giving opportunities to previously disadvantaged communities through mentoring, support and access to our supply chain and stores.

We must respond effectively in both of these areas if our business is to be successful and sustainable in the future.

The following areas have received significant attention during the year:

- Increased savings through resource optimisation and efficiency measures, particularly in our use of energy and handling of waste. We have invested more than R55 million in lighting and refrigeration efficiency during the 2014 year. We have developed owned stores which are 20% to 40% more energy efficient than stores opened in 2008;
- Benchmarking of stores on environmental performance, with key problem areas being addressed;
- Increasing the number of SMMEs and BBBEE businesses in the Group's supply chain;
- Increased understanding of the value of partnerships, which help us to deliver sustainability benefits in strategic ways, through building broad stakeholder support, such as our sustainable seafood partnership with World Wide Fund for Nature South Africa (WWF-SA), through which more than 1 000 fishermen have been trained in sustainable fishing practices and 1 million SASSI cards distributed to consumers, assisting them to make more sustainable seafood choices;
- Continued development of our internal audit, data and document management systems;
- A review of our key performance indicators and their alignment to our business strategy;
- Implementation of waste reduction activities, not only through increasing levels of recycling, but focusing on activities that lead to the creation of less waste. These include more accurate demand planning, better control of stock levels at store and the maintenance of the cold chain;
- We had set a carbon footprint reduction target of -15% by 2015 in 2010, which we have met during this financial year. Compared with our 2008 baseline, we have reduced energy use per square metre by 30%;
- Through collaboration with the Ackerman Pick n Pay Foundation we developed 113 community gardens to assist communities in becoming more food secure; and
- Our preferential procurement spend with businesses which have more than 50% black ownership increased to R793 million, of which R459 million was spent with businesses which are 100% black owned.

ENVIRONMENTAL RESPONSIBILITY MEASURES	2014	2013
Waste recycled (tonnes)	**18 591**	13 611
Total energy use for stores, distribution centres and offices (GWh)	**510**	517
Energy (kWhs) per sqm	**407**	425
Kilolitres of water consumed per sqm	**1.19**	1.11
Carbon footprint (CO_2e) (tonnes)	**582 518**	577 289
DIVERSE AND ETHICAL SUPPLIERS MEASURES		
% Private Label products sourced locally	**92**	89
% Fresh produce suppliers Global Gap certified	**63**	62

Refer to the engagement with our stakeholder reports on pages 14 and 15, the risk management report on pages 68 to 73 and the sustainable living report available on our website www.picknpayinvestor.co.za for more detail.

Chairman's report

Gareth Ackerman

We are encouraged by the progress achieved across the business over the past year, and illustrated in this integrated annual report. Both in our annual financial results and in our underlying performance, we see evidence of tangible improvement. However, as Richard Brasher and our senior management team frequently emphasise, much more remains to be done.

Since I became Chairman four years ago, my focus has been to return Pick n Pay to the basic principles and values on which it was founded.

By a return to basic principles, I mean a recommitment to the retailing philosophy that has always differentiated Pick n Pay from its competitors and has ensured our ability to run an ethical, responsible and profitable company. I am satisfied that the Group's three core legacies have remained intact as the building blocks of our turnaround strategy – the values of consumer sovereignty, the maxim that "doing good is good business" and our commitment to business efficiency.

In recent years, every part of our business has been exhaustively and honestly reviewed. Over the last year, under the able guidance of our CEO Richard Brasher and his team, there is not one area of the Group that was not examined and improved.

On consumer sovereignty, I am encouraged that Pick n Pay is reaching more customers in more communities, and that we are doing so across social, income and cultural bands. We are improving our products and our service, sharpening our availability and extending the benefit of our smart shopper loyalty programme. Behind the scenes, we are becoming more efficient as a business. By becoming leaner, we are able to offer even better value to customers.

From its foundation, Pick n Pay has always understood that customers have aspirations beyond their everyday needs – to build better communities and a stronger society. This explains our maxim that "doing good is good business". I am pleased to report progress in a number of areas. Through cooperation with the Ackerman Pick n Pay foundations, we have taken a leading role in mentoring, encouraging and enabling small-scale emerging farmers to build businesses and become suppliers to our stores. This work is crucial in building social and economic capital by bringing more black-owned and small businesses into the economy through the Pick n Pay supply chain. We want to see this work grow and strengthen in the coming years.

In keeping with our commitment to initiatives that ensure food security, we have paid particular attention to providing those most in need with easier access to affordable, healthy food and clothing. During the year under review, Pick n Pay donated more than R15 million worth of food to FoodBank South Africa and established 113 community food gardens through the Ackerman Pick n Pay foundation.

During the year under review, a major focus has been on consolidating Pick n Pay's existing sustainability strategy and deepening its impact on the organisation.

Our business has in recent years established a strong leadership position on climate change in southern Africa. I was delighted that Pick n Pay's climate change strategy was assessed as the foremost among businesses in Africa by the globally renowned Carbon Disclosure Project. This work is another example of how doing good is good business. As well as setting an example for the fight against climate change, our carbon reduction plan has helped us to reduce energy use per square metre in our stores by 30% since 2008. This has saved Pick n Pay R508 million over this period. We have new corporate stores that are 20% to 40% more energy efficient than stores opened six years ago. Moreover, it makes us a more energy-resilient business and contributes to the national need to save energy at a time when energy supply is under sustained pressure.

Another area in which Pick n Pay has shown significant corporate leadership is through our sustainable seafood partnership with World Wide Fund For Nature South Africa (WWF-SA). As core funder and sustainable seafood partner of the WWF-SA, we are well on track towards meeting our commitment that by the end of 2015 Pick n Pay will only stock seafood which is sustainably sourced. Underlying this, we will also ensure that by the end of 2015, all our seafood products are traceable to their origins and are labelled with their common name, scientific name, origin and method of caught. Initiatives such as this help to empower consumers who want to make sustainable choices. WWF-SA have commented that their sustainable seafood partnership with Pick n Pay is a model of collaboration which is cited globally for its impact and excellence.

There are, of course, areas where we recognise room for improvement. These include improving the rigour of non-financial data across the business, in order to do full justice to our environmental reporting obligations, increasing awareness of sustainability issues at shop floor and category buyer level, and exploring innovative ways of supporting small- and black-owned businesses while retaining our high standards of quality and value for money.

In this as in other areas we recognise that we are on a journey. In the spirit of that journey it has nonetheless been pleasing to see Pick n Pay recognised by customers and other stakeholders over the past year in a number of awards:

South Africa's number one grocery store and the best loyalty programme by the 2013 Sunday Times Top Brands Awards

Sunday Times TOPBRANDS

The most reputable retailer in South Africa by the Reputation Institute in 2013

REPUTATION INSTITUTE

The Most Trusted Retailer in South Africa by the 2013 Ask Africa Orange Index

ASK AFRIKA TRUST BAROMETER WINNER

During the past year, I have again written about the role of the family controlled enterprise. Numerous academic and other studies across the world have found that many family controlled enterprises share common strengths: stability of control is combined with strong governance, a dynamic approach to risk and investment, and decision-making focused on the long-term interests of the business and its stakeholders rather than immediate returns and short-term benefit. Pick n Pay has gone through difficult times in recent years. We have had to take tough decisions. We are now turning the corner and building momentum on our improvement plan. Through this period and in the years to come, I believe we will continue to demonstrate that family control is a strength – in particular providing stability and taking the long view so that necessary change is identified and acted upon.

Pick n Pay remains committed to the best global governance standards. However, I remain concerned about the tendency towards ever-greater prescriptiveness and the resulting additional bureaucratic and other burdens on business.

I have also spoken and written over the past year about the burden of unjustified bank interchange fees on credit, hybrid and debit card transactions. These fees are largely hidden from the consumer, and they bear disproportionately hard on those with low incomes. Getting them reduced has been a hard fight, and we have been determined to support the Reserve Bank's review of these fees. We were therefore pleased that the Reserve Bank acted earlier this year to reduce these fees in some circumstances from January 2015. There is much further to go in this and other areas, and Pick n Pay will continue to demonstrate leadership to secure better value for our customers.

It was pleasing to see the Competition Commission's long-running inquiry into aspects of the retail industry finally conclude with no adverse findings against the sector. This has been a costly and lengthy inquiry, and throughout it Pick n Pay has been absolutely determined to uphold our belief that our sector is highly competitive, operates fairly, and works in the interest of consumers. I want to express my thanks to all of my colleagues in Pick n Pay who have worked hard to help deliver this appropriate outcome.

Over the past year we have strengthened our senior management team, sharpened our talent management and modernised our long-term incentives for senior management. On the latter, I am grateful to our shareholders for approving our new share incentive plan, the Pick n Pay Stores Limited Forfeitable Share Plan (FSP). The plan adopts global best practice both by linking awards to clear achievement of defined targets, and by awarding performance shares rather than share options. Under the scheme, awards will accurately reflect the management performance of the business, and the scheme will help us to retain within the Company those individuals who are key to its performance and improvement.

We were delighted that, earlier this year, shareholders elected three new non-executive directors to our Board: Audrey Mothupi, David Friedland and John Gildersleeve. Each of these individuals brings to Pick n Pay huge expertise and experience, gained in different professions and sectors, both domestically and internationally.
I welcome them to the Board and am absolutely confident that they will not only strengthen our corporate governance but significantly enhance our decision-making capability.

More widely, although the Group can look back on a year of encouraging progress, I remain concerned about the growing economic headwinds and the impact they are having not only on business but on consumers. Companies and individuals are bearing the brunt of higher energy, utility and other costs. Interest rates are on an upward trend, and the rand has weakened significantly against other currencies. Business and consumer confidence is down. Economic growth has also slowed, meaning that insufficient new jobs are being created to make a major dent in our very high levels of unemployment.

At such times, we all need to work together – to mitigate the impact on our customers, and to put in place building blocks for a brighter future. In this context, I was pleased that, over the past year, Pick n Pay was able to hold its prices for customers below CPI, and create around 5 000 new jobs and careers in our new owned and franchise stores. I believe that business can play a hugely positive role in the economy and in society. But it can best do this where it is trusted by government and others as a partner and an enabler, rather than simply as a source of revenue and a target for legislation. Let us hope that this election year ushers in a period of closer collaboration between the public and private sectors.

In February 2014, the Board resolved unanimously that Raymond Ackerman be appointed as Honorary Life President of the Company, in recognition of his lifetime of service to our business. I am sure that all of our staff, customers, shareholders and wider stakeholders will applaud this as a small but fitting tribute to the founder of Pick n Pay. We would also like to congratulate Raymond Ackerman on being awarded the Order of the Baobab (Silver) by the President in April 2014 for his services to South Africa.

In conclusion, I wish to thank Richard Brasher and his senior team for their leadership over the past year. I have had the pleasure of experiencing at first hand the intelligence, skill and energy which Richard has brought to our business. Like Richard, I know that much hard work remains to be done. But our progress is encouraging and I for one am greatly looking forward to the next stage of our journey.

Gareth Ackerman
Chairman

Cape Town
14 April 2014