

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

The definitions and interpretation commencing on page 10 of this circular apply *mutatis mutandis* to this cover.

ACTION REQUIRED BY PIONEER FOODS SHAREHOLDERS

- If you are in any doubt as to what action you should take, you should consult your CSDP, broker, banker, legal adviser, accountant or other professional adviser immediately.
- If you have disposed of all of your Pioneer Foods ordinary shares, please forward this circular together with the attached form of proxy (*blue*), to the purchaser to whom, or the CSDP or Broker or Agent through whom the disposal was effected.
- Shareholders of the Company are referred to page 3 of this circular, which sets out the action required by them in respect of this circular.



Pioneer Food Group Limited

(Incorporated in the Republic of South Africa)
(Registration number 1996/017676/06)
JSE share code: PFG ISIN: ZAE000118279
("Pioneer Foods" or "the Company")

CIRCULAR TO SHAREHOLDERS

relating to:

the issuing of Pioneer Foods Shares to the BEE Parties, being the BEE Partners, Specified BEE Directors and the Pioneer Foods BEE Trust (the latter having as its sole beneficiary, the Pioneer Foods Education and Community Trust), pursuant to the Proposed Specific Issue, on the basis set out in this circular, including the provision of Proposed Financial Assistance by the Company and its wholly-owned subsidiary, Pioneer Foods (Pty) Ltd, to the BEE Parties, and providing for a Potential Specific Repurchase of Pioneer Foods Shares from the BEE Partners and Specified BEE Directors in future;

and incorporating:

- a notice of a general meeting of Pioneer Foods Shareholders; and
 - a form of proxy (*blue*) for use by certificated and "own name" dematerialised Shareholders only.
-

**Transaction adviser
and sponsor**



Attorneys



**Tax advisers and independent
reporting accountants**



Independent expert



Lead independent sponsor



Third party funder



Date of issue: 19 January 2012

Copies of this circular are available in English only and may, from 19 January 2012 until 17 February 2012 (both days inclusive), be obtained from the registered office of the Company, the sponsor and the transfer secretaries, at the addresses set out in the "Corporate Information" section of this circular. A copy of this circular will also be available on the Company's website: <http://www.pioneerfoods.co.za>

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ACTION REQUIRED BY PIONEER FOODS SHAREHOLDERS

1. The definitions and interpretation commencing on page 10 of this circular apply, *mutatis mutandis*, to this section.
2. If you are in any doubt as to the action you should take, please consult your CSDP, broker, banker, attorney, accountant or other appropriate professional adviser immediately.
3. If you have disposed of all of your Pioneer Foods ordinary shares, please forward this circular together with the attached form of proxy (*blue*), to the purchaser to whom, or the CSDP or Broker or Agent through whom the disposal was effected.
4. Certificated or "own name" dematerialised shareholders who are unable to attend the General Meeting to be held at Lemoenkloof Guest House, 396a Main Street, Paarl, Western Cape on Friday, 17 February 2012 at 10:00, or, immediately after the closing of the Annual General Meeting (the Annual General Meeting is to commence the same day at 9:00 at the same venue), whichever is the later, and who wish to be represented thereat, must complete and return the abovementioned form of proxy (*blue*) in accordance with the instructions contained therein to the transfer secretaries of the Company, being Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to be received by them not later than 10:00 on Thursday, 16 February 2012 (it being deemed, for purposes hereof, that the General Meeting will commence at 10:00 on 17 February 2012).
5. Dematerialised shareholders, other than those with "own name" registration, must inform their CSDP or broker of their intention to attend the General Meeting in order for such CSDP or broker to be able to issue them with the necessary letter of representation to enable them to attend such meeting or, alternatively, should they not wish to attend the General Meeting, they should provide their CSDP or broker with their voting instructions. This must be effected in terms of the agreement entered into between the shareholder and his/her CSDP or broker.

IMPORTANT DATES AND TIMES

Proposed Specific Issue released by the Company on SENS	Friday, 9 December 2011
Proposed Specific Issue published by the Company in the press	Monday, 12 December 2011
Circular incorporating notice of the General Meeting and form of proxy, posted to Pioneer Foods Shareholders	Thursday, 19 January 2012
Last day to trade in order to be eligible to participate and vote at the General Meeting	Friday, 3 February 2012
Record date to determine which shareholders may participate and vote at the General Meeting	Friday, 10 February 2012
Forms of proxy for the General Meeting to be lodged with the transfer secretaries by no later than 10:00 on	Thursday, 16 February 2012
General Meeting to be held at 10:00 or immediately following the closing of the Annual General Meeting (Annual General Meeting to commence at 9:00), whichever is the later, on	Friday, 17 February 2012
Results of the General Meeting released on SENS	Friday, 17 February 2012
Fulfilment of all conditions precedent to the Proposed Specific Issue and announcement thereof on SENS (estimated date)	Friday, 17 February 2012
Issuing of Pioneer Foods shares to the BEE Parties in terms of the Proposed Specific Issue, on or about	Wednesday, 29 February 2012

Note:

The above dates and times are subject to amendment. Details of any such amendment will be released on SENS.

SALIENT FEATURES

1. INTRODUCTION

1.1 In the announcement released on SENS on 9 December 2011 and published in the press on 12 December 2011, Pioneer Foods announced the second phase of its broad-based black economic empowerment strategy to increase and broaden direct black ownership in the Company. The Company proposes to advance this strategy by means of the Proposed Specific Issue. This circular details the terms of the Proposed Specific Issue, which comprises:

- 1.1.1 the BEE Partner Share Issue;
- 1.1.2 the Specified BEE Director Share Issue; and
- 1.1.3 the BEE Trust Share Issue,

and also details the provision of the Proposed Financial Assistance, as well as certain additional aspects, as set out in the Transaction Documents.

1.2 Pioneer Foods Shareholders will at the General Meeting be requested to consider, and if deemed fit, to approve the requisite resolutions authorising the Proposed Specific Issue, the Proposed Financial Assistance and the Potential Specific Repurchase.

1.3 Rationale of the Proposed Specific Issue

1.3.1 Implementing the Proposed Specific Issue will sustain and improve the level of black ownership of the Company and the Company's BEE status. Pioneer Foods is currently ranked as a Level Five BEE Contributor. An improved BEE scorecard will strengthen the Company's position in relation to its competitors on the issue of BEE.

1.3.2 The Proposed Specific Issue will reiterate the Company's commitment to sustainable BEE ownership and transformation. It is intended that the Proposed Specific Issue will also assist to uplift and develop Black People in the areas and communities in which Pioneer Group operates.

1.3.3 The above will be achieved by providing the BEE Partners, the Specified BEE Directors and the Pioneer Foods BEE Trust with an economic exposure to Pioneer Foods Shares.

1.3.4 The Company will be able to utilise the capital obtained through the Proposed Specific Issue in capital expansion programmes, thereby benefiting the Company and creating new employment opportunities for the communities in which Pioneer Group operates.

2. SUMMARY OF THE PROPOSED SPECIFIC ISSUE

2.1 The Company proposes, in terms of the Proposed Specific Issue, to issue new Pioneer Foods Shares to the BEE Parties. The shares to be so issued shall, following implementation of the Proposed Specific Issue, comprise approximately 13.54% of the Company's enlarged issued share capital. The Issue Shares will be allocated as follows, based on the Company's enlarged issued share capital following implementation of the Proposed Specific Issue:

BEE Parties	Percentage
BEE Partners	8.25
Specified BEE Directors	0.29
Pioneer Foods BEE Trust	5.00
Total	13.54

2.2 As set out in the circular, the Proposed Specific Issue will be funded partly by the Company by means of the Proposed Financial Assistance to the BEE Parties (such funding to be repaid over time by the BEE Parties, during which the shares will be subject to a lock-in) and partly by the BEE Parties themselves through the RMB Funding and, in respect of the BEE Partners, through own contributions by the BEE Partners.

3. THE BEE PARTNER SHARE ISSUE AND THE SPECIFIED BEE DIRECTOR SHARE ISSUE

- 3.1 Save as otherwise indicated in the circular, the terms of the BEE Partner Share Issue and of the Specified BEE Director Share Issue are materially the same.
- 3.2 The BEE Partners and Specified BEE Directors will subscribe for the relevant Issue Shares via separate BEE SPVs, as more fully set out in paragraphs 5 and 6 of the circular.
- 3.3 The relevant Issue Shares will be issued to the BEE Partners at the BEE Partner Subscription Price (i.e. at a 5% discount to the market value, determined as set out in this circular) and to the Specified BEE Directors at the Specified BEE Director Subscription Price (i.e. at no discount to market value).
- 3.4 The relevant Issue Shares will be subject to a seven-year Lock-in Period, during which those shares may not be disposed of, the terms of which appear more fully in the circular. The shares in question will also be subject to a Default Call Option, a Pre-emptive Right and a BEE Legislative Change Call Option by the Company, as set out in the circular.
- 3.5 The obligations of the BEE Partners, Specified BEE Directors and BEE SPVs to the Company and Pioneer Foods (Pty) Ltd are secured by means of various cession and pledge agreements, as set out in more detail in the circular.

4. BEE TRUST SHARE ISSUE

- 4.1 It is intended that the Proposed Specific Issue will assist to uplift and develop Black People in the areas and communities in which the Pioneer Group operates. To this end the Company also proposes to issue shares to the Pioneer Foods BEE Trust.
- 4.2 The relevant Issue Shares will be issued to the Pioneer Foods BEE Trust at par value. The difference between the par value subscription price and the market value of those shares (determined as set out in the circular, with no discount being applicable) will be financed by notional funding provided by the Company, as set out in the circular. Pioneer Foods (Pty) Ltd will make an initial R1.1 million contribution to the Pioneer Foods Education and Community Trust, to be contributed by the Pioneer Foods Education and Community Trust to the Pioneer Foods BEE Trust to be utilised for the payment of the subscription price of the relevant Issue Shares.
- 4.3 The relevant Issue Shares will be subject to a seven-year Lock-In Period, a repurchase option, a default call option, a pre-emptive right and a BEE legislative change call option by the Company, the terms of which are set out in paragraph 8 of the circular.
- 4.4 The obligations of the Pioneer Foods BEE Trust to the Company are secured by means of a cession and pledge agreement, the terms of which appear more fully from the main body of the circular.

5. PROPOSED FINANCIAL ASSISTANCE – BEE PARTNER SHARE ISSUE AND SPECIFIED BEE DIRECTOR SHARE ISSUE

- 5.1 It is proposed that the Company's wholly-owned subsidiary, Pioneer Foods (Pty) Ltd, provide financial assistance to the BEE Partners and Specified BEE Directors to allow them to subscribe for the relevant Issue Shares. The Proposed Financial Assistance to the BEE Partners and Specified BEE Directors will comprise the Vendor Financing and the Guarantee.
- 5.2 Save as otherwise indicated in the circular, the terms upon which it is proposed that Pioneer Foods (Pty) Ltd provide financial assistance to the BEE Partners to facilitate the BEE Partner Share Issue, are materially the same as the terms upon which it is proposed that Pioneer Foods (Pty) Ltd provide financial assistance to the Specified BEE Directors to facilitate the Specified BEE Director Share Issue.
- 5.3 The provision of the Proposed Financial Assistance to the BEE Partners and Specified BEE Directors will occur via separate BEE SPVs, as more fully set out in paragraph 9 of the circular.
- 5.4 In respect of each BEE Partner, the BEE Partner Share Issue will be funded as follows:
 - 5.4.1 each BEE Partner will make an initial contribution of 10% of the BEE Partner Subscription Price;
 - 5.4.2 third party funding (RMB Funding) will be obtained from RMB in respect of 45% of the BEE Partner Subscription Price; and

- 5.4.3 Vendor Financing will be provided by Pioneer Foods (Pty) Ltd in respect of the remaining 45% of the BEE Partner Subscription Price.
- 5.5 In respect of each Specified BEE Director, the Specified BEE Director Share Issue will be funded as follows:
- 5.5.1 third party funding (RMB Funding) will be obtained from RMB in respect of 45% of the Specified BEE Director Subscription Price; and
- 5.5.2 Vendor Financing will be provided by Pioneer Foods (Pty) Ltd in respect of the remaining 55% of the Specified BEE Director Subscription Price.
- 5.6 The RMB Funding and Vendor Financing will both be structured through a preference share mechanism, as more fully set out in paragraph 9 of the circular.
- 5.7 As part of the Proposed Financial Assistance to the BEE Partners and Specified BEE Directors, it is proposed that Pioneer Foods (Pty) Ltd provide the Guarantee to RMB, with a view to facilitating the provision of the RMB Funding to the BEE Partners and Specified BEE Directors. The Guarantee will be limited to a maximum liability of R100 million for Pioneer Foods (Pty) Ltd, on terms more fully set out in paragraph 12 of the circular.

6. **FINANCIAL ASSISTANCE – BEE TRUST SHARE ISSUE**

The BEE Trust Share Issue is to be notionally financed by Pioneer Foods through the provision of notional funding, such funding to be notionally repaid by the Pioneer Foods BEE Trust from the dividends it receives from the Pioneer Foods Shares issued to it and from other Designated Shares. Of such dividends, 80% is to be utilised to notionally repay the notional funding, with the balance of 20% being available as a “trickle dividend” to the Pioneer Foods BEE Trust.

7. **COST TO SHAREHOLDERS**

The once-off, non-cash cost of the Proposed Specific Issue, as at the last practicable date, calculated in accordance with IFRS 2, is R148.4 million and is equivalent to 1.35% of the Company’s market capitalisation on the JSE as at the last practicable date (excluding treasury shares held by subsidiaries). The non-cash charge has been calculated based on current market conditions, and is subject to final confirmation once all material conditions precedent to the Proposed Specific Issue has been met. This cost will be charged to the Company’s income statement in the first year, therefore does not reflect a cash cost and will accordingly only be taken into account for accounting purposes. This is similar to other BEE transactions that have taken place over the last several years.

8. **PRO FORMA FINANCIAL EFFECTS**

As indicated in paragraphs 3.4 and 4.3 of this Salient Features section, the Issue Shares will be subject to various call option and pre-emptive rights (further particulars of which appear in the main body of the circular), the exercise of which will give rise to a Potential Specific Repurchase, The Company does not currently anticipate any Potential Specific Repurchase. However, so as to assist Pioneer Foods Shareholders when considering the shareholder resolutions pertaining to the Potential Specific Repurchase, the table below also shows the *pro forma* financial effects, should a Potential Specific Repurchase occur, based on the assumption that the Potential Specific Repurchase occurs at the VWAP of 1 (one) Pioneer Foods Share on the JSE for the 30 (thirty) trading days preceding 23 December 2011.

The unaudited *pro forma* financial effects of the Proposed Specific Issue and the Potential Specific Repurchase, as set out below, are the responsibility of the directors of the Company. The unaudited *pro forma* financial effects are presented in a manner consistent with the basis on which the historical financial information has been prepared and in terms of the Company’s accounting policies. The unaudited *pro forma* financial effects have been presented for illustrative purposes only and, because of their nature, may not give a fair reflection of the Company’s financial position, nor of the effect on future earnings post the implementation of the Proposed Specific Issue and the Potential Specific Repurchase.

These unaudited *pro forma* financial effects as set out below should be read in conjunction with the unaudited *pro forma* statement of financial position and statement of comprehensive income as set out in Annexure 1, together with the assumptions upon which the financial effects are based, as indicated in the notes thereto.

The independent reporting accountants' report on the *pro forma* financial information appears at Annexure 2 to this circular.

The table below sets out the unaudited *pro forma* financial effects of the Proposed Specific Issue and the Potential Specific Repurchase on the Company, based on the audited annual financial results for the financial year ended 30 September 2011 and on the assumption that:

- the Earnings and Headline Earnings per Pioneer Foods Ordinary Share "After the Proposed Specific Issue" are based on the assumption that the Proposed Specific Issue was implemented on 1 October 2010;
- the Earnings and Headline Earnings per Pioneer Foods Ordinary Share "After the Potential Specific Repurchase" are based on the assumption that the Potential Specific Repurchase was implemented on 1 October 2010 at a price of R58.04 per share;
- the Net asset value and Tangible net asset value per Pioneer Foods Ordinary Share "After the Proposed Specific Issue" are based on the assumption that the Proposed Specific Issue was implemented on 30 September 2011;
- the Net asset value and Tangible net asset value per Pioneer Foods Ordinary Share "After the Potential Specific Repurchase" are based on the assumption that the Potential Specific Repurchase was implemented on 30 September 2011 at a price of R58.04 per share;
- the number and weighted number of Ordinary Shares in issue "After the Proposed Specific Issue" and "After the Potential Specific Repurchase" have no *pro forma* adjustments thereto due to the fact that the Ordinary Shares issued in terms of the Proposed Specific Issue will be consolidated.

	Before the Proposed Specific Issue	After the Proposed Specific Issue	Change	After the Potential Specific Repurchase	Change
Earnings per share (cents)	408.4	322.7	(21.0%)	326.9	1.3%
Headline earnings per share (cents)	407.0	321.2	(21.1%)	325.5	1.3%
Net asset value per share (cents)	3 059.7	3 110.9	1.7%	3 028.9	(2.6%)
Net tangible asset value per share (cents)	2 651.3	2 702.5	1.9%	2 620.5	(3.0%)
Weighted average number of shares in issue (millions)	178.4	178.4	0.0%	178.4	0.0%
Number of shares in issue (millions) ¹	179.4	179.4	0.0%	179.4	0.0%

1. Excludes treasury shares

Detail information relating to the preparation of the unaudited *pro forma* financial information is presented in Annexure 1 to this circular.

9. GENERAL MEETING AND ACTION REQUIRED

- 9.1 The General Meeting of Pioneer Foods Shareholders will be held at Lemoenkloof Guest House, 396a Main Street, Paarl, Western Cape on 17 February 2012 at 10:00, or, immediately after the closing of the Company's Annual General Meeting (the Annual General Meeting is to commence at 9:00 on the same date at the same venue), whichever is the later. At the General Meeting Shareholders will be requested to consider and, if deemed fit, to pass, with or without modification, those resolutions contained in the notice of general meeting annexed to this circular.
- 9.2 The notice of general meeting contains a form of proxy (*blue*) for those certificated and "own name" dematerialised shareholders who will be unable to attend the General Meeting but wish to be represented thereat.

- 9.3 Certificated or “own name” dematerialised shareholders who are unable to attend the General Meeting but wish to be represented thereat are requested to complete the aforesaid form of proxy and return it in accordance with the instructions and notes contained therein to the transfer secretaries, being Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) so as to be received by not later than 10:00 on 16 February 2012.
- 9.4 In terms of the custody agreements entered into by dematerialised shareholders and their CSDP’s or brokers:
- 9.4.1 dematerialised shareholders, other than “own name” dematerialised shareholders, that wish to attend the General Meeting, must instruct their CSDP or broker to issue them with the necessary letter of representation to attend the General Meeting;
- 9.4.2 dematerialised shareholders, other than “own name” dematerialised shareholders, that wish to be represented at the General Meeting by way of proxy, must provide their CSDP or broker with their voting instructions by the cut-off time or date advised by their CSDP or broker for transactions of this nature.
- 9.5 The date on which shareholders must be recorded on the share register for purposes of being entitled to attend and vote at the General Meeting is Friday, 10 February 2012. Accordingly, the last day to trade to be entitled to attend and vote at the General Meeting is Friday, 3 February 2012.

DEFINITIONS AND INTERPRETATION

In this circular and the annexures hereto, unless otherwise stated or the context indicates a contrary intention, the following expressions shall have the meanings set out opposite them. Cognate expressions bear corresponding meanings, words denoting one gender shall import and include the others, natural persons shall import and include juristic persons and *vice versa* and the singular shall import and include the plural and *vice versa*, as follows:

“A Preference Shares”	redeemable A preference shares in the share capital of a BEE SPV Issuer, to be issued by the BEE SPV Issuer to RMB in terms of the RMB Funding;
“A Preference Dividend”	in respect of each A Preference Share, the applicable dividends provided for in terms of the RMB Funding;
“A Preference Dividend Rate”	subject to adjustment, a variable rate equal to 75% (seventy-five percent) of the publicly quoted prime rate of interest (nominal annual compounded monthly in arrear and calculated on a 365-day year (irrespective of whether or not the year is a leap year)) from time to time levied by First National Bank on overdraft;
“Accredited BEE Verification Agent”	an enterprise which has been authorised by the South African National Accreditation System (as contemplated in the BEE Codes) or any other body authorised by the Minister of Trade and Industry to undertake independent verification of the BEE status of measured enterprises as contemplated under the BEE Codes;
“Accumulated Dividends”	any Scheduled Dividends for any Dividend Period which are not declared in full by the last day of that Dividend Period;
“Annual General Meeting”	the annual general meeting of Pioneer Foods Shareholders to be held at 9:00 on Friday, 17 February 2012 at Lemoenkloof Guest House, 396a Main Street, Paarl, Western Cape;
“B Preference Shares”	redeemable B preference shares in the share capital of a BEE SPV Issuer, to be issued by the BEE SPV Issuer to Pioneer Foods (Pty) Ltd in terms of the Vendor Financing;
“B Preference Dividend”	in respect of each B Preference Share, the applicable Scheduled Dividends, and includes any Accumulated Dividends;
“B Preference Dividend Rate”	a variable rate equal to 90% (ninety percent) of the publicly quoted prime rate of interest (nominal annual compounded monthly in arrear and calculated on a 365-day year (irrespective of whether or not the year is a leap year)) from time to time published by First National Bank or its successor-in-title as being its prime overdraft rate, subject to adjustment referred to in paragraph 10.10 of the circular;
“B Preference Share Obligation Period”	in respect of a BEE SPV Issuer, the period during which such BEE SPV Issuer has any outstanding obligations to Pioneer Foods (Pty) Ltd in terms of the B Preference Shares issued by such BEE SPV Issuer to Pioneer Foods (Pty) Ltd;
“B Preference Share Redemption Amount”	in respect of each B Preference Share, an amount equal to the price at which such share was issued;
“Back to Back A Shares”	redeemable preference shares in the share capital of a BEE SPV Issuer Subco, to be issued by the BEE SPV Issuer Subco to a BEE SPV Issuer in terms of the RMB Funding;

“Back to Back B Shares”	redeemable preference shares in the share capital of a BEE SPV Issuer Subco, to be issued by the BEE SPV Issuer Subco to a BEE SPV Issuer in terms of the Vendor Financing;
“BEE Act”	the Broad-Based Black Economic Empowerment Act, No. 53 of 2003;
“BEE Codes”	the Broad-Based Black Economic Empowerment Codes of Good Practice in operation from time to time and issued by the Department of Trade and Industry in terms of section 9 of the BEE Act from time to time;
“BEE Controlled Company”	has the meaning as set out in Schedule 1 of the BEE Codes;
“BEE Legislative Change Call Option”	the call option referred to in paragraph 6.17 of the circular;
“BEE Owned Company”	has the meaning as set out in Schedule 1 of the BEE Codes;
“BEE Parties”	collectively, the BEE Partners, the Specified BEE Directors and the Pioneer Foods BEE Trust;
“BEE Partners”	collectively, – Thembeka Capital; – Identity Partners; – KZN Women’s Trust; – Sekunjalo Investments; and – Riparian Investments, further particulars of which appear in Annexure 7;
“BEE Partner Share Issue”	the proposed issue of Issue Shares to the BEE Partners on the basis set out in paragraphs 5.1 and 6 of this circular, and forming part of the Proposed Specific Issue;
“BEE SPVs”	in respect of each BEE Partner and each Specified BEE Director, collectively: – a BEE SPV Issuer; and – a BEE SPV Issuer Subco;
“BEE SPV Issuer”	in respect of each BEE Partner and each Specified BEE Director, a private company incorporated under the laws of South Africa, being a wholly-owned subsidiary of such BEE Partner or being wholly owned by such Specified BEE Director, as the case may be, as set out in Annexure 6 to this circular;
“BEE SPV Issuer Subco”	in respect of each BEE Partner and each Specified BEE Director, a private company incorporated under the laws of South Africa, being a wholly-owned subsidiary of the BEE SPV Issuer which, in turn, is a wholly-owned subsidiary of that BEE Partner or is wholly-owned by that Specified BEE Director, as the case may be, as set out in Annexure 6 to this circular;
“BEE Partner Subscription Price”	for purposes of the issuing of Issue Shares to any BEE Partner, a subscription price per Issue Share of R55.14, reflecting a 5% discount to the VWAP of 1 (one) Pioneer Foods Share on the JSE for the 30 (thirty) trading days preceding the Price Determination Date;
“BEE Partner Transaction Documents”	the documents identified as “BEE Partner Transaction Documents” in Annexure 8 to this circular;
“BEE Requirements”	the black economic empowerment requirements in respect of Black People under the scorecard which are applicable to the Company and which are binding from time to time on the Company, and those which are not binding upon the Company but which are of substantially general application and the non-compliance therewith

	would have a material adverse impact on the Company, including the requirements contained in black economic empowerment legislation from time to time and the BEE Codes;
“BEE Trust Share Issue”	the proposed issue of Issue Shares to the Pioneer Foods BEE Trust on the basis set out in paragraph 7 of this circular, and forming part of the Proposed Specific Issue;
“BEE Trust Subscription Price”	for purposes of the issuing of Issue Shares to the Pioneer Foods BEE Trust, a subscription price per Issue Share equal to the par value of 1 (one) Pioneer Foods Share;
“BEE Trust Transaction Documents”	the documents identified as “BEE Trust Transaction Documents” in Annexure 8 to this circular;
“Black People”	“black people” as defined in Schedule 1 of the BEE Codes, and a reference to “Black Person” shall embrace a reference to each of them individually, as the context may require;
“broker”	any person registered as a “broking member (equities)” in terms of the Rules of the JSE made in accordance with the provisions of the Securities Services Act;
“business day”	any day other than a Saturday, Sunday or an official public holiday in South Africa;
“Calculation Date”	the last day of each calendar month;
“cents”	cents in the official currency of South Africa;
“circular” or “this circular” or “this document”	this bound document, issued on Thursday, 19 January 2012, containing the circular to Pioneer Foods Shareholders and annexures hereto;
“the Companies Act” or “the Act”	the Companies Act, No. 71 of 2008, as amended;
“CSDP”	a Central Securities Depository Participant, registered as such in terms of the Securities Services Act;
“day”	a calendar day;
“Default Call Option”	the default call option referred to in paragraph 6.8 of the circular;
“Default Notice”	a default notice, as referred to in paragraph 6.8 of the circular;
“Designated Shares”	in respect of any BEE SPV Issuer Subco, means: <ul style="list-style-type: none"> – the relevant Issue Shares issued to that BEE SPV Issuer Subco pursuant to the Proposed Specific Issue; – any other shares acquired by virtue of the holding of the aforementioned Issue Shares, including any shares acquired by virtue of an unbundling or scrip dividend; – any further or lesser number of shares to which the BEE SPV Issuer Subco may become entitled by virtue of holding the abovementioned shares;
“Distribution”	in relation to any company, any distribution of profits or capital made by that company to its shareholders, irrespective of the manner in which the distribution is made;
“Distribution Receipt Date”	any day on which a BEE SPV Issuer Subco receives payment of any Distribution in respect of any Issue Shares or Unbundled Shares held by it;
“Dividend Payment Date”	each date 2 (two) business days after any Distribution Receipt Date;

“Dividend Period”	<p>each period which commences on the day after one Calculation Date and which ends on the next Calculation Date, provided that:</p> <ul style="list-style-type: none"> – the first Dividend Period in respect of any particular B Preference Share shall commence on the date such share is issued and shall end on the first Calculation Date which occurs after such issue date; – the last Dividend Period in respect of any particular B Preference Shares shall: (i) commence on the day after the last Calculation Date which occurs prior to its Redemption Date and (ii) end on that Redemption Date; – if a Dividend Payment Date occurs on a day which is not a Calculation Date: (i) the period which commences on the most recent Calculation Date and which ends on the day prior to that Dividend Payment Date shall be a Dividend Period and (ii) the period which commences on that Dividend Payment Date and which ends on the next Calculation Date shall be another Dividend Period;
“Equity Share”	any share in a company excluding any share that, neither as respect dividends nor as respects returns of capital, carries any right to participate beyond a specified amount in a Distribution;
“Final Redemption Date”	in respect of the B Preference Shares issued by any BEE SPV Issuer to Pioneer Foods (Pty) Ltd, the day before the seventh anniversary of the issuing of such B Preference Shares;
“Guarantee”	the guarantee provided by Pioneer Foods (Pty) Ltd to RMB, referred to in paragraph 12 of this circular;
“General Meeting”	the general meeting of Pioneer Foods Shareholders to be held at Lemoenkloof Guest House, 396a Main Street, Paarl, Western Cape on Friday, 17 February 2012 at 10:00, or, immediately after the closing of the Annual General Meeting (the Annual General Meeting is to commence at 9:00 on the same date at the same venue), whichever is the later, for the purpose of considering, and if deemed fit, passing, with or without modification, the resolutions contained in the notice of general meeting attached to and forming part of this circular;
“Identity Partners”	Identity Capital Partners (Proprietary) Limited (registration number 2004/033754/07), a private company incorporated under the laws of South Africa, the issued share capital of which is held as set out in paragraph 3.2 of Annexure 7 to the circular;
“independent expert”	BDO Corporate Finance (Proprietary) Limited (registration number 1983/002903/07), a private company incorporated under the laws of South Africa;
“IFRS”	International Financial Reporting Standards;
“Income Tax Act”	the Income Tax Act, No 58 of 1962, as amended;
“Issue Shares”	28 691 649 (twenty-eight million, six hundred and ninety-one thousand, six hundred and forty-nine) Pioneer Foods Shares proposed to be issued to the BEE Parties in terms of the Proposed Specific Issue, such Issue Shares to comprise approximately 13.54% of the Company’s enlarged issued share capital post-implementation of the Proposed Specific Issue;
“Issuer Payment Undertakings”	all undertakings, given by the BEE SPV Issuer to RMB (and any other holders of the A Preference Shares), to pay any amounts of any nature whatsoever including, but without limitation, the A Preference Dividends and redemption payments

“JSE”	JSE Limited (registration number 2005/022939/06), a public company registered and incorporated in accordance with the laws of South Africa and licensed as an exchange under the Securities Services Act;
“King III Code”	the King Report on Governance for South Africa 2009;
“KZN Women’s Trust” or “KZN Women’s Consortium”	KwaZulu-Natal Agribusiness Women’s Trust, registered with Master’s reference IT3319/2011, formed to pursue opportunities that would benefit previously disadvantaged women engaged in agriculture and rural development efforts in KwaZulu-Natal;
“last practicable date”	4 January 2012;
“Listing Date”	29 February 2012 or as soon as is reasonably possible thereafter as the JSE may approve;
“Lock-in Period”	in respect of any shares issued as part of the Proposed Specific Issue, the period commencing on the subscription date under the applicable Subscription Agreement and terminating on the seventh anniversary of such subscription date;
“Notional Funding Period”	in relation to the BEE Trust Share Issue, the shorter of: <ul style="list-style-type: none"> – the Lock-in Period; and – the period commencing on the subscription date under the Subscription Agreement concluded between the Company and the Pioneer Foods BEE Trust, and ending on the date when the balance of the notional funding due by the said trust under the Proposed Financial Assistance is not more than zero;
“own-name shareholder”	a Shareholder who holds Pioneer Foods shares in its own name;
“Pioneer Foods” or “the Company”	Pioneer Food Group Limited (registration number 1996/017676/06), a public company incorporated under the laws of South Africa and listed on the Main Board of the JSE;
“Pioneer Foods (Pty) Ltd”	Pioneer Foods (Proprietary) Limited (registration number 1957/000634/07), a private company incorporated under the laws of South Africa, being a wholly-owned subsidiary of the Company;
“the Pioneer Board” or “the Board”	the board of directors of the Company;
“Pioneer Foods BEE Trust”	The Pioneer Foods Broad-Based BEE Trust, a black economic empowerment trust, to be established in terms of a trust deed which will be lodged with the Master of the High Court;
“Pioneer Foods Education and Community Trust”	The Pioneer Foods Education and Community Trust, to be established in terms of a trust deed which will be lodged with the Master of the High Court and to be registered as a public benefit organisation in terms of the Income Tax Act, No. 58 of 1992, as amended;
“Pioneer Group”	the Company and its subsidiaries;
“Pioneer Foods Repurchase Option”	the repurchase option referred to in paragraph 8.3 of the circular;
“Pioneer Foods Shares”	ordinary shares with a par value of R0.10 (ten cents) each in the issued share capital of the Company, which shares are listed on the JSE;
“Pioneer Foods Shareholders” or “Shareholders”	shareholders of Pioneer Foods;
“Potential Specific Repurchase”	(1) the acquisition of any Pioneer Foods Shares by the Company or any subsidiary of the Company pursuant to the exercise of any Default Call Option, BEE Legislative Change Call Option or Pre-Emptive Right in terms of the provisions of any Subscription Agreement;

	(2) the acquisition of any Pioneer Foods Shares by the Company or any subsidiary of the Company pursuant to the exercise of rights in terms of any cession and pledge agreement referred to in paragraphs 6.12 to 6.14 of the circular;
	(3) the acquisition of any Pioneer Foods Shares by the Company or by any subsidiary of the Company pursuant to the Company exercising its rights in terms of the RMB Funding Agreements, including, but not limited to, those referred to in paragraph 12.3 of the circular;
“Pre-emptive Right”	the pre-emptive rights referred to in paragraphs 6.9 to 6.11 of the circular;
“Price Determination Date”	23 December 2011;
“Proposed Financial Assistance”	(1) financial assistance to be provided by Pioneer Foods (Pty) Ltd to the BEE Parties and comprising the Vendor Financing and the Guarantee;
	(2) notional funding provided by the Company to the Pioneer Foods BEE Trust, as referred to in paragraph 13 of the circular;
	(3) the contribution by Pioneer Foods (Pty) Ltd to the Pioneer Foods Education and Community Trust for purposes of the BEE Trust Share Issue, as referred to in paragraph 8.1 of the circular;
“Proposed Specific Issue”	collectively, the BEE Partner Share Issue, the Specified BEE Director Share Issue and the BEE Trust Share Issue;
“PwC”	PricewaterhouseCoopers Incorporated (registration number 1998/012055/21), a company incorporated under the laws of South Africa;
“Rand” or “R”	South African Rand, the official currency of South Africa;
“related party”	a related party as defined in paragraph 10.1(b) of the Listings Requirements of the JSE, as dealt with in paragraph 4 of the circular;
“Riparian Investments”	K2011/127340/07 (Pty) Ltd (registration number 2011/127340/07), a company incorporated under the laws of South Africa, and which is currently in the process of changing its registered name to Riparian Investments Consortium 1 Proprietary Limited, the issued share capital of which is held as set out in paragraph 5 of Annexure 7 to the circular;
“RMB”	FirstRand Bank Limited, a public company incorporated under the laws of South Africa with registration number 1929/001225/06, acting through its Rand Merchant Bank Division;
“RMB Funding”	third party financing obtained by all the BEE Partners and Specified BEE Directors from RMB and based on a preference share mechanism, as more fully set out in paragraph 11 of the circular;
“RMB Subscription Agreement”	in respect of each BEE Partner or Specified BEE Director, the subscription agreement concluded between RMB, Pioneer Foods (Pty) Ltd and the BEE SPV Issuer and BEE SPV Issuer Subco controlled by the BEE Partner or Specified BEE Director in question, relating to the issuing of the A Preference Shares to RMB in terms of the RMB Funding;
“Scheduled Dividend”	for each B Preference Share and in respect of each Dividend Period, the dividend calculated in accordance with the formula contained in paragraph 10.3 of the circular;

"Securities Services Act"	the South African Securities Services Act, No. 36 of 2004, as amended;
"Sekunjalo Investments"	Sekunjalo Investments Limited (registration number 1996/006093/06), a company incorporated under the laws of South Africa and listed on the Main Board of the JSE;
"SENS"	the Securities Exchange News Service of the JSE;
"South Africa"	the Republic of South Africa;
"Specified BEE Directors"	collectively, the following current directors of the Company whose particulars appear in Annexure 5 to this circular: <ul style="list-style-type: none"> – Z L Combi; – Dr M I Survé; – Prof A S M Karaan; – N S Mjoli-Mncube; and – A H Sangqu, as well as Dr F A Sonn, a former director of the Company, all of whom are Black People;
"Specified BEE Director Share Issue"	the proposed issue of Issue Shares to the Specified BEE Directors on the bases set out in paragraphs 5.2 and 6 of this circular, and forming part of the Proposed Specific Issue;
"Specified BEE Director Subscription Price"	for purposes of the issuing of Issue Shares to any Specified BEE Director, a subscription price per Issue Share of R58.04 (being equal to the VWAP of 1 (one) Pioneer Foods Share on the JSE for the 30 (thirty) trading days preceding the Price Determination Date, no discount being applicable);
"Specified BEE Director Transaction Documents"	the documents identified as "Specified BEE Director Transaction Documents" in Annexure 8 to this circular;
"Statutory Costs"	all the costs from time to time reasonably incurred by a BEE SPV Issuer and its wholly-owned subsidiary BEE SPV Issuer Subco in complying with all the applicable laws which are binding on it and includes fees payable to Pioneer Foods (Pty) Ltd relating to the management and administration of the applicable BEE SPV Issuer and its wholly-owned subsidiary BEE SPV Issuer Subco;
"Subscription Agreement"	– in relation to each BEE Partner and each Specified BEE Director, the agreement concluded between that BEE Partner or Specified BEE Director, the BEE SPVs controlled by that BEE Partner or Specified BEE Director, and the Company, relating to the BEE Partner Share Issue or Specified BEE Director Share Issue (as the case may be); and – in relation to the Pioneer Foods BEE Trust, the subscription agreement concluded between that trust and the Company relating to the BEE Trust Share Issue;
"subsidiary" or "subsidiaries"	a subsidiary as defined in section 3 of the Companies Act;
"Tax"	all and any taxes and levies of whatever nature, including income tax, capital gains tax, secondary tax on companies, dividend tax, value-added tax, value extraction tax, stamp duties, securities transfer tax, levies, assessments, imposts, deductions, charges and withholdings whatsoever in terms of any tax legislation, and includes all penalties, fines, additional tax or interest payable as a consequence of any failure or delay in paying any Taxes;

“Thembeka Capital”	Thembeka Capital Limited (registration number 2005/016065/06), a public company incorporated under the laws of South Africa;
“trading day”	each trading day of the relevant share on the exchange on which such share is listed, excluding any Saturday, Sunday or a proclaimed public holiday in South Africa;
“Transaction Documents”	collectively, the BEE Partner Transaction Documents, the Specified BEE Director Transaction Documents and the BEE Trust Transaction Documents;
“transfer secretaries”	Computershare Investor Services (Proprietary) Limited (registration number 2004/003647/07), a private company incorporated under the laws of South Africa;
“Trust Default Call Option”	the default call option referred to in paragraph 8.7 of the circular;
“Trust Distribution”	<p>in relation to any Designated Shares held by the Pioneer Foods BEE Trust, any payment or transfer of an asset to the trust by virtue of it being the registered and/or beneficial holder of such Designated Shares, whether by way of interest, dividend (whether on capital account or otherwise), any capital distribution (whether out of share premium account or otherwise), or other distribution:</p> <ul style="list-style-type: none"> – including a cash payment by or on behalf of a company to or for the account of any registered shareholder or any person that is directly or indirectly controlled by that shareholder, a capitalisation issue, a scrip dividend or a bonus issue; – excluding an unbundling;
“Unbundled Shares”	any Equity Share, in a company, which the Company Distributes to the relevant BEE SPV Issuer Subco as a dividend <i>in specie</i> , whether or not such Distribution qualifies as an “unbundling transaction” in terms of section 46 of the Income Tax Act, 1962;
“Unpaid Dividend”	means any B Preference Dividend which the BEE SPV Issuer declares but does not pay on the date on which it is declared;
“Vendor Financing”	the financial assistance provided by Pioneer Foods (Pty) Ltd, as set out in paragraph 10 of this circular; and
“VWAP”	volume weighted average price.



Pioneer Food Group Limited

(Incorporated in the Republic of South Africa)
(Registration number 1996/017676/06)
JSE share code: PFG ISIN: ZAE000118279
("Pioneer Foods" or "the Company")

DIRECTORS

Z L Combi (<i>Chairman</i>) * #	Dr M I Survé * #
W A Hanekom (<i>Managing Director</i>)	G D Eksteen *
L R Cronje (<i>Financial Director</i>)	A E Jacobs * #
T A Carstens	Prof A S M Karaan * #
M M du Toit * #	N S Mjoli-Mncube * #
J F Mouton *	A H Sangqu * #

* Non-executive

Independent

CIRCULAR TO SHAREHOLDERS

1. INTRODUCTION

General

1.1 In the announcement released on SENS on 9 December 2011 and published in the press on 12 December 2011, Pioneer Foods announced the second phase of its broad-based black economic empowerment strategy to increase and broaden direct black ownership in the Company. The Company proposes to advance this strategy by means of the Proposed Specific Issue. This circular details the terms of the Proposed Specific Issue, which comprises:

- 1.1.1 the BEE Partner Share Issue;
- 1.1.2 the Specified BEE Director Share Issue; and
- 1.1.3 the BEE Trust Share Issue,

and also details the provision of the Proposed Financial Assistance, as well as certain additional aspects, as set out in the Transaction Documents.

- 1.2 In terms of paragraph 5.51(g) of the JSE Listings Requirements, the Proposed Specific Issue requires the approval of Pioneer Foods Shareholders by means of an ordinary resolution approved by a 75% majority of the votes cast in favour of such resolution by all equity security holders present or represented by proxy at the General Meeting, on which parties and their associates who are participating in the Proposed Specific Issue have not voted or on which their votes have not been counted.
- 1.3 The purpose of this circular is to provide Pioneer Foods Shareholders with the details of the Proposed Specific Issue so as to enable Shareholders to consider, and if deemed fit, to approve the requisite resolutions authorising the Proposed Specific Issue at the General Meeting.

Past BEE transactions

- 1.4 In January 2006 a BEE transaction was approved by Pioneer Foods Shareholders, effective from 1 April 2006. The transaction involved 18.1 million vote-bearing class "A" ordinary shares. These shares were allocated to all Pioneer Group workers below management level. 11 237 staff members, of whom 88% were black, participated in the scheme. In total staff acquired 10% of the voting rights in the Company. Each staff member obtained rights to 1 610 "A" ordinary shares.

- 1.5 The cost to the Company of the 2006 BEE transaction was R163 million (4.4% of the Company's market capitalisation at the time). The funding was supplied by the Company with 70% of the dividends arising from these shares being used to redeem a notional debt. Once the notional threshold debt has been repaid, these shares will convert into ordinary Pioneer Foods Shares. At the time of the 2006 BEE transaction, the vesting period was expected to be approximately 20 years. The remaining 30% of such dividends is paid to the employees in cash. As employees leave the Pioneer Group, the benefit of the share growth is paid out to these employees. A trust is used as the legal vehicle to administer the scheme, with the majority of its trustees being black.
- 1.6 To date Pioneer Foods has paid out more than R17.0 million in dividends to the beneficiaries of this scheme and has, as at the last practicable date, created further value for employees of approximately R49.8 million, as a result of the growth in the Pioneer Foods share price.

Rationale of the Specific Issue

- 1.7 Through the abovementioned 2006 BEE transaction, the Company demonstrated its commitment to black economic empowerment and the Company now seeks to build on this by implementing the Proposed Specific Issue.
- 1.8 Implementing the Proposed Specific Issue will sustain and improve the level of black ownership of the Company and the Company's BEE status. The Company is currently ranked as a Level Five BEE Contributor. An improved BEE scorecard will strengthen the Company's position in relation to its competitors on the issue of BEE.
- 1.9 The Proposed Specific Issue will reiterate the Company's commitment to sustainable BEE ownership and transformation. It is intended that the Proposed Specific Issue will also assist to uplift and develop Black People in the areas and communities in which the Pioneer Group operates.
- 1.10 The above will be achieved by providing the BEE Partners, the Specified BEE Directors and the Pioneer Foods BEE Trust with an economic exposure to Pioneer Foods Shares.
- 1.11 The Company will be able to utilise the capital obtained through the Proposed Specific Issue in capital expansion programmes, thereby benefiting the Company and creating new employment opportunities for the communities in which Pioneer Group operates.

2. SUMMARY OF THE PROPOSED SPECIFIC ISSUE

- 2.1 The Company proposes in terms of the Proposed Specific Issue to issue new Pioneer Foods Shares to the BEE Parties. The shares to be so issued shall, following implementation of the Proposed Specific Issue, comprise approximately 13.54% of the Company's enlarged issued share capital. The Issue Shares will be allocated as follows, based on the Company's enlarged issued share capital following implementation of the Proposed Specific Issue:

BEE Parties	Percentage
BEE Partners	8.25
Specified BEE Directors	0.29
Pioneer Foods BEE Trust	5.00
Total	13.54

- 2.2 As set out in this circular, the Proposed Specific Issue will be financed partly by the Company through the Proposed Financial Assistance and partly by the BEE Parties themselves through the RMB Funding and, in respect of the BEE Partners, also through own contributions by the BEE Partners.

3. CONDITIONS PRECEDENT

- 3.1 The Proposed Specific Issue is subject to the fulfilment of the conditions precedent that:
 - 3.1.1 by not later than 17:00 on 29 February 2012, Pioneer Foods Shareholders approve all resolutions required to implement the Proposed Specific Issue, as set out in the notice of general meeting annexed to this circular, which include:
 - 3.1.1.1 a specific authority to issue the Issue Shares to the BEE SPV Issuer Subcos and the Pioneer Foods BEE Trust in terms of the Proposed Specific Issue;

- 3.1.1.2 a specific authority to repurchase from the BEE SPV Issuer Subcos any Pioneer Foods Shares that may be repurchased pursuant to the provisions of the Transaction Documents;
 - 3.1.1.3 to the extent required, approval in terms of section 44 of the Companies Act for the Proposed Financial Assistance;
 - 3.1.2 by not later than 17:00 on 29 February 2012, the shareholders of Pioneer Foods (Pty) Ltd pass all resolutions required to implement the Proposed Specific Issue and Proposed Financial Assistance, and which will include any special resolutions that may be required in terms of sections 44 and 45 of the Companies Act;
 - 3.1.3 by not later than 17:00 on 31 January 2012 the shareholders of each BEE Partner, BEE SPV Issuer and each BEE SPV Issuer Subco pass all resolutions required to implement the Proposed Specific Issue and Proposed Financial Assistance, and which will include such special resolutions as may be required in terms of section 44 and/or section 45 of the Companies Act, and the special resolutions that may be required in terms of section 16(1)(c) of the Companies Act, in terms of which the memorandum of incorporation of each BEE SPV Issuer and BEE SPV Issuer Subco are replaced with new memoranda of incorporation (the wording of which is annexed to the relevant Subscription Agreements), and that the relevant notices are filed with the Companies and Intellectual Property Commission ("**CIPC**") and, to the extent required, are registered by CIPC;
 - 3.1.4 by not later than 17:00 on 27 January 2012, the Company in its sole and absolute discretion approves in writing the results of its due diligence investigation into BEE Partner, BEE SPV Issuer and BEE SPV Issuer Subco regarding the BEE status of BEE Partner, BEE SPV Issuer and BEE SPV Issuer Subco;
 - 3.1.5 by not later than 17:00 on 27 January 2012, the Company confirms to BEE Partners and Specified BEE Directors in writing that it is satisfied with the BEE rating placed by AQRATE (Proprietary) Limited on the overall Pioneer Foods BEE transaction involving the Proposed Specific Issue;
 - 3.1.6 by not later than 17:00 on 29 February 2012, the Transaction Documents have been concluded and have become unconditional in all respects;
 - 3.1.7 by not later than 17:00 on 29 February 2012, the unconditional approval, to the extent necessary, of all regulatory authorities having jurisdiction in respect of the Proposed Specific Issue be obtained or, if such approvals are conditional, on such conditions as are acceptable to the parties, acting reasonably, affected thereby.
- 3.2 The Company may by written notice to the BEE Parties extend the relevant dates for fulfilment of the conditions precedent referred to in paragraph 3.1 above, to such later date or dates as may be determined by Pioneer Foods, provided that any extension of a date beyond 60 (sixty) days also requires the written approval of the BEE Parties.
- 3.3 In terms of a resolute condition, should RMB not subscribe for the A Preference Shares in the BEE SPV Issuers in terms of the RMB Funding agreements by the Listing Date (or by such later date as may be determined by Pioneer Foods and be notified by Pioneer Foods to the BEE Partners and Specified BEE Directors, provided that any extension of the date beyond 60 (sixty) days also requires the written approval of the BEE Partners and Specified BEE Directors), then the BEE Partner Share Issue and the Specified BEE Director Share Issue will not take place.

4. RELATED PARTIES

- 4.1 All Specified BEE Directors who are currently directors of the Company are viewed as related parties to the Company in terms of the JSE Listings Requirements (particulars regarding the Company's directors appear in Annexure 5 to this circular). Dr F A Sonn, the only Specified BEE Director who is not currently a director of the Company, was previously a director of the Company. As Dr Sonn retired as a director in February 2010, more than twelve months prior to the Proposed Specific Issue, he is not viewed as a related party to the Company in terms of the JSE Listings Requirements.

- 4.2 By virtue of Dr M I Survé's interest in Sekunjalo Investments, that company is viewed as an associate of Dr M I Survé and is accordingly also considered to be a related party of the Company.
- 4.3 In light of the above, the Board has obtained a fairness opinion in respect of the Proposed Specific Issue and the Proposed Financial Assistance from an independent expert, a copy of which report is annexed to this circular as Annexure 3.
- 4.4 The Pioneer Board has considered the terms and conditions of the Proposed Specific Issue and the Proposed Financial Assistance and is of the opinion that they are fair insofar as the shareholders of the Company (excluding the abovementioned related parties) are concerned, and has been so advised by an independent expert, as set out in the fairness opinion at Annexure 3 to the circular.
- 4.5 It is confirmed that related parties and their associates will not be entitled to vote on the shareholder resolutions set out in the notice of general meeting annexed to this circular.

5. BEE PARTNER SHARE ISSUE AND SPECIFIED BEE DIRECTOR SHARE ISSUE – OVERVIEW

5.1 The BEE Partner Share Issue

- 5.1.1 The table below indicates, in the column headed "Issue Shares allocated", the number of Issue Shares allocated to each BEE Partner. The column below headed "Allocation percentage" shows the shares allocated to each BEE Partner, expressed as a percentage of the Company's total issued share capital, post-implementation of the Proposed Specific Issue.

Name of BEE Partner	Allocation percentage	Issue Shares allocated
Thembeka Capital ¹	4.40	9 326 640
Identity Partners ²	1.30	2 755 997
KZN Women's Trust	1.30	2 755 997
Sekunjalo Investments ³	0.75	1 589 998
Riparian Investments ⁴	0.50	1 059 999
Total	8.25	17 488 631

Notes:

- Mr Z L Combi (chairman of the Pioneer Board) is also the executive chairman of Thembeka Capital. As at the end of the most recent Thembeka Capital financial year (year ended 28 February 2011), Mr Combi held, directly and indirectly, 3.7% of the issued share capital of Thembeka Capital. As at the last practicable date, Mr Combi did not hold any shares in the Company, whether directly or indirectly. Should Mr Combi acquire any shares in the Company prior to the General Meeting, he will not be entitled to vote those shares in respect of any of the resolutions to be proposed in relation to the Proposed Specific Issue.
 - In the unlikely event that the final suspensive conditions in terms of the Subscription Agreement concluded by Identity Partners are not fulfilled, the total number of Issue Shares to be issued in terms of the Proposed Specific Issue will be reduced by the number of Issue Shares allocated to Identity Partners, **alternatively**, the Pioneer Board may elect to issue the shares that had been allocated to Identity Partners to the Pioneer Foods BEE Trust on the same terms as set out in paragraphs 7 and 8 below.
 - Dr M I Survé (vice-chairman of the Pioneer Board) is executive chairman of Sekunjalo Investments. Due to Dr Survé's shareholding in Sekunjalo Investments, that company is viewed as an associate of Dr Survé in terms of the JSE Listings Requirements. As at the last practicable date, Dr Survé did not hold any shares in the Company, whether directly or indirectly. Should Dr Survé acquire any shares in the Company prior to the General Meeting, he will not be entitled to vote those shares in respect of any of the resolutions to be proposed in relation to the Proposed Specific Issue.
 - Prof A S M Karaan (independent, non-executive director on the Pioneer Board) indirectly holds 26.04% of the issued share capital of Riparian Investments. As at the last practicable date, Prof Karaan did not hold any shares in the Company, whether directly or indirectly. Should Prof Karaan acquire any shares in the Company prior to the General Meeting, he will not be entitled to vote those shares in respect of any of the resolutions to be proposed in relation to the Proposed Specific Issue.
- 5.1.2 The relevant Issue Shares will not be issued directly to the BEE Partners, but will in respect of each BEE Partner be issued to a BEE SPV Issuer Subco controlled by such BEE Partner. Further particulars in this regard are provided in paragraph 6 below, while details regarding the relevant BEE SPVs are provided in Annexure 6 to the circular.
- 5.1.3 Annexure 7 to the circular contains background information and further particulars regarding the BEE Partners.

5.1.4 As mentioned in paragraph 4.2 above, Sekunjalo Investments is an associate of Dr M I Survé, who is an existing director of the Company. Accordingly, to the extent that Sekunjalo Investments may currently be a shareholder of the Company, that company will not be considered to be a public shareholder of the Company for purposes of the Listings Requirements of the JSE.

5.1.5 The salient terms of the BEE Partner Share Issue are set out in paragraph 6 below.

5.2 The Specified BEE Director Share Issue

5.2.1 The table below sets out the Issue Shares to be allocated to the Specified BEE Directors:

Name of BEE Director	Allocation *	Allocation shares
Z L Combi	0.09%	172 295
Dr M I Survé	0.04%	86 147
Prof A S M Karaan	0.04%	86 147
N S Mjoli-Mncube	0.04%	86 147
A H Sangqu	0.04%	86 147
Dr F A Sonn	0.04%	86 147
Total	0.29%	603 030

* The allocation is expressed as a percentage of the Company's enlarged issued share capital following implementation of the Proposed Specific Issue.

5.2.2 The relevant Issue Shares will not be issued directly to the Specified BEE Directors, but will in respect of each Specified BEE Director be issued to a BEE SPV Issuer Subco controlled by such Specified BEE Director. Further particulars in this regard are provided in paragraph 6 below, while details regarding the relevant BEE SPVs are provided in Annexure 6 to the circular.

5.2.3 The salient terms of the Specified BEE Director Share Issue are set out in paragraph 6 below.

5.2.4 The Specified BEE Directors, excluding Dr F A Sonn, are current directors of Pioneer Foods and accordingly are not considered to be public shareholders of the Company for purposes of the Listings Requirements of the JSE. As at the last practicable date, none of the Specified BEE Directors held any shares in the Company, whether directly or indirectly. Should any of the Specified BEE Directors acquire any shares in the Company prior to the General Meeting, such director(s) will not be entitled to vote those shares in respect of any of the resolutions to be proposed in relation to the Proposed Specific Issue.

5.2.5 Following implementation of the Proposed Specific Issue, the Pioneer Board will consider the independence of its members and take such action as may be necessary to ensure compliance with the applicable requirements of the King III Code, the Companies Act and the JSE Listings Requirements.

5.3 The terms of the BEE Partner Share Issue are materially the same for each BEE Partner. Likewise, the terms of the Specified BEE Director Share Issue are materially the same for each Specified BEE Director. Furthermore, save as otherwise indicated in the circular, the terms of the BEE Partner Share Issue are materially the same as those of the Specified BEE Director Share Issue *mutatis mutandis*.

6. BEE PARTNER SHARE ISSUE AND SPECIFIED BEE DIRECTOR SHARE ISSUE – SALIENT TERMS

Issue of shares

6.1 Each BEE Partner will hold 100% of the issued ordinary share capital of a BEE SPV Issuer, which will in turn hold 100% of the issued ordinary share capital of a BEE SPV Issuer Subco.

6.2 In terms of the Subscription Agreements entered into by each BEE Partner and by each Specified BEE Director, the Issue Shares relating to each such BEE Partner and each such Specified BEE Director will be issued by the Company to the BEE SPV Issuer Subco controlled by that BEE Partner or Specified BEE Director, as the case may be. Issue Shares relating to BEE Partners are to be issued at the BEE Partner Subscription Price, while Issue Shares relating to Specified BEE Directors are to be issued at the Specified BEE Director Subscription Price.

Warranties

- 6.3 The subscription for, and issue of, the Issue Shares by the Company to the various BEE SPV Issuer Subco entities will occur *voetstoots* and without any warranties or representations of any nature being given or made by the Company.
- 6.4 In terms of the Subscription Agreements, the BEE Partners, Specified BEE Directors and BEE SPVs provide detailed warranties to the Company.
- 6.5 In terms of the Subscription Agreements, the BEE Partners, Specified BEE Directors and BEE SPVs warrant and undertake that until the expiry of the Lock-in Period and the B Preference Share Obligation Period (whichever occurs the later):
- 6.5.1 the BEE Partner SPV Issuer shall not dispose of or encumber the shares it holds in the BEE SPV Issuer Subco, save as set out in the Transaction Documents, without the prior written consent of the Company;
- 6.5.2 the BEE SPV Issuer Subco shall not dispose of or encumber any Issue Shares or other Designated Shares, save as set out in the Transaction Documents, without the prior written consent of the Company;
- 6.5.3 the BEE SPVs will be administered by Pioneer Foods (Pty) Ltd at the cost of the BEE SPV Issuer Subco;
- 6.5.4 the BEE Partner or Specified BEE Director:
- 6.5.4.1 will be the registered and beneficial holder of all the ordinary issued shares in the applicable BEE SPV Issuer; and
- 6.5.4.2 shall not dispose of or encumber its shares in the BEE SPV Issuer, save as set out in the Transaction Documents without the prior written consent of the Company.
- 6.6 Each BEE Partner and each BEE SPV Issuer and BEE SPV Issuer Subco warrants and undertakes that as at the subscription date under the applicable Subscription Agreement and on each day thereafter until the expiry of the Lock-in Period, they will be BEE Controlled Companies and BEE Owned Companies.
- 6.7 In addition to the warranties set out above, the Subscription Agreements also include such further general and other warranties as are normally applicable to subscription agreements of this nature.

Default Call Option

- 6.8 Should the BEE Partner, Specified BEE Director, BEE SPV Issuer and/or BEE SPV Issuer Subco irremediably breach a warranty, undertaking and/or other material term of the Subscription Agreement to which it is a party, or breach any such warranty, undertaking and/or other material term which is capable of being remedied, and fail to remedy such breach to the satisfaction of the Company following a notice from the Company requiring it to do so, then the Company or its nominee shall be entitled, in addition to any other remedy available to it, on written notice ("**Default Notice**") to:
- 6.8.1 purchase all the Designated Shares from BEE SPV Issuer Subco with the purchase price based on a specified formula, as set out in Annexure 11 hereto; or
- 6.8.2 purchase all of the ordinary shares in BEE SPV Issuer from the BEE Partner or the Specified BEE Director, as the case may be, with the purchase price based on a specified formula, as set out in Annexure 11 hereto.

Pre-emptive Right

- 6.9 After the expiry of the Lock-in Period and for a period of three years from the expiry of the Lock-in-Period, should a BEE SPV Issuer Subco wish to dispose of the whole or any part of the Designated Shares, or any rights or interest therein to any other person or through the JSE, then BEE SPV Issuer Subco shall first offer such Designated Shares or interest therein to the Company (who may also appoint a nominee to purchase the relevant shares).
- 6.10 After the expiry of the Lock-in Period and for a period of three years from the expiry of the Lock-in-Period, should a BEE Partner or Specified BEE Director, as the case may be, wish to dispose of the whole or any part of the shares it holds in a BEE SPV Issuer or any rights or interest therein to any other person, then the BEE Partner or Specified BEE Director shall first offer all the shares it holds in the BEE SPV Issuer to the Company (who may also appoint a nominee to purchase the relevant shares).

- 6.11 After the expiry of the Lock-in Period and for a period of three years from the expiry of the Lock-in-Period, should a BEE SPV Issuer wish to dispose of the whole or any part of the shares it holds in a BEE SPV Issuer Subco or any rights or interest therein to any other person, then the BEE SPV Issuer shall first offer all the shares it holds in the BEE SPV Issuer Subco to the Company (who may also appoint a nominee to purchase the relevant shares).

Guarantees and pledges

- 6.12 In order to secure its obligations to the Company under its Subscription Agreement, each BEE Partner (or Specified BEE Director, as the case may be) pledges all its shares in its BEE SPV Issuer to the Company by way of a cession *in securitatem debiti*, provided that such cession and pledge will rank after the cession and pledge of such shares to Pioneer Foods (Pty) Ltd in terms of the Vendor Financing. Should the Company become entitled to realise the security afforded in terms of such cession and pledge, the Company will *inter alia* be entitled to acquire the shares held by such BEE Partner (or Specified BEE Director, as the case may be) in the BEE SPV Issuer at the fair value of those shares, as agreed between the parties or, failing such agreement, as determined by an independent expert, acting as an expert and not an arbitrator.
- 6.13 In order to secure its obligations to the Company under its Subscription Agreement, the applicable BEE SPV Issuer pledges all its shares in BEE SPV Issuer Subco to the Company by way of a cession *in securitatem debiti*, provided that such cession and pledge will rank after the cession and pledge of such shares to Pioneer Foods (Pty) Ltd in terms of the Vendor Financing. Should the Company become entitled to realise the security afforded in terms of such cession and pledge, the Company will *inter alia* be entitled to acquire the shares held by the applicable BEE SPV Issuer in the BEE SPV Issuer Subco at the fair value of those shares, as agreed between the parties or, failing such agreement, as determined by an independent expert, acting as an expert and not an arbitrator.
- 6.14 In order to secure all its obligations to the Company under its Subscription Agreement, the applicable BEE SPV Issuer Subco pledges all the Designated Shares to the Company by way of a cession *in securitatem debiti*, provided that such cession and pledge will rank after: (1) the cession and pledge of the Designated Shares to RMB in terms of the RMB Funding and (2) the cession and pledge of the Designated Shares to Pioneer Foods (Pty) Ltd in terms of the Vendor Funding. Should the Company become entitled to realise the security afforded in terms of such cession and pledge, the Company will *inter alia* be entitled to acquire the Designated Shares at the fair value of those shares, as agreed between the parties or, failing such agreement, as determined by an independent expert, acting as an expert and not an arbitrator.

Changes in BEE Legislation

- 6.15 If at any time before the expiry of the Lock-in Period:
- 6.15.1 the BEE Requirements (or the interpretation thereof) are amended; and/or
 - 6.15.2 the BEE Codes (or the interpretation thereof) are amended; and/or
 - 6.15.3 any legislation or regulations pertaining to BEE which are applicable to the Company are promulgated and/or amended; and/or
 - 6.15.4 any legislation and/or regulations are introduced and/or amended which override the existing BEE legislation and/or the BEE Codes,
- (collectively referred to as the “**Changed Legislation**”) which has or will likely have a materially adverse impact the Company’s score under the scorecard at the time as set out in the BEE Codes and/or results or will reasonably likely result in the Company no longer being able to comply with the current BEE Requirements under the scorecard, the Company shall be entitled to formally inform a BEE SPV Issuer, BEE SPV Issuer Subco and BEE Partner or Specified BEE Director (as the case may be) in writing thereof.
- 6.16 The applicable parties will thereafter negotiate in good faith with a view to reaching agreement to amend or adapt their relationship so as to meet the requirements of the Changed Legislation so that the Company maintains the score under the BEE legislation in respect of the Designated Shares at a similar level at which it would have been had the Changed Legislation not occurred (“similar level” to mean a BEE score for the Company under the BEE Legislation in respect of the Designated Shares at a level of not less than 90% of its score prior to the Changed Legislation occurring).

6.17 If such negotiations are unsuccessful after a period of three months from the date of the aforementioned notice, other than as a result of a failure by the Company to negotiate in good faith, the BEE Partner (or Specified BEE Director, as applicable), BEE SPV Issuer and BEE SPV Issuer Subco grant to the Company or its nominee the BEE Legislative Change Call Option for a period of six months following such three month period, which may be exercised by written notice to BEE Partner (or Specified BEE Director, as applicable), BEE SPV Issuer and BEE SPV Issuer Subco to:

6.17.1 purchase all the Designated Shares from BEE SPV Issuer Subco, with the purchase price based on a specified formula, as set out in Annexure 11 hereto; or

6.17.2 purchase all of the ordinary shares in BEE SPV Issuer from the BEE Partner (or Specified BEE Director, as the case may be) with the purchase price based on a specified formula, as set out in Annexure 11 hereto.

Exercise of voting rights in respect of Designated Shares held by BEE SPV Issuer Subco

6.18 The BEE SPV Issuer Subco shall be entitled to exercise its voting rights in relation to the Designated Shares held by it, notwithstanding the cession and pledge of those shares, referred to in paragraph 6.14 above. However, should an event of default occur in terms of the applicable cession and pledge agreement, entitling the Company or Pioneer Foods (Pty) Ltd to realise the security over those Designated Shares, then for as long as such event of default prevails and the shares have not yet been taken over or disposed of pursuant to such security, then the Company or Pioneer Foods (Pty) Ltd shall, subject to any higher-ranking security over such shares, be entitled (but not obliged) to deliver written instructions to the BEE SPV Issuer Subco specifying how it must vote and the BEE SPV Issuer Subco shall exercise its voting rights in respect of the Designated Shares in accordance with such written instructions.

7. BEE TRUST SHARE ISSUE

Introduction

7.1 As stated in paragraph 1.9 above, it is intended that the Proposed Specific Issue will also assist to uplift and develop Black People in the areas and communities in which Pioneer Group operates.

7.2 Accordingly, the Company has founded the Pioneer Foods Education and Community Trust, of which the objects are the following:

7.2.1 to assist in the provision of school buildings or equipment for public schools and educational institutions engaged in public benefit activities contemplated in sub-paragraphs 4(a) to 4(h) under section 4 of Part 1 to the Ninth Schedule to the Income Tax Act;

7.2.2 the provision of scholarships, bursaries, awards and loans for study, research and teaching on such conditions as may be prescribed by the Minister of Finance by way of regulation in the Government Gazette.

7.3 The Pioneer Foods Education and Community Trust shall be administered as a broad-based ownership scheme for purposes of the BEE Codes.

Beneficiaries of the Pioneer Foods Education and Community Trust

7.4 The trustees of the Pioneer Foods Education and Community Trust will select beneficiaries for that trust out of the immediate surrounding areas where any of the companies within the Pioneer Group operate.

7.5 In determining a list of prospective beneficiaries for the Pioneer Foods Education and Community Trust, the following shall apply:

7.5.1 at least 85% of the value of benefits allocated and/or awarded by the trust must accrue to Black People and of such benefits accruing to Black People, 50% must accrue to females who are Black Persons; and

7.5.2 at least 85% of the net income of the trust distributed to beneficiaries of the trust will be distributed to Black People and of such net trust income distributed to Black People, 50% must accrue to females who are Black Persons.

- 7.6 In the event of any disagreement between the trustees of the Pioneer Foods Education and Community Trust and the Company, as the founder of that trust, as to the selection of any beneficiary of the trust, the ultimate discretion in respect of the participation of any person as a beneficiary of the trust and the extent of the benefit any beneficiary of the trust is to receive, shall remain with the trustees.

Shares to be issued to the Pioneer Foods BEE Trust

- 7.7 In terms of the BEE Trust Share Issue, the relevant Issue Shares (equivalent to 5% of the issued share capital of the Company post-implementation of the Proposed Specific Issue) will not be issued directly to the Pioneer Foods Education and Community Trust, but will instead be issued to the Pioneer Foods BEE Trust, of which the Pioneer Foods Education and Community Trust will initially be the sole beneficiary.
- 7.8 The main object of the Pioneer Foods BEE Trust is to provide support services to, or promote the common interests of public benefit organisations contemplated in section 30 of the Income Tax Act or institutions, boards or bodies contemplated in section 10(1)(cA)(i) of the Income Tax Act which conduct one or more public benefit activities contemplated in Part 1 of the Ninth Schedule to the Income Tax Act, and to do so by being a vehicle through which beneficiaries which exist for such purposes acquire an economic exposure to an investment in Pioneer Foods Shares.
- 7.9 It is envisaged that the BEE Trust Share Issue will ensure long-term black equity ownership in the Company.

Trustees of the Pioneer Foods BEE Trust

- 7.10 An initial trustee is to be appointed in terms of the trust deed of the Pioneer Foods BEE Trust (the initial trustee will be an appointee of the beneficiaries of the Pioneer Foods BEE Trust). Following implementation of the BEE Trust Share Issue, the Pioneer Foods BEE Trust shall at all times have three trustees, on the bases that:
- 7.10.1 the Company shall appoint one trustee (it may also from time to time remove such trustee);
- 7.10.2 the beneficiaries of the Pioneer Foods BEE Trust shall appoint one trustee (initially the Pioneer Foods Education and Community Trust will initially be the sole beneficiary of the Pioneer Foods BEE Trust). The beneficiaries may also from time to time remove such trustee;
- 7.10.3 there shall at all times be one trustee who is independent from the Company and the beneficiaries of the Pioneer Foods BEE Trust, in the sense that he or she is neither a beneficiary nor a director or employee of the Company or any member of the Pioneer Group. Pioneer Foods and the Beneficiaries shall by agreement appoint such independent trustee. An independent trustee may from time to time be removed by agreement by Pioneer Foods and the beneficiaries. Any replacement of the independent trustee may be made by agreement between the Company and the beneficiaries of the Pioneer Foods BEE Trust. Failing such agreement within 60 (sixty) days of the vacancy arising, the Company shall request the President of the South African Bar Council to appoint the replacement trustee.
- 7.11 If at any time the number of trustees of the Pioneer Foods BEE Trust falls below 3 (three), the remaining trustees shall be entitled to continue to act in all matters affecting the trust pending the appointment of a replacement trustee by the party entitled to effect such replacement and the fact that the number of trustees has fallen below 3 (three) shall not invalidate any actions taken by the remaining trustees.
- 7.12 All resolutions and decisions of the trustees of the Pioneer Foods BEE Trust shall require a majority vote. Each trustee shall be entitled to cast one vote.

Exercise of voting rights in respect of Pioneer Foods Shares and other securities held

- 7.13 The trustees shall at all times decide how any Pioneer Foods Shares or any other securities held by the Pioneer Foods BEE Trust shall be voted. If the trustees are unable to resolve how the securities will be voted, they shall abstain from voting. Prior to making a decision on how to vote, and to the extent reasonably practicable, but without limiting the trustees' unfettered discretion as to how to vote, the trustees shall consult with beneficiaries of the Pioneer Foods BEE Trust in relation to such decision.

8. SALIENT TERMS OF THE BEE TRUST SHARE ISSUE

Issue of shares

- 8.1 The relevant Issue Shares will be issued to the Pioneer Foods BEE Trust at the BEE Trust Subscription Price. The difference between the BEE Trust Subscription Price and the market value of those shares (no discount applicable) will be financed by notional funding provided by the Company, such funding to be notionally repaid by the Pioneer Foods BEE Trust, as set out in paragraph 13 below. Pioneer Foods (Pty) Ltd will make an initial R1.1 million contribution to the Pioneer Foods Education and Community Trust, to be contributed by the Pioneer Foods Education and Community Trust to the Pioneer Foods BEE Trust to be utilised for the payment of the subscription price of the relevant Issue Shares.
- 8.2 The subscription by the Pioneer Foods BEE Trust for, and the allotment of and issue by the Company of, the relevant Issue Shares will be *voetstoots* and without any warranties or representations of any nature being given or made by the Company.

Pioneer Foods Repurchase option

- 8.3 The Pioneer Foods BEE Trust grants to the Company or its nominee, the right and option ("**Pioneer Foods Repurchase Option**") to repurchase the Designated Shares from the Pioneer Foods BEE Trust (or to the extent that such Designated Shares are not Pioneer Foods Shares, to purchase such shares) in accordance with a specified repurchase formula, by giving written notice thereof to the Pioneer Foods BEE Trust (the "**Exercise Notice**").
- 8.4 The Company may exercise the Pioneer Foods Repurchase Option by giving the Exercise Notice to the Pioneer Foods BEE Trust by not later than the earlier of:
- 8.4.1 the date ending on the later of:
- 8.4.1.1 60 days after the termination of the Notional Funding Period; or
- 8.4.1.2 if Pioneer Foods is in a 'prohibited period' (as contemplated in the JSE Listings Requirements) during the period contemplated in paragraph 8.4.1.1 above, 14 (fourteen) days after the date on which such 'prohibited period' comes to an end; or
- 8.4.2 60 days after the date contemplated in terms of paragraph 8.5 below, if applicable, only in the event that the Lock-in Period is reduced,
- failing which the Pioneer Foods Repurchase Option shall lapse.

Change to Lock-In Period

- 8.5 In the event of an actual or proposed scheme of arrangement or other actual or proposed transaction during the Notional Funding Period in terms of which any of the Designated Shares will, or are (in the opinion of the Company) likely to be, compulsorily acquired from the Pioneer Foods BEE Trust, the Company shall immediately be entitled to reduce the Lock-in Period in respect of all (and, unless otherwise agreed between the Pioneer Foods BEE Trust and the Company, not only some of) the Designated Shares and to exercise the Pioneer Foods Repurchase Option (see paragraph 8.4 above).
- 8.6 The Pioneer Foods BEE Trust warrants and undertakes to the Company that as at the subscription date for the relevant Issue Shares and on each day thereafter until the Pioneer Foods BEE Trust is terminated, the Pioneer Foods BEE Trust shall not dispose of or encumber the relevant Issue Shares, save as set out in the Subscription Agreement or cession and pledge between the Pioneer Foods BEE Trust and the Company, without the prior written consent of the Company.

Trust Default Call Option

- 8.7 Should the Pioneer Foods BEE Trust irremediably breach a warranty, undertaking and/or other material terms of its Subscription Agreement with the Company or the cession and pledge, or breach any such warranty, undertaking and/or any other material term which is capable of being remedied by it, and fails to remedy such breach to the satisfaction of the Company following a notice from the Company requiring it to do so, then the Company shall be entitled, in addition to any other remedy available to it, on written notice, to repurchase and/or purchase, as the case may be, the Designated Shares from the Pioneer Foods BEE Trust at a specified repurchase price formula.

Changes in BEE Legislation

8.8 The provisions set out in paragraphs 6.15 to 6.17 above shall apply *mutatis mutandis* in respect of Designated Shares held by the Pioneer Foods BEE Trust, save that, should the negotiations between the Company and Pioneer Foods BEE Trust be unsuccessful after a period of three months from the date that the relevant notice was given, other than as a result of a breach by Pioneer Foods of its obligation to negotiate in good faith, Pioneer Foods shall be entitled to exercise the Pioneer Foods Repurchase Option as contemplated in paragraph 8.3 above for a period of three months following such three-month period.

Pre-emptive right

8.9 The provisions set out in paragraphs 6.9 to 6.11 above shall apply *mutatis mutandis*, where at any time before or after expiry of the Lock-in Period the Pioneer Foods BEE Trust wishes to dispose of the whole or any part of the Designated Shares or any rights or interest therein.

Pioneer Foods Call Option

8.10 If the Designated Shares that may be repurchased by the Company under the repurchase formula pursuant to the exercise of its rights referred to in paragraph 8.3 or 8.8 above, do not comprise all of the Designated Shares, then the Company (or its nominee) shall have the option to repurchase (or, to the extent that such Designated Shares are not Pioneer Foods Shares, to purchase) from the Pioneer Foods Trust all the remaining Designated Shares ("**Option Shares**") by giving written notice to the Pioneer Foods BEE Trust by no later than 30 (thirty) days after the calculation of the number of Designated Shares that may be repurchased pursuant to the exercise of the rights referred to in paragraph 8.3 or 8.8 above. The consideration payable by the Company for the Option Shares shall be an amount equal to the market value of the Option Shares.

Security

8.11 In order to secure its obligations to the Company under the Subscription Agreement concluded between them, the Pioneer Foods BEE Trust pledges all the Designated Shares to Pioneer Foods by way of cession *in securitatem debiti*.

Additional shareholder approval required for a repurchase of Pioneer Foods Shares from the Pioneer Foods BEE Trust

8.12 The approval by shareholders of Special Resolution Number 4 set out in the notice of general meeting annexed to this circular, will only authorise the approval of a Potential Specific Repurchase of Pioneer Foods Shares from BEE Partners or Specified BEE Directors and does not authorise the repurchase of Pioneer Foods Shares issued to the Pioneer Foods BEE Trust. In the event of a share repurchase in future by the Company from the Pioneer Foods BEE Trust pursuant to the provisions referred to in paragraphs 8.1 to 8.11 above, a further circular will first be sent to Pioneer Foods Shareholders seeking their specific approval for such a repurchase.

9. PROPOSED FINANCIAL ASSISTANCE – BEE PARTNER SHARE ISSUE, SPECIFIED BEE DIRECTOR SHARE ISSUE

Introduction

9.1 It is proposed that Pioneer Foods (Pty) Ltd provide financial assistance to the BEE Partners and Specified BEE Directors to allow them to subscribe for the relevant Issue Shares. The Proposed Financial Assistance will comprise the Vendor Financing and the Guarantee.

9.2 Save as otherwise indicated in the circular, the terms upon which it is proposed that Pioneer Foods (Pty) Ltd provide financial assistance to the BEE Partners to facilitate the BEE Partner Share Issue, are materially the same as the terms upon which it is proposed that Pioneer Foods (Pty) Ltd provide financial assistance to the Specified BEE Directors to facilitate the Specified BEE Director Share Issue.

Issue of B Preference Shares

9.3 Vendor Financing will be provided to each BEE Partner in respect of 45% of the BEE Partner Subscription Price.

9.3.1 This will be accomplished by Pioneer Foods (Pty) Ltd subscribing for B Preference Shares in the BEE SPV Issuer (100% of the ordinary issued share capital of such BEE SPV Issuer being held by the BEE Partner).

- 9.3.2 The BEE SPV Issuer, using the subscription monies received from Pioneer Foods (Pty) Ltd in respect of the B Preference Shares, will subscribe for Back to Back B Shares in the BEE SPV Issuer Subco (100% of the ordinary issued share capital of the latter being held by the BEE SPV Issuer).
- 9.3.3 The BEE SPV Issuer Subco will in turn utilise the subscription monies received from the issuing of the Back to Back B Shares to subscribe for the relevant Issue Shares in the Company under a Subscription Agreement.
- 9.4 The remaining 55% of the BEE Partner Subscription Price will be funded as follows:
- 9.4.1 each BEE Partner will make an initial contribution of 10% of the BEE Partner Subscription Price in the form of an equity contribution by that BEE Partner to that BEE Partner's BEE SPV Issuer; and
- 9.4.2 third party funding (RMB Funding) will be obtained from RMB in respect of the remaining 45% of the BEE Partner Subscription Price.
- 9.5 Specified BEE Directors will not provide an initial contribution in respect of the Specified BEE Director Subscription Price. In respect of each Specified BEE Director, the Specified BEE Director Share Issue will be funded as follows:
- 9.5.1 Vendor Financing will be provided by Pioneer Foods (Pty) Ltd in respect of 55% of the Specified BEE Director Subscription Price. The preference share funding mechanism set out in paragraph 9.3 above in respect of the BEE Partners, shall likewise apply in respect of the Specified BEE Directors, *mutatis mutandis*; and
- 9.5.2 third party funding (RMB Funding) will be obtained from RMB in respect of the remaining balance of 45% of the Specified BEE Director Subscription Price.
- 9.6 Shareholders are referred to the diagrams at Annexure 10, setting out the funding structure for the BEE Partner Share Issue and the Specified BEE Director Share Issue.

10. VENDOR FINANCING

B Preference Dividends

- 10.1 As holder of the B Preference Shares in a BEE SPV Issuer, Pioneer Foods (Pty) Ltd shall be entitled, in respect of each B Preference Share held by it, to the B Preference Dividends calculated as set out below:
- 10.2 On each Dividend Payment Date the BEE SPV Issuer shall (i) adopt a resolution in compliance with section 46 of the Companies Act, and (ii) declare and pay B Preference Dividends equal to the lesser of:
- 10.2.1 the aggregate of: (i) the Scheduled Dividend for the Dividend Period which ends on the Dividend Payment Date and (ii) the Accumulated Dividends as at the first day of that Dividend Period; or
- 10.2.2 the amount received by its wholly-owned subsidiary BEE SPV Issuer Subco on account of the Issue Shares and the Unbundled Shares held by that entity on the immediately preceding Distribution Receipt Date, less the aggregate of: (1) any Taxes which BEE SPV Issuer Subco has become liable to pay; (2) the Statutory Costs; (3) the A Preference Dividend payable to the holders thereof on that Dividend Payment Date and (4) an amount equal to a reasonable estimate of the Statutory Costs which will be incurred during the next 6 (six) months.
- 10.3 For each Dividend Period each B Preference Share shall be entitled to a Scheduled Dividend which shall be calculated in accordance with the following formula:
- $$a = b \times c \times d$$
- in which formula:
- a = the Scheduled Dividend for the applicable Dividend Period;
- b = the aggregate of: (i) the Issue Price of that B Preference Share; plus (ii) the Accumulated Dividends (if any) in respect of that B Preference Share on the first day of that Dividend Period, plus (iii) any Unpaid Dividends (if any) in respect of that B Preference Share on the first day of that Dividend Period;
- c = the B Preference Dividend Rate; and
- d = the number of days in the applicable Dividend Period divided by 365 (three hundred and sixty-five).

10.4 The declaration and payment of the B Preference Dividends shall rank in priority to any declaration or payment of dividends to the holders of any other class of shares in the capital of the BEE SPV Issuer, save that the payment of the A Preference Dividends shall rank in priority to the payment of the B Preference Dividends. In this regard, see paragraph 11 below.

10.5 The B Preference Dividend Rate applicable to all Unpaid Dividends shall be increased with 3% (three percent) from the date on which it ought to have been paid to the date upon which the Unpaid Dividends are actually paid, both dates inclusive.

Winding-up and return of capital

10.6 The B Preference Shares shall carry the right, on a winding-up of the BEE SPV Issuer or on any return of capital, to the repayment of an amount equal to the aggregate of:

10.6.1 the B Preference Share Redemption Price; and

10.6.2 the Accumulated Dividends and Unpaid Dividends up to the date on which that return of capital is paid to the holder of the B Preference Shares,

such amounts to be calculated on the basis that the period from the last Dividend Date to the date of payment thereof constitutes a Dividend Period, and ranking in priority to any other Shares issued by BEE SPV Issuer, except for the A Preference Shares.

No further participation

10.7 Save as set out above, the B Preference Shares shall not be entitled to any further participation in the profits of the BEE SPV Issuer or any distribution of the assets or capital of the BEE SPV Issuer.

Redemption

10.8 The BEE SPV Issuer shall redeem all the B Preference Shares on the earlier of:

10.8.1 the Final Redemption Date;

10.8.2 2 (two) business days after Pioneer Foods (Pty) Ltd (as holder of the B Preference Shares) notifies the BEE SPV Issuer in writing that it requires the B Preference Shares to be redeemed, in circumstances where a redemption event has occurred (redemption events include, but are not limited, to the occurrence of an event that entitles Pioneer Foods (Pty) Ltd to issue a Default Notice, as well as insolvency, liquidation, deregistration or business rescue of the BEE SPV Issuer or BEE SPV Issuer Subco); or

10.8.3 2 (two) business days after the BEE SPV Issuer notifies Pioneer Foods (Pty) Ltd (as holder of the B Preference Shares) that it wishes to redeem the B Preference Shares,

provided that under no circumstances will the B Preference Shares be redeemed in terms of the provisions of paragraph 10.8.1 or 10.8.2 above, prior to 3 (three) years and 1 (one) day after the issuing of those shares.

10.9 The BEE SPV Issuer shall not redeem any B Preference Share, except if it has declared and paid the B Preference Dividends in respect of that B Preference Share in full.

Adjustment of B Preference Dividend Rate

10.10 Should an adjustment event occur (adjustment events include changes in legislation and changes in respect of the rates, method of collection or calculation of any Tax) resulting in a change to the net after-Tax return of Pioneer Foods (Pty) Ltd in respect of the B Preference Shares held by it, then the B Preference Dividend Rate will be increased or reduced with effect from the date of the adjustment event so that the net after-Tax return of Pioneer Foods (Pty) Ltd after such adjustment event shall be the same as its net after-Tax return prior to such adjustment event occurring.

11. RMB FUNDING

Introduction

11.1 As part of the Proposed Financial Assistance, it is proposed that the Company, through Pioneer Foods (Pty) Ltd, provide the Guarantee to RMB, with a view to facilitating the provision of the RMB Funding to the BEE Partners and Specified BEE Directors. The Guarantee will be limited to a maximum liability of R100 million for Pioneer Foods (Pty) Ltd.

- 11.2 In terms of the RMB Subscription Agreement entered into by the BEE SPVs of each BEE Partner and of each Specified BEE Director, the RMB Funding will be provided to the BEE SPVs of each BEE Partner and each Specified BEE Director as follows:
- 11.2.1 RMB will subscribe for A Preference Shares in the BEE SPV Issuer (100% of the issued ordinary share capital of such BEE SPV Issuer being held by the BEE Partner or Specified BEE Director, as the case may be); and
- 11.2.2 the BEE SPV Issuer, using the subscription monies received from RMB in respect of the A Preference Shares, will subscribe for Back to Back A Shares in the BEE SPV Issuer Subco (100% of the issued ordinary share capital of the latter being held by the BEE SPV Issuer).
- 11.3 The BEE SPV Issuer is required to redeem the A Preference Shares after 7 (seven) years, during which time the A Preference Dividends will accrue on those preference shares. The security granted to RMB in respect of the RMB Funding shall rank in priority over the security held by Pioneer Foods and Pioneer Foods (Pty) Ltd pursuant to the terms of the Proposed Specific Issue and the Proposed Financial Assistance, as set out above.
- 11.4 RMB and any other holder of the A Preference Shares will be entitled to A Preference Dividends on those shares, calculated at the A Preference Dividend Rate and ranking in priority to the B Preference Dividends.

Salient features of RMB Funding

- 11.5 The RMB Funding will be structured as a capital bullet facility with the dividends on the A Preference Shares being serviced from Distributions received by the BEE SPV Issuer Subco in respect of the Pioneer Foods Shares issued to it under the Proposed Specific Issue or the Unbundled Shares. Provision is made for a partial roll-up of the A Preference Dividends up to a maximum of 115% of the A Preference Share subscription price.
- 11.6 The RMB Subscription Agreement addresses detailed standard events of default for a transaction of this nature, which, if triggered, will require the redemption of the A Preference Shares.
- 11.7 The RMB Funding is also subject to various adjustment events, for example legislation and taxation changes, which will impact on the A Preference Dividend Rate.

Payment waterfall: BEE SPV Issuer Subco

- 11.8 The BEE SPV Issuer Subco shall use all amounts from time to time held by it to make the following payments in the following order of priority:
- 11.8.1 firstly to pay all and any Taxes which the Issuer Subco has become liable to pay;
- 11.8.2 thereafter to pay the Statutory Costs;
- 11.8.3 thereafter to declare and pay: (i) dividends in respect of the Back to Back A Shares to the extent to which the BEE SPV Issuer Subco has become obliged, in terms of the terms and conditions which govern the Back to Back A Shares, to declare and pay those dividends and (ii) provided that the BEE SPV Issuer Subco has become obliged to do so as set out in paragraph 11.9 below, to declare and pay dividends in respect of the Back to Back B Shares to the extent to which the BEE SPV Issuer Subco has undertaken to do so in terms of the terms and conditions which govern the Back to Back B Shares; and
- 11.8.4 thereafter to: (i) redeem the Back to Back A Shares either voluntarily or to the extent to which the BEE SPV Issuer Subco has undertaken to do so in terms of the terms and conditions which regulate the Back to Back A Shares and (ii) provided that the BEE SPV Issuer Subco has become obliged to do so as set out in paragraph 11.9 below, to redeem the Back to Back B Shares either voluntarily or to the extent to which the Issuer Subco has undertaken to do so in terms of the terms and conditions which apply to the Back to Back B Shares.
- 11.9 If, on any day on which the BEE SPV Issuer Subco receives any payment of any nature whatsoever on account of its Pioneer Foods Shares or the Unbundled Shares (such payment a "**Pioneer Receipt**"): (1) the outstanding balance (capital plus accrued dividends) on the A Preference Shares is no greater than the initial facility amount of the A Preference Share; (2) the applicable share cover ratio is at least 3 times and (3) no trigger event has occurred or is continuing, the BEE SPV Issuer Subco shall: (i) pay any Taxes and Statutory Costs which have been incurred and which have not yet been paid out of that Pioneer Receipt; (ii) retain, out of that Pioneer Receipt an amount equal to

a reasonable estimate of the Statutory Costs which will be incurred during the next 6 (six) months and (iii) be obliged to use one half of the remainder of that Pioneer Receipt to declare dividends in respect of the Back to Back B Shares whereafter it shall be entitled to use the remaining balance to redeem the Back to Back B Shares.

12. GUARANTEE

12.1 As part of the Proposed Financial Assistance, it is proposed that Pioneer Foods (Pty) Ltd provide the Guarantee to RMB, with a view to facilitating the provision of the RMB Funding to the BEE Partners and Specified BEE Directors.

12.2 In terms of the Guarantee provided by Pioneer Foods (Pty) Ltd to RMB:

12.2.1 Pioneer Foods (Pty) Ltd guarantees the Issuer Payment Undertakings in relation to the BEE SPV Issuers of all BEE Partners and Specified BEE Directors; and

12.2.2 Pioneer Foods (Pty) Ltd's aggregate liability is limited to an amount of R100 million.

12.3 Should RMB or any holders to which RMB has transferred any of the A Preference Shares (collectively referred to in this paragraph 12.3 as the "**Holders**"), become entitled to enforce any security existing under the RMB Funding over any Pioneer Foods Shares held by a BEE SPV Issuer Subco:

12.3.1 the Holders will first afford Pioneer Foods the right, for a period of 5 (five) business days, to: (i) introduce to them a person able and willing to purchase those Pioneer Foods Shares or (ii) deliver to them a special resolution adopted by the shareholders of Pioneer Foods authorising Pioneer Foods to re-purchase those Pioneer Foods Shares and a resolution adopted by the board of directors of Pioneer Foods in which such directors resolve that Pioneer Foods repurchase the those Pioneer Foods Shares and confirm compliance with the solvency and liquidity test set out in section 4 of the Companies Act, in which case the Holders will sell the relevant Pioneer Foods Shares to either the person introduced by Pioneer Foods or to Pioneer Foods, as the case may be, pursuant to the security granted to them over those shares;

12.3.2 thereafter, the Holders shall, for a period of 25 (twenty-five) business days, attempt to find a purchaser for the relevant Pioneer Foods Shares, and if they are able to find such a purchaser, sell the relevant Pioneer Foods Shares to such purchaser, pursuant to the security granted to them over those shares,

and the Holders will only enforce the Guarantee against Pioneer Foods (Pty) Ltd if they have not, within the periods set out above been able to obtain payment of all amounts which have become payable to them under the Transaction Documents.

13. PROPOSED FINANCIAL ASSISTANCE – BEE TRUST SHARE ISSUE

The BEE Trust Share Issue is to be fully financed by Pioneer Foods (Pty) Ltd and the Company through, respectively, the contribution by Pioneer Foods (Pty) Ltd referred to in paragraph 8.1 above and the provision of notional funding by the Company, such funding to be notionally repaid by the Pioneer Foods BEE Trust from the Trust Distributions. Of such distributions, 80% is to be utilised to notionally repay the notional funding, with the balance of 20% being available as a "trickle dividend" to the Pioneer Foods BEE Trust, of which the only beneficiary will initially be the Pioneer Foods Education and Community Trust.

14. LISTING ON THE JSE

It is intended that all new Pioneer Foods Shares issued in terms of the Proposed Specific Issue will be listed on the exchange operated by the JSE on the Listing Date, subject to necessary shareholder approval. An application for the listing of such shares has been submitted to the JSE and been approved.

15. COST TO SHAREHOLDERS

The once-off, non-cash cost of the Proposed Specific Issue, as at the last practicable date, calculated in accordance with IFRS 2, is R148.4 million and is equivalent to 1.35% of the Company's market capitalisation on the JSE as at the last practicable date (excluding treasury shares held by subsidiaries). The non-cash charge has been calculated based on current market conditions, and is subject to final confirmation once all material conditions precedent to the Proposed Specific Issue has been met.

This cost will be charged to the Company's income statement in the first year, therefore does not reflect a cash cost and will accordingly only be taken into account for accounting purposes. This is similar to other BEE transactions that have taken place over the last several years.

16. **PRO FORMA FINANCIAL EFFECTS**

As stated in paragraphs 6 and 8 above, the Issue Shares will be subject to various call options and preemptive rights, the exercise of which will give rise to a Potential Specific Repurchase. The Company does not currently anticipate any Potential Specific Repurchase. However, so as to assist Pioneer Foods Shareholders when considering the shareholder resolutions pertaining to the Potential Specific Repurchase, the table below also shows the *pro forma* financial effects, should a Potential Specific Repurchase occur, based on the assumption that the Potential Specific Repurchase occurs at the VWAP of 1 (one) Pioneer Foods Share on the JSE for the 30 (thirty) trading days preceding 23 December 2011.

The unaudited *pro forma* financial effects of the Proposed Specific Issue and Potential Specific Repurchase, as set out below, are the responsibility of the directors of the Company. The unaudited *pro forma* financial effects are presented in a manner consistent with the basis on which the historical financial information has been prepared and in terms of the Company's accounting policies. The unaudited *pro forma* financial effects have been presented for illustrative purposes only and, because of their nature, may not give a fair reflection of the Company's financial position, nor of the effect on future earnings post the implementation of the Proposed Specific Issue and the Potential Specific Repurchase.

These unaudited *pro forma* financial effects as set out below should be read in conjunction with the unaudited *pro forma* statement of financial position and statement of comprehensive income as set out in Annexure 1 to the circular, together with the assumptions upon which the financial effects are based, as indicated in the notes thereto.

The independent reporting accountants' report on the *pro forma* financial information appears at Annexure 2 to this circular.

The table below sets out the unaudited *pro forma* financial effects of the Proposed Specific Issue and the Potential Specific Repurchase on the Company, based on the audited annual financial results for the financial year ended 30 September 2011 and on the assumption that:

- the Earnings and Headline Earnings per Pioneer Foods Ordinary Share "After the Proposed Specific Issue" are based on the assumption that the Proposed Specific Issue was implemented on 1 October 2010;
- the Earnings and Headline Earnings per Pioneer Foods Ordinary Share "After the Potential Specific Repurchase" are based on the assumption that the Potential Specific Repurchase was implemented on 1 October 2010 at a price of R58.04 per share;
- the Net asset value and Tangible net asset value per Pioneer Foods Ordinary Share "After the Proposed Specific Issue" are based on the assumption that the Proposed Specific Issue was implemented on 30 September 2011;
- the Net asset value and Tangible net asset value per Pioneer Foods Ordinary Share "After the Potential Specific Repurchase" are based on the assumption that the Potential Specific Repurchase was implemented on 30 September 2011 at a price of R58.04 per share;
- the number of shares in issue and the weighted number of shares in issue "After the Proposed Specific Issue" and "After the Potential Specific Repurchase" have no *pro forma* adjustments thereto due to the fact that the Pioneer Foods Shares to be issued in terms of the Proposed Specific Issue will be consolidated.

	Before Proposed Specific Issue	After the Proposed Specific Issue	Change	After the Potential Specific Repurchase	Change
Earnings per share (cents)	408.4	322.7	(21.0%)	326.9	1.3%
Headline earnings per share (cents)	407.0	321.2	(21.1%)	325.5	1.3%
Net asset value per share (cents)	3 059.7	3 110.9	1.7%	3 028.9	(2.6%)
Net tangible asset value per share (cents)	2 651.3	2 702.5	1.9%	2 620.5	(3.0%)
Weighted average number of shares in issue (millions)	178.4	178.4	0.0%	178.4	0.0%
Number of shares in issue (millions) ¹	179.4	179.4	0.0%	179.4	0.0%

1. Excludes treasury shares

Detail information relating to the preparation of the unaudited *pro forma* financial information is presented in Annexure 1 to this circular.

17. SHARE CAPITAL

17.1 Authorised and issued share capital

17.1.1 The authorised and issued share capital of the Company, at the last practicable date, is set out below:

	Before the Proposed Specific Issue (R'000)	After the Proposed Specific Issue (R'000)
AUTHORISED SHARE CAPITAL		
400 000 000 ordinary shares of 10 cent each	40 000	40 000
18 130 000 "A" ordinary shares of 10 cent each *	1 813	1 813
ISSUED SHARE CAPITAL		
Currently 201 292 930 ordinary shares are in issue. In terms of the Proposed Specific Issue 28 691 649 ordinary shares are to be issued to the BEE Parties, resulting in 229 984 579 ordinary shares being in issue following implementation of the Proposed Specific Issue. Accordingly:		
ordinary shares of 10 cent each	20 129	22 998
Currently 9 036 930 "A" ordinary shares are in issue. No "A" ordinary shares will be issued in terms of the Proposed Specific Issue. Accordingly:		
"A" ordinary shares of 10 cent each	904	904
Treasury shares		
17 982 056 shares held by subsidiaries of the Company	(1 798)	(1 798)
3 881 401 shares held by the Pioneer Share Incentive Trust	(388)	(388)
Share premium on ordinary shares	1 180 681	2 172 745
Total ordinary issued share capital	1 199 528	2 194 461

Note:

* Class "A" ordinary shares are not listed on the JSE. These shares have full voting rights, similar to those of ordinary Pioneer Foods Shares.

17.1.2 The Company retains sufficient authorised, unissued ordinary share capital from which to issue the Issue Shares and it is accordingly not necessary to increase the authorised share capital of the Company for purposes of the Proposed Specific Issue.

18. DIRECTORS AND DIRECTORS' INTERESTS

18.1 Directors' interests in the Company

18.1.1 The table below sets out the direct and indirect beneficial interests of the directors (and their associates), including any directors who have resigned during the last 18 months, in the Company's issued share capital as at the last practicable date.

Director	Beneficial interest (ordinary shares)			
	Direct	Indirect	Total	% held
W A Haneekom	724 999	441 890	1 166 889	0.58
G D Eksteen	–	573 927	573 927	0.29
L R Cronjé	395 000	55 000	450 000	0.22
T A Carstens	417 291	–	417 291	0.21
Total	1 785 609	822 498	2 608 107	1.3

Notes:

- No directors of the Company have resigned between the end of the previous financial year ended 30 September 2011 and the date of this circular.

- Between 12 December 2011 and 10 January 2012 L R Cronje acquired a total of 90 000 ordinary shares in the Company by taking delivery of options previously granted in terms of the Company's deferred delivery scheme (off-market). The shares were disposed of on the same dates as they were acquired (on-market disposal).

18.2 Directors' interests in the Proposed Specific Issue

- 18.2.1 As set out in paragraph 6.2 above, the Specified BEE Director Share Issue will involve the issuing of Pioneer Foods Shares to BEE SPV Issuer Subco entities controlled by the Specified BEE Directors.
- 18.2.2 In addition, as set out in paragraph 6.2 above, the BEE Partner Share Issue will involve the issuing of Pioneer Foods Shares to BEE SPV Issuer Subco entities controlled by the BEE Partners. Certain of the Specified BEE Directors hold an interest in certain BEE Partners – see paragraph 4 above for further particulars in this regard.
- 18.2.3 Save as set out above, none of the directors of Pioneer Group (including any directors who have resigned during the last 18 months) have any material beneficial interest, whether direct or indirect, in the Proposed Specific Issue.
- 18.2.4 Other than as set out above in respect of the Proposed Specific Issue, none of the directors of Pioneer Group (including any directors who have resigned during the last 18 months) have any material beneficial interest, whether direct or indirect, in transactions that were effected by the Company during the current or immediately preceding financial year or, where such agreements remain in any respect outstanding or unperformed, during an earlier financial year.

18.3 Details and experience of directors

The full names, ages, business address, experience and capacities of the directors of the present Pioneer Board, as well as the directors of the major subsidiaries of the Company, are set out in Annexure 5 to the circular. All of the directors are South African citizens.

18.4 Directors' remuneration

The remuneration receivable by the directors of the Company will not be varied in consequence of the Proposed Specific Issue.

19. NATURE OF BUSINESS

- 19.1 Operating in the food and beverages business sectors, Pioneer Group's core business is the production and distribution of a diverse range of food, beverages and related products. Focused on products for both human and animal consumption, Pioneer Group is a significant player in these industries in southern Africa.
- 19.2 Employing more than 11 000 permanent employees, the Pioneer Group has a leadership position in the staple foods segment with value-added quality products, and a diversified and expanding portfolio of premium household brands, across all market segments of the LSM categories.
- 19.3 The business operates through its four main divisions:
- Sasko manufactures a range of affordable grain-based staple foods. In addition to wheaten and maize products, it also trades in rice, beans, lentils and dried vegetables and has one of South Africa's largest bakery operations with bakeries and depots located throughout the country.
 - Bokomo Foods produce some of South Africa's best-known breakfast cereals, rusks, biscuits, cake mixes, baking aids, instant mash potato, as well as dried fruit products, nuts, spreads, dehydrated vegetables and processed salads.
 - The Agri business produces poultry and animal feeds, chickens, eggs, processed egg and processed chicken-based products.
 - The Ceres Beverage Company is one of the largest producers of fruit juices, carbonated soft drinks and fruit concentrate mixtures.
- 19.4 Within the Pioneer Group there are a number of international joint ventures, the most notable of which is a 49.9% stake in Heinz Foods SA. The joint venture is between the Company and HJ Heinz Company of the United States of America and operates in the condiments and convenient

food markets' producing tomato sauces and ketchup, frozen foods, seafood tinned products, tinned food, instant meals and noodles. Bowman Ingredients South Africa is a 50% joint venture with Jas Bowman & Son in the United Kingdom supplying food ingredients to South Africa's large food producers.

20. PROSPECTS

Pioneer Group is in a favourable position to participate in profitable volume growth, recognising the constrained consumer spending environment. Continuing inflationary cost pressures and shifting consumer spending patterns will influence the Pioneer Group's financial performance in the 2012 financial year.

21. LITIGATION STATEMENT

21.1 Save as set out below, there are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the Pioneer Group is aware, which may have or have had a material effect on the financial position of the Pioneer Group in the last 12 months:

21.1.1 In November 2010, Pioneer Foods (Pty) Ltd entered into a comprehensive agreement with the Competition Commission in full and final settlement of various investigations and referrals by the Competition Commission regarding, *inter alia*, the wheat milling and maize milling markets, certain information exchanges and various other issues. The settlement agreement provides for the payment of an administrative penalty and various other measures and was confirmed by an order of the Competition Tribunal on or about 30 November 2010. Shareholders are referred to the Company's SENS release dated 2 November 2010 and 1 December 2010 for further particulars in this regard. Pursuant to the settlement agreement, the Company has to date paid two instalments towards an agreed administrative penalty, the first instalment of R66.7 million having been paid during December 2010 and the second instalment of R216.7 million having been paid during December 2011. A final instalment of R216.7 million is due for payment during December 2012.

21.1.2 Six contract egg producers are proceeding with claims against Pioneer Foods in the High Court for alleged breach of the terms of their supply agreement relating to the determination of egg prices. The combined damages claimed amounts to R114.3 million, with combined alternative claims noted at R35.6 million. Pioneer Foods filed pleas to all these claims and in four of these claims counter-claims have been filed to recover damages suffered by Pioneer Foods as a result of breach of contract by the contract producers. All six these matters have been set down for trial from March 2012. Management remains confident, based on legal advice regarding the merits of the claims against Pioneer Foods, that Pioneer Foods will not incur any material liability in respect of this matter. The six contract egg producers referred to above are Flinkwink Eiendomme (Pty) Ltd, Ukhuhlamba Poultry Farm (Pty) Ltd, KwaZulu Eierprodusente (Pty) Ltd, George Moerasrivier (Pty) Ltd, Blompot Eier Boerdery CC and Amaqanda Farms (Pty) Ltd.

21.1.3 Several breeder farms and broiler farms (five in total) have filed claims against Pioneer Foods for combined total damages of approximately R70 million for the alleged breach of the terms of their supply agreements with Pioneer Foods. Only letters of demand have been received thus far and these claims should eventually be finalised by means of arbitration. Although a date for the arbitration has not yet been finalised the arbitration will in all likelihood take place in the latter part of 2012. Based on legal advice regarding the merits of this claim and at this early stage of the proceedings, management is convinced that the Pioneer Group will not incur any material liability in respect of these matters. The breeder farms and broiler farms referred to above are Bergsig Breeders (Pty) Ltd, Claudewil Broilers (Pty) Ltd, Dassenberg Broilers (Pty) Ltd, Mountainview Breeders Ltd and Philadelphia Chicks Breeders (Pty) Ltd.

21.1.4 A number of consumer and distributors of bread have attempted to institute a class action against Pioneer Foods for alleged damages suffered pursuant to the past contravention by Pioneer Foods of the provisions of the Competition Act, No. 89 of 1998. The quantum of the envisaged claim against Pioneer Foods has not been quantified as the Company has not been served with a summons. After judgment was handed down in the Cape High Court dismissing the distributors' and consumers' application for leave to institute such a class

action and thereafter again on 29 August 2011, dismissing the consumers and distributors applications for leave to appeal against such dismissal, both the consumers and distributors groups have petitioned the Supreme Court of Appeal for leave to appeal. The consumers as well as the distributors groups have been granted their petitions and their notices of appeal are due on 30 January 2012. Pioneer Foods will be responding thereto when duly received. The abovementioned distributors are Imraahn Ismael Mukkaddam, W.E.M. Distributors CC and Abdul Kariem Ebrahim, while the abovementioned consumers comprise the Trustees for the time being for the Children's Resource Centre Trust, the Trustees for the time being for the Black Sash Trust, Congress of South African Trade Unions, National Consumer Forum, Tasneem Bassier, Brian Mpahlele, Trevor Ronald George Benjamin, Nomthandazo Mvana and Faried Albertus.

22. UNDERTAKINGS

The following Pioneer Foods Shareholders, collectively holding as at the last practicable date, directly or indirectly, Pioneer Foods Shares representing 48.06% of the total issued share capital of the Company, have irrevocably undertaken to vote in favour of the resolutions to give effect to the Proposed Specific Issue.

Name of Pioneer Foods Shareholder	Number of Pioneer Foods Shares held	Percentage of Pioneer Foods Share Capital held
Agri Voedsel Beleggings (Proprietary) Limited	55 627 707	27.64
Moorreesburgse Koringboere (Proprietary) Limited	24 347 469	12.10
Overberg Agri (Proprietary) Limited	16 747 011	8.32
Total	96 722 187	48.06

23. EXPENSES

The estimated costs of negotiating and agreeing the Proposed Specific Issue, preparing and distributing this circular and all other annexures and implementing the Proposed Specific Issue, including the fees payable to professional advisors, are approximately R4 830 000, excluding value-added taxation, and include the following:

Expenses of the Company	R
Sponsor and Transaction Advisor – PSG Capital	2 000 000
JSE documentation and listing fees	332 767
Printing and postage costs – Ince (Pty) Ltd	150 000
Independent reporting accountant – PwC	1 200 000
Transfer secretaries – Computershare Investor Services	50 000
Announcements and publication	70 000
Fairness opinion – BDO	100 000
Attorneys fees – Cliffe Dekker Hofmeyr	900 000
Other – contingency	27 233
Estimated total	4 830 000

24. KING III CODE AND CORPORATE GOVERNANCE

Shareholders are referred to Annexure 9 to the circular, which concerns the application of the King III Code and other corporate governance principles.

25. EXPERTS' CONSENTS

The parties referred to in the "Corporate information" section on the inside front cover of this circular have consented in writing to act in the capacities stated and to their names being stated in the circular

and, in the case of the independent reporting accountant, has consented to the inclusion of its report and references to or extracts from its report in the form and context in which they appear in the circular, and have not withdrawn their consents prior to the publication of the circular.

26. MAJOR SHAREHOLDERS

Insofar as is known to the Company, no shareholder, other than as set out below, beneficially held, directly or indirectly, an interest of 5% or more of the issued share capital of the Company on the last practical date:

Name of Pioneer Foods Shareholder	Number of Pioneer Foods Shares held	Percentage of Pioneer Foods Share Capital held
Agri Voedsel Beleggings (Proprietary) Limited	55 627 707	27.64
Moorreesburgse Koringboere (Proprietary) Limited	24 347 469	12.10
Overberg Agri (Proprietary) Limited	16 747 011	8.32
Total	96 722 187	48.06

27. MATERIAL CHANGES

There have been no material changes in the financial or trading position of the Company and its subsidiaries since the end of the last financial year ended 30 September 2011 for which audited financial statements have been published.

28. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company, whose names are given overleaf, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the circular contains all information required by law and the JSE Listings Requirements.

29. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection by Pioneer Foods Shareholders during normal business hours at the registered office of the Company and at the office of the Sponsors from 19 January 2012 until 17 February 2012 (both days inclusive):

- 29.1 the current memoranda and articles of association of the Company and its subsidiaries, together with the new memorandum of incorporation to be proposed for shareholder approval at the Annual General Meeting;
- 29.2 the Transaction Documents, as listed in Annexure 8;
- 29.3 the independent reporting accountants' report dated 13 January 2012 on the unaudited *pro forma* financial information of the Company, as reproduced in Annexure 2;
- 29.4 the independent expert's fairness opinion dated 13 January 2012 in respect of the Proposed Specific Issue and Proposed Financial Assistance, as reproduced in Annexure 3;
- 29.5 the audited annual financial statements of the Company for the preceding three financial years ended 30 September 2011, 30 September 2010 and 30 September 2009; and
- 29.6 a signed copy of this circular.

SIGNED AT PAARL ON 18 JANUARY 2012 BY W A HANEKOM ON BEHALF OF ALL THE DIRECTORS OF THE COMPANY, AS LISTED BELOW, IN TERMS OF POWERS OF ATTORNEY SIGNED BY SUCH DIRECTORS

Z L Combi
W A Hanekom
L R Cronje
T A Carstens
M M du Toit
J F Mouton

Dr M I Survé
G D Eksteen
A E Jacobs
Prof A S M Karaan
N S Mjoli-Mncube
A H Sangqu



W A HANEKOM
Managing Director

Paarl
18 January 2012

UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF PIONEER GROUP

The *pro forma* financial information set out below has been prepared to assist Pioneer Foods shareholders to assess the impact of the Proposed Specific Issue and Potential Specific Repurchase on the financial results of Pioneer Foods for the year ended 30 September 2011. The unaudited *pro forma* statement of financial position at 30 September 2011 and statement of comprehensive income for the year ended 30 September 2011 of Pioneer Foods have been prepared to reflect the impact of the Proposed Specific Issue and Potential Specific Repurchase as if the Proposed Specific Issue and Potential Specific Repurchase had occurred on 1 October 2010 for purpose of adjusting the *pro forma* statement of comprehensive income, and on 30 September 2011 for purposes of adjusting the *pro forma* statement of financial position of Pioneer Foods.

The unaudited *pro forma* financial information has been prepared for illustrative purposes only based on current available information available to management and because of its nature, may not fairly present Pioneer Foods financial position, changes in equity, and results of operations or cash flows after the Proposed Specific Issue and Potential Specific Repurchase. The unaudited *pro forma* financial information is presented in a manner that is consistent with the accounting policies of Pioneer Foods.

The unaudited *pro forma* financial information of Pioneer Foods should be read in conjunction with the limited assurance report of the independent reporting accountants which is included as Annexure 2 to this circular.

The Directors are responsible for the preparation of the unaudited *pro forma* financial information contained in this circular.

STATEMENTS OF FINANCIAL POSITION

as at 30 September 2011

	Audited September 2011 R'm	Pro forma financial effects of the Proposed Specific Issue R'm	Unaudited statement of financial position after the Proposed Specific Issue R'm	Pro forma financial effects of the Potential Specific Repurchase R'm	Unaudited statement of financial position after the Potential Specific Repurchase R'm
ASSETS					
Non-current assets	5 037.7	-	5 037.7	-	5 037.7
Property, plant and equipment	4 192.3	-	4 192.3	-	4 192.3
Goodwill	265.1	-	265.1	-	265.1
Other intangible assets	467.4	-	467.4	-	467.4
Biological assets	16.8	-	16.8	-	16.8
Investment in associates and loans to joint ventures	29.9	-	29.9	-	29.9
Available-for-sale financial assets	43.6	-	43.6	-	43.6
Trade and other receivables	20.0	-	20.0	-	20.0
Deferred income tax	2.6	-	2.6	-	2.6
Current assets	4 825.3	198.0	5 023.3	(596.9)	4 426.4
Inventories	2 313.4	-	2 313.4	-	2 313.4
Biological assets	210.1	-	210.1	-	210.1
Derivative financial instruments	14.1	-	14.1	-	14.1
Trade and other receivables	1 836.1	-	1 836.1	-	1 836.1
Current income tax	11.2	0.3	11.5	-	11.5
Cash and cash equivalents	440.4	197.7	638.1	(596.9)	41.2
Total assets	9 863.0	198.0	10 061.0	(596.9)	9 464.1
EQUITY AND LIABILITIES					
Capital and reserves attributable to owners of the parent	5 488.3	91.9	5 580.2	(147.2)	5 433.0
Share capital	20.1	2.9	23.0	(1.8)	21.2
Share premium	1 186.7	992.6	2 179.3	(1 048.2)	1 131.1
Treasury shares	(220.3)	(1 000.3)	(1 220.6)	999.2	(221.4)
Other reserves	115.2	244.8	360.0	(244.8)	115.2
Retained earnings	4 386.6	(148.1)	4 238.5	148.4	4 386.9
Non-controlling interest	7.5	-	7.5	-	7.5
Total equity	5 495.8	91.9	5 587.7	(147.2)	5 440.5

	<i>Notes</i>	Audited September 2011 R'm	<i>Pro forma</i> financial effects of the Proposed Specific Issue R'm	Unaudited statement of financial position after the Proposed Specific Issue R'm	<i>Pro forma</i> financial effects of the Potential Specific Repurchase R'm	Unaudited statement of financial position after the Potential Specific Repurchase R'm
Non-current liabilities		1 891.0	449.7	2 340.7	(449.7)	1 891.0
Borrowings	5, 9	849.0	449.7	1 298.7	(449.7)	849.0
Provisions for other liabilities and charges		113.3	-	113.3	-	113.3
Accrual for Competition Commission penalties		202.1	-	202.1	-	202.1
Share-based payment liability		146.0	-	146.0	-	146.0
Deferred income tax		580.6	-	580.6	-	580.6
Current liabilities		2 476.2	(343.6)	2 132.6	-	2 132.6
Trade and other payables	6	1 871.5	4.8	1 876.3	-	1 876.3
Current income tax		22.1	-	22.1	-	22.1
Derivative financial instruments		10.4	-	10.4	-	10.4
Borrowings	4	348.4	(348.4)	-	-	-
Loans from joint venture		7.9	-	7.9	-	7.9
Accrual for Competition Commission penalties		215.5	-	215.5	-	215.5
Dividends payable		0.4	-	0.4	-	0.4
Total liabilities		4 367.2	106.1	4 473.3	(449.7)	4 023.6
Total equity and liabilities		9 863.0	198.0	10 061.0	(596.9)	9 464.1
Net asset value per ordinary share (cents)		3 059.7	51.2	3 110.9	(82.0)	3 028.9
Net tangible asset value per ordinary share (cents)		2 651.3	51.2	2 702.5	(82.0)	2 620.5
Shares in issue (million)		179.4	-	179.4	-	179.4

STATEMENTS OF COMPREHENSIVE INCOME
the year ended 30 September 2011

	Notes	Audited September 2011 R'm	Pro forma financial effects of the Proposed Specific Issue R'm	Unaudited pro forma statement of comprehensive income after the Proposed Specific Issue R'm	Pro forma financial effects of the Potential Specific Repurchase R'm	Unaudited pro forma statement of comprehensive income after the Potential Specific Repurchase R'm
Revenue		16 853.1	-	16 853.1	-	16 853.1
Cost of goods sold		(11 804.1)	-	(11 804.1)	-	(11 804.1)
Gross profit		5 049.0	-	5 049.0	-	5 049.0
Other income and gains – net		291.7	-	291.7	-	291.7
Other expenses		(4 149.4)	(149.2)	(4 298.6)	-	(4 298.6)
Excluding IFRS 2: Share-based payment cost	1	(4 149.4)	(0.8)	(4 150.2)	-	(4 150.2)
IFRS 2: Share-based payment cost	3	-	(148.4)	(148.4)	-	(148.4)
Items of a capital nature and abnormal items		(0.8)	-	(0.8)	-	(0.8)
Operating profit		1 190.5	(149.2)	1 041.3	-	1 041.3
Investment income	4, 8	19.2	10.6	29.8	(31.9)	(2.1)
Finance costs	4, 5, 9	(160.0)	(4.4)	(164.4)	30.6	(133.8)
Share of profit of associated companies		0.3	-	0.3	-	0.3
Profit before income tax		1 050.0	(143.0)	907.0	(1.3)	905.7
Income tax expense	2, 4, 8	(319.9)	(10.0)	(329.9)	8.9	(321.0)
Profit for the year		730.1	(153.0)	577.1	7.6	584.7
Other comprehensive income for the year		63.8	-	63.8	-	63.8
Movement in cash flow hedging reserve		36.7	-	36.7	-	36.7
Fair value adjustments						
For the year		118.6	-	118.6	-	118.6
Current income tax effect		(40.2)	-	(40.2)	-	(40.2)
Deferred income tax effect		7.0	-	7.0	-	7.0
Reclassification to profit or loss		(67.6)	-	(67.6)	-	(67.6)
Current income tax effect		36.2	-	36.2	-	36.2
Deferred income tax effect		(17.3)	-	(17.3)	-	(17.3)

	Audited September 2011 R'm	Pro forma financial effects of the Proposed Specific Issue R'm	Unaudited pro forma statement of comprehensive income after the Proposed Specific Issue R'm	Pro forma financial effects of the Potential Specific Repurchase R'm	Unaudited pro forma statement of comprehensive income after the Potential Specific Repurchase R'm
Net fair value adjustment on available-for-sale financial assets	1.9	-	1.9	-	1.9
Fair value adjustments					
For the year					
Deferred income tax effect	3.9	-	3.9	-	3.9
Reclassification to profit or loss	(0.3)	-	(0.3)	-	(0.3)
Movement on foreign currency translation reserve	(1.7)	-	(1.7)	-	(1.7)
	25.2	-	25.2	-	25.2
Total comprehensive income for the year	793.9	(153.0)	640.9	7.6	648.5
Profit for the year attributable to:					
Owners of the parent	728.8	(153.0)	575.8	7.6	583.4
Non-controlling interest	1.3	-	1.3	-	1.3
	730.1	(153.0)	577.1	7.6	584.7
Total comprehensive income for the year attributable to:					
Owners of the parent	792.6	(153.0)	639.6	7.6	647.2
Non-controlling interest	1.3	-	1.3	-	1.3
	793.9	(153.0)	640.9	7.6	648.5
Earnings per ordinary share (cents)	408.4	(85.7)	322.7	4.3	326.9
Headline earnings per ordinary share (cents)	407.0	(85.7)	321.2	4.3	325.5
Weighted average number of shares (million)	178.4	-	178.4	-	178.4

NOTES TO THE PRO FORMA STATEMENTS OF COMPREHENSIVE INCOME AND STATEMENTS OF FINANCIAL POSITION

1. The adjustment to other expenses represents the utilisation of the trickle dividends paid by the Pioneer Group to the Pioneer Foods Education and Community Trust, amounting to R0.8 million. The entire amount will be used by the trust to fund qualifying projects.
2. A contribution of R1.1 million will be made by Pioneer Foods (Pty) Ltd to the Pioneer Foods Education and Community Trust to subscribe for the shares in Pioneer Foods. This expense is eliminated on consolidation but the resulting tax benefit of R0.3 million is recognised.
3. The Proposed Specific Issue is classified as an equity-settled share-based transactions in terms of IFRS 2 "Share-based Payment". Adjustment to other expenses represents the non-cash flow share-based payment charge relating to the Proposed Specific Issue to the BEE Partners and the Specified BEE Directors amounting to R148.4 million and the corresponding adjustment to "other reserves" in the statement of financial position. There is no obligation to provide any service conditions by the BEE Partners and the Specified BEE Directors, therefore the total R148.4 million was immediately expensed to profit and loss.
4. The equity contribution to be made by the BEE Partners, consisting of own contributions of R96.4 million and RMB Funding for the Proposed Specific Issue to the BEE Partners and Specified BEE Directors amounting to R449.7 million will decrease the Pioneer Group's short-term borrowings by an amount of R348.4 million, reducing interest cost incurred by Pioneer Foods at the long-term debt rate of 7.51 % for the year ended 30 September 2011. The residual monies, amounting to R197.7 million, will be invested by Pioneer Foods into money market funds accruing interest at a rate of 5.3%. The interest adjustments took into account tax at a rate of 28%.
5. The RMB Funding incurred by the BEE Parties, amounting to R449.7 million will increase the Company's long-term borrowings due to the BEE SPV's being consolidated in terms of IFRS, leading to an increased interest expense based on the average interest rate on the RMB Funding at the A Preference Dividend Rate of 6.8%.
6. Cost amounting to R4.8 million will be incurred to implement the Proposed Specific Issue, which will be written-off against share premium.
7. This represents the Proposed Specific Issue, consisting of 28.7 million shares. The movement in the share premium accounts relates to the difference between the par value and the amount the BEE Partners and Directors paid for the issued shares as stipulated in the agreement. The corresponding adjustment was made to "treasury shares" in the statement of financial position.

Potential Specific Repurchase

8. The Potential Specific Repurchase has been assumed to be effected at a price of R58.04 per share, based on the assumption that the Potential Specific Repurchase occurs at the VWAP of 1 (one) Pioneer Foods Share on the JSE for the 30 (thirty) trading days preceding 23 December 2011. The cash outflow in regards to the Potential Specific Repurchase, amounting to R596.9 million, will reduce cash and cash equivalents, reducing investment income at a rate of 5.3%. The interest adjustments took into account tax at a rate of 28%.
9. The RMB Funding incurred by the BEE Parties, amounting to R449.7 million will be repaid in terms of the Potential Specific Repurchase decreasing the Company's long-term borrowings due to the repayment of the RMB Funding of the BEE SPV's by the BEE Partners and Specified BEE Directors which were required to be consolidated in terms of IFRS, leading to a decreased interest expense based on the average interest rate on the RMB Funding at the A Preference Dividend Rate of 6.8%.
10. This represents the Potential Specific Repurchase, consisting of 18.1 million shares. The movement in the share premium account related to the difference between the par value and R58.04, being the price at which the Potential Specific Repurchase is assumed to be effected.
11. The represents the cancellation of the accounted treasury shares issued in terms of the Proposed Specific Issue to the BEE Partners and Specified BEE Directors due to effecting the Potential Specific Repurchase.
12. Represents the recycling of the share-based payment charge as detailed in note 3 above to other reserves.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF PIONEER GROUP

Strictly private & confidential

The Directors
Pioneer Food Group Limited
PO Box 20
Huguenot
7645

13 January 2012

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF PIONEER FOOD GROUP LIMITED ("PIONEER FOODS" OR "THE COMPANY")**Introduction**

Pioneer Food Group Limited is issuing a circular to its shareholders ("the Circular") regarding the broad-based black economic empowerment transaction involving specified BEE directors, BEE partners and a BEE trust.

At your request and for the purposes of the Circular to be dated on or about 19 January 2012, we present our report on the unaudited *pro forma* statement of financial position, statement of comprehensive income and financial effects ("the unaudited *pro forma* financial information") of the Company presented in Annexure 1 and paragraph 16 of the Circular.

The unaudited *pro forma* financial information has been prepared in accordance with the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the transactions might have affected the reported historical financial information presented, had it been undertaken at the commencement of the period or date of the unaudited *pro forma* financial position being reported on.

Responsibilities

The directors of the Company are responsible for the compilation, contents and preparation of the unaudited *pro forma* financial information contained in the Circular and for the financial information from which it has been prepared. Their responsibility includes determining that: the unaudited *pro forma* financial information contained in the Circular has been properly compiled on the basis stated; the basis is consistent with the accounting policies of the Company; and the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the unaudited *pro forma* financial information included in the Circular. We conducted our assurance engagement in accordance with ISAE 3000: *International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Revised Guide on Pro forma Financial Information* issued by The South African Institute of Chartered Accountants. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information of the Company with the source documents, considering the *pro forma* adjustments in light of the accounting policies of the Company, considering the evidence supporting the unaudited *pro forma* adjustments and discussing the adjusted unaudited *pro forma* financial information with the directors of the Company in respect of the share issue that is the subject of the Circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of the Company and other information from various public, financial and industry sources.

Whilst the work we performed involved an analysis of the historical financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information in accordance with the *International Standards on Auditing* or the *International Standards on Review Engagements* and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and, appropriate to provide a basis for our conclusion.

Opinion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that:

- the unaudited *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of the Company;
- the adjustments are not appropriate for the purposes of the unaudited *pro forma* financial information as disclosed pursuant to Sections 8.17 and 8.30 of the JSE Listings Requirements.

PricewaterhouseCoopers Inc

Director: R Jacobs
Registered Auditor

OPINION OF THE INDEPENDENT PROFESSIONAL ADVISER ON THE PROPOSED SPECIFIC ISSUE



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The Directors
Pioneer Food Group Limited
32 Market Street
Paarl
7646

13 January 2012

Dear Sirs

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO PIONEER FOOD GROUP LIMITED REGARDING A PROPOSED NEW BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("B-BBEE") TRANSACTION

INTRODUCTION

BDO Corporate Finance has been appointed by the board of directors ("**the Board**") of Pioneer Food Group Limited ("**Pioneer Foods**" or "**the Company**") to provide an independent fairness opinion to the shareholders of Pioneer Foods with regard to the proposed Black Economic Empowerment ("**BEE**") transaction, in terms of which Pioneer Foods will issue new Pioneer Foods ordinary shares ("**Issue Shares**") comprising 13.54% ("**the Proposed Specific Issue**") of the Company's enlarged issued share capital post-implementation of the Proposed Specific Issue, as follows:

- Issue Shares equalling 8.25% of the Company's enlarged issued share capital post-implementation of the Proposed Specific Issue, to be issued to Thembeke Capital Limited, Identity Capital Partners (Pty) Ltd, KwaZulu-Natal Agribusiness Women's Trust, Sekunjalo Investments Limited ("**Sekunjalo**") and K2011/127340/07 Proprietary Limited (currently in the process of changing its registered name to Riparian Investments Consortium 1 Proprietary Limited) (collectively "**the BEE Partners**") ("**BEE Partner Share Issue**");
- Issue Shares equalling 0.29% of the Company's enlarged issued share capital post-implementation of the Proposed Specific Issue, to be issued to the following directors of the Company, Z L Combi, Dr M I Surve, Prof A S M Karaan, N S Mjoli-Mncube and A H Sangqu, as well as a former director of the Company, Dr F A Sonn (collectively "**the Specified BEE Directors**") ("**Specified BEE Director Share Issue**"); and
- Issue Shares equalling 5% of the Company's enlarged issued share capital post-implementation of the Proposed Specific Issue, to be issued to The Pioneer Foods BEE Trust ("**Pioneer Foods BEE Trust**") ("**BEE Trust Share Issue**"),

the abovementioned BEE Partners, Specified BEE Directors and the Pioneer Foods BEE Trust hereafter being collectively referred to as "**the BEE Parties**".

The BEE Partners and Specified BEE Directors will not subscribe directly for the relevant Issue Shares, but will instead do so via separate SPVs, that are in each case wholly owned (directly or indirectly) by the applicable BEE Partners and Specified BEE Directors.

The relevant Issue Shares will be issued:

- to the BEE Partners at R55.14, reflecting a 5% discount to the volume weighted average price (“**VWAP**”) of Pioneer Foods ordinary shares on the JSE Limited (“**JSE**”) for the 30 (thirty) trading days preceding 23 December 2011 (“**BEE Partner Subscription Price**”);
- to the Specified BEE Directors at R58.04, being the VWAP of Pioneer Foods ordinary shares on the JSE for the 30 (thirty) trading days preceding 23 December 2011 (“**Specified BEE Director Subscription Price**”); and
- to the Pioneer Foods BEE Trust at a subscription price per Issue Share equal to the par value of 1 (one) Pioneer Foods ordinary share, such share having a par value of R0.10 (ten cents).

The Proposed Specific Issue will be financed partly by the Company through financing to be provided by its wholly-owned subsidiary, Pioneer Foods (Pty) Ltd (“**Vendor Financing**”) and partly by the BEE Parties through own contributions by BEE Partners and through third party financing obtained from FirstRand Bank Limited, acting through its Rand Merchant Bank Division (“**RMB**”).

The financial assistance to be provided by Pioneer Foods (Pty) Ltd to the BEE Parties (“**Proposed Financial Assistance**”) will comprise the Vendor Financing, as well as the provision of a guarantee (“**Guarantee**”):

- In respect of each BEE Partner and Specified BEE Director, the Vendor Financing will be accomplished by Pioneer Foods (Pty) Ltd subscribing for redeemable B preference shares (“**B Preference Shares**”) in a private company, that is wholly-owned by such Specified BEE Director or is a wholly-owned subsidiary of such BEE Partner (“**BEE SPV Issuer**”). The BEE SPV Issuer will in turn utilise the subscription monies received from the issue of the B Preference Shares to subscribe for redeemable preference shares (“**Back to Back B Shares**”) in another private company, being a wholly-owned subsidiary of such BEE SPV Issuer (“**BEE SPV Issuer Subco**”) and such BEE SPV Issuer Subco will in turn utilise the subscription monies received from the issue of the Back to Back B Shares to subscribe for the relevant Issue Shares. The Vendor Financing will be provided to each Specified BEE Director and BEE Partner in respect of 55% and 45%, respectively, of the outstanding subscription price per Issue Share. Each BEE Partner is furthermore required to make an initial contribution of 10% of the BEE Partner Subscription Price in the form of an equity contribution by that BEE Partner to that BEE Partner’s BEE SPV Issuer.
- It is proposed that Pioneer Foods (Pty) Ltd provide RMB with the Guarantee, in terms which Pioneer Foods (Pty) Ltd guarantees the payment undertakings of the BEE SPV Issuers of all BEE Partners and Specified BEE Directors, to RMB, limited to a maximum total liability of R100 million for Pioneer Foods (Pty) Ltd.

FAIRNESS OPINION REQUIRED IN TERMS OF THE JSE LISTINGS REQUIREMENTS

Those Specified BEE Directors who are currently directors of the Company are viewed as related parties in terms of the Listings Requirements of the JSE (“**the JSE Listings Requirements**”).

By virtue of Dr M I Survé’s interest in Sekunjalo, that company is viewed as an associate of Dr M I Survé and is accordingly considered to be a related party of the Company.

Where the issue of shares by a company is to related parties and the price at which those shares are issued is at a discount to the 30 (thirty)-day VWAP at which those shares traded on the JSE, the directors of that company are required to include a statement in the relevant circular confirming whether the issue is fair insofar as the shareholders of that company are concerned. The relevant directors must obtain a fairness opinion by an independent professional expert before making such a statement.

As the Specified BEE Director Subscription Price is not at a discount to the abovementioned 30 (thirty)-day VWAP, the Specified BEE Director Share Issue does not require a fairness opinion to be prepared. A fairness opinion is, however, required for purposes of the BEE Partner Share Issue to Sekunjalo.

RESPONSIBILITY

Compliance with the JSE Listings Requirements is the responsibility of the Board. Our responsibility is to report to shareholders of Pioneer Foods on the fairness of the terms and conditions of the Proposed Specific Issue and the Proposed Financial Assistance (collectively “**the Proposed BEE Transaction**”).

EXPLANATION AS TO HOW THE TERM “FAIR” APPLIES IN THE CONTEXT OF THE TRANSACTION

Schedule 5.7 of the JSE Listings Requirements states that the “fairness” of a transaction is based on quantitative issues.

The Proposed BEE Transaction would be considered fair to the shareholders of Pioneer Foods if the value received by Pioneer Foods in terms of the Proposed BEE Transaction is equal to or greater than the cost

of the Proposed BEE Transaction. Conversely, the Proposed BEE Transaction would be considered unfair to the shareholders of Pioneer Foods if the value received by Pioneer Foods in terms of the Proposed BEE Transaction is less than the cost of the Proposed BEE Transaction.

In determining the value received by Pioneer Foods in terms of the Proposed BEE Transaction we have considered the financial benefit expected to be derived from the Proposed BEE Transaction, represented by the present value of the estimated impact on Pioneer Foods' future cash flows if the Proposed BEE Transaction is concluded ("**the Financial Benefit**"). Against this, we have considered the cost of the Proposed BEE Transaction, represented by the costs of the imputed option inherent in the Proposed BEE Transaction funding structure and other relevant transaction costs ("**the Economic Cost**").

In opining on whether or not the Proposed BEE Transaction is fair to the shareholders of Pioneer Foods, we have considered whether the Financial Benefit exceeds the Economic Cost of the Proposed BEE Transaction.

DETAILS AND SOURCES OF INFORMATION

In arriving at our opinion we have relied upon the following principal sources of information:

- Terms and conditions of the Proposed BEE Transaction as set out in the Circular to be dated on or about 19 January 2012;
- Audited results of Pioneer Foods for the years ended 30 September 2010 and 2011;
- Forecast financial information in respect of Pioneer Foods for the four-year period ending 30 September 2015;
- Pioneer Foods' latest BEE scorecard;
- Precedent transactions of a similar nature;
- The relevant Proposed BEE Transaction agreements;
- Discussions with Pioneer Foods directors and management regarding the rationale for the Proposed BEE Transaction;
- Discussions with Pioneer Foods directors and management regarding the forecast information presented;
- Discussions with Pioneer Foods directors and management on prevailing market, economic, legal and other conditions which may affect underlying value;
- Considered the share price information of Pioneer Foods over the last 12 months to assess the relative liquidity and relative volatility of Pioneer Foods shares;
- Publicly available information relating to the food processing sector in general; and
- Publicly available information relating to Pioneer Foods or the industry in which it operates that we deemed to be relevant, including company announcements and media articles.

The information above was sourced from:

- Directors and management of Pioneer Foods;
- Third party sources, insofar as such information related to publicly available economic, market and other information applicable to or potentially influencing Pioneer Foods.

PROCEDURES

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the fairness of the Proposed BEE Transaction:

- Reviewed the terms and conditions of the Proposed BEE Transaction;
- Reviewed the relevant Proposed BEE Transaction agreements;
- Reviewed the audited financial information related to Pioneer Foods, as detailed above;
- Reviewed and obtained an understanding from management as to the forecast financial information of Pioneer Foods and assessed the achievability thereof by considering historic information as well as macro-economic and sector-specific data;
- Held discussions with directors of Pioneer Foods and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;
- Compiled forecast cash flows by using the forecast financial information as detailed above and by applying management's assumptions in respect of growth in revenue and operating profits. Applied BDO Corporate Finance's assumptions of cost of capital to the forecast cash flows to produce a discounted cash flow valuation of Pioneer Foods;
- Compiled a capitalisation of maintainable earnings valuation of Pioneer Foods by using adjusted historical and forecast financial information and applied BDO Corporate Finance's calculated earnings multiples

based on market comparables to revenue, earnings before interest and tax ("**EBIT**"), earnings before interest, taxation, depreciation and amortisation ("**EBITDA**") and profit after tax ("**PAT**");

- Assessed the long-term potential of Pioneer Foods;
- Performed a sensitivity analysis on key assumptions included in the discounted cash flow valuation, specifically related to cost of capital and growth in the business;
- Evaluated the relative risks associated with Pioneer Foods and the industry in which it operates;
- Prepared an estimate of the Financial Benefit to Pioneer Foods of concluding the Proposed BEE Transaction. In determining this benefit, the following procedures were performed:
 - Through various discussions with management, assessed the risks to Pioneer Foods of not concluding the Proposed BEE Transaction;
 - Performed a strategic analysis of the risks to the future cash flows of the Company of not concluding the Proposed BEE Transaction;
 - Identifying the mitigating factors that management could take to minimise the identified risks;
 - Based on the above, performed a quantification of the potential cash flow effects to Pioneer Foods should the Proposed BEE Transaction not be concluded;
 - Compiled a financial model using our forecasts of the potential cash flow effects to Pioneer Foods should the Proposed BEE Transaction not be concluded and applied BDO Corporate Finance's assumptions of cost of capital to the forecast cash flows to produce a discounted cash flow valuation of the Financial Benefit of the Proposed BEE Transaction to Pioneer Foods; and
 - Performed a sensitivity analysis on key assumptions included in the cash flow, specifically by applying probability factors to the potential cash flow effects;
- Prepared an estimate of the Economic Cost to Pioneer Foods of concluding the Proposed BEE Transaction. In determining this cost, the following procedures were performed:
 - Compiled a financial model to determine the value of the B Preference Shares at the expiry period by incorporating assumptions in respect of the prime interest rate over the life of the Proposed BEE Transaction and the amount of dividends or distributions received on the B Preference Shares, which will be used to reduce the amount of outstanding debt;
 - Reviewed the historic prices and volumes and calculated the historic volatility of a Pioneer Foods ordinary share;
 - Considered the terms of the B Preference Shares and corresponding terms for market-related instruments;
 - Performed a valuation of the implied options inherent in the funding structure by applying a Monte Carlo option pricing model; and
 - Performed a sensitivity analysis on key assumptions included in the option valuation, specifically relating to volatility and forecast dividends;
- Reviewed the Department of Trade and Industry's Code of Good Practice for B-BBEE and Pioneer Foods' latest BEE scorecard;
- Reviewed certain publicly available information relating to Pioneer Foods and the food processing sector that we deemed to be relevant, including company announcements and media articles;
- Where relevant, representations made by management and/or directors of Pioneer Foods were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which Pioneer Foods operates, and to analyse external factors that could influence the business of Pioneer Foods; and
- Held discussions with the directors and management of Pioneer Foods as to their strategy and the rationale for the Proposed BEE Transaction and considered such other matters as we considered necessary, including assessing the prevailing economic and market conditions and trends in the food processing sector.

ASSUMPTIONS

We arrived at our opinion based on the following assumptions:

- That all agreements that will be entered into in terms of the Proposed BEE Transaction will be legally enforceable;
- That the Proposed BEE Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of Pioneer Foods; and
- That reliance can be placed on the audited financial information of Pioneer Foods.

APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Reliance on audit reports in the financial statements of Pioneer Foods;
- Conducting analytical reviews on the financial results and forecasts, such as key ratio and trend analyses;
- Determining the extent to which representations from management were confirmed by documentary evidence as well as our understanding of Pioneer Foods and the economic environment in which it operates.

LIMITING CONDITIONS

This opinion is provided to the Board and shareholders of Pioneer Foods in connection with and for the purposes of the Proposed BEE Transaction. The opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of Pioneer Foods shareholders.

An individual shareholder's decisions regarding the Proposed BEE Transaction may be influenced by such shareholder's particular circumstances and accordingly individual shareholders should consult an independent adviser if in any doubt as to the merits or otherwise of the Proposed BEE Transaction.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information on Pioneer Foods relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Pioneer Foods will correspond to those projected. We have however compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management.

We have also assumed that the Proposed BEE Transaction will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisers of Pioneer Foods and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect this opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

INDEPENDENCE

In terms of Schedule 5.1(a) of the JSE Listings Requirements, we confirm that BDO Corporate Finance has no equity interest in Pioneer Foods or in any other party to the Proposed BEE Transaction. In terms of Schedule 5.1(b) of the JSE Listings Requirements, we confirm that there is no existing relationship between BDO Corporate Finance and any of the parties to the Proposed BEE Transaction.

Furthermore, we confirm that our professional fees are not contingent upon the success of the Proposed BEE Transaction.

VALUATION APPROACH

The Economic Cost of the Proposed BEE Transaction

In order to arrive at a value of the Economic Cost, we employed a Monte Carlo option pricing model to determine the fair value of the implied options inherent in the Proposed BEE Transaction and we also considered the Proposed BEE Transaction costs.

The option valuation was performed taking cognisance of risk and other market and industry factors affecting Pioneer Foods. Additionally, sensitivity analyses were performed considering key value drivers.

Key value drivers of the Monte Carlo option pricing model valuation include the:

- prevailing risk free rate;
- current market price of one Pioneer Foods ordinary share;
- expected dividend yield of a Pioneer Foods ordinary share;

- expected duration of the Proposed BEE Transaction;
- forecast outstanding balance in respect of the notional funding (exercise price);
- expected volatility of a Pioneer Foods ordinary share.

The Financial Benefit of the Proposed BEE Transaction

BDO Corporate Finance performed a valuation of Pioneer Foods and a valuation of the Financial Benefit which was compared to the Economic Cost. The valuation methodologies employed in respect of Pioneer Foods included the discounted cash flow methodology as the primary valuation methodology and the capitalisation of maintainable earnings methodology as a secondary methodology.

The valuations were performed taking cognisance of risk and other market and industry factors affecting Pioneer Foods. Additionally, sensitivity analyses were performed considering key value drivers.

Key internal value drivers to the discounted cash flow valuation included the discount rate, working capital and capital expenditure requirements, operating margins and expected future growth in the business. External value drivers, including, interest rates, headline inflation rates and prevailing market and industry conditions in respect of the food processing sector were also considered in assessing the forecast cash flows and risk profile of Pioneer Foods.

Key internal value drivers to the capitalisation of maintainable earnings valuation included an assessment of non-recurring transactions included in historical results, operating margins and expected future growth in the business. Prevailing market and industry conditions were also considered as key external value drivers in assessing the risk profile of Pioneer Foods as well as an assessment of market-related earnings multiples applicable to comparable companies in the industry in which the company operates.

OPINION

BDO Corporate Finance has considered the terms and conditions of the Proposed BEE Transaction and, based on and subject to the conditions set out herein, is of the opinion that the Financial Benefit is greater than the Economic Cost of the Proposed BEE Transaction and as such the Proposed BEE Transaction is fair to the shareholders of Pioneer Foods.

Our opinion is necessarily based upon the information available to us up to 13 January 2012, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Proposed BEE Transaction have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

CONSENT

We hereby consent to the inclusion of this letter and references thereto in the circular in the form and context in which they appear.

Yours faithfully

BDO Corporate Finance Proprietary Limited

Nick Lazanakis

Director

7 West Street
Houghton
2198

SHARE TRADING HISTORY OF PIONEER FOODS

The high, low and closing prices and the aggregated volumes and values at which the Shares traded on the JSE quarterly from January 2009 to December 2011, are provided below:

Quarter ended	High (cents)	Low (cents)	Close (cents)	Aggregate value (R)	Aggregate volume (shares)
March 2009	2 700	2 000	2 275	56 012 494	2 342 198
June 2009	3 000	2 250	2 755	186 115 963	6 827 461
September 2009	3 350	2 750	3 350	125 931 247	4 187 924
December 2009	3 960	3 200	3 950	170 815 729	4 912 451
March 2010	4 100	3 500	3 801	453 541 190	11 655 205
June 2010	4 300	3 750	4 090	189 621 531	4 773 745
September 2010	5 000	4 000	4 760	288 617 385	6 572 773
December 2010	5 894	4 700	5 475	191 283 618	3 800 162
March 2011	6 193	5 021	5 503	345 496 383	6 248 160
June 2011	6 099	5 500	5 820	184 525 945	3 218 560
September 2011	6 494	5 715	5 900	301 247 738	5 015 639
December 2011	6 500	5 347	6 000	257 571 402	4 320 596

The high, low and closing price of Shares on the JSE and the aggregated monthly value and volumes traded for each month over the twelve months prior to the date of issue of this circular are as follows:

Month ended	High (cents)	Low (cents)	Close (cents)	Aggregate value (R)	Aggregate volume (shares)
January 2011	6 193	5 400	5 500	70 156 441	1 218 772
February 2011	5 794	5 100	5 300	176 233 230	3 211 807
March 2011	5 800	5 021	5 503	99 106 712	1 817 581
April 2011	5 904	5 500	5 800	58 387 822	1 039 402
May 2011	6 098	5 600	5 916	36 367 881	635 124
June 2011	6 099	5 700	5 820	89 770 242	1 544 034
July 2011	6 440	5 715	6 149	107 136 993	1 772 052
August 2011	6 494	5 730	5 950	94 259 298	1 571 640
September 2011	6 240	5 800	5 900	99 851 447	1 671 947
October 2011	6 494	5 850	6 351	140 354 042	2 322 387
November 2011	6 500	5 347	5 648	39 178 614	648 665
December 2011	6 006	5 650	6 000	78 038 746	1 349 544

The high, low and closing price of Shares on the JSE for each trading day over the 30 days up to the last practicable date, and the daily trading volumes and values are as follows:

Date	High (cents)	Low (cents)	Close (cents)	Aggregate value (R)	Aggregate volume (shares)
2011					
18 November	6 085	5 950	6 032	1 543 221	25 706
21 November	6 050	5 917	5 940	1 225 072	20 557
22 November	6 050	5 940	6 050	1 305 532	21 819
23 November	6 050	5 902	5 999	1 090 039	18 174
24 November	6 000	5 900	6 000	746 362	12 545
25 November	6 001	5 920	5 920	708 834	11 818

Date	High (cents)	Low (cents)	Close (cents)	Aggregate value (R)	Aggregate volume (shares)
2011					
28 November	5 975	5 905	5 916	739 169	12 420
29 November	5 911	5 806	5 806	5 108 891	87 571
30 November	5 944	5 347	5 648	3 621 933	63 299
1 December	5 750	5 650	5 750	28 776 668	502 115
2 December	5 790	5 750	5 770	4 812 012	83 304
5 December	5 775	5 765	5 770	7 207 793	124 916
6 December	5 929	5 750	5 800	2 057 447	35 487
7 December	5 930	5 770	5 801	1 715 128	29 549
8 December	5 899	5 815	5 851	904 240	15 459
9 December	5 950	5 849	5 950	825 938	14 105
12 December	5 898	5 775	5 775	6 714 603	114 769
13 December	5 775	5 750	5 775	1 608 474	27 948
14 December	5 860	5 751	5 775	5 118 645	88 346
15 December	5 776	5 750	5 750	2 915 009	50 554
19 December	5 860	5 730	5 800	4 712 475	81 608
20 December	5 998	5 800	5 854	907 456	15 587
21 December	5 820	5 819	5 820	4 761 921	81 820
22 December	5 820	5 800	5 820	390 112	6 711
23 December	5 988	5 820	5 988	462 826	7 952
28 December	6 000	5 900	5 925	886 114	14 858
29 December	6 006	5 900	6 001	1 500 328	25 071
30 December	6 001	5 900	6 000	1 761 557	29 385
2012					
3 January	6 069	5 901	5 986	402 530	6 732
4 January	5 999	5 802	5 985	1 827 028	30 621

Source: McGregor

DETAILS REGARDING DIRECTORS OF THE COMPANY

NON-EXECUTIVE DIRECTORS
Zitulele Luke (KK) Combi

Position:	Chairman of the Board, independent non-executive director, member of Nomination and Human Capital Committees
Appointed:	29 March 2010
Age:	60
Nationality:	South African
Business address:	1st Floor, Inanda, 6 Dorp Street, Stellenbosch, 7600
Qualifications:	Public Relations Diploma
Experience:	Mr Combi is the executive chairman of Thembeke Capital Ltd. He holds a diploma in public relations and was awarded the Ernst & Young South African of the Year award in 2000, as well as the World Entrepreneur of the Year in Managing Change award in 2001. Mr Combi is a member of the Institute of Directors and serves on various listed and unlisted companies' boards, including PSG Group, Iquad Group, JSE and Massmart Holdings, as well as on the ABSA Bank Advisory Committee (Western Cape).

Dr Mohammed Iqbal Survé

Position:	Vice-chairman of the Board, independent non-executive director, member of Human Capital Committee
Appointed:	25 November 2004
Age:	48
Nationality:	South African
Business address:	Quay 7, East Pier, Cape Town Harbour, V&A Waterfront, Cape Town, 8001
Qualifications:	MBChB, BSc (Med) (Hons) Sports Medicine, Fellow of American College of Sports Medicine, Senior Executive Programme (Harvard/Wits), MBA (UCT)
Experience:	Prior to founding Sekunjalo Group in 1997, Dr Survé was a practising medical doctor and sports medicine specialist. Dr Survé is a fellow of the Africa Leadership Initiative, a fellow of the HRH the Prince of Wales Business and Environment Programme and was appointed by former president Bill Clinton to the Board of Governance on the Clinton Global Initiative. He has also been a participant member of the World Economic Forum. He is currently a director of various companies.

Matthys Michielse (Thys) du Toit

Position:	Independent non-executive director, member of Human Capital Committee
Appointed:	29 March 2010
Age:	53
Nationality:	South African
Business address:	Andmar 2, Ryneveld Street, Stellenbosch, 7600
Qualifications:	BSc, MBA
Experience:	Mr du Toit started his career with Syfrets Managed Assets as a portfolio manager. He spent six years of which three were as a director at George Huysamer & Partners. Mr du Toit was a founding member of Coronation Fund Managers. He held the position of CEO from 1997 to 2007 and grew Coronation from a small fund management business to the second largest independent fund manager in South Africa. Coronation listed on the JSE in June 2003. Mr du Toit is a director of a number of companies including PSG Group and runs an investment management business for family offices and select individuals, Rootstock Investment Management.

George Douglas Eksteen

Position:	Non-executive director, member of Nomination and Human Capital Committees
Appointed:	22 February 2002
Age:	70
Nationality:	South African
Business address:	11 Topaz Street, Somerset West, 7139
Experience:	Mr Eksteen farms in the Malmesbury area. Since 1980 he has been serving on various boards and is currently the chairman of Kaap Agri Ltd.

Antonie Egbert Jacobs

Position:	Independent non-executive director, member of Audit & Risk Committee
Appointed:	Mr Jacobs served as director from 20 February 2009 to 29 March 2010 and was re-appointed on 18 October 2010
Age:	47
Nationality:	South African
Business address:	1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600
Qualifications:	CA(SA), MCom (Tax), LLB
Experience:	Mr Jacobs has many years experience in an investment management capacity in the agricultural sector. He was the managing director of KLK Landbou Limited for three years. He served on the boards of various investment holding companies with diversified interests, such as Winecorp and Spier Holdings. He also previously lectured tax and accountancy at the University of Stellenbosch. Mr Jacobs is currently the chief executive officer of Zeder Investments Limited.

Prof Abdus Salam Mohammad Karaan

Position:	Independent non-executive director, member of Audit & Risk Committee
Appointed:	29 March 2010
Age:	43
Nationality:	South African
Business address:	De Oude Bank Building, Second Floor, Corner Church and Bird Streets, Stellenbosch, 7600
Qualifications:	BSc Agri, BSc Agri (Hons), MSc Agric, PhD (Agric)
Experience:	Prof Karaan joined the Development Bank of Southern Africa in Johannesburg as an economist and later returned to Stellenbosch to join the Rural Foundation as Head of Research. In 1997 he joined the University of Stellenbosch as a lecturer in the Agricultural Faculty. In October 2008 he became Dean of the Faculty of Agri Sciences at Stellenbosch University and serves on the board of Kaap Agri, as well as various other boards.

Nonhlanhla Sylvia Mjoli-Mncube

Position:	Independent non-executive director, member of Audit & Risk Committee
Appointed:	25 November 2004
Age:	53
Nationality:	South African
Business address:	1570 High Street, Highgate Village, Dainfern, 2055
Qualifications:	MA in City planning, SPURS fellow (MIT), Cert Finance SEP Executive, Leadership Program (Harvard, USA), Cert in Technical Management (Warwick)
Experience:	Mrs Mjoli-Mncube held various positions at the Social and Economic Science Research Centre at the Washington State University, Pullman, United States of America. From 1993 to 1995 she was executive director of Bernhardt Dunstan and Associates, a wholly-owned subsidiary of Murray & Roberts. From 1995 to 2003 she was executive director of the National Urban Reconstruction and Housing Agency.

Johannes Fredericus (Jannie) Mouton

Position:	Non-executive director, member of Nomination Committee
Appointed:	20 May 2009
Age:	65
Nationality:	South African
Business address:	1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600
Qualifications:	CA(SA)
Experience:	After having completed his BComm (Hons) in 1969 Mr Mouton qualified as a CA(SA) in 1973. He was co-founder and Managing Director of SMK, whereafter he founded PSG Group Limited and later Capitec Bank. Mr Mouton is Chairman and Director of various companies within the PSG Group and also serves on the boards of Zeder Investments and Steinhoff International.

Andile Hesperus Sangqu

Position:	Independent non-executive director, chairman of Audit & Risk Committee
Appointed:	24 February 2006
Age:	45
Nationality:	South African
Business address:	3rd Floor, 23 Melrose Boulevard, Melrose Arch, Johannesburg, 2196
Qualifications:	BCom (Acc), BCompt Hons, CTA, Higher Dipl Tax, MBL
Experience:	After having completed his articles with PricewaterhouseCoopers Inc., Mr Sangqu spent 14 years in various financial management positions. He is currently executive director at Xstrata South Africa and serves on various boards of companies.

EXECUTIVE DIRECTORS

Wouter André Hanekom

Position:	Managing director
Appointed:	1 January 1999
Age:	52
Nationality:	South African
Business address:	32 Market Street, Paarl, 7646
Qualifications:	CA(SA)
Experience:	Joined Pioneer Group with Bokomo Breakfast Cereals and in 1994 he was appointed chief executive officer of Bokomo. After the merger of Bokomo and Sasko in 1997, André was the executive: Sasko Milling & Baking before being appointed as managing director of the Company in 1999.

Leon Roché Cronjé

Position:	Financial director
Appointed:	28 April 1999
Age:	55
Nationality:	South African
Business address:	32 Market Street, Paarl, 7646
Qualifications:	CA(SA)
Experience:	Joined the Group in 1987 with Sasko and was the General Manager: Finance before the merger of Bokomo and Sasko in 1997. He was appointed in the same role for Pioneer Foods before becoming financial director in 1999.

Tertius Alwyn Carstens

Position:	Executive director: Sasko
Appointed:	23 May 2007
Age:	49
Nationality:	South African
Business address:	32 Market Street, Paarl, 7646
Qualifications:	BEng (Chem), MBA
Experience:	Joined the Group in 1995 and fulfilled various managerial and executive positions before being appointed as an executive director.

FORMER DIRECTOR

Dr F A Sonn is included as a Specified BEE Director in terms of the Proposed Specific Issue. Dr Sonn is a former director of the Company, having retired as a director in February 2010. Below a brief *curriculum vitae* of Dr Sonn:

Dr Franklin Abraham Sonn

Position: Former director of Pioneer Foods

Retired: February 2010

Age: 72

Qualifications: BA, HdipEd (Hons), FIAC

Experience: Dr Sonn was appointed as South Africa's first democratic ambassador to the United States of America from 1995 to 1998 and returned to South Africa in 1999. He is the recipient of 13 honorary doctorates in law, education, humanities and philosophy from various institutions in South Africa, Europe and North America. He served as rector of Peninsula Technikon (now Cape Peninsula University of Technology), for 17 years. He is the former President of the Afrikaanse Handelsinstituut and served as chancellor of the University of the Free State from 2002 to 2009. Current board positions, among others, include: Steinhoff International, JIA Piazza Proprietary Limited, Imalivest Proprietary Limited, African Star Ventures Proprietary Limited, Kwezi V3 Engineers, Ekapa Mining Proprietary Limited, Macsteel Service Centres SA, RGA Reinsurance Company of South Africa, Esorfranki Limited and Xinerjistix Management Services Proprietary Limited. He is a trustee of the WWF SA and the Desmond Tutu Peace Trust.

DETAILS REGARDING BEE SPVS

BEE Partners

The table below set out the BEE SPVs for each BEE Partner. A BEE SPV Issuer shall in each case be a wholly-owned subsidiary of the relevant BEE Partner and a BEE SPV Issuer Subco a wholly-owned subsidiary of such BEE SPV Issuer.

Name of BEE Partner	BEE SPV Issuer	BEE SPV Issuer Subco
Thembeke Capital	Rumisys Investments (Pty) Ltd (Reg no: 2011/000252/07)	K2011115194 (Pty) Ltd (Reg no: 2011/115194/07)
Identity Partners	Business Venture Investments No 1574 (Pty) Ltd (Reg no: 2011/136052/07)	Business Venture Investments No 1577 (Pty) Ltd (Reg no: 2011/135665/07)
KZN Women's Trust	K201111519 (Pty) Ltd (Reg no: 2011/11519/07)	K2011130411 (Pty) Ltd (Reg no: 2011/130441/07)
Sekunjalo Investments	Business Venture Investments No 1575 (Pty) Ltd (Reg no: 2011/134976/07)	Business Venture Investments No 1581 (Pty) Ltd (Reg no: 2011/135974/07)
Riparian Investments	Business Venture Investments No 1519 (Pty) Ltd (Reg no: 2011/006113/07)	Business Venture Investments No 1520 (Pty) Ltd (Reg no: 2011/0032/0760)

Specified BEE Directors

The table below set out the BEE SPVs for each Specified BEE Director. A BEE SPV Issuer shall in each case be wholly-owned by the relevant Specified BEE Director and a BEE SPV Issuer Subco a wholly-owned subsidiary of such BEE SPV Issuer.

Name of Specified BEE Director	BEE SPV	BEE SPV Issuer Subco
Z L Combi	Business Venture Investments No 1582 (Pty) Ltd (Reg no: 2011/136014/07)	Business Venture Investments No 1583 (Pty) Ltd (Reg no: 2011/137115/07)
Dr M I Survé	Business Venture Investments No 1584 (Pty) Ltd (Reg no: 2011/135958/07)	Triple Advanced Investments No. 110 (Pty) Ltd (Reg no: 2011/128683/07)
Prof A S M Karaan	Triple Advanced Investments No. 105 (Pty) Ltd (Reg no: 2011/127619/07)	Triple Advanced Investments No. 107 (Pty) Ltd (Reg no: 2011/128165/07)
N S Mjoli-Mncube	Business Venture Investments No 1573 (Pty) Ltd (Reg no: 2011/136171/07)	Tripple Advanced Investments No. 108 (Pty) Ltd (Reg no: 2011/127627/07)
A H Sangqu	Shanike Investments No. 173 (Pty) Ltd (Reg no: 2011/132596/07)	Shanike Investments No. 175 (Pty) Ltd (Reg no: 2011/133848/07)
Dr F A Sonn	Shanike Investments No. 176 (Pty) Ltd (Reg no: 2011/132596/07)	Shanike Investments No. 177 (Pty) Ltd (Reg no: 2011/133847/07)

BACKGROUND INFORMATION REGARDING THE BEE PARTNERS

1. THEMBEKA CAPITAL

Mr Z L Combi (chairman of the board of Pioneer Foods) is also the executive chairman of Thembeke Capital. As at the end of the most recent Thembeke Capital financial year (year ended 28 February 2011), Mr Combi held 3.7% of the issued share capital of Thembeke Capital.

1.1 Introduction and background

Thembeke Capital is a broad-based, black-owned and controlled investment company that focuses on private equity and BEE transactions. Its aim is to invest in companies that are well-established, have good corporate governance, deliver solid cash flows and have growth prospects.

Thembeke Capital is 51% black-owned, with its directors holding approximately 5% of the company, black individuals 7% and broad-based BEE groups holding 39%. These shareholders include over 500 individual black shareholders and several 100% black broad-based trusts representing thousands of black beneficiaries. 49% is held by Paladin Capital Limited, a subsidiary of PSG Group Limited, which holds various private-equity and listed investments.

As more than 50% of Thembeke Capital's voting rights, economic interest, board and management control are vested in the hands of black people, Thembeke Capital is deemed to be 100% black in terms of the modified flow-through principle of the BEE Codes.

Thembeke Capital has a strong balance sheet with long-term investment objectives. It has investments in numerous sectors of the economy, including financial services and agricultural-related businesses.

1.2 Further particulars regarding Thembeke Capital shareholding

As can be seen below, Thembeke Capital is a truly broad-based empowerment company that seeks to benefit previously-disadvantaged communities:

1.2.1 **7% of Thembeke Capital shares are held by black individuals**

These comprise approximately 500 individual black investors and include teachers, Government employees and professionals.

1.2.2 **7% of Thembeke Capital shares are held by TSiBA (broad-based)**

TSiBA is a private, non-profit, donor-funded higher education institution. TSiBA Education was established in 2004 as a private provider of higher education in business. TSiBA Education offers a Foundation Year Certificate in business administration followed by an enriched Bachelor in Business Administration focused on entrepreneurial leadership. TSiBA Education specifically targets scholars and potential students that would otherwise not have access to tertiary level education, by offering successful applicants full tuition scholarships.

All students at TSiBA Education are on scholarship. The TSiBA Education degree is fully registered and accredited by the Department of Education and the Council on Higher Education.

TSiBA Education has two campuses (TSiBA Cape Town and TSiBA Eden) with 348 students and currently has a rate of 60 graduates per annum. TSiBA is targeting 100 graduates per annum in the next five years.

1.2.3 **6% of Thembeke Capital shares are held by the United Reformed Church ("URC") (broad-based)**

The relevant shares are held by the URC Cape Empowerment Trust with thousands of members. The URC contributes to social upliftment through community and other projects. The URC originally paid R80 for its investment in Thembeke Capital and the value of its

investment has subsequently increased to its current value of approximately R70 million. To date URC has also received more than R2 million in dividends from its investments in Thembeke Capital.

1.2.4 **9% of Thembeke Capital shares are held by farm labourers (broad-based)**

More than 100 farm workers benefit from this shareholding held by the Tokara BEE Trust.

1.2.5 **11% of Thembeke Capital shares are held by black employees in the financial sector (broad-based)**

More than 300 black employees nationwide benefit from this shareholding held through the PSG Group BEE Employee Trust.

1.2.6 **6% of Thembeke Capital shares are held by employees in the industrial/retail sectors (broad-based)**

More than 500 black middle management employees benefit from this shareholding held through the Steinhoff BEE Management Trust.

2. SEKUNJALO INVESTMENTS

Dr M I Survé (vice-chairman of the board of Pioneer Foods) is executive chairman of Sekunjalo Investments. Due to Dr Survé's shareholding in Sekunjalo Investments, that company is viewed as an associate of Dr Survé in terms of the JSE Listings Requirements.

2.1 Introduction and background

Sekunjalo is a majority black-owned and black-controlled investment holding company. The major investments are in fishing, aquaculture, pharmaceuticals, bio-technology, information technology and telecommunications, financial services, property and enterprise development supporting broad-based BEE and small, medium and micro enterprises.

Sekunjalo currently employs over 650 employees directly and over 10 000 people benefit from its investments and associated companies, predominantly in the manufacturing and services sectors of the Western Cape and Gauteng. Sekunjalo generates much of its turnover from the export market. Sekunjalo has partnerships and strategic investments with multinationals such as Siemens, Saab SA, Nokia, Nokia Siemens Networks and British Telecom.

2.2 Further particulars regarding Sekunjalo's shareholders

Black control of Sekunjalo exceeds 80% and the majority of its economic benefits are enjoyed by black stakeholders. Dr Iqbal Survé is the major shareholder of Sekunjalo.

2.3 BEE aspects

In 2010 Sekunjalo was ranked as South Africa's top most empowered company, and in 2011 as the country's second most empowered company, by Financial Mail/Empowerdex. Sekunjalo was also awarded the 2011 Finalist Certificate of Excellence in the Financial Services Sector by the Metropolitan Oliver Empowerment Awards.

2.4 Strong business and socio-political network

Sekunjalo has a strong business and socio-political network in South Africa, SADEC, Africa and BRICS. Sekunjalo is a member of the World Economic Forum's Community of Global Growth Companies ("**GGC**"), which was formed in 2007 to engage dynamic high-growth companies with the potential to be tomorrow's industry leaders and to become a driving force of economic and social change. Sekunjalo Chairman, Dr Iqbal Survé, is co-Chairman of the GGC.

3. IDENTITY PARTNERS

3.1 Introduction and background

Identity Partners is a 100% black women owned investment firm which invests in and grows established and growing business primarily in the following sectors:

Mining and Engineering Services
Resources and Energy
Healthcare
Transport

Telecoms, Media and IT
Manufacturing and Retail
Property
Agriculture

The principal stated objective of Identity Partners is to bring black women into the mainstream of the economy through equity participation in businesses directly and through consortia and seeks to be a facilitator for other women and BEE businesses to access opportunities as professionals and as entrepreneurs (e.g. procurement value chain).

3.2 Further particulars regarding Identity Partners shareholders

The issued share capital of Identity Partners is held as follows:

Motheo Trust, Sonja Sebotsa, Polo Radebe	85% (68%)
RMB	15% (12%)
Employee Share Option Plan	0% (20%)
Total	100%

Note: Identity Partner plans an Employee Share Option Plan (“ESOP”). The above percentages in brackets refer to post-ESOP dilution. Pioneer Foods will request that the ESOP be implemented within a reasonable period.

3.3 Broad-based BEE aspects and community development

Identity Partners has indicated that it intends in future to introduce a broad-based element into their company shareholding. Identity Partners has indicated that they are currently building up their asset base as broad-based communities require regular distributions to fund their activities.

Currently Identity Partners seeks to contribute to community development through co-investing on transactions with relevant broad-based shareholders.

3.4 Identity Development Fund

Identity Partners has initiated and manages an SME Development Fund (the “**Identity Development Fund**” or “**IDF**”) to provide financial and non-financial support to black women and youth-owned small businesses to achieve a broad-based impact. In this regard:

3.4.1 IDF has a strategic partnership with Anglo Zimele, a corporate enterprise development programmes of Anglo American established in 1989.

3.4.2 This partnership also gives the IDF access to Zimele’s operational and infrastructural support and expertise sharing.

3.4.3 IDF has secured an anchor funder (Khula) for R75 million and also manages the Isivande Fund from the IDC of R45 million bringing the funds under management to R120 million.

3.4.4 IDF is currently on a capital raising exercise to raise further funds.

3.4.5 IDF is planning to raise a R250 million general fund with an initial R75 million capital committed, and plans to invest in three investment clusters, being early stage, expansion stage and large scale projects.

IDF is 30.1% owned by Identity Partners, with the remaining share capital being held by Polo Radebe (20%), Anglo Zimele (20%) and the investment team (29.9%).

4. **KZN WOMEN'S TRUST (also referred to as "KZN Women's Consortium" or "Consortium")**

4.1 **Introduction and background**

The KZN Women's Consortium is a 100% black women owned economic empowerment initiative formed to pursue opportunities that would benefit previously disadvantaged women engaged in agriculture and rural development efforts in KwaZulu-Natal, and consists of two companies and 200 individual women, forming part of some twenty four agricultural co-operatives, mainly from the rural areas of KwaZulu-Natal.

The Consortium aims to empower women and to have an impact in the fight against poverty, through agriculture and other rural development initiatives.

These women are engaged in various agricultural activities including, *inter alia*, vegetable production and processing, poultry farming, egg production and meat processing. Beyond agriculture, women are also engaged in other activities such as handwork, brick-making and tourism in order to augment their income.

While the Consortium represents just over 200 women, the impact of its work will be far-reaching within the families and communities of its members, as well as in society at large.

4.2 **Issuing of Pioneer Foods Shares to the KZN Women's Trust**

As part of the Proposed Specific Issue, it is proposed that Pioneer Foods Shares be issued to the Consortium, thereby ultimately benefitting its beneficiaries.

5. **RIPARIAN INVESTMENTS**

Riparian Investments is a majority black-owned and controlled investment holding company established by Prof A S M Karaan (independent, non-executive director on the board of the Company).

The issued share capital of Riparian Investments is held as follows:

Finishing Touch Trading 158 (Pty) Ltd (" Finishing Touch ")	40%
Fruit Workers Development Trust	20%
Sentraal Suid Beleggings (Pty) Ltd	40%
Total	100%

Through his 65.1% shareholding in Finishing Touch, Prof Karaan effectively holds 26.04% of the issued share capital of Riparian Investments. A further 24% of the share capital in Riparian Investments is held, directly and indirectly, by two broad-based ownership schemes as contemplated in the BEE Codes, namely the Fruit Workers Development Trust (20%) and the Green Olive Trust (indirect ownership through a 10% stake in Finishing Touch). The beneficiaries of these trusts will gain an indirect economic exposure to the Pioneer Foods Shares that are proposed to be issued to the BEE Issuer Subco held by Riparian Investments as part of the Proposed Specific Issue. The beneficiaries of the Fruit Workers Development Trust consist of permanent farm workers on fruit farms, while the trustees of the Green Olive Trust are obliged to select beneficiaries from broad-based groupings that are involved in the promotion or provision of quality of life in terms of activities such as job creation, education, health and welfare.

TRANSACTION DOCUMENTS

1. BEE PARTNER TRANSACTION DOCUMENTS

For purposes of this circular, “**BEE Partner Transaction Documents**” refers to the following:

In respect of each BEE Partner

- 1.1 subscription agreement between: (1) Pioneer Foods; (2) BEE SPV Issuer; (3) BEE SPV Issuer Subco and (4) BEE Partner entered into on or about 8 December 2011, together with:
 - 1.1.1 cession and pledge agreement between: (1) Pioneer Foods and (2) BEE Partner entered into on or about 8 December 2011;
 - 1.1.2 cession and pledge agreement between: (1) Pioneer Foods and (2) BEE SPV Issuer entered into on or about 8 December 2011;
 - 1.1.3 cession and pledge agreement between: (1) Pioneer Foods and (2) BEE SPV Issuer Subco entered into on or about 8 December 2011;
 - 1.1.4 memorandum of incorporation to be adopted by BEE SPV Issuer;
 - 1.1.5 memorandum of incorporation to be adopted by BEE SPV Issuer Subco.
- 1.2 B Preference Share subscription agreement between: (1) Pioneer Foods (Pty) Ltd; (2) BEE SPV Issuer; (3) BEE SPV Issuer Subco and (4) BEE Partner entered into on or about 8 December 2011, together with:
 - 1.2.1 cession and pledge agreement between: (1) Pioneer Foods (Pty) Ltd and (2) BEE Partner entered into on or about 8 December 2011;
 - 1.2.2 cession and pledge agreement between: (1) Pioneer Foods (Pty) Ltd and (2) BEE SPV Issuer entered into on or about 8 December 2011;
 - 1.2.3 cession and pledge agreement between: (1) Pioneer Foods (Pty) Ltd and (2) BEE SPV Issuer Subco entered into on or about 8 December 2011; and
 - 1.2.4 annexure detailing the rights and privileges attaching to B Preference Shares.

2. SPECIFIED BEE DIRECTOR TRANSACTION DOCUMENTS

For purposes of this circular, “**Specified BEE Director Transaction Documents**” refers to the following:

In respect of each Specified BEE Director

- 2.1 subscription agreement between: (1) Pioneer Foods; (2) BEE SPV Issuer; (3) BEE SPV Issuer Subco and (4) Specified BEE Director entered into on or about 8 December 2011, together with:
 - 2.1.1 cession and pledge agreement between: (1) Pioneer Foods and (2) Specified BEE Director entered into on or about 8 December 2011;
 - 2.1.2 cession and pledge agreement between: (1) Pioneer Foods and (2) BEE SPV Issuer entered into on or about 8 December 2011;
 - 2.1.3 cession and pledge agreement between: (1) Pioneer Foods and (2) BEE SPV Issuer Subco entered into on or about 8 December 2011;
 - 2.1.4 memorandum of incorporation to be adopted by BEE SPV Issuer;
 - 2.1.5 memorandum of incorporation to be adopted by BEE SPV Issuer Subco;
- 2.2 B Preference Share subscription agreement between: (1) Pioneer Foods (Pty) Ltd; (2) BEE SPV Issuer; (3) BEE SPV Issuer Subco and (4) Specified BEE Director entered into on or about 8 December 2011, together with:

- 2.2.1 cession and pledge agreement between: (1) Pioneer Foods (Pty) Ltd and (2) Specified BEE Director entered into on or about 8 December 2011;
- 2.2.2 cession and pledge agreement between: (1) Pioneer Foods (Pty) Ltd and (2) BEE SPV Issuer entered into on or about 8 December 2011;
- 2.2.3 cession and pledge agreement between: (1) Pioneer Foods (Pty) Ltd and (2) BEE SPV Issuer Subco entered into on or about 8 December 2011; and
- 2.2.4 annexure detailing the rights and privileges attaching to B Preference Shares.

In respect of the Pioneer Foods BEE Trust

For purposes of this circular, "**BEE Trust Transaction Documents**" refers to the documentation set out below:

- 2.3 trust deed of the Pioneer Foods BEE Trust, entered into on or about 13 January 2012;
- 2.4 subscription agreement between: (1) Pioneer Foods and (2) a *stipulans* for the Pioneer Foods BEE Trust, entered into on or about 13 January 2012;
- 2.5 cession and pledge agreement between: (1) Pioneer Foods and (2) a *stipulans* for the Pioneer Foods BEE Trust, entered into on or about 13 January 2012; and
- 2.6 trust deed of the Pioneer Foods Education and Community Trust, entered into on or about 13 January 2012.

KING III CODE AND CORPORATE GOVERNANCE

1. KING III CODE

Pioneer Foods fully supports the recommendations and principles embodied in the King III Code and has therefore made a concerted effort to ascertain its level of compliance thereto.

The process which Pioneer Foods embarked on was aimed at identifying the gaps and shortcomings that prevented it from confirming full compliance to the King III Code post its inception. The outcome of that process has since been converted into a formal project where designated members of the Board and management are responsible for each principle's execution. Considerable progress has been made in this regard.

It is confirmed that, save as set out in the table below, the Company currently complies with the principles detailed in the King III Code. The Company will endeavour to apply those outstanding principles referred to in the table below, in future.

CHAPTER 1: ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

Principle 1.2 – The board should ensure that the company is and is seen to be a responsible corporate citizen

Recommended Practice	Current position	Future action	To apply from when?
Development of a corporate citizenship policy	Not currently in place	Policy statement on corporate citizenship to be developed	2012

Principle 1.3 – The board should ensure that the company's ethics are managed effectively

Recommended Practice	Current position	Future action	To apply from when?
Ethics performance assessed, monitored, reported and disclosed	Apart from the Tip Offs line, ethics performance is not currently assessed, monitored, reported and disclosed	Reporting mechanism to be developed for issues relating to ethics. Co-ordinated communication, training, reporting and monitoring required on ethics	2012

CHAPTER 2: BOARDS AND DIRECTORS

Principle 3.5 – The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities

Recommended Practice	Current position	Future action	To apply from when?
Monitors the implementation of the combined assurance model to ensure key risks are addressed	Combined assurance model is not currently in place	The audit and risk committee will determine who will take responsibility for the design and implementation of the model. This will then become a standard agenda point at the committee meetings	2012

Principle 3.8 – The audit committee should be an integral part of the risk management process

Recommended Practice	Current position	Future action	To apply from when?
Obtains assurance on the effectiveness of the ERM process	This has not been included as part of the scope of internal audit	To be addressed through the scope of internal audit (Chapter 7)	2012

CHAPTER 4 – GOVERNANCE OF RISK

Principle 4.1 – The board should be responsible for the governance of risk

Recommended Practice	Current position	Future action	To apply from when?
Is the Board able to disclose the effectiveness of the risk management process	<p>Management has formulated and assessed the major risks facing the entire Group as referred to in the integrated annual report of 2011. The ARC reviews the high priority risks captured in the divisional risk management frameworks, once per annum.</p> <p>No formal assessment of the effectiveness of the risk management processes has been completed and reported to the ARC or the Board.</p> <p>No strategic risk evaluation process is in place.</p> <p>The Board has not interrogated/reviewed the risk management processes that are being implemented across the Group</p> <p>** The Group's strategic objectives and associated risks are documented and assessed at least once per annum, following a top-down approach. These strategic risks will be linked to the divisional and corporate risk management frameworks as well as operational risk management processes as and when necessary</p>	* A formal assessment of the effectiveness of the risk management processes should be performed by the Internal Audit function (as part of the group's combined assurance model) and this should be reported to the ARC on an annual basis	2012

Principle 4.2 – The board should determine the levels of risk tolerance

Recommended Practice	Current position	Future action	To apply from when?
Has the Board set risk tolerance levels	<p>Risk Management is perceived as part of business practices. The tolerance levels are up to divisional management to apply their respective discretion.</p> <p>The strategic risk assessment has been completed by management</p>	The strategic risk assessment has been completed although specific tolerance levels should still be set. These limits should be reviewed in line with changes in the operating environment of the organisation and should be done in consultation with business to ensure that the relevant tolerance levels set, are practical and realistic	2012

Are internal and external factors considered when setting tolerance levels	Currently the Group operates in a decentralised business model, including the management of risks. Group risks are not considered in the divisional risk assessments and inter-related risks might not be considered due to this silo risk management approach	See point above	
Are delegated limits set at a management level	The practice is discretionary per Division and per Business Unit. Each Executive remains responsible for its business' tolerance levels as well as to what extent risks are being treated, mitigated, controlled and managed	Divisional tolerance levels should be set in-line with the Group tolerances	2012

Principle 4.9 – The board should receive assurance regarding the effectiveness of the risk management process

Recommended Practice	Current position	Future action	To apply from when?
Internal audit provides a written assessment to the Board on the effectiveness of the ERM process	Internal Audit does not provide an assessment of the effectiveness of the risk management processes implemented	This will be added to the Internal Audit plan for 2012	2012

CHAPTER 6 – COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

Principle 6.1 – The board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules, codes and standards

Recommended Practice	Current position	Future action	To apply from when?
The effectiveness of the compliance function is assessed	Compliance function has been established	The effectiveness of the compliance function will be externally benchmarked	2012

Recommended Practice

Compliance is addressed as part of the risk management process

Principle 6.4 – The board should delegate to management the implementation of an effective compliance framework and processes

Recommended Practice	Current position	Future action	To apply from when?
Assurance on the effectiveness of the compliance framework and process	Compliance function has been established	Combined assurance model to include assurance on the effectiveness of the compliance framework and process. The effectiveness of the compliance function will be externally benchmarked	2012

CHAPTER 7 – INTERNAL AUDIT

Principle 7.2 – Internal audit should follow a risk based approach to its plan

Recommended Practice	Current position	Future action	To apply from when?
Does the plan include a review of the effectiveness of the ERM process	No audit the ERM process is currently in place	As internal audit has been involved in the development of the ERM process, the audit and risk committee will need to consider using an independent service provider to perform this assessment	2012

Principle 7.3 – Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management

Recommended Practice	Current position	Future action	To apply from when?
Internal Audit should form an integral part of the combined assurance model as internal assurance provider	No combined assurance model has yet been done for the Group	The responsibility for combined assurance for the organisation should be determined by the Audit and Risk Committee and the responsibility of the function involved should be clearly documented and communicated	2012

CHAPTER 9 – INTEGRATED REPORTING AND DISCLOSURE

Principle 9.3 – Sustainability reporting and disclosure should be independently assured.

Recommended Practice	Current position	Future action	To apply from when?
A formal process of assurance with regard to sustainability reporting has been established	To date no independent assurance has been obtained over the Annual Report, other than for the Annual Financial Statements	Key Performance Indicators (KPI's) that will be assured should be identified, and the assurance process for this should be planned. Only KPI's with strategic importance should be considered for assurance	2012
The details around the assurance are disclosed (assurer, scope, period under review)	See point above	See point above	

2. CORPORATE GOVERNANCE

- 2.1 Pioneer Foods has a policy detailing the procedures for appointments to the Pioneer Board. Such appointments are formal and transparent and are a matter for the Pioneer Board as a whole, assisted where appropriate by its Nomination Committee. The Nomination Committee comprises only non-executive directors, of whom the majority are independent, and is chaired by the chairman of the Pioneer Board.
- 2.2 Pioneer Foods maintains a policy evidencing a clear balance of power and authority at Board level to ensure that no one director has unfettered powers of decision-making.
- 2.3 The managing director of Pioneer Foods, Mr W A Hanekom, performs the duties of chief executive officer of Pioneer Foods. The chairman of the Pioneer Board, Mr Z L Combi, is currently an independent, non-executive director.
- 2.4 In compliance with the King III Code, Pioneer Foods maintains an Audit and Risk Committee and a Human Capital Committee (the latter fulfilling the functions of, *inter alia*, a remuneration committee). As mentioned in paragraph 2.1 above, the Company also has a Nomination Committee. The composition of these committees, a description of their mandates, the number of meetings held and other relevant information is disclosed in the table below:

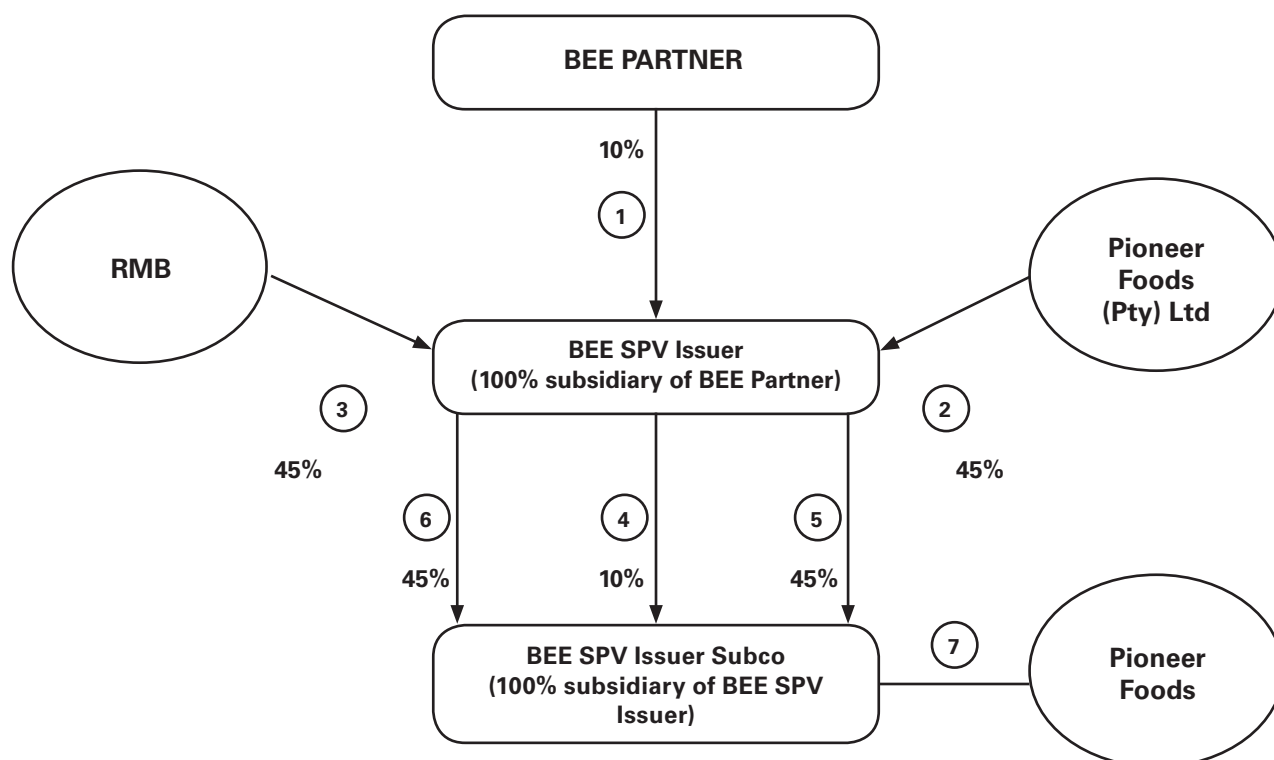
	Human Capital Committee	Audit and Risk Committee	Nomination Committee
Chairman	Dr M I Survé Independent Non-executive	A H Sangqu Independent Non-executive	J F Mouton Non-executive
Composition	Non-executive directors, of which the majority is independent 4	Non-executive directors of which the majority is independent 4	Non-executive directors 3
Frequency of Meetings	Met 3 times during this financial year	Met 4 times during this financial year	Met 2 times during this financial year
Board Approved Charter	Yes	Yes	Yes
Primary Responsibilities	<ul style="list-style-type: none"> – Maintain and approve Human Resources Policies; – Enable and recommend succession planning of the Managing Director and Executive Management; – Monitor the implementation of relevant labour legislation; – Monitor and enable transformation and sustainability; – Determine the remuneration packages of directors and executive management; – Ensure that all remuneration packages are fair and responsible; – Enable the Group to attract, engage and retain talent to drive performance; – Ensure that directors' remuneration is accurately, completely and transparently reported; – Establish criteria to evaluate the performance of Executive Management and Executive Directors; – Evaluate and approve the Group's remuneration philosophy, strategy and policy. 	<ul style="list-style-type: none"> – Appointment of external auditors as well as auditors as well as overseeing the relevant Annual Financial Audit process; – Oversee integrated reporting and ensuring the integrity of the report; – Review the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, trading statements and similar documents; – Review the disclosure of sustainability issues in the integrated report to ensure reliability and accuracy; – Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities; – Review the expertise, resources and experience of the company's finance function; – Oversee the internal audit function; – Oversee financial reporting risks, internal financial controls, fraud risks as it relates to financial reporting as well as IT related risks; Oversee the development, review and implementation of a risk management policy and plan; 	<ul style="list-style-type: none"> – Ensure that the Board has appropriate composition in terms of structure, size, and independence for it to execute its duties effectively; – Identify and appoint suitable members of the Board; – Oversee the development of a formal induction programme for new directors; – Ensure that formal succession plans for the Board, Managing Director and Executive Management are developed and implemented; – Consider the performance of directors and take the necessary steps to remove directors who do not make an appropriate contribution; – Make recommendations for the re-appointment of directors with regard to retirements due to rotation; – Oversee the development and implementation of continuing professional development programme for directors; – Evaluate the performance of the Chairperson of the

	Human Capital Committee	Audit and Risk Committee	Nomination Committee
Chairman	Dr M I Survé (continued)	A H Sangqu (continued)	J F Mouton (continued)
		<ul style="list-style-type: none"> – Express the Committee’s formal opinion to the Board on the effectiveness of the system and process of risk management; – Ensures that risk management procedures are adequate; – Ensures that appropriate standards of reporting and compliance are maintained; and – Ensure that the function operates effectively and totally independent. 	<ul style="list-style-type: none"> – Board, including the Board as a whole; and – Consider proposals for the appointment and removal of the company secretary.
Invitees	The Managing Director, Finance Director, Executive: Human Resources or other members of senior management, as may be required, assurance providers, professional advisers and Board members may be in attendance at committee meetings, but by invitation only; and they may not vote.	Meetings are attended as invitees by the Managing Director, the Financial Director, the lead external auditing team, Group Internal Audit, Group Risk Management and Compliance as well as the relevant members of management.	The Managing Director, members of senior management as well as assurance providers may attend the meetings, but as invitees only.
Access	The committee has reasonable access to the Group’s records, facilities and any other resources necessary to fulfil its role and discharge its duties and responsibilities.	<ul style="list-style-type: none"> – The committee has reasonable access to the Group’s records, facilities and any other resources necessary to discharge its duties and responsibilities; – All auditors have unlimited access to the Audit and Risk Committee members, thereby ensuring independence is not compromised in any way; – A fixed agenda item is a closed session discussion without management being in attendance. 	The committee has reasonable access to the Group’s records, facilities and any other resources necessary to discharge its duties and responsibilities.

2.4.1 A brief *curriculum vitae* of each director of the Company appears in Annexure 5 to the circular.

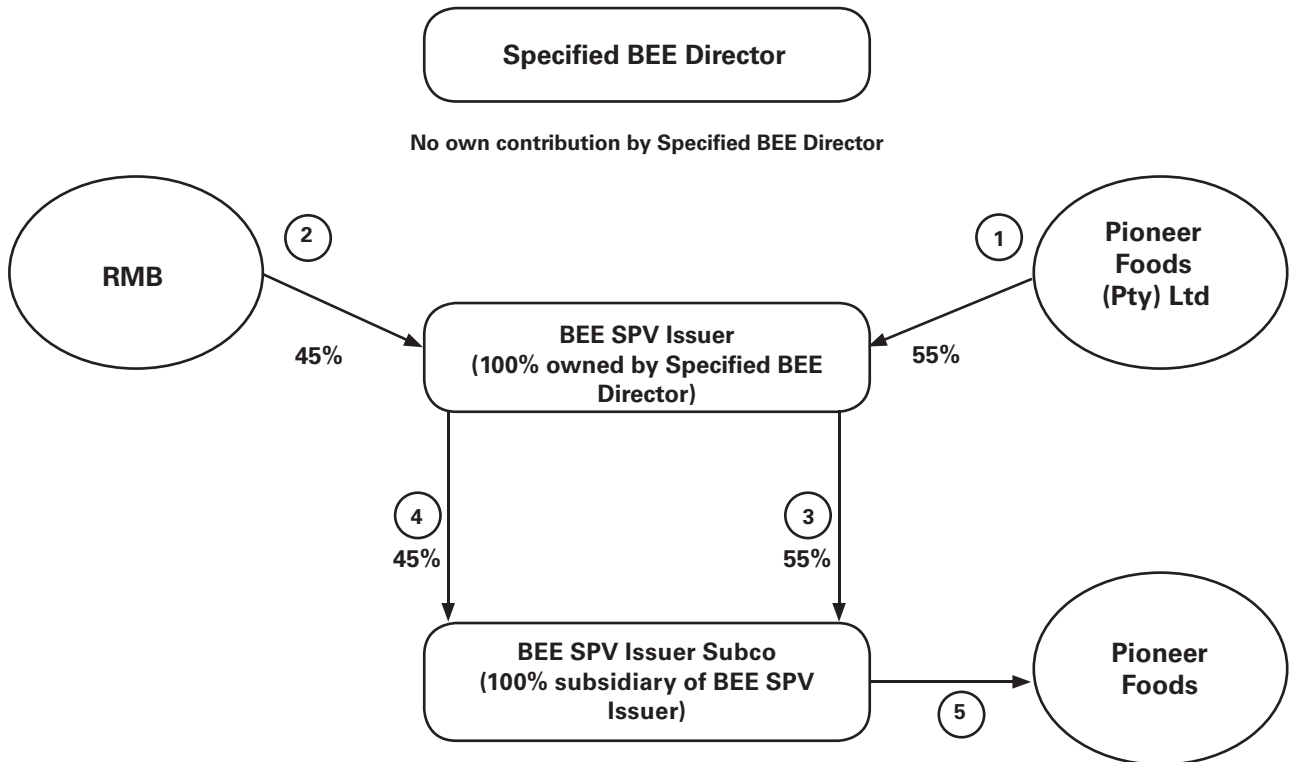
2.4.2 The full-time financial director of the Company is Mr L R Cronjé, who is an executive director of the Company. The Company’s Audit and Risk Committee considers on an annual basis, and has satisfied itself of, the appropriateness of the expertise and experience of Mr Cronjé as the financial director.

DIAGRAMS SHOWING FUNDING FOR BEE PARTNER SHARE ISSUE AND SPECIFIED BEE DIRECTOR SHARE ISSUE

BEE PARTNER SHARE ISSUE**STEPS**

1. BEE Partner will make an initial contribution of 10% of the BEE Partner Subscription Price in the form of an equity contribution by that BEE Partner to that BEE Partner's BEE SPV Issuer.
2. Pioneer Foods (Pty) Ltd will provide vendor financing in respect of 45% of the BEE Partner Subscription Price by subscribing for B Preference Shares in the BEE SPV Issuer and the BEE SPV Issuer shall issue such B Preference Shares to Pioneer Foods (Pty) Ltd.
3. RMB will provide third party funding in respect of 45% of the BEE Partner Subscription Price by subscribing for A Preference Shares in the BEE SPV Issuer and the BEE SPV Issuer shall issue such A Preference Shares to RMB.
4. BEE SPV Issuer will make a 10% equity contribution to BEE SPV Issuer Subco.
5. The BEE SPV Issuer, using the subscription monies received from Pioneer Foods (Pty) Ltd in respect of the B Preference Shares, will subscribe for Back to Back B Shares in the BEE SPV Issuer Subco.
6. The BEE SPV Issuer, using the subscription monies received from RMB in respect of the A Preference Shares, will subscribe for Back to Back A Shares in the BEE SPV Issuer Subco.
7. BEE SPV Issuer Subco will, using the monies received by it pursuant to steps 4 to 6, subscribe for the relevant Issue Shares in the Company and such shares will be issued to BEE SPV Issuer Subco.

BEE PARTNER SHARE ISSUE



STEPS

1. Pioneer Foods (Pty) Ltd will provide vendor financing in respect of 55% of the Specified BEE Director Subscription Price by subscribing for B Preference Shares in the BEE SPV Issuer and the BEE SPV Issuer shall issue such B Preference Shares to Pioneer Foods (Pty) Ltd.
2. RMB will provide third party funding in respect of 45% of the Specified BEE Director Subscription Price by subscribing for A Preference Shares in the BEE SPV Issuer and the BEE SPV Issuer shall issue such A Preference Shares to RMB.
3. The BEE SPV Issuer, using the subscription monies received from Pioneer Foods (Pty) Ltd in respect of the B Preference Shares, will subscribe for Back to Back B Shares in the BEE SPV Issuer Subco.
4. The BEE SPV Issuer, using the subscription monies received from RMB in respect of the A Preference Shares, will subscribe for Back to Back A Shares in the BEE SPV Issuer Subco.
5. BEE SPV Issuer Subco will, using the monies received by it pursuant to steps 3 and 4, subscribe for the relevant Issue Shares in the Company and such shares will be issued to BEE SPV Issuer Subco.

FORMULAE APPLICABLE TO POTENTIAL SPECIFIC REPURCHASE OF PIONEER FOODS SHARES

Note: Shareholders are referred to paragraph (f) of Special Resolution Number 4, which states that the price at which the shares in question will be acquired, will not be at a premium to the weighted average traded price of such shares measured over the 30 trading days prior to the date on which such acquisition is to occur. Accordingly, should the price determined in terms of the formulae set out in this Annexure 11 exceed the aforementioned 30-day weighted average traded price of such shares, the Company will be required to seek additional shareholder approval for such an acquisition in future.

Note: For purposes of the calculations below, **“Market Value”** means, as at a particular date:

- in relation to securities listed on an exchange (including Pioneer Foods Shares), the 30 trading day VWAP thereof on that exchange, the last of which is the last trading date on that exchange prior to the particular date, and in the event of a dispute in the determination of such VWAP it shall at the request of any party be determined by an independent expert, which shall act as an expert and not as an arbitrator;
- in relation to securities or other assets not listed on an exchange, the fair market value of the securities or other assets (as the case may be) as agreed between the parties, and failing agreement within 10 (ten) business days of any party calling in writing on the other parties to agree such value, as determined by an independent expert, which shall act as an expert and not as an arbitrator.

1. CALCULATION OF PURCHASE PRICE PURSUANT TO THE EXERCISE OF THE DEFAULT CALL OPTION (SEE PARAGRAPH 6.8 OF THE CIRCULAR)

1.1 In respect of Designated Shares (see paragraph 6.8.1 of the circular), a price per share calculated as:

- 1.1.1 in the case of a BEE Partner, 95% (or, in the case of a Specified BEE Director, 100%) of the Market Value per Designated Share, as calculated on the day immediately prior to the date of the Default Notice; or
- 1.1.2 in respect of the Issue Shares that form part of the Designated Shares, an amount equal to the BEE Partner Subscription Price or the Specified BEE Director Subscription Price (as the case may be), escalated at 90% (ninety percent) of the prime rate of interest from the Listing Date to the day immediately prior to the date of the Default Notice, plus, in the case of a BEE Partner, 95% (or, in the case of a Specified BEE Director, 100%) of the Market Value of all Designated Shares other than the aforementioned Issue Shares as calculated on the day immediately prior to the date of the Default Notice,

whichever is the lower.

1.2 In respect of the ordinary shares in BEE SPV Issuer (see paragraph 6.8.2 of the circular), at a price equal to the sum of:

- 1.2.1 the aggregate purchase price as calculated in 1.1 in respect of the Designated Shares held by BEE SPV Issuer Subco; plus
- 1.2.2 in respect of any other assets BEE SPV Issuer (other than its interest in BEE SPV Issuer Subco) or BEE SPV Issuer Subco may have at that time, the Market Value thereof as calculated on the day immediately prior to the date of the Default Notice; minus
- 1.2.3 the total amount of any liabilities that BEE SPV Issuer or BEE SPV Issuer Subco may have at that date (which will include all actual liabilities of BEE SPV Issuer in terms of the RMB Funding agreements and the B Preference Shares), other than BEE SPV Issuer Subco's actual liabilities in terms of the preference shares issued by it to BEE SPV Issuer.

2. **CALCULATION OF PURCHASE PRICE PURSUANT TO THE EXERCISE OF THE BEE LEGISLATIVE CHANGE CALL OPTION (SEE PARAGRAPH 6.17 OF THE CIRCULAR)**
- 2.1 **In respect of Designated Shares (see paragraph 6.17.1 of the circular), a price per share calculated as:**
- 2.1.1 if BEE Partner, BEE SPV Issuer and BEE SPV Issuer Subco acted in good faith in the negotiations referred to in paragraph 6.16 of the circular and used all reasonable endeavours to meet the requirements of the Changed Legislation (as defined in paragraph 6.15 of the circular), the higher of:
- 2.1.1.1 the Market Value per Designated Share, as calculated on the day immediately prior to the date of the BEE Legislation Change Notice (as defined in paragraph 6.15 of the circular); or
- 2.1.1.2 in respect of the Issue Shares that form part of the Designated Shares, an amount equal to the BEE Partner Subscription Price or the Specified BEE Director Subscription Price (as the case may be), escalated at 90% (ninety percent) of the prime rate of interest from the Listing Date to the day immediately prior to the date of the BEE Legislation Change Notice plus the Market Value of all Designated Shares other than the aforementioned Issue Shares as calculated on the day immediately prior to the date of the BEE Legislation Change Notice; or
- 2.1.2 if BEE Partner, BEE SPV Issuer and BEE SPV Issuer Subco did not act in good faith in the abovementioned negotiations or did not use all reasonable endeavours to meet the requirements of the Changed Legislation, the Market Value per Designated Share as calculated on the day immediately prior to the date of the BEE Legislation Change Notice.
- 2.2 **In respect of the ordinary shares in BEE SPV Issuer (see paragraph 6.17.2 of the circular), at a price equal to the sum of:**
- 2.2.1 the purchase price as calculated in 2.1 in respect of the Designated Shares held by BEE SPV Issuer Subco; plus
- 2.2.2 in respect of any other assets BEE SPV Issuer (other than its interest in BEE SPV Issuer Subco) or BEE SPV Issuer Subco may have at that time, the Market Value thereof as calculated on the day immediately prior to the date of the BEE Legislation Change Notice; minus
- 2.2.3 the total amount of any liabilities that BEE SPV Issuer or BEE SPV Issuer Subco may have at that date (which will include all actual and contingent liabilities of BEE SPV Issuer in terms of the RMB Funding Agreements and the B Preference Shares), other than BEE SPV Issuer Subco's actual liabilities in terms of the preference shares issued by it to BEE SPV Issuer.



Pioneer Food Group Limited

(Incorporated in the Republic of South Africa)
(Registration number 1996/017676/06)
JSE share code: PFG ISIN: ZAE000118279
("Pioneer Foods" or "the Company")

NOTICE OF GENERAL MEETING

Notice is hereby given of the general meeting of shareholders of the Company to be held at Lemoenkloof Guest House, 396a Main Street, Paarl, Western Cape on 17 February 2012 at 10:00, or, immediately after the closing of the Company's annual general meeting (the annual general meeting is due to commence at 9:00 on the same date at the same venue), whichever is the later ("**General Meeting**" or "**Meeting**").

Purpose

The purpose of the Meeting is to consider and, if deemed fit, to approve, with or without modification, the ordinary and special resolutions set out in this notice of general meeting.

Notes:

- *The definitions and interpretations commencing on page 10 of the circular to which this notice of general meeting is attached ("**the Circular**") apply mutatis mutandis to this notice and to the resolutions set out below.*
- None of the Specified BEE Directors, being Z L Combi, Dr M I Survé, Prof A S M Karaan, N S Mjoli-Mncube, A H Sangqu and Dr F A Sonn, may vote in respect of any of the resolutions set out below.

1. **ORDINARY RESOLUTION NUMBER 1: PROPOSED SPECIFIC ISSUE**

IT IS RESOLVED THAT, subject to the passing of Ordinary Resolution Number 2 and Special Resolutions Numbers 1, 2, 3 and 4, and the Transaction Documents becoming unconditional (save for any condition relating to this Ordinary Resolution Number 1):

- the issuing, in terms of the BEE Partner Share Issue, of an aggregate of 17 488 631 (seventeen million, four hundred and eighty-eight thousand, six hundred and thirty-one) Pioneer Foods Shares to the relevant BEE SPV Issuer Subcos in the proportions as set out in the table at paragraph 5.1.1 of the Circular, at the BEE Partner Subscription Price of R55.14 (fifty-five Rand and fourteen cents) per share;
- the issuing, in terms of the Specified BEE Director Share Issue, of an aggregate of 603 030 (six hundred and three thousand and thirty) Pioneer Foods Shares to the relevant BEE SPV Issuer Subcos in the proportions set out in the table at paragraph 5.2.1 of the Circular, at the Specified BEE Director Subscription Price of R58.04 (fifty-eight Rand and four cents) per share; and
- the issuing, in terms of the BEE Trust Share Issue, of an aggregate of 10 599 988 (ten million, five hundred and ninety-nine thousand, nine hundred and eighty-eight) Pioneer Foods Shares to the Pioneer Foods BEE Trust, at par value,

be and is hereby approved on the terms set out in the Transaction Documents, which have been made available for inspection by Shareholders and the salient terms of which are set out in the Circular, in terms of the provisions of the articles of association of the Company and the JSE Listings Requirements, provided that in the unlikely event that the suspensive conditions in the Subscription Agreement concluded by Identity Partners are not fulfilled, the aggregate number of Pioneer Foods Shares to be issued in terms of the Proposed Specific Issue shall be reduced by 2 755 997 shares ("**IP Shares**") or such IP Shares may instead be issued to the Pioneer Foods BEE Trust at par value on the terms of the BEE Trust Share Issue, in the discretion of the Pioneer Foods Board.

Note: In terms of paragraph 5.51(g) of the JSE Listings Requirements, Ordinary Resolution Number 1 requires the approval of a 75% majority of the votes cast in favour of such resolution by all equity holders present or represented by proxy at the General Meeting, on which any parties and their associates participating in the Proposed Specific Issue have not voted or on which their shares have not been counted.

2. SPECIAL RESOLUTION NUMBER 1: RELATED OR INTER-RELATED PERSONS

IT IS RESOLVED THAT, subject to the passing of Ordinary Resolution Numbers 1 and 2 and Special Resolutions Numbers 2, 3 and 4, and the Transaction Documents becoming unconditional (save for any condition relating to this Special Resolution Number 1), to the extent that any shares in the Company are issued, in terms of Ordinary Resolution Number 1, to companies who are related or inter-related to directors of the Company, as set out in the Circular, such issue be and is hereby approved in terms of the provisions of section 41(1)(b) of the Companies Act.

3. SPECIAL RESOLUTION NUMBER 2: FINANCIAL ASSISTANCE TO PIONEER FOODS BEE TRUST

IT IS RESOLVED THAT, subject to the passing of Ordinary Resolutions Numbers 1 and 2 and Special Resolutions Numbers 1, 3 and 4, and the Transaction Documents becoming unconditional (save for any condition relating to this Special Resolution Number 2), to the extent that any financial assistance is granted by the Company to the Pioneer Foods BEE Trust for the subscription by the Pioneer Foods BEE Trust for shares in the Company in terms of the BEE Trust Share Issue, as contemplated in Ordinary Resolution Number 1, such financial assistance be and is hereby approved in terms of the provisions of section 44(3)(a)(ii) of the Companies Act.

4. SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE TO BEE SPV ISSUERS, BEE SPV ISSUER SUBCOS AND PIONEER FOODS BEE TRUST

IT IS RESOLVED THAT, subject to the passing of Ordinary Resolutions Numbers 1 and 2 and Special Resolutions Numbers 1, 2 and 4, and the Transaction Documents becoming unconditional (save for any condition relating to this Special Resolution Number 3), the financial assistance to be granted by Pioneer Foods (Pty) Ltd to:

- (a) the BEE SPV Issuers for the subscription by the BEE SPV Issuer Subcos for an aggregate of 18 091 661 (eighteen million, ninety-one thousand, six hundred and sixty-one) Pioneer Food Shares, in the form of: (1) the subscription for the B Preference Shares in the share capital of the BEE SPV Issuers at an aggregate subscription price of R453.2 million (four hundred and fifty-three point two million Rand) and (2) a guarantee in the amount of R100 000 000 (one hundred million Rand) in favour of RMB, as security for the obligations of the BEE SPV Issuers to RMB relating to the A Preference Shares in the share capital of the BEE SPV Issuers to be issued to RMB, as set out in paragraphs 9, 10 and 12 of the Circular;
- (b) Pioneer Foods BEE Trust for the subscription for 10 599 988 (ten million, five hundred and ninety-nine thousand, nine hundred and eighty-eight) Pioneer Food Shares at par value, through the contribution of R1.1 million by Pioneer Foods (Pty) Ltd to the Pioneer Foods Education and Community Trust, to be contributed by the Pioneer Foods Education and Community Trust to the Pioneer Foods BEE Trust to be utilised for the payment of the subscription price for the aforesaid Pioneer Foods Shares,

be and is hereby approved, to the extent that approval for such financial assistance is required.

5. SPECIAL RESOLUTION NUMBER 4: ACQUISITION OF SHARES

IT IS RESOLVED THAT, subject to the passing of Ordinary Resolutions Numbers 1 and 2 and Special Resolutions Numbers 1, 2 and 3, and the Transaction Documents becoming unconditional (save for any condition relating to this Special Resolution Number 4), the Company and any subsidiary of the Company be and is hereby authorised as a specific authority in terms of its articles of association, the JSE Listings Requirements and, to the extent required, section 48(8)(a) of the Companies Act, to acquire, directly or indirectly any shares of the Company from any BEE SPV Issuer Subco in the event that: (1) the Company exercises any Default Call Option, BEE Legislative Change Call Option or Pre-Emptive Right in terms of the provisions of any Subscription Agreement; or (2) the Company or Pioneer Foods (Pty) Ltd exercises

its rights in terms of any cession and pledge agreement referred to in paragraphs 6.12 to 6.14 of the Circular or (3) the Company exercises its rights in terms of the RMB Funding Agreements, including, but not limited to, those referred to in paragraph 12.3 of the Circular, provided that:

- (a) should the Company itself be acquiring the shares, the board of directors of the Company, at the time of such acquisition adopt a resolution acknowledging that it has applied the solvency and liquidity test, as set out in section 4 of the Companies Act, and has reasonably concluded that the solvency and liquidity test will be satisfied immediately after completing the acquisition of such shares in the Company;
- (b) should a subsidiary of the Company be acquiring the shares, the board of directors of such subsidiary, at the time of such acquisition adopt a resolution acknowledging that it has applied the solvency and liquidity test, as set out in section 4 of the Companies Act, and has reasonably concluded that the solvency and liquidity test will be satisfied immediately after completing the acquisition of such shares in the Company;
- (c) the board of directors of the Company provides a statement to the JSE, and announces same on SENS, acknowledging that, after considering the effect of such acquisition by the Company or a subsidiary of the Company (as the case may be), the Company and the Pioneer Group comply with the requirements set out in paragraph 5.69(c) and paragraph 11.23(g) of the JSE Listings Requirements;
- (d) the Company's JSE sponsor confirms to the JSE that the Company complies with the applicable working capital requirements in terms of the JSE Listings Requirements;
- (e) subject to (f) below, the price at which the shares in question will be acquired, will:
 - a. in case of an acquisition pursuant to the Default Call Option, be the price as determined in accordance with paragraph 1 of Annexure 11 to the Circular;
 - b. in case of an acquisition pursuant to the BEE Legislative Change Call Option, be the price as determined in accordance with paragraph 2 of Annexure 11 to the Circular;
 - c. in the case of an acquisition in terms of any cession and pledge agreement referred to in paragraphs 6.12 to 6.14 of the Circular, be the fair value of those shares, as agreed between the parties to such cession and pledge or, failing such agreement, as determined by an independent expert, acting as an expert and not an arbitrator;
 - d. in the case of an acquisition pursuant to the Pre-Emptive Right, be the price stipulated in the offer of such shares that has been made to the Company (being the price at which the applicable BEE SPV Issuer Subco wishes to sell such shares to a third party purchaser or in the market through the mechanism of the JSE);
- (f) the price at which the shares in question will be acquired, will not be at a premium to the weighted average traded price of such shares measured over the 30 trading days prior to the date on which such acquisition is to occur;
- (g) neither the Company, nor any subsidiary of the Company shall be entitled, under this resolution, to acquire in aggregate shares equaling, at the time of such acquisition, more than 8.54% of the issued ordinary share capital of the Company,

it being recorded that any references above to the provisions of the JSE Listings Requirements are to the applicable provisions of the JSE Listings Requirements existing at the date of the adoption of this special resolution.

Note: *In terms of paragraph 5.69(b) of the JSE Listings Requirements, this resolution must be approved as a special resolution, excluding the votes of any shareholder and its associates from whom any shares in the Company may be acquired pursuant hereto.*

Should the Company or any subsidiary of the Company wish to acquire any shares of the Company where the price of such shares would exceed the maximum price referred to in paragraph (f) above, the Company shall at that time seek additional approval from shareholders for such acquisition.

6. **ORDINARY RESOLUTION NUMBER 2: AUTHORITY**

IT IS RESOLVED THAT, subject to the passing of Ordinary Resolution Number 1 and Special Resolutions Numbers 1, 2, 3 and 4, and the Transaction Documents becoming unconditional (save for any condition relating to this Ordinary Resolution Number 2), any director or the company secretary of the Company be and is hereby authorised to do all such things, sign all documents and procure the doing of all things and signature of all documents as may be necessary for or incidental to the implementation of Ordinary Resolution Number 1 and Special Resolutions Numbers 1, 2, 3 and 4.

Reason, effect and additional information relating to the resolutions

The reasons for, effect of and additional information relating to the aforementioned resolutions are set out in the Circular.

The Company shall be entitled to waive fulfilment of any of the aforementioned suspensive conditions to Ordinary Resolutions Numbers 1 and 2 and to Special Resolutions Numbers 1 to 4, in whole or in part.

Approvals required for resolutions

Ordinary Resolution Number 2 requires the approval by more than 50% of the votes exercised on the resolution by shareholders present or represented by proxy at the General Meeting, subject to the provisions of the Companies Act, the articles of association of the Company and the JSE Listings Requirements.

Ordinary Resolution Number 1 and Special Resolutions Numbers 1 to 4 require the approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the General Meeting, subject to the provisions of the Companies Act, the articles of association of the Company and the JSE Listings Requirements.

Voting

1. The date on which shareholders must be recorded as such in the securities register maintained by the transfer secretaries of the Company ("**the Securities Register**") for purposes of being entitled to receive this notice is 6 January 2012.
2. The date on which shareholders must be recorded in the Securities Register for purposes of being entitled to attend and vote at this Meeting is Friday, 10 February 2012. Accordingly, the last day to trade to be entitled to attend and vote at this Meeting is Friday, 3 February 2012.
3. Section 63(1) of the Companies Act requires that meeting participants provide satisfactory identification. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the Meeting and must accordingly bring a copy of their identity document, passport or drivers' license to the Meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.
4. Shareholders entitled to attend and vote at the Meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the Company. A form of proxy (*blue*), in which are set out the relevant instructions for its completion, is attached for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the General Meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the Meeting.
5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the Company at the address given below by not later than 10:00 on 16 February 2012 (it being deemed for purposes hereof that the General Meeting will commence at 10:00 on 17 February 2012).
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the Meeting in person will need to request their Central Securities Depository Participant ("**CSDP**") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker.

7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.
9. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.



W A Hanekom
Managing Director

18 January 2012

Registered office

32 Market Street
Paarl, 7646
(PO Box 20, Huguenot, 7645)

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)



Pioneer Food Group Limited

(Incorporated in the Republic of South Africa)
 (Registration number 1996/017676/06)
 JSE share code: PFG ISIN: ZAE000118279
 ("Pioneer Foods" or "the Company")

FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS ONLY

For use at the general meeting of shareholders of the Company, to be held at Lemoenkloof Guest House, 396a Main Street, Paarl, Western Cape on 17 February 2012 at 10:00, or, immediately after the closing of the Company's annual general meeting (the annual general meeting is due to commence at 9:00 on the same day at the same venue), whichever is the later ("**General Meeting**" or "**Meeting**").

I/We (Full name in BLOCK CAPITALS)

of (address)

being the registered holder of ordinary shares hereby appoint:

1. or failing him/her,

2. or failing him/her,

3. the chairman of the Meeting,

as my proxy to vote for me/us at the Meeting for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against such resolutions and/or abstain from voting in respect of the shares registered in my/our name(s) in accordance with the following instructions (see notes):

	Number of shares		
	In favour of	Against	Abstain
Ordinary Resolution Number 1: Approval of a proposed specific issue of Pioneer Foods ordinary shares to certain black economic empowerment (" BEE ") entities (" BEE Entities "), to a BEE trust (" BEE Trust ") and to black directors (" Black Directors ") of the Company.			
Special Resolution Number 1: To the extent that shares are issued under Ordinary Resolution Number 1, to companies that are related or inter-related to directors of the Company, that such issue be approved in terms of section 41(1)(b) of the Companies Act, No. 71 of 2008, as amended (" Companies Act ").			
Special Resolution Number 2: To the extent that financial assistance is granted by the Company to the BEE Trust in relation to the subscription for shares in the Company, that such financial assistance be approved in terms of section 44(3)(a)(ii) of the Companies Act.			
Special Resolution Number 3: Approval, to the extent required, of financial assistance given by Pioneer Foods (Proprietary) Limited to facilitate the subscription by BEE Entities, Black Directors and the BEE Trust for shares in the Company.			
Special Resolution Number 4: Authority for the Company to repurchase, or a subsidiary of the Company to acquire, shares of the Company issued pursuant to Ordinary Resolution Number 1.			
Ordinary Resolution Number 2: Authority to sign all documents and take steps to give effect to the above ordinary and special resolutions.			

Please indicate your voting instruction by way of inserting the number of shares or by a cross in the space provided.

Signed at on this day of 2012

Signature(s)

Assisted by (where applicable) (state capacity and full name)

Each shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of the Company) to attend, speak and vote in his stead at the Meeting.

Please read the notes on the reverse hereof

Notes:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the Meeting". The person whose name appears first on this form of proxy and who is present at the Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the Meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the Meeting, or any other proxy to vote or to abstain from voting at the Meeting as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the Meeting in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.
4. Forms of proxy must be completed and returned to be received by the transfer secretaries of the Company, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), by not later than 10:00 on Thursday, 16 February 2012 (it being deemed, for purposes hereof, that the General Meeting will commence at 10:00 on 17 February 2012).
5. Any alteration or correction made to this form of proxy must be initialled by the signatory/(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairman of the General Meeting.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to.