

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions commencing on page 5 of this circular apply *mutatis mutandis* throughout this document including this cover page.

Holders of both Pioneer Foods ordinary shares and Class A Ordinary Shares are entitled to participate in the rights offer in the same ratio of entitlement.

Shareholders are referred to pages 2 and 3 of this circular, which sets out the action required of them with regard to the rights offer, full details of which are set out in this circular. If you are in any doubt as to the action that you should take, please consult your broker, CSDP, banker, legal advisor, accountant or other professional advisor immediately.

If you have disposed of all of your Pioneer Foods ordinary shares, this circular and the form of instruction should be forwarded to the purchaser to whom, or the broker, CSDP or agent through whom you disposed of your Pioneer Foods ordinary shares except that this circular and form of instruction should not be forwarded or transmitted by you to any person in any territory other than South Africa unless the rights offer can lawfully be made to such person or in such territory.

The shares issued in terms of the rights offer will not be registered for purposes of the rights offer with the Securities and Exchange Commission, Washington, D.C., the Canadian Provincial Securities Commission, or the Australian Securities Commission under the Australian Corporation Law, as amended. Accordingly, the rights offer will not be made to or be open for acceptance by persons with registered addresses in the United States of America or any of its territories, dependencies, possessions or commonwealths or in the District of Columbia or in the Dominion of Canada or in the Commonwealth of Australia, its states, territories or possessions. The CSDP or broker will ensure that where such persons are holding Pioneer Foods ordinary shares in dematerialised form that the CSDP or broker adheres to the above restrictions. Please refer to Annexure 3 of this circular for further details in this regard.

Letters of allocation, which are renounceable, can only be traded in dematerialised form and, accordingly, Pioneer Foods has issued all letters of allocation in dematerialised form. The electronic record for holders of certificated shares is being maintained by Computershare Investor Services (Proprietary) Limited which has made it possible for holders of certificated shares to enjoy the same rights and opportunities as holders of dematerialised shares in respect of the letters of allocation.

Only whole numbers of Pioneer Foods ordinary shares will be issued in terms of the rights offer and shareholders will be entitled to rounded numbers of shares once the ratio of entitlement has been applied. No excess applications will be allowed.

The form of instruction enclosed with this document is negotiable and may be traded on the JSE.



## PIONEER FOOD GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1996/017676/06)

Share code: PFG ISIN: ZAE000118279

("Pioneer Foods" or "the Company")

## CIRCULAR TO PIONEER FOODS SHAREHOLDERS

relating to:

**a renounceable rights offer of 20 000 000 Pioneer Foods ordinary shares at an issue price of 2 500 cents per share, in the ratio of 10.28251 rights offer shares for every 100 Pioneer Foods shares held at the close of business on Friday, 23 May 2008;**

and enclosing:

**a form of instruction in respect of a letter of allocation (to be completed by holders of certificated shares only).**

**Rights offer opens at 09:00 on**

**Rights offer closes at 12:00 on**

**Monday, 26 May 2008**

**Friday, 13 June 2008**

The directors of Pioneer Foods, whose names appear in paragraph 6.4.1 commencing on page 23 of this circular, collectively and individually, accept full responsibility for the accuracy of the information given in this circular and certify that, to the best of their knowledge and belief, there are no facts the omission of which would make any statement in this circular false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this circular contains all information required in law and by the Listings Requirements.

Standard Bank, which is regulated in terms of the Listings Requirements, is acting for Pioneer Foods and no one else in relation to the preparation of this circular and will not be responsible to anyone other than Pioneer Foods in relation to the preparation of this circular.

**Investment bank and transaction sponsor**



**Reporting accountants**



**Legal advisors**



**Independent sponsor**



**Underwriter**



**Corporate advisor to underwriter**



Date of issue: 26 May 2008

This circular is available in English only. A copy of this document, together with the form of instruction and the documents referred to in section 145A of the Act, were lodged with the Registrar and the form of instruction was registered by the Registrar in terms of section 146A of the Act. Copies of this circular and pre-listing statement dated 15 April 2008, issued in connection with the listing of Pioneer Foods on the JSE, may be obtained from the registered office of Pioneer Foods, the investment bank and transaction sponsor and the transfer secretaries whose addresses are set out in the "Corporate information and advisors" section of this circular, as well as in electronic form from the Company's website ([www.pioneerfoods.co.za](http://www.pioneerfoods.co.za)). These documents will be available from Monday, 26 May 2008 up to Friday, 13 June 2008, both days inclusive.

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## CORPORATE INFORMATION AND ADVISORS

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### Company secretary and registered office

Petrus Jacobus Stofberg, BA (LLB)  
32 Market Street  
Paarl  
7646  
(PO Box 20, Huguenot, 7645)

### Transfer secretaries

Computershare Investor Services (Proprietary) Limited  
(Registration number 2004/003647/07)  
Ground Floor, 70 Marshall Street  
Johannesburg  
2001  
(PO Box 61763, Marshalltown, 2107)

### Investment bank and transaction sponsor

The Standard Bank of South Africa Limited  
(Registration number 1962/000738/06)  
3 Simmonds Street  
Johannesburg  
2001  
(PO Box 61344, Marshalltown, 2107)

### Legal advisor

Jan S. de Villiers Attorneys  
18th Floor  
No. 1 Thibault Square  
Cape Town  
8001  
(PO Box 1474, Cape Town, 8000)

### Independent sponsor

Barnard Jacobs Mellet Corporate Finance  
(Proprietary) Limited  
(Registration number 2000/023249/07)  
2nd Floor, Barnard Jacobs Mellet House  
5 Sturdee Avenue  
Rosebank  
2196  
(PO Box 62200, Marshalltown, 2107)

### Reporting accountants

PricewaterhouseCoopers Inc  
Chartered Accountants (SA)  
Registered Accountants and Auditors  
(Registration number 1998/012055/21)  
No. 1 Waterhouse Place  
Century City  
7441  
(PO Box 2799, Cape Town, 8000)

### Underwriter

Zeder Investments Limited  
(Registration number 2006/019240/06)  
1st Floor, Ou Kollege  
35 Kerk Street  
Stellenbosch  
7600  
(PO Box 7403, Stellenbosch 7599)

### Corporate advisor to the underwriter

PSG Capital (Proprietary) Limited  
(Registration number 2006/015817/07)  
1st Floor, Ou Kollege  
35 Kerk Street  
Stellenbosch  
7600  
(PO Box 7403, Stellenbosch 7599)

### Date of incorporation

13 June 1997  
(date of the merger between  
Sasko (Proprietary) Limited and  
Bokomo (Proprietary) Limited)

### Place of incorporation

South Africa

**If you have any questions regarding the contents of this circular, please call the  
Pioneer Foods Shareholder Information Line on 0861 100 920  
(or +27 +11 870-8213 if you are calling from outside South Africa)**



**Please note that your call may be recorded for customer safety.**

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<b>FORM OF INSTRUCTION</b>	Enclosed

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## **ACTION REQUIRED BY PIONEER FOODS SHAREHOLDERS**

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If you are in any doubt as to what action you should take, you should consult your broker, CSDP, banker, legal advisor, accountant or other professional advisor immediately.

Both holders of Pioneer Foods ordinary shares and Class A Ordinary Shares are entitled to participate in the rights offer in the same ratio of entitlement.

If you have disposed of all your Pioneer Foods ordinary shares, please forward this document, together with the enclosed form of instruction, to the purchaser of such shares or the broker, CSDP or other agent through whom you disposed of such shares. This circular and form of instruction should not be forwarded to any person in any territory other than South Africa unless the rights offer can lawfully be made to such person or in such territory.

Following the listing of Pioneer Foods ordinary shares on Tuesday, 22 April 2008, the Pioneer Foods ordinary shares will only be traded in dematerialised form and holders of certificated Pioneer Foods ordinary shares wishing to trade in their shares will have to dematerialise their shares in accordance with the procedures outlined in the documentation sent to them on Thursday, 10 April 2008, which documentation is also available on the Pioneer Foods website ([www.pioneerfoods.co.za](http://www.pioneerfoods.co.za)).

### **Action required by shareholders of certificated shares**

A form of instruction for completion by qualifying shareholders who hold certificated shares is enclosed with this circular and the relevant procedure for participation in the rights offer is set out below:

- a letter of allocation will be created in electronic form with the transfer secretaries;
- if you are a qualifying shareholder holding certificated shares and do not wish to subscribe for all of the rights allocated to you as reflected in the form of instruction, you may either dispose of or renounce all or part of your entitlement as follows:
  - if you wish to sell all or part of your entitlement, you must complete Form A in the enclosed form of instruction and return it to the transfer secretaries. The transfer secretaries will endeavour to procure the sale of rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, neither the transfer secretaries nor Pioneer Foods will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements. Please note that the last day to trade letters of allocation is on Friday, 6 June 2008; and
  - if you wish to renounce your entitlement in favour of any named renounee, you must complete Form B in the enclosed form of instruction, and the renounee must complete Form C in the enclosed form of instruction and return it to the transfer secretaries, to be received by no later than 12:00 on Friday, 13 June 2008, together with a bank-guaranteed cheque or bank draft for the appropriate amount.

If you are a qualifying shareholder holding certificated shares and wish to subscribe for all or part of your entitlement in terms of the enclosed form of instruction, you must complete the enclosed form of instruction in accordance with the instructions contained therein and lodge it, together with the amount due in Rand, with the transfer secretaries as follows:

*By hand to:*

Pioneer Foods – Rights offer  
c/o Computershare Investor Services  
(Proprietary) Limited  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001

*By post to:*

Pioneer Foods – Rights offer  
c/o Computershare Investor Services  
(Proprietary) Limited  
PO Box 61763  
Marshalltown, 2107

so as to be received by the transfer secretaries by no later than 12:00 on Friday, 13 June 2008.

If you are a qualifying shareholder holding certificated shares, after subscribing for any of the rights offer shares that you have been allocated, you will receive such shares in certificated form.

If you are a renounee you may elect to receive your rights offer shares in dematerialised form by providing the information requested in respect of your CSDP or broker in Form C in the enclosed form of instruction.

**If the required documentation and payment has not been received in accordance with the instructions contained in the enclosed form of instruction (either from the qualifying shareholders or from any person in whose favour the rights have been renounced) by 12:00 on Friday, 13 June 2008, then the rights to those unsubscribed shares will be deemed to have been declined and the rights offer entitlement will lapse.**

### **Action required by holders of dematerialised shares**

If you are a qualifying shareholder and have dematerialised your Pioneer Foods ordinary shares, you will not receive a printed form of instruction and you should receive notification from your CSDP or broker regarding the rights to which you are entitled in terms of the rights offer.

Your CSDP or broker will credit your account with the number of rights to which you are entitled and will contact you to ascertain:

- whether you wish to follow your rights in terms of the rights offer and, if so, in respect of how many rights offer shares; and
- if you do not follow all or any of your rights:
  - whether you wish to sell your rights and, if so, how many rights you wish to sell; or
  - whether you wish to renounce your rights and, if so, how many rights and in favour of whom you wish to renounce those rights.

CSDPs effect payment in respect of dematerialised shareholders on a delivery versus payment basis.

If you are a qualifying shareholder holding dematerialised shares and wish to follow your rights in respect of the rights offer, you are required to notify your duly appointed CSDP or broker of your acceptance of the rights offer in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or broker. If you are not contacted, you should contact your CSDP or broker and provide them with your instructions. If your CSDP or broker does not obtain instructions from you, they are obliged to act in terms of the mandate granted to them by you, or if the mandate is silent in this regard, not to subscribe for Pioneer Foods ordinary shares in terms of the rights offer.

Pioneer Foods does not take responsibility and will not be held liable for any failure on the part of any CSDP or broker to notify you of the rights offer and/or to obtain instructions from you to subscribe for the rights offer shares and/or to sell the rights allocated.

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## IMPORTANT DATES AND TIMES

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**2008**

Declaration data released on SENS	Tuesday, 15 April
Declaration data published in the press	Wednesday, 16 April
Pioneer Foods listed and trades on the JSE	Tuesday, 22 April
Finalisation data released on SENS	Friday, 9 May
Finalisation data published in the press	Monday, 12 May
Last day to trade in Pioneer Foods ordinary shares in order to participate in the rights offer (cum entitlement)	Friday, 16 May
Listing of and trading in the letters of allocation on the JSE commences at 09:00	Monday, 19 May
Pioneer Foods ordinary shares commence trading ex-rights on the JSE at 09:00	Monday, 19 May
Record date for the rights offer	Friday, 23 May
Rights offer opens at 09:00	Monday, 26 May
Certificated shareholders will have their letters of allocation credited to an electronic account held at the transfer secretaries	Monday, 26 May
Dematerialised shareholders will have their accounts at their CSDP or broker credited with their entitlement	Monday, 26 May
Interim results released on SENS before 09:00	Tuesday, 27 May
Interim results published in the press	Wednesday, 28 May
Last day for trading letters of allocation on the JSE	Friday, 6 June
Listing of rights offer shares and trading therein on the JSE commences	Monday, 9 June
Rights offer closes at 12:00. Payment to be made and form of instruction lodged by certificated shareholders at the transfer secretaries*	Friday, 13 June
Record date for the letters of allocation	Friday, 13 June
Rights offer shares issued and posted to shareholders in certificated form on or about	Tuesday, 17 June
CSDP or broker accounts in respect of dematerialised shareholders will be updated with rights offer shares and debited with any payments due	Tuesday, 17 June
Results of rights offer announced on SENS	Tuesday, 17 June
Results of rights offer published in the press	Wednesday, 18 June

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\* CSDPs effect payment in respect of dematerialised shareholders on a delivery versus payment method.

**Notes:**

1. Unless otherwise indicated, all times are South African times.
2. Pioneer Foods shareholders may not dematerialise or materialise their Pioneer Foods ordinary shares between Monday, 19 May 2008 and Friday, 23 May 2008, both dates inclusive.

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## DEFINITIONS AND INTERPRETATIONS

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Throughout this circular and the annexures hereto, unless the context indicates otherwise, the words in the column on the left below shall have the meaning stated opposite them in the column on the right below, reference to the singular shall include the plural and *vice versa*, words denoting one gender include the other and words and expressions denoting natural persons include juristic persons and associations of persons:

“Accolade Trading”	Accolade Trading Company (Proprietary) Limited (registration number 1967/005579/07), a private company incorporated in accordance with the laws of South Africa;
“the Companies Act”	the South African Companies Act, 1973 (Act 61 of 1973), as amended;
“Articles”	the Articles of Association of the Company;
“associate”	an associate as defined in the Companies Act;
“Belso’s (United Kingdom) Cereals”	Belso’s (UK) Cereals Limited (registration number 2186964), a public company incorporated in accordance with the laws of the United Kingdom;
“the Board” or “the Directors”	the Board of directors of Pioneer Foods;
“Bokomo”	Bokomo (Proprietary) Limited (registration number 1997/004892/07), a private company incorporated in accordance with the laws of South Africa;
“Bokomo Botswana”	Bokomo Botswana (Proprietary) Limited (registration number 2002/2454), a private company incorporated in accordance with the laws of Botswana;
“Bokomo Cereals”	a division of Bokomo;
“Bokomo Namibia”	Bokomo Namibia (Proprietary) Limited (registration number 1998/109), a private company incorporated in accordance with the laws of Namibia;
“Bokomo Uganda”	Bokomo Uganda (Proprietary) (registration number 43011), a private company incorporated in accordance with the laws of the Uganda;
“Bokomo Zambia”	Bokomo Zambia Limited (registration number 37726), a public company incorporated in accordance with the laws of the Zambia;
“Bowman Ingredients SA”	Bowman Ingredients SA (Proprietary) Limited (registration number 2002/004305/07), a private company incorporated in accordance with the laws of South Africa;
“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 of the week, excluding Saturdays, Sundays and all official South African public holidays;
“CSDP”	a Central Securities Depository Participant, registered in terms of section 3.2 of the Securities Services Act and appointed by individual shareholders for purposes of, and in regard to, dematerialisation in terms of such Act;
“The Ceres Beverage Company”	Ceres Fruit Juices, trading as The Ceres Beverage Company;
“Ceres Fruit Juices”	Ceres Fruit Juices (Proprietary) Limited (registration number 1972/004728/07), a private company incorporated in accordance with the laws of South Africa;

“certificated shareholders”	holders of certificated shares;
“certificated shares”	shares that have not been dematerialised in terms of Strate, title to which is represented by documents of title;
“this circular” or “this document”	this bound document, dated 26 May 2008 and incorporating a form of instruction;
“Class A Ordinary Shareholders”	holders of Class A Ordinary Shares;
“Class A Ordinary Shares”	Class A Ordinary Shares with a par value of 10 cents each in the authorised and issued share capital of Pioneer Foods, which will not be listed on the JSE;
“Common Monetary Area”	collectively, South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“Competition Act”	the Competition Act, No. 89 of 1998;
“Competition Commission”	the Competition Commission of South Africa;
“Competition Tribunal”	the Competition Tribunal of South Africa;
“Computershare” or “transfer secretaries”	Computershare Investor Services (Proprietary) Limited (registration number 2004/003647/07), a private company incorporated in accordance with the laws of South Africa, being the transfer secretaries of Pioneer Foods;
“Craft Box”	Craft Box (Proprietary) Limited (registration number 1993/003155/07), a private company incorporated in accordance with the laws of South Africa;
“dematerialise”	the process whereby share certificates and any other documents of title to shares in a tangible form are dematerialised into electronic records for the purposes of Strate;
“dematerialised shareholders”	holders of dematerialised shares;
“dematerialised shares”	shares which have been dematerialised in terms of the requirements of Strate and the ownership of which is no longer evidenced by physical documents of title but by electronic records;
“documents of title”	share certificates, certified transfer deeds, balanced receipts, or any other documents of title, as the case may be;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the South African Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
“form of instruction”	a form of instruction in respect of the letter of allocation;
“Frans Indongo Trust”	Frans Indongo Trust Nr T21/87, duly registered in terms of the Trust Monies Protection Act, 1934, of Namibia;
“Frucon Beverages”	Frucon Food and Beverages Company (Proprietary) Limited (registration number 1993/006793/07), a private company incorporated in accordance with the laws of South Africa;
“Golden Lay”	Golden Lay Foods (Proprietary) Limited (registration number 2003/001577/07), a private company incorporated in accordance with the laws of South Africa;
“Government”	the Government of South Africa;



“Grain Health Foods (United Kingdom)” or “Bokomo Foods (United Kingdom)”	Grain Health Foods (UK) Limited (registration number 4080435), a public company incorporated in accordance with the laws of the United Kingdom, which has changed its name to Bokomo Foods (UK) Limited;
“HACCP”	Hazard Analysis and Critical Control Points, a systematic preventive approach to food safety that addresses physical, chemical and biological hazards. HACCP is used in the food industry to identify potential food safety hazards, so that key actions can be taken to reduce or eliminate the risk of the hazards being realised;
“Heinz Foods SA”	Heinz Foods SA (Proprietary) Limited (registration number 2003/013160/07), a private company incorporated in accordance with the laws of South Africa;
“HJ Heinz”	H J Heinz Company, a corporation organised under the laws of the Commonwealth of Pennsylvania, United States;
“J.A.S. Bowman & Sons”	J.A.S. Bowman & Sons Limited (registration number 189717), a public company incorporated in accordance with the laws of the United Kingdom;
“the JSE”	JSE Limited (registration number 2005/022939/06), a public company incorporated in South Africa and licensed as an exchange under the Securities Services Act;
“Kaap Agri”	Kaap Agri Limited (registration number 2007/015880/06), a public company incorporated in accordance with the laws of South Africa. Kaap Agri was previously a co-operative;
“Kwality Biscuits”	Kwality Biscuits (Proprietary) Limited (registration number 1981/000391/07) a private company incorporated in accordance with the laws of South Africa, which has changed its name to Richester Foods;
“last practicable date”	29 February 2008, the last practicable date prior to the finalisation of this circular;
“letter of allocation”	a renounceable (nil paid) letter of allocation in electronic form relating to the rights offer;
“listing”	the listing of the ordinary shares of Pioneer Foods on the JSE;
“Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time by the JSE;
“Lohmann South Africa”	Lohmann Breeding South Africa (Proprietary) Limited (registration number 2001/004636/07), a private company incorporated in accordance with the laws of South Africa;
“Moorreesburgse Koringboere”	Moorreesburgse Koringboere (Proprietary) Limited (registration number 1999/007729/07), a private company incorporated in accordance with the laws of South Africa. Moorreesburgse Koringboere was previously a co-operative;
“the Operating Company”	Pioneer Foods (Proprietary) Limited (registration number 1957/000634/07) a private company incorporated in accordance with the laws of South Africa;
“Overberg Agri”	Overberg Agri Limited (registration number 1998/001018/06), a public company incorporated in accordance with the laws of South Africa. Overberg Agri was previously a co-operative;
“PepsiCo, Inc”	PepsiCo, Incorporated, a food and beverage corporation organised under the laws of the State of North Carolina, United States of America;

“P.F. Brink”	P.F. Brink (Proprietary) Limited (registration number 3982), a private company incorporated in accordance with the laws of Botswana;
“Pioneer Food Group” or “the Group”	the Company, its subsidiaries and associates;
“Pioneer Foods” or “the Company”	Pioneer Food Group Limited (registration number 1996/017676/06), a public company incorporated in accordance with the laws of South Africa;
“Pioneer Foods Holdings”	Pioneer Foods Holdings Limited (registration number 1956/001280/06), a public company incorporated in accordance with the laws of South Africa;
“Pioneer Foods ordinary shareholders” or “ordinary shareholders”	holders of Pioneer Foods ordinary shares;
“Pioneer Foods ordinary shares” or “ordinary shares”	ordinary shares with a par value of 10 cents each in the authorised and issued share capital of Pioneer Foods;
“Pioneer Foods shareholders” or “shareholders”	collectively, Pioneer Foods ordinary shareholders and Class A Ordinary Shareholders;
“Pioneer Foods shares”	collectively, Pioneer Foods ordinary shares and Class A Ordinary Shares;
“Premier Fishing”	Premier Fishing SA (Proprietary) Limited (registration number 1952/002671/07), a private company incorporated in accordance with the laws of South Africa;
“qualifying shareholder”	a registered holder of Pioneer Foods shares on the register of shareholders of Pioneer Foods at 17:00 on the record date for the rights offer and which does not have its registered address in any jurisdiction in which it would be unlawful to make the rights offer;
“Rand” or “R”	South African Rand, the official currency of South Africa;
“the ratio of entitlement”	the number of rights offer shares to which shareholders are entitled to subscribe for in terms of the rights offer, being 10.28251 shares for every 100 Pioneer Foods shares held on the record date for the rights offer and/or such proportionate lower number of shares in respect of a holding of less than 100 Pioneer Foods shares held on the record date for the rights offer;
“the record date for the rights offer”	the last day for shareholders to be recorded in the register in order to participate in the rights offer, being close of business on Friday, 23 May 2008;
“register”	means the register of certificated shareholders maintained by Pioneer Foods and the sub-register of dematerialised shareholders maintained by the relevant CSDPs in terms of section 91A and 105, respectively of the Companies Act;
“Retail Brands Interafrica”	Retail Brands Interafrica (Proprietary) Limited (registration number 1993/000454/07), a private company incorporated in accordance with the laws of South Africa;
“the Registrar”	the Registrar of Companies and Close Corporations in South Africa;
“rights”	the entitlement to subscribe for Pioneer Foods shares pursuant to the rights offer;

“the rights offer”	the rights to subscribe for 20 000 000 Pioneer Foods ordinary shares at the rights offer share price in the ratio of 10.28251 rights offer shares for every 100 Pioneer Foods ordinary shares held on the record date for the rights offer;
“the rights offer share price”	the price per new Pioneer Foods ordinary share to be offered to Pioneer Foods shareholders in terms of the rights offer, being 2 500 cents per Pioneer Foods ordinary share;
“the rights offer shares”	the 20 000 000 Pioneer Foods ordinary shares, which are the subject of the rights offer;
“S.A.D”	S.A.D Foods Limited (registration number 1947/025660/06), a public company incorporated in accordance with the laws of South Africa;
“Sanitarium”	Sanitarium Health Foods (UK) Limited (registration number 3850589), a public company incorporated in accordance with the laws of the United Kingdom;
“Sasko”	a division of the Operating Company;
“Savoury Foods”	Savoury Foods Industries (Proprietary) Limited (registration number 2004/017665/07), a private company incorporated in accordance with the laws of South Africa;
“Securities Services Act”	the Securities Services Act, 2004 (Act 36 of 2004), as amended;
“SENS”	the Securities Exchange News Service of the JSE;
“South Africa” or “SA”	the Republic of South Africa;
“Standard Bank”	The Standard Bank of South Africa Limited (registration number 1962/000738/06), a public company incorporated in accordance with the laws of South Africa and a registered bank, the shares of which are listed on the JSE;
“Strate”	Strate Limited (registration number 1998/022242/06), a public company incorporated in South Africa and a registered central securities depository in terms of the Securities Services Act and responsible for the electronic clearing and settlement of transactions;
“subsidiary”	a subsidiary as defined in the Companies Act;
“Sugarbird”	Sugarbird (Proprietary) Limited (registration number 1973/007385/07), a private company incorporated in accordance with the laws of South Africa;
“United Kingdom” or “UK”	the United Kingdom;
“the underwriter” or “Zeder”	Zeder Investments Limited (registration number 2006/019240/06), a public company incorporated in accordance with the laws of South Africa;
“the underwriting agreement”	the agreement entered into between Pioneer Foods and the underwriter, dated 2 April 2008, in terms of which the underwriter agrees, subject to certain limitations, to subscribe for the rights offer shares that are not taken up by shareholders in terms of the proposed rights offer, to a maximum amount of R360 million, being the maximum aggregate subscription amount payable by the underwriter;
“United States” or “US”	the United States of America; and
“VAT”	Value-Added Tax.



## PIONEER FOOD GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1996/017676/06)

Share code: PFG ISIN: ZAE000118279

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### Directors

#### *Non-executive*

WA Agenbach, AW Bester, HE Blanckenberg (*Chairman*)\*, GD Eksteen, JN Hamman, JA Louw (*Vice-chairman*)\*, NS Mjoli-Mncube\*, Dr FA Sonn\*, AH Sangqu\*, AC Singleton\*, Dr MI Survé\*, JH van Niekerk

*\*Independent*

#### *Executive*

W A Hanekom, L R Cronjé, T A Carstens, M T Swanepoel

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## CIRCULAR TO PIONEER FOODS SHAREHOLDERS

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### 1. INTRODUCTION

It was announced on SENS on Tuesday, 15 April 2008 and published in the press on Wednesday, 16 April 2008 that:

- the JSE had granted Pioneer Foods a listing by way of an introduction with effect from 22 April 2008; and
- Pioneer Foods would raise up to a maximum of R500 million from existing shareholders through a partially underwritten rights offer.

In terms of the rights offer, 20 000 000 Pioneer Foods ordinary shares will be offered for subscription to Pioneer Foods shareholders recorded in the register at the close of trade on Friday, 23 May 2008 will receive rights to subscribe for rights offer shares on the basis of 10.28251 rights for every 100 Pioneer Foods shares held, for subscription at 2 500 cents per rights offer share. Only whole numbers of shares will be issued and Pioneer Foods shareholders will be entitled to rounded numbers of shares once the ratio has been applied. No excess applications will be allowed.

The JSE has agreed to the listing of the rights offer shares and the purpose of this circular is to furnish Pioneer Foods shareholders with relevant information relating to the rights offer, the action required and the implications thereof, in accordance with the Companies Act and the Listings Requirements.

### 2. RATIONALE FOR THE RIGHTS OFFER

Pioneer Foods requires a fresh injection of capital in order to place the Company onto a higher earnings plane. Increases in agricultural commodity prices have required a significant increase in the investment in working capital which has reduced the surplus cash and debt capacity available to fund expansionary capital expenditure. Net proceeds from the rights offer will be used by the Group to repay debt and so create debt capacity which will at an appropriate time be utilised to fund a number of capital projects including investing in:

- a new *Weet-Bix* plant to increase production capacity to meet higher demand;
- increasing the Group's bottling capacity, mostly in the Western Cape, to cater for the significant growth experienced by *Pepsi*;
- a new bakery in KwaZulu-Natal where the Group has traditionally struggled to service the regions' demand; and
- the establishment of an additional broiler farm.

The above is not an exhaustive list of Pioneer Foods planned expansionary capital expenditure. Additional projects will be funded from cash generated from operations during the normal course of business.

### 3. PARTICULARS OF THE RIGHTS OFFER

#### 3.1 Terms of the Rights Offer

Pioneer Foods hereby offers to qualifying shareholders a total of 20 000 000 Pioneer Foods ordinary shares for subscription, upon the terms and conditions set out in this circular and in the enclosed form of instruction, by way of renounceable rights, at a subscription price of 2 500 cents per Pioneer Foods ordinary share on the basis of 10.28251 rights offer shares for every 100 Pioneer Foods ordinary shares held by qualifying shareholders at the close of trade on the record date for the rights offer. If fully subscribed, the rights offer will raise R500 million.

Qualifying shareholders recorded in the register of Pioneer Foods at the close of business on Friday, 23 May 2008 will be entitled to participate in the rights offer. The last day to trade in Pioneer Foods ordinary shares in order to be recorded in the register at the close of business on Friday, 23 May 2008 is Friday, 16 May 2008. Pioneer Foods ordinary shares will thereafter trade ex entitlement.

The enclosed form of instruction contains details of the rights to which holders of certificated shares are entitled, as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those rights. Holders of dematerialised shares will be advised of the rights to which they are entitled as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those rights by their CSDP or broker in terms of the custody agreement entered into between the shareholder and his CSDP or broker, as the case may be.

The subscription price is payable in full, in Rands, by qualifying shareholders holding certificated shares on acceptance of the rights offer. CSDPs will make payment, on a delivery versus payment basis, in respect of qualifying shareholders holding dematerialised shares who have accepted the rights offer. Qualifying shareholders holding dematerialised shares who have accepted the rights offer must ensure that the necessary funds are deposited with the relevant CSDP or broker, as the case may be.

The rights offer shares will, upon allotment and issue, rank *pari passu* with all other existing ordinary shares in terms of both voting rights and dividends.

The rights offer is underwritten as detailed in paragraph 3.7 below.

#### 3.2 Opening and closing dates of the rights offer

The rights offer will open at 09:00 on Monday, 26 May 2008 and will close at 12:00 on Friday, 13 June 2008.

#### 3.3 Entitlement

The number of rights offer shares to which qualifying shareholders will be entitled to is set out in Annexure 1 to this circular. The entitlement of each qualifying shareholder is reflected in the appropriate block in the form of instruction, which is enclosed with this circular. If you are a qualifying shareholder and hold dematerialised shares you will not receive a printed form of instruction. Qualifying shareholders holding dematerialised shares will have their accounts automatically credited with their entitlements in accordance with Annexure 1.

#### 3.4 Holdings of odd-lots and multiples other than 100 shares

Qualifying shareholders holding less than 100 Pioneer Foods shares, or not a whole multiple of 100 Pioneer Foods shares, will be entitled, in respect of such holdings, to participate in the rights offer in accordance with Annexure 1 to this circular.

#### 3.5 Fractional entitlement

The whole number of rights to subscribe for rights offer shares to which qualifying shareholders will become entitled will be determined by the ratio of entitlement. Only whole numbers of shares will be issued and shareholders will be entitled to subscribe for rounded numbers of Pioneer Foods ordinary shares once the ratio of entitlement has been applied. Fractional entitlements of 0.5 or greater will be rounded up and less than 0.5 will be rounded down.

### 3.6 Minimum subscription

The rights offer is underwritten, as discussed in paragraph 3.7 below, and is therefore not conditional on a minimum subscription.

### 3.7 Underwriting and undertaking to follow rights

In terms of the underwriting agreement, the underwriter has agreed to underwrite the rights offer to a maximum amount of R360 million, represented by 14 400 000 rights offer shares. Details of the underwriting commitment of the underwriter are disclosed below:

Name of underwriter	Maximum amount underwritten R'million	Number of shares	Percentage of rights offer shares
Zeder	360	14 400 000	72%
<b>Total</b>	<b>360</b>	<b>14 400 000</b>	<b>72%</b>

In terms of the underwriting agreement, an underwriting fee equal to 2% of the underwritten amount, being a maximum amount of R7.2 million (excluding VAT), is payable by the Company to the underwriter which underwriting commission is, in the opinion of the Board, not greater than the current market rate charged by independent underwriters. In terms of the underwriting agreement, the underwriting commission is only payable upon fulfilment of the underwriting commitment by the underwriters. Other than the underwriting fee outlined above, no other commissions or fees were paid within the past three years in respect of the issue of Pioneer Foods shares.

In addition, Kaap Agri and Moorreesburgse Koringboere have irrevocably undertaken to follow their rights up to a maximum of R100 million and R28.35 million respectively in respect of the proposed rights offer. The underwriter has satisfied the JSE that it is able to fulfill its commitments in terms of the underwriting agreement.

Further particulars of the underwriter are set out in Annexure 2 to this circular.

### 3.8 Procedures for acceptance

3.8.1 If you are a qualifying shareholder holding certificated shares and/or have had rights renounced in your favour, and wish to subscribe for all or part of your entitlement in terms of the enclosed form of instruction, you must complete the enclosed form of instruction in accordance with the instructions contained therein and lodge it together with payment of the subscription price with the transfer secretaries at the addresses set out in paragraph 3.10.1.2 below, so as to be received by the transfer secretaries by no later than 12:00 on Friday, 13 June 2008. Once received by the transfer secretaries, the acceptance is irrevocable and may not be withdrawn.

If payment is not received on or before 12:00 on Friday, 13 June 2008, the day of the closing of the rights offer, the qualifying shareholder or renouncee concerned will be deemed to have declined the offer to acquire rights offer shares pursuant to the rights offer.

Qualifying shareholders holding certificated shares are advised to take into consideration postal delivery times when posting their forms of instruction, as no late postal deliveries will be accepted. Qualifying shareholders are advised to deliver their completed forms of instruction together with their bank guaranteed cheques or bankers' drafts by hand or by courier, where possible.

3.8.2 If you are a qualifying shareholder and have dematerialised your Pioneer Foods ordinary shares you will not receive a printed form of instruction. You should receive notification from your CSDP or broker regarding the rights to which you are entitled in terms of the rights offer.

If you are a qualifying shareholder holding dematerialised shares and wish to follow your rights in respect of the rights offer, you are required to notify your duly appointed CSDP or broker of your acceptance of the rights offer in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or broker.

**Pioneer Foods does not take responsibility and will not be held liable for any failure on the part of any CSDP or broker to notify you of the rights offer and/or to obtain instructions from you to subscribe for the rights offer shares and/or to sell the rights allocated.**

### 3.9 Procedures for sale and renunciation

3.9.1 If you are a qualifying shareholder holding certificated shares and do not wish to subscribe for all of the rights allocated to you as reflected in the form of instruction, you may either dispose of or renounce all or part of your entitlement as follows:

- if you wish to sell all or part of your entitlement, you must complete Form A in the enclosed form of instruction and return it to the transfer secretaries to be received by no later than 12:00 on Friday, 6 June 2008. The transfer secretaries will endeavour to procure the sale of rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, neither the transfer secretaries nor Pioneer Foods will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements; and
- if you wish to renounce your entitlement or any part thereof in favour of any named renounee, you must complete Form B in the enclosed form of instruction, and the renounee must complete Form C in the enclosed form of instruction and return it to the transfer secretaries, to be received by no later than 12:00 on Friday, 13 June 2008, together with a bank-guaranteed cheque or bank draft for the appropriate subscription amount. If you wish to renounce parts of your entitlement in favour of different renounees, you may copy Form B and use a copied Form B for each additional renounee.

3.9.2 If you are a qualifying shareholder holding dematerialised shares and wish to sell some or all of the rights allocated to you as a holder of dematerialised shares, you should make the necessary arrangements with your CSDP or broker in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or broker.

### 3.10 Payment

3.10.1 Payment by holders of certificated shares

3.10.1.1 The amount due on acceptance of the rights offer is payable in Rand.

3.10.1.2 A bankers' draft drawn on a registered bank or a bank-guaranteed cheque drawn on a South African bank (each of which should be crossed and marked "not transferable" and, in the case of a cheque, with the words "or bearer" deleted) in favour of "**Pioneer Food Group Limited – Rights offer**" in respect of the amount due, together with a properly completed form of instruction, should be clearly marked "**Pioneer Food Group Limited – Rights offer**" and delivered to:

**Pioneer Food Group Limited – Rights offer**

c/o Computershare Investor Services (Proprietary) Limited  
Ground Floor, 70 Marshall Street, Johannesburg, 2001

so as to be received by no later than 12:00 on Friday, 13 June 2008, or may be posted, at the risk of the shareholder or his renounee, to:

**Pioneer Food Group Limited – Rights offer**

c/o Computershare Investor Services (Proprietary) Limited  
PO Box 61763, Marshalltown, 2107

so as to be received by no later than 12:00 on Friday, 13 June 2008.

3.10.1.3 All bank guaranteed cheques or bankers' drafts received by the transfer secretaries will be deposited immediately for payment. The payment as referred to in paragraph 3.10.2 below will constitute an irrevocable acceptance by the shareholder or renounee of the rights offer upon the terms and conditions set out in this circular and in the enclosed form of instruction. In the event that any cheque or bankers' draft is dishonoured, Pioneer Foods, in its sole discretion, may treat the relevant acceptance as void or may tender delivery of the relevant rights offer shares to which it relates against payment in cash of the issue price for such shares.

Money received in respect of an application that is rejected or otherwise treated as void by Pioneer Foods, or which is otherwise not validly received in accordance with the terms stipulated, will be posted by registered post by way of a cheque drawn (without interest) in Rand to the applicant concerned, at the applicant's risk, on or about Tuesday, 17 June 2008. If the applicant concerned is not a shareholder and gives no address in the attached form of instruction, then the relevant refund will be held by Pioneer Foods until collected by the applicant and no interest will accrue to the applicant in respect thereof.

#### 3.10.2 *Payment by holders of dematerialised shares*

Payment will be effected on the shareholder's behalf in Rand by the CSDP or broker. The CSDP or broker will make payment in respect of qualifying shareholders holding dematerialised shares on a delivery versus payment basis.

### 3.11 **Exchange Control Regulations**

An outline of the applicable Exchange Control Regulations is available in Annexure 3 to this circular.

### 3.12 **JSE listings**

The Issuer Services Division of the JSE has approved the listings of:

- the letters of allocation in respect of all of the 20 000 000 rights offer shares with effect from the commencement of trade on Monday, 19 May 2008 to the close of trade on Friday, 6 June 2008, both days inclusive; and
- 20 000 000 rights offer shares with effect from the commencement of trade on Monday, 9 June 2008.

### 3.13 **Documents of title**

New share certificates to be issued to qualifying shareholders holding certificated shares or renounees in respect of those rights offer shares to which they were entitled and for which they have subscribed, will be posted to persons entitled thereto, by registered post, at the risk of the shareholders concerned, on or about Tuesday, 17 June 2008.

Qualifying shareholders receiving the rights offer shares must note that such certificated shares are not good for delivery in respect of trades concluded on the JSE until they have been dematerialised. A separate notice, dated 10 April 2008, has been posted to shareholders in this regard.

Qualifying shareholders holding Pioneer Foods ordinary shares who have applied for, and been allotted, Pioneer Foods ordinary shares under the rights offer will have their accounts updated with the rights offer shares to which they are entitled and in respect of which they have accepted the rights offer, on Tuesday, 17 June 2008.



### 3.14 **Registration of documents**

The following documents in English have been lodged with and registered by the Registrar of Companies in terms of section 146A of the Companies Act for purposes of implementing the rights offer:

- a copy of the form of instruction with respect to the letters of allocation enclosed with this document;
- a signed copy of this circular;
- a copy of the underwriting agreement and the sworn declarations in terms of section 153(2) of the Companies Act;
- the audited financial information of Pioneer Foods for the financial year ended 30 September 2007;
- signed copies of the auditors' report on the financial information of Pioneer Foods for the financial year ended 30 September 2007;
- the letters of consent from the investment bank and transaction sponsor, reporting accountants and auditors, legal advisors, the underwriter and independent sponsor to act in their respective capacities and to their names being stated in this circular;
- powers of attorney signed by each of the directors of Pioneer Foods;
- a copy of the application for listing of the rights offer shares to be issued pursuant to the rights offer; and
- a copy of the letter from the JSE agreeing to the listing of the rights offer shares and the letters of allocation.

### 3.15 **Shareholder spread**

The shareholder spread of Pioneer Foods will still comply with paragraphs 4.28(e) and (f) of the Listings Requirements after implementing the rights offer.

### 3.16 **Taxation**

Pioneer Foods shareholders are advised to consult their tax and financial advisors regarding any taxation implications pertaining to them regarding the acceptance of their rights in terms of the rights offer.

## 4. **PRO FORMA FINANCIAL INFORMATION**

The unaudited *pro forma* financial effects set out below have been prepared to assist Pioneer Foods shareholders in assessing the impact of the rights offer on the earnings per share ("EPS"), headline earnings per share ("HEPS"), net asset value ("NAV") and tangible net asset value ("TNAV") per share. Due to the nature of these *pro forma* financial effects, they are presented for illustrative purposes only and may not fairly present the Company's financial position or the results of its operations, after the rights offer.

The unaudited *pro forma* financial effects have been prepared in terms of the Listings Requirements and the Guide on *Pro Forma* Financial Information issued by The South African Institute of Chartered Accountants. These unaudited *pro forma* financial effects are the responsibility of the Board. The material assumptions are set out in the notes following the table. The unaudited *pro forma* financial effects set out below were reported on by PricewaterhouseCoopers Inc, whose report is included as Annexure 5 to this circular.

*Pro forma* financial effects

	Audited, before the rights offer <sup>(1)</sup>	<i>Pro forma</i> adjustments	Unaudited <i>pro forma</i> , after the rights offer	Change
EPS (cents) <sup>(2)</sup>				
– undiluted	330.7	(19.9)	310.8	(6.0%)
– diluted	320.5	(18.2)	302.3	(5.7%)
HEPS (cents) <sup>(2)</sup>				
– undiluted	328.4	(19.6)	308.8	(6.0%)
– diluted	318.2	(17.9)	300.3	(5.6%)
NAV per share (cents) <sup>(3)</sup>	2 338.6	9.3	2 347.9	0.4%
TNAV per share (cents) <sup>(3)</sup>	1 887.9	61.0	1 948.9	3.2%
Ordinary shares in issue ('000) <sup>(4)</sup>	154 331	20 000	174 331	13.0%
Weighted average number of ordinary shares in issue ('000) <sup>(4)</sup>				
– undiluted	153 059	20 000	173 059	13.1%
– diluted	157 946	20 000	177 946	12.7%

**Notes and assumptions:**

1. Extracted from the published audited consolidated results of Pioneer Foods for the year ended 30 September 2007.
2. For the purposes of calculating EPS and HEPS it was assumed that:
  - (a) the rights offer was effected on 1 October 2006;
  - (b) Interest has been calculated at an average call rate of 9.24% per annum;
  - (c) taxation has been taken into account on the adjustments at the applicable tax rates.
3. For the purposes of NAV per share and TNAV per share it was assumed that:
  - (a) the rights offer was effected on 30 September 2007;
  - (b) the net proceeds of the proposed rights offer amounting to R484 million were utilised to partially settle call loan facilities;
  - (c) transaction costs of R16.0 million are assumed to have been paid on 30 September 2007 and have been written off against share premium.
4. The number of shares in issue and the weighted number of shares, excluding treasury shares, have been adjusted with the 20 million shares issued at R25 per share in terms of the rights offer.

**5. ESTIMATED EXPENSES**

It is estimated that Pioneer Foods' expenses relating to the rights offer will amount to approximately R16.0 million. These expenses will be paid from the proceeds of the rights offer. The expenses (including VAT) relating to the rights offer have been detailed below.

<b>Nature of expense</b>	<b>Paid/Payable to</b>	<b>R'000</b>
JSE documentation inspection fee	JSE	18.0
JSE listing fee	JSE	122.9
Printing, publication and distribution	Ince and College Hill	226.4
Legal advisors	Jan S. de Villiers Attorneys	175.0
Investment bank and transaction sponsor	Standard Bank	6 840.0
Reporting accountants and auditors	PricewaterhouseCoopers Advisory Services	370.5
Transfer secretaries	Computershare	72.1
Maximum underwriting commission	Zeder	8 208.0
	<b>Total</b>	<b>16 032.9</b>

## 6. INFORMATION ON PIONEER FOODS

### 6.1 Nature of business

The Pioneer Food Group is one of the most significant players in Southern Africa's food and beverage industries. It is a leader in the staple foods segment with its value-added quality products and also has a diversified portfolio of premium brands. The Group's sophisticated research and development infrastructure and its wide distribution network, enable it to pass cost benefits on to the consumer, achieved through efficiently managed economies of scale and are comparable to the best in the Southern African food and beverage industries. Pioneer Foods has achieved a leadership position in the staple food segment and is currently focussed on acquiring trusted brands and top-selling consumer icons. The Group employs more than 11 000 permanent employees.

#### 6.1.1 **SASKO**

The Sasko division comprises four businesses namely Sasko Grain, Sasko Bakeries and Sasko Pasta, which manufacture high quality grain-based staple foods at a number of wheat mills, maize mills, bakeries, rice and dried vegetable packing plants and a pasta plant, and Sasko Strategic Services. A network of distribution depots supports and enables the countrywide distribution of this basket of products.

##### 6.1.1.1 Sasko Grain

Sasko Grain manufactures a diversified portfolio of grain-based, quality staple foods – wheaten flour, maize meal, rice (long grain parboiled rice and a range of speciality rices are imported), beans, lentils and dried vegetables (procured internationally and locally, and packed into consumer units) that are distributed, marketed and sold to a diverse market.

The operational structure consists of seven wheat and three maize mills, packing plants and distribution depots. The wheat mills are located in Malmesbury, Paarl, Port Elizabeth, Durban, Bethlehem, Krugersdorp and Polokwane. The maize mills are located in Klerksdorp, Estcourt and Aliwal North, while the rice packing plants are located in Cape Town and Durban. Latest flour and maize milling technology combined with innovative research and development has made Sasko Grain a market leader in terms of product quality excellence.

Consumers are reached through all the major channels, being national retail and wholesale, independent channels as well as general trade customers which are serviced through the widespread depot infrastructure.

Sasko Grain brands include *White Star* super maize meal, *Sasko* flour, *Spekko* rice, *Imbo* beans, *Bokomo* flour and *Blue Bird* special maize meal.

##### 6.1.1.2 Sasko Bakeries

Sasko Bakeries is one of the largest role players in the South African bread market, with national distribution and representation through more than 36 000 retail outlets. 18 plant bakeries located in the Western Cape, Gauteng, Free State and Northern Province produce a diverse range of bread products. Distribution of breads is done from these plant bakeries as well as from 26 bread depots. Rolls and buns are produced in three confectionery plants that supply a large portion of the local fast food businesses.

Advanced baking technology (latest pressure vacuum mixers, placing dough moulding technology) and the highest safety standards benchmarks are applied.

The brands of Sasko Bakeries brands include *Duens*, *Sasko Sam*, *Sasko Daybreaker*, *Uncle Salie's* and *Sasko Nature's Harvest*.

#### 6.1.1.3 Sasko Pasta

Sasko Pasta supplies a superior and versatile range of value-added products, using only the finest ingredients and specially formulated recipes to produce top quality pasta products to all market segments.

Pasta is produced at a modern manufacturing plant in Malmesbury and a national distribution network penetrates all the market segments. The plant is one of the most advanced pasta production facilities in South Africa. Stringent quality control and the latest technological methods ensure a world-class standard and high quality product.

Sasko Pasta brands include *Puccini* (flagship brand) and *Pasta Grande*. Sasko Pasta also manufactures the majority of house brands in South Africa.

#### 6.1.1.4 Sasko Strategic Services

Sasko Strategic Services conducts research into grain to ensure that Sasko remains abreast of global advances in such fields as quality, new cultivars and testing methods. Consumer research into market and product trends ensures alignment of new products. It also procures all grain for the Group and provides technical support to all operating units.

### 6.1.2 **Bokomo Foods and S.A.D**

#### 6.1.2.1 Bokomo Foods

Bokomo Foods is a key player in various segments in the food industry, such as breakfast cereals, baking aids and desserts as well as biscuits and has established itself as the market leader in breakfast cereals with products under the umbrella *Bokomo* brand.

The main focus is the breakfast cereals market with the predominant product brands of *Weet-Bix*, *Bokomo Cornflakes* and *ProNutro*. The business includes the *Moir's* range of products which is a leading brand in jelly, instant puddings, cake mixes and baking aids. Products are manufactured in the Western Cape, Gauteng and Durban and are distributed through national distribution centres and agents. Agency representation has been established in Botswana and Namibia. State-of-the-art factories and manufacturing units ensure consistently high quality products associated with this stable of premium brands.

Bokomo Foods (United Kingdom) has established a base for competing in the United Kingdom market for breakfast cereals and other consumable products. It is an established breakfast cereal manufacturer and importer of breakfast-related goods, operating production facilities in Wellingborough and Peterborough.

Breakfast cereal brands include household names such as *Weet-Bix*, *ProNutro*, *Bokomo Oats*, *Bokomo*, *Nature's Source* and *Maltabella*, while the jelly, instant puddings, cake mixes and baking aids fall under the *Moir's* brand. Biscuits are marketed under the *Kwality Biscuits* product range of convenience and snack foods. Other brands include *Meal Magic* spices, *Smash* instant potato, *Maizena* corn flour, *So Fresh* and *Simply Soy* soymilk, and *Up&Go* liquid breakfast.

#### 6.1.2.2 S.A.D

S.A.D is a leading producer of South Africa's dried fruit products and is well-known for its established *Safari* dried fruit range. The product focus also includes ready-to-eat salads under the *Werda* brand, glacé fruit under the *Sugarbird* brand, as well as nuts and dehydrated vegetables.

The cornerstone of S.A.D's business, the *Safari* dried fruit products, has dominated local consumer and industrial markets for over 100 years. Choice grade, handpicked fruit and vegetables are used to manufacture the various products to a range of retail, wholesale industrial and catering clients in the domestic and export market. S.A.D products are manufactured in the Western Cape (*Sugarbird*, *Werda*, *Dried Fruits*), Mpumalanga (*S.A.D Evergreen*) and Pietermaritzburg (*Safari Nuts*).

In 2005 the division expanded into the spreads category with the acquisition of two international premium brands, namely *Marmite* (vegetable yeast spread) and *Bovril* (beef spread). *Pecks Anchovette*, a premium fish spread, *Redro*, a home-grown value-for-money fish spread, as well as *Iona*, a new range of quality meat spreads, were acquired to further the reach of this product category. New products, such as the new *Marmite* cheese spread have also been launched into the market.

Savoury Foods, a recent acquisition, manufactures HVP (HVP is protein obtained from vegetable sources) and yeast-based liquids, pastes, powders and powder blends that act as flavourants which are applied in a wide variety of products including snacks, pies, biscuits, sausages, sauces, biltong, crumbing, stocks and processed meals.

S.A.D exports dried fruit and macadamia nuts to Canada, Europe, United States of America and the Far East, including Japan. The focus is on quality and service and becoming a trusted supplier of a large variety of dried fruit in the world.

S.A.D brands include the following:

- *Safari* (dried fruit range including figs, apples, apricots, peaches, pears, prunes and mixed fruit, raisins, sultanas and cake mix);
- *Safari Snack Pack* products and snack range;
- *Safari Nuts*;
- *Safari Fruit Toppings*;
- *Safari Breakfast Booster*;
- *Werda* (vacuum-packed, ready-to-eat salads);
- *Evergreen* (range of dehydrated vegetables as a flavour ingredient);
- *Sugarbird* (glacé and bottled fruit, spreads and jams, glazed cherries, cake mixes and peels);
- *Marmite*;
- *Bovril*;
- *Redro*; and
- *Pecks Anchovette*.

### 6.1.3 **The Ceres Beverage Company**

The Ceres Beverage Company focuses on three separate categories within the beverage sector, namely fruit juices, fruit concentrate mixtures, and carbonated soft drinks manufactured in Ceres, Bloemfontein, Durban and Johannesburg.

The Ceres Beverage Company is South Africa's leading fruit juice company and was established with the merger of Liqui-Fruit and Fruitree in 1986. The brands are of high quality and are aimed at the premium end of the market, offering added value with both basic flavours and exotic blends. The brand portfolio has captured over 50% of the market share in South Africa.

This division is a consumer oriented business, operating at world class standards across all operations, with dedication to unique products and brands. Apart from being a premium brand locally, the company successfully exports its products to more than a 100 countries in Africa, Europe, the Far East, Middle East, Asia and North America. The brands are packed for exports in a variety of international label permutations, if volumes justify, to suit language and legal requirements in most foreign countries.

The juice range comprises:

- 100% pure fruit juices with no preservatives and colourants (Ceres and Liqui-Fruit);
- juice nectars ranging between more than 20%, but less than 100% pure fruit juice; and
- fruit drinks that are minimum 6% fruit juice.

Tetra Brik aseptic cartons as well as other packaging types (cans, glass bottles and casks) are used to pack the fruit juices.

The division also manufactures, sells, markets and distributes a range of PepsiCo, Inc's carbonated soft drink brands including *Pepsi*, *7-Up*, *Mirinda* and *Mountain Dew* under a franchise agreement.

The Ceres Beverage Company brands include the following:

- *Ceres* fruit juices;
- *Ceres Plus* fruit and vegetable juice;
- *Ceres Sparkling*;
- *Ceres Select*;
- *Ceres Fruit Tea*;
- *Ceres Organics*;
- *Ceres Plus*;
- *Junior Juice*;
- *Liqui-Fruit* fruit juices;
- *Liqui-Fruit Barney*;
- *Liqui-Cooler*;
- *Fruitree* fruit nectar juice;
- *Fruitree Jabba*;
- *Super Fruit*;
- *Caribbean*;
- *Daly's* juice nectars and fruit drinks;
- *Wild Island* juice nectars and fruit drinks;
- *Jungle Yum*;
- *Pepsi*;
- *Pepsi Light*;
- *Pepsi Max*;
- *7-Up*;
- *Mirinda*; and
- *Mountain Dew*.

#### 6.1.4 **AGRI Business**

This division consists of three integrated business units that produce eggs (Nulaid), chicken products (Tydstroom) and animal feed (Nova Feeds).

##### 6.1.4.1 Nulaid

Nulaid is South Africa's largest integrated commercial egg enterprise with facilities for rearing laying hens, several laying farms as well as state-of-the-art egg packaging and processing facilities. Eggs are distributed nationally in the retail, wholesale and informal markets under the *Nulaid* brand.

##### 6.1.4.2 Tydstroom

Tydstroom is one of the largest integrated chicken production operations in South Africa, producing, processing and marketing a variety of high quality frozen and fresh chicken meat products to major retail supermarkets. Both regular and free range products are produced in a variety of product packages such as whole chicken, braai packs, chicken rashers, kebabs, etc.

The abattoir facilities consist of two world-class chicken processing facilities and a rendering plant. All products are of a high and consistent quality, safe and traceable, with external audits of the facilities conducted regularly in order to ensure that safety and health standards are in line with national and international standards. The poultry farms have been awarded HACCP accreditation, which gives them ultimate credibility in the field of food safety by internationally accepted standards.

#### 6.1.4.3 Nova Feeds

Nova Feeds manufactures a variety of animal feed solutions for intensive commercial livestock farmers producing dairy, poultry, ostrich and other related products from facilities in Malmesbury, George and Pretoria.

The feed manufacturing process is monitored and benchmarked against international standards to ensure the production of highest quality products. Feeds are all thoroughly researched and tested on a commercial scale before a new product is released to the market. The full support of the Technical Advisors team is made available to customers.

#### 6.1.4.4 The Lohmann partnership

Through a 50% partnership with Lohmann South Africa, the Group gains access to imports of superior pedigree grandparent stock from Germany for the reproduction of parent stock that produces commercial layer hens reared for the production of table eggs.

### 6.1.5 **Africa**

The Group currently has operations in Zambia, Uganda, Namibia and Botswana.

#### 6.1.5.1 Bokomo Zambia

Bokomo Zambia produces and distributes broilers, day-old layers and commercial eggs to other African countries. It consists of a breeding and rearing poultry farm for day-old pullets, broilers and layers, and five maize silos enabling the unit to manufacture its own feed.

#### 6.1.5.2 Bokomo Namibia

Bokomo Namibia is based in Windhoek and focuses on egg production as well as the production of wheaten flour and maize meal and distributes a wide range of the Group's products in the region. It operates a layer unit and a wheat and maize mill. A 50% equity stake has been sold to Frans Indongo Trust, a Namibian business.

#### 6.1.5.3 Bokomo Uganda

Bokomo Uganda has a breeding and rearing poultry farm producing day-old broiler and layer chicks.

#### 6.1.5.4 Bokomo Botswana

Bokomo Botswana is a partnership with an established local business, P.F. Brink, and consists of an egg production and sales operation, as well as facilities for the production and selling of wheaten flour and maize meal.

### 6.1.6 **Joint ventures with international partners**

#### 6.1.6.1 Heinz Foods SA (49.9%)

Heinz Foods SA is located in Wellington and Atlantis (Western Cape) and combines HJ Heinz's international portfolio of brands and its strength in technology with the marketing and trading know-how of Pioneer Foods. HJ Heinz is a global U.S.-based food company, with a portfolio of powerful brands holding number-one and number-two market positions in more than 50 countries. HJ Heinz's flagship products are produced in South Africa including ketchup, baked beans and soups. The range of chutneys and sauces under the *Wellington's* brand augments the condiments range.

Heinz Foods SA markets products under various brand names. The *John West* range of mainly canned seafood products is the leading branded product in the South African market in its category. The frozen, prepared meal market is targeted with the well-known *Today* and *Mama's* ranges of meals, pies and pastry.

#### 6.1.6.2 Bowman Ingredients SA (50%)

Bowman Ingredients SA is a joint venture between J.A.S. Bowman & Sons from the United Kingdom and the Operating Company. It is located in Cape Town and Paarl and is a dedicated food ingredients company servicing the needs of South Africa's large food producers.

Its production facilities produce rusks, batters, breadcrumbs and speciality flours. Although drawing extensively on European food coatings expertise, many of the products are tailored by technical teams to meet the exact requirements of South African customers.

## 6.2 **Prospects**

Pioneer Food Group's performance in the short to medium term will be significantly influenced by the direction of world grain prices. Major influences that will affect local grain prices will be:

- growing international demand for grains;
- stability of world weather patterns;
- exchange rate of the Rand against major currencies;
- volumes of local grain production.

Pioneer Foods expects rising input costs, driven by higher agriculture and oil related commodity prices, to further fuel food price inflation. Combined with the effect of increasing interest rates Pioneer Foods expects further strain to be placed on consumer expenditure and the affordability of food. Whilst the defensive characteristics of Pioneer Food Group's food and beverage brands are well known, it seems likely that the rate of growth in sales for the remainder of Pioneer Foods' 2008 financial year will slow, especially if further price increases become necessary to recover rising input costs and maintain gross margins. The delicate balance between a profit margin that will ensure long-term sustainability as a business and affordable food prices is a continuous challenge and responsibility.

It is the opinion of the Directors that it is likely that trading conditions in the short term will be more difficult than those experienced during the 2007 financial year and that the Group will do well to achieve real growth in operating income for the full year ending 30 September 2008, however the Directors remain confident that Pioneer Food Group's strong portfolio of branded and non-branded products will sustain earnings growth over the medium to long term.

## 6.3 **Share trading history**

The over-the-counter share trading history of Pioneer Foods up to 31 March 2008 is set out in Annexure 7 of this rights offer circular.



## 6.4 Directors and senior management

The full names, functions, date of appointment, ages, nationalities, business addresses, qualifications and experience of the Directors are set out in the table below:

### 6.4.1 Directors

#### **Willem Adriaan Agenbach**

Position:	Non-executive director Member of Audit and Risk Committees
Appointed:	24 March 1994
Age:	59
Nationality:	South African
Business address:	Houtbaai PO Box 309 Caledon, 7230
Qualifications:	M.Sc
Experience:	Mr Agenbach served on the Board of Southern Associated Maltsters from 1994 to 2005. He also served on the Board of Sasko from 1994 to 1997. He is currently the chairman of Overberg Agri, farms in the Overberg area and is a director of companies.

#### **Albertus Willem Bester**

Position:	Non-executive director
Appointed:	22 February 2008
Age:	64
Nationality:	South African
Business address:	PO Box 30 Moorreesburg, 7310
Qualifications:	Matric
Experience:	Mr Bester has been farming in the Moorreesburg area since 1965. He has served on various managerial boards of public organisations and is currently also serving on the Board of Moorreesburgse Koringboere.

#### **Hendrik Emmanuel (Boy) Blanckenberg**

Position:	Independent non-executive director Chairman of the Board Chairman of Nomination Committee Member of Human Resources Committee
Appointed:	20 June 1997
Age:	60
Nationality:	South African
Business address:	Klipheuwel Farm PO Box 28 Klipheuwel, 7303
Qualifications:	B A Trade, Agricultural Diploma, Elsenburg
Experience:	Mr Blanckenberg has been farming in the Klipheuwel area since 1970. He has served as board member and chairman of various organisations in the dairy industry. He is currently a director of companies and is the chairman of the Board of Pioneer Foods.

### **Tertius Alwyn Carstens**

Position: Executive director  
Responsible for Sasko Grain, Sasko Bakeries and Sasko Pasta

Appointed: 23 May 2007

Age: 45

Nationality: South African

Business address: 32 Market Street  
Paarl, 7646

Qualifications: B Eng, MBA

Experience: Member of executive management of Pioneer Foods.  
13 years experience within the Group, both pre and post merger in managerial and executive capacities.

### **Leon Roché Cronjé**

Position: Financial Director

Appointed: 28 April 1999

Age: 51

Nationality: South African

Business address: 32 Market Street  
Paarl, 7646

Qualifications: CA (SA)

Experience: Member of executive management of Sasko and Pioneer Foods.  
Joined the Group in 1987 as Sasko General Manager: Finance before the merger and appointed in the same role for Pioneer Foods before becoming Financial Director in 1999.  
Group Financial Manager at Boland Bank 1982 – 1987.

### **George Douglas Eksteen**

Position: Non-executive director  
Member of Nomination and Human Resources Committees

Appointed: 22 February 2002

Age: 66

Nationality: South African

Business address: Droëvlei  
PO Box 500  
Malmesbury, 7299

Qualifications: Matric

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.

**Johannes Nicolaas Hamman**

Position: Non-executive director  
Chairman of Audit and Risk Committee

Appointed: 28 April 1999

Age: 66

Nationality: South African

Business address: Wenakker Group  
12C Hoop Street  
Hermanus, 7200

Qualifications: BA LLB

Experience: After he was admitted to the Bar as advocate in 1965, Mr Hamman worked at various organisations as legal advisor. In 1970 he was one of the four founders of Finansbank and was Managing Director until 1980. In 1980 he joined Federated Insurance Group and became Chief Executive Officer of the Fedsure Group in 1986. He joined Finansbank again in 1989 as Managing Director and retired in 1992 whereafter he attended to his own business affairs and is currently a director of various companies.

**Wouter André Hanekom**

Position: Managing Director

Appointed: 1 January 1999

Age: 49

Nationality: South African

Business address: 32 Market Street  
Paarl, 7646

Qualifications: CA (SA)

Experience: Joined the group with Bokomo Breakfast Cereals and in 1994 he was appointed Chief Executive Officer of Bokomo.  
After the merger, André was the Executive: Sasko Milling & Baking before being appointed as Chief Executive Officer of the Group in 1999.

**Jacobus Adriaan (Nols) Louw**

Position: Independent non-executive director  
Vice-chairman of the Board  
Chairman of Human Resources Committee

Appointed: 28 April 1999

Age: 64

Nationality: South African

Business address: PO Box 1770  
Somerset West, 7129

Qualifications: B.Sc Hons; B (B + A) (Hons)

Experience: Mr Louw served as executive director of Malbak from 1969 to 1985. In 1986 he became Managing Director of Pepcor and became vice-chairman of Pepcor in 1992. Mr Louw became chairman of Pep Limited in 1996, a position he held until 1997. Currently Mr Louw has various farming operations and is a director of companies, *inter alia*, of Shoprite Holdings Limited.

**Nonhlanhla Sylvia Mjoli-Mncube**

Position: Independent non-executive director  
Member of Nomination Committee

Appointed: 25 November 2004

Age: 49

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 Programme (Harvard USA); Cert in Techn. Man. (Warwick)

Experience: Ms Mnjoli-Mncube held various positions at the Social and Economic Science Research Centre at the Washington State University, Pullman, USA. From 1993 to 1995 she was executive director of Bernhardt Dunstan and Associates, a wholly-owned subsidiary of Murray and Roberts. From 1995 to 2003 she was executive director of the National Urban Reconstruction and Housing Agency. Currently she is a director of companies and is the Economic Advisor to the Deputy President of South Africa.

**Andile Hesperus Sangqu**

Position: Independent non-executive director  
Member of Audit and Risk Committee

Appointed: 24 February 2006

Age: 41

Nationality: South African

Business address: Kagiso Trust Investments (Proprietary) Limited  
PO Box 55276  
Northlands, 2115

Qualifications: B Com (Acc); B Compt Hons; CTA; Higher Dipl Tax MBL

Experience: After having completed his articles with PricewaterhouseCoopers (formerly Coopers & Lybrand), Mr Sangqu spent fourteen years in various financial management positions. He is currently the Group Executive Director at Kagiso Trust Investments and serves on various boards of companies.

**Amanda Cecilia Singleton**

Position: Independent non-executive director  
Member of Audit and Risk Committee

Appointed: 24 February 2006

Age: 45

Nationality: South African

Business address: PO Box 148  
Vredenburg, 7380

Qualifications: BA Communication; Cert in Management Development; Cert in Strategic Leadership

Experience: 23 years in strategic organisational communication with specific focus on culture change and reputational management.

**Dr Franklin Abraham Sonn**

Position: Independent non-executive director  
Member of Human Resources Committee

Appointed: 28 April 1999

Age: 68

Nationality: South African

Business address: Imalivest (Proprietary) Limited  
1st Floor, 17 Termo Avenue, Technopark  
Stellenbosch, 7600

Qualifications: BA (Hn) Teacher's Diploma; FIAC/LLD (h.c.); Dr Humane Letters (h.c.); Dr Laws (h.c.); Dr Educ (h.c.); Hon Doct Humanities; Dr Humanities

Experience: Mr Sonn held, *inter alia*, the following positions:  
Deputy President: Chamber of Commerce and Industry of South Africa; President: Afrikaanse Handelsinstituut; Chairman and Trustee of Impumelelo Innovations Awards Trust; Trustee of the Legal Resources Trust; Executive in Residence at the University of Cape Town Graduate School of Business; Chancellor of the University of the Free State; Trustee of the Nelson Mandela Foundation; Ambassador to the United States of America.  
Currently he serves on the boards of various companies.

**Dr Mohammed Iqbal Survé**

Position: Independent non-executive director  
Member of Human Resources Committee

Appointed: 25 November 2004

Age: 45

Nationality: South African

Business address: Sekunjalo Investments (Proprietary) Limited  
PO Box 31344  
Tokai, 7966

Qualifications: MBChB; B.Sc (Med) (Hons) Sports Medicine; Fellow of American College of Sports Medicine; Senior Executive Programme (Harvard/Wits); MBA (UCT).

Experience: Prior to founding the Sekunjalo Group in 1997, Dr Survé was a practicing medical doctor and sports medicine specialist. He has been appointed to numerous government advisory boards and institutions. 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 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.

### **Martin Tertius Swanepoel**

Position: Executive director  
Responsible for Marketing

Appointed: 20 February 2003

Age: 53

Nationality: South African

Business address: 32 Market Street  
Paarl, 7646

Qualifications: B Econ

Experience: Member of executive management of Bokomo and Pioneer Foods since 1997.  
General Manager: Bokomo Cereals 1992 – 1996.  
Assistant Manager: Bokomo Cereals 1989 – 1992.

### **Jacobus Hendrik (Kosie) van Niekerk**

Position: Non-executive director  
Member of Nomination Committee

Appointed: 24 February 2006

Age: 51

Nationality: South African

Business address: PO Box 71  
Porterville, 6810

Qualifications: Pilot South African Air Force

Experience: After serving as a pilot in the South African Air Force, Mr Van Niekerk started farming in 1980 and has extended the business to seven farms. He has served on various boards of companies and is currently serving, *inter alia*, on the Board of Kaap Agri.

Details of other directorships held by the Directors are set out in Annexure 5 to this pre-listing statement.

#### 6.4.2 **Senior management**

The full names, functions, date of appointment, ages, nationalities, business addresses, qualifications and experience of the Pioneer Foods senior management are set out below:

##### **Tertius Alwyn Carstens**

Position: Executive: Sasko Grain, Sasko Bakeries and Sasko Pasta

Appointed: 1995 (year of joining the Group)

Age: 45

Nationality: South African

Business address: 32 Market Street  
Paarl, 7646

Qualifications: B Eng, MBA

Experience: Member of executive management of Pioneer Foods.  
13 years experience within the Group, both pre and post merger in managerial and executive capacities.

##### **Leon Roché Cronjé**

Position: Financial Director

Appointed: 1997 (year of joining the Group)

Age: 51

Nationality: South African

Business address: 32 Market Street  
Paarl, 7646

Qualifications: CA (SA)

Experience: Member of executive management of Sasko and Pioneer Foods.  
Joined the Group in 1987 as Sasko General Manager: Finance before the merger and appointed in the same role for Pioneer Foods before becoming Financial Director in 1999.  
Group Financial Manager at Boland Bank 1982 – 1987.

##### **Patrick Mkuseli Dlikilili**

Position: Executive: Human resources

Appointed: 2003

Age: 43

Nationality: South African

Business address: 32 Market Street  
Paarl, 7646

Qualifications: BAdmin (Hons) MA

Experience: Held various positions in Human Resources; Member of executive management of Pioneer Foods since 2003.

**Willem Pieter Hanekom**

Position: Executive: The Ceres Beverage Company  
Appointed: 1993  
Age: 43  
Nationality: South African  
Business address: 32 Market Street  
Paarl, 7646  
Qualifications: CA (SA)  
Experience: Member of executive management of Pioneer Foods.  
Joined the Group from Distillers Corporation in 1993 as Financial Manager at Bokomo. He has since fulfilled numerous managerial roles in the packaging and Agri businesses before being appointed Chief Executive Officer of The Ceres Beverage Company in 2000.

**Wouter André Hanekom**

Position: Managing Director  
Appointed: 1988 (year of joining the Group)  
Age: 49  
Nationality: South African  
Business address: 32 Market Street  
Paarl, 7646  
Qualifications: CA (SA)  
Experience: Joined the Group with Bokomo Breakfast Cereals and in 1994 he was appointed Chief Executive Officer of Bokomo.  
After the merger, André was the Executive: Sasko Milling & Baking before being appointed as Chief Executive Officer of the Group in 1999.

**Felix Lombard**

Position: Executive: Bokomo Foods and SAD  
Appointed: 1995  
Age: 39  
Nationality: South African  
Business address: 32 Market Street  
Paarl, 7646  
Qualifications: CA (SA), M Com (Tax)  
Experience: Member of executive management of Pioneer Foods since 2000.  
Financial Manager, Sasko Maize Mills 1999 – 2000.  
Head of Information Systems, Bokomo and Pioneer Foods post-merger 1995 – 1999.

**Hendrik Albertus Lourens**

Position: Executive: Agri  
Appointed: 1996  
Age: 44  
Nationality: South African  
Business address: 32 Market Street  
Paarl, 7646



Qualifications: B Com (Hons), M Com, B Proc  
Experience: Held various positions in Human Resources. General Manager of Sasko Grain since 2005. Member of executive management of Pioneer Foods since 2007.

**Thiroshnee Naidoo**

Position: Executive: Corporate Strategy  
Appointed: 2003  
Age: 34  
Nationality: South African  
Business address: 32 Market Street  
Paarl, 7646  
Qualifications: B Proc; Diploma in Financial Management; Executive Development Programme; International Trade Law and Economics Programme (Bern, Switzerland)  
Experience: Executive Legal and Company Secretary of Ceres Fruit Juices; Member of executive management of Pioneer Foods since January 2007.

**Petrus Jacobus Stofberg**

Position: Executive: Company Secretary and Legal Services  
Appointed: 1981  
Age: 54  
Nationality: South African  
Business address: 32 Market Street  
Paarl, 7646  
Qualifications: BA, LLB  
Experience: Member of executive management of Sasko from 1993 to 1997. Member of executive management of Pioneer Foods since 2003.

**Martin Tertius Swanepoel**

Position: Executive: Marketing  
Appointed: 1989 (year of joining the Group)  
Age: 53  
Nationality: South African  
Business address: 32 Market Street  
Paarl, 7646  
Qualifications: B Econ  
Experience: Member of executive management of Bokomo and Pioneer Foods since 1997.  
General Manager: Bokomo Cereals 1992 – 1996.  
Assistant Manager: Bokomo Cereals 1989 – 1992.

**6.5 Directors' emoluments**

There will be no variation in the remuneration receivable by any of the Directors as a consequence of this rights offer.

**6.6 Directors' interests**

**6.6.1 Directors' interests in securities**

The direct beneficial and indirect beneficial holdings of the Directors in the issued ordinary share capital (excluding treasury shares) of Pioneer Foods at the last practicable date are as follows:

<b>Directors</b>	<b>Direct beneficial</b>	<b>Indirect beneficial</b>	<b>Total</b>	<b>Percentage of issued ordinary share capital</b>
W A Agenbach **	20 000	–	20 000	0.01%
A W Bester **	–	–	–	–
H E Blanckenberg ***	153 014	226 595	379 609	0.21%
T A Carstens *	100 999	–	100 999	0.06%
L R Cronjé *	345 000	55 000	400 000	0.22%
G D Eksteen **	–	520 416	520 416	0.29%
J N Hamman **	–	300 000	300 000	0.17%
W A Hanekom *	524 999	423 842	948 841	0.52%
J A Louw ***	–	60 000	60 000	0.03%
N S Mjoli-Mncube ***	–	–	–	–
A H Sangqu ***	–	–	–	–
A C Singleton ***	–	–	–	–
F A Sonn ***	–	31 700	31 700	0.02%
M I Survé ***	–	–	–	–
M T Swanepoel *	230 000	–	230 000	0.13%
J H van Niekerk **	–	–	–	–

\* denotes executive directors

\*\* denotes non-executive directors

\*\*\* denotes independent non-executive directors

The direct beneficial and indirect beneficial holdings of the Directors in the issued ordinary share capital (excluding treasury shares) of Pioneer Foods subsequent to the rights offer are set out in the table below, based on the assumption that the Directors take up their full entitlement in terms of the rights offer:

<b>Directors</b>	<b>Direct beneficial</b>	<b>Indirect beneficial</b>	<b>Total</b>	<b>Percentage of issued ordinary share capital</b>
W A Agenbach **	22 057	–	22 057	0.01%
A W Bester **	–	–	–	–
H E Blanckenberg ***	188 748	249 895	419 642	0.21%
T A Carstens *	111 384	–	111 384	0.06%
L R Cronjé *	380 475	60 655	441 130	0.22%
G D Eksteen **	–	573 928	573 928	0.29%
J N Hamman **	–	330 848	330 848	0.17%
W A Hanekom *	578 982	467 424	1 046 406	0.52%
J A Louw ***	–	66 170	66 170	0.03%
N S Mjoli-Mncube ***	–	–	–	–
A H Sangqu ***	–	–	–	–
A C Singleton ***	–	–	–	–
F A Sonn ***	–	34 960	34 960	0.02%
M I Survé ***	–	–	–	–
M T Swanepoel *	253 650	–	253 650	0.13%
J H van Niekerk **	–	–	–	–

\* denotes executive directors

\*\* denotes non-executive directors

\*\*\* denotes independent non-executive directors

There will be no change in the Directors' shareholdings in Pioneer Foods as a result of the rights issue, other than in terms of the rights offer.

Details of the individual share options held by the Directors on the last practicable date are set out below:

Directors	Number of options	Date awarded	Strike price (cents)	Strike date	Options exercised	Options redeemed	Options outstanding
T A Carstens	374 500	2004/05/27	865	2005/05/27	374 500	–	374 500
	66 300	2004/12/24	1 405	2005/12/24	–	–	66 300
	30 492	2006/01/25	2 186	2007/01/25	–	–	30 492
	22 677	2007/02/12	3 142	2008/02/12	–	–	22 677
L R Cronjé	275 900	2004/05/27	865	2005/05/27	367 900	92 000	275 900
	43 950	2004/12/24	1 405	2005/12/24	–	–	43 950
	32 716	2006/01/25	2 186	2007/01/25	–	–	32 716
	21 006	2007/02/12	3 142	2008/02/12	–	–	21 006
W A Hanekom	662 500	2004/05/27	865	2005/05/27	722 500	60 000	662 500
	73 550	2004/12/24	1 405	2005/12/24	–	–	73 550
	78 545	2006/01/25	2 186	2007/01/25	–	–	78 545
	47 740	2007/02/12	3 142	2008/02/12	–	–	47 740
M T Swanepoel	279 500	2004/05/27	865	2005/05/27	374 500	95 000	279 500
	44 600	2004/12/24	1 405	2005/12/24	–	–	44 600
	29 686	2006/01/25	2 186	2007/01/25	–	–	29 686
	21 006	2007/02/12	3 142	2008/02/12	–	–	21 006

#### 6.6.2 Directors' interests in transactions

The following Directors have the following interests in transactions:

##### **Dr M I Survé**

The Operating Company entered into an agreement with Premier Fishing in terms of which it acquired the business of Premier Fishing as a going concern with effect from 29 August 2005. For the purposes of the agreement, "business" is defined as "the business of manufacturing, selling and marketing of fish and meat spread products by Premier Fishing from the premises".

Sekunjalo Investments Limited holds approximately 80% of the issued share capital of Premier Fishing. Dr M I Survé in turn holds 2 000 000 A ordinary shares in Sekunjalo Investments Limited and through the Haras Trust, holds 50 600 225 non-beneficial B ordinary shares and 2 500 beneficial B ordinary shares.

With effect from 29 August 2005, the Operating Company entered into a service agreement with Premier Fishing in terms of which, *inter alia*, Premier Fishing will produce package and store certain fish and meat spreads for the Operating Company. The service agreement which came into operation on 29 August 2005 will endure for an indefinite period subject to 12 months' written termination notice by any of the parties.

In the absence of breach by Premier Fishing, should the agreement be terminated for any reason, the Operating Company will be obliged to make payment to Premier Fishing an amount of R6 million.

Besides the abovementioned case, no Director has or had any material beneficial interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

#### 6.7 Corporate Governance

Pioneer Foods is committed to the principles of openness, integrity and accountability in its dealings with all stakeholders and supports the Code of Corporate Practices and Conduct as recommended by the King II Report on Corporate Governance.

Extracts of the corporate governance policies adopted by Pioneer Foods are set out in Annexure 6 to this circular.

## 6.8 Share capital

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

<b>Before the rights offer</b>	<b>R'000</b>
<i>Authorised share capital</i>	
400 000 000 ordinary shares of 10 cents each	40 000
18 130 000 Class A Ordinary Shares of 10 cents each	1 813
<i>Issued share capital – ordinary shares</i>	
181 183 898 ordinary shares of 10 cents each	18 118
Treasury shares held by share incentive trusts	(845)
Treasury shares held by subsidiary	(1 798)
<i>Issued share capital – Class A Ordinary Shares</i>	
13 504 680 Class A Ordinary Shares of 10 cents each	1 350
Shares held by BEE Trust	(1 350)
Share premium – ordinary shares	733 042
Share premium – treasury shares held by share incentive trusts	(84 214)
Share premium – treasury shares held by subsidiary	(161 315)
<b>Total</b>	<b>502 988</b>
<hr/>	
<b>After the rights offer</b>	<b>R'000</b>
<i>Authorised share capital</i>	
400 000 000 ordinary shares of 10 cents each	40 000
18 130 000 Class A Ordinary Shares of 10 cents each	1 813
<i>Issued share capital – ordinary shares</i>	
201 183 898 ordinary shares of 10 cents each	20 118
Treasury shares held by share incentive trusts	(845)
Treasury shares held by subsidiary	(1 798)
<i>Issued share capital – Class A Ordinary Shares</i>	
13 504 680 Class A Ordinary Shares of 10 cents each	1 350
Shares held by BEE Trust	(1 350)
Share premium – ordinary shares	1 215 009
Share premium – treasury shares held by share incentive trusts	(84 214)
Share premium – treasury shares held by subsidiary	(161 315)
<b>Total</b>	<b>986 955</b>

## 6.9 Litigation statement

Pursuant to an investigation conducted by the Competition Commission into the bread market in the Western Cape, it referred a complaint to the Competition Tribunal under section 51 of the Competition Act of 1998 on the basis of a prohibited restrictive practice under the Competition Act allegedly involving, *inter alia*, Pioneer Foods and its competitor Tiger Brands Limited. Pioneer Foods has opposed the complaint referral and the relief sought on several grounds. No date for the hearing has been determined as yet. Should Pioneer Foods ultimately not be successful in its defences against the complaint, an administrative penalty may be imposed in terms of section 59 of the Competition Act. The amount of the administrative penalty would be determined by taking into account the factors listed in section 59(3) of the Competition Act, but may not exceed 10% of the annual turnover of Pioneer Foods in its preceding financial year.

Besides the abovementioned Competition Commission investigation, no legal or arbitration proceedings have been instituted that may have or have had in the last 12 months, a material effect on Pioneer Food's financial position nor is Pioneer Foods aware of any such proceedings that are pending or threatened. It must be mentioned however, that the Competition Commission indicated that further complaint referrals will be made involving Pioneer Foods for alleged restrictive practices in the national bread, wheat milling and maize milling markets. None of these complaint referrals have been received as yet.

## 7. **RESPONSIBILITY STATEMENT**

The current directors of Pioneer Foods, whose names appear in paragraph 6.4.1 above, collectively and individually, accept full responsibility for the accuracy of the information given in this circular, and certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular false or misleading, and that they have made all reasonable enquiries to ascertain such facts and that this circular contains all information required by law and the Listings Requirements.

## 8. **CONSENTS**

Each of the advisors whose names appear on the inside front cover of this circular have consented and have not, prior to the last practicable date, withdrawn their written consent to the inclusion of their names and, where applicable, reports in the form and context in which they appear in this circular.

## 9. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the South African registered office of Pioneer Foods and Standard Bank during normal business hours (excluding Saturdays, Sundays and public holidays) from the date of issue of this circular up to and including Friday, 13 June 2008:

- the memorandum and articles of association of Pioneer Foods and each of its subsidiaries;
- the annual financial statements of Pioneer Foods for the three financial years ended 30 September 2007;
- a copy of the standard Directors' service agreement;
- copies of employment termination agreements;
- the *pro forma* income statement and balance sheet of Pioneer Foods;
- the signed independent reporting accountants' report on the *pro forma* financial information of Pioneer Foods;
- the latest sworn appraisals or valuations relative to movable and immovable property and items of a similar nature;
- the underwriting agreement;
- written consents of the underwriter, investment bank and transaction sponsor, independent sponsor, legal advisors, independent reporting accountants and auditors and transfer secretaries to the inclusion of their names in this circular in the context and form in which they appear; and
- a signed copy of this circular and the form of instruction.

## **SIGNED IN PAARL ON BEHALF OF THE BOARD OF DIRECTORS OF PIONEER FOODS**

**W A Hanekom**

*Managing Director*

21 April 2008

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**TABLE OF ENTITLEMENT**


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The number of rights offer shares to which qualifying shareholders will be entitled is set out below, based on the assumption that Pioneer Foods shareholders will be entitled to 10.28251 rights offer shares for every 100 Pioneer Foods shares held. Shareholders' entitlements will be rounded up or down, as appropriate with fractions of 0.5 and above being rounded up, and only whole numbers of rights offer shares will be issued, in accordance with the Listings Requirements.

<b>Number of Pioneer Foods shares held</b>	<b>Number of rights offer shares to which a Pioneer Foods shareholder is entitled</b>	<b>Number of Pioneer Foods shares held</b>	<b>Number of rights offer shares to which a Pioneer Foods shareholder is entitled</b>	<b>Number of Pioneer Foods shares held</b>	<b>Number of rights offer shares to which a Pioneer Foods shareholder is entitled</b>
1	–	35	4	69	7
2	–	36	4	70	7
3	–	37	4	71	7
4	–	38	4	72	7
5	1	39	4	73	8
6	1	40	4	74	8
7	1	41	4	75	8
8	1	42	4	76	8
9	1	43	4	77	8
10	1	44	5	78	8
11	1	45	5	79	8
12	1	46	5	80	8
13	1	47	5	81	8
14	1	48	5	82	8
15	2	49	5	83	9
16	2	50	5	84	9
17	2	51	5	85	9
18	2	52	5	86	9
19	2	53	5	87	9
20	2	54	6	88	9
21	2	55	6	89	9
22	2	56	6	90	9
23	2	57	6	91	9
24	2	58	6	92	9
25	3	59	6	93	10
26	3	60	6	94	10
27	3	61	6	95	10
28	3	62	6	96	10
29	3	63	6	97	10
30	3	64	7	98	10
31	3	65	7	99	10
32	3	66	7	100	10
33	3	67	7		
34	3	68	7		

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## INFORMATION ON THE UNDERWRITER

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The proposed rights offer has been partially underwritten by Zeder. Details pertaining to the underwriter as required by the Listings Requirements are set out below:

### 1. NATURE OF BUSINESS

Zeder is an investment holding company with investments in the agricultural, food and beverage sectors.

### 2. DIRECTORS

*Executive*

Antonie Jacobs (*Chief Executive Officer*)

*Non-executive*

Jannie Mouton (*Chairman*)

Chris Otto

Michiel le Roux

Lambert Retief

### 3. COMPANY SECRETARY

PSG Corporate Services (Proprietary) Limited

### 4. DATE AND PLACE OF INCORPORATION

2006

Pretoria, South Africa

### 5. REGISTRATION NUMBER

Registration number 2006/019240/06

### 6. REGISTERED OFFICE

35 Kerk Street

Stellenbosch

7600

### 7. AUDITORS

PricewaterhouseCoopers Inc.

### 8. BANKERS

First National Bank Limited

### 9. AUTHORISED SHARE CAPITAL

1 500 000 000 ordinary shares of 1 cent each

250 000 000 cumulative, non-redeemable, non-participating preference shares of 1 cent each

### 10. ISSUED SHARE CAPITAL

605 057 207 ordinary shares of 1 cent each

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## EXCHANGE CONTROL REGULATIONS

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The following summary is intended only as a guide and is, therefore, not comprehensive. If shareholders are in any doubt as to the appropriate course of action they are advised to consult their professional advisor.

Pursuant to the Exchange Control Regulations of South Africa and upon specific approval of the South African Reserve Bank, non-residents, excluding former residents, of the Common Monetary Area will be allowed to:

- take up rights allocated to them in terms of the rights offer;
- purchase letters of allocation on the JSE; and
- subscribe for the rights offer shares arising in respect of the letters of allocation purchased on the JSE provided payment is received either through normal banking channels from abroad or from a non-resident account.

All applications by non-residents for the above purposes must be made through an authorised dealer in foreign exchange. Electronic statements issued in terms of Strate and any share certificates issued pursuant to such applications will be endorsed “non-resident”.

Where a right in terms of the rights offer becomes due to a former resident of the Common Monetary Area, which right is based on shares blocked in terms of the Exchange Control Regulations of South Africa, then only emigrant blocked funds may be used to:

- take up the rights allocated to them in terms of the offer;
- purchase letters of allocation on the JSE; and
- subscribe for the rights offer shares arising in respect of the letters of allocation purchased on the JSE.

All applications by emigrants using blocked funds for the above purposes must be made through the authorised dealer in South Africa controlling their blocked assets. Share certificates issued to such emigrants will be endorsed “non-resident” and placed under the control of the authorised dealer in foreign exchange through whom the payment was made. The proceeds due to emigrants from the sale of the letters of allocation, if applicable, will be returned to the authorised dealer in foreign exchange for credit to such emigrants’ blocked accounts. Electronic statements issued in terms of Strate and any rights offer share certificates issued pursuant to blocked Rand transactions will be endorsed “non-resident” and placed under the control of the authorised dealer through whom the payment was made. The proceeds arising from the sale of letters of allocation or arising from the sale of blocked shares will be credited to the blocked accounts of the emigrants concerned.

Any qualifying shareholder resident outside the Common Monetary Area who receives this circular and form of instruction should obtain advice as to whether any governmental and/or other legal consent is required and/or any other formality must be observed to enable a subscription to be made in terms of such form of instruction.

New share certificates issued pursuant to the rights offer to an emigrant will be endorsed “non-resident” and forwarded to the address of the relevant authorised dealer controlling such emigrant’s blocked assets for control in terms of the Exchange Control Regulations of South Africa. Where the emigrant’s shares are in dematerialised form with a CSDP or broker, the electronic statement issued in terms of Strate will be despatched by the CSDP or broker to the address of the emigrant in the records of the CSDP or broker.

The rights offer does not constitute an offer in any jurisdiction in which it is illegal to make such an offer and this circular and form of instruction should not be forwarded or transmitted by you to any person in any territory other than where it is lawful to make such an offer.

The offer shares have not been and will not be registered under the Securities Act of the United States of America. Accordingly, the rights offer shares may not be offered, sold, resold, delivered or transferred, directly or indirectly, in or into the United States or to, or for the account or benefit of, United States persons, except pursuant to exemptions from the Securities Act. This circular and the accompanying documents are not being, and must not be, mailed or otherwise distributed or sent in, into or from the United States. This circular does not constitute an offer of any securities for sale in the United States or to United States persons.



The rights offer contained in this offering circular does not constitute an offer in the District of Columbia, the United States, the Dominion of Canada, the Commonwealth of Australia, Japan or in any other jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. Non-qualifying shareholders should consult their professional advisors to determine whether any governmental or other consents are required or other formalities need to be observed to allow them to take up the rights offer, or trade their entitlement. Shareholders holding Pioneer Foods shares on behalf of persons who are non-qualifying shareholders are responsible for ensuring that taking up the rights offer, or trading in their entitlements under that offer, do not breach regulations in the relevant overseas jurisdictions.

## UNAUDITED *PRO FORMA* BALANCE SHEET AND INCOME STATEMENT OF PIONEER FOOD GROUP

The unaudited *pro forma* balance sheet at 30 September 2007 and income statement of Pioneer Food Group for the year then ended are set out below. The unaudited *pro forma* balance sheet and income statement have been prepared for illustrative purposes only to provide information on how the rights offer might have impacted on the financial position and results of the Group. Because of their nature, the unaudited *pro forma* balance sheet and income statement may not be a fair reflection of the Group's financial position after the transaction, nor of its future earnings. The unaudited *pro forma* financial information is presented in a manner that is consistent with the accounting policies of Pioneer Food Group.

The unaudited *pro forma* balance sheet and income statement as set out below should be read in conjunction with the report of the independent reporting accountants which is included as Annexure 5 to this circular.

The Directors of Pioneer Food Group are responsible for the preparation of the unaudited *pro forma* balance sheet and income statement.

### UNAUDITED *PRO FORMA* BALANCE SHEET OF PIONEER FOOD GROUP

The unaudited *pro forma* balance sheet of Pioneer Food Group as at 30 September 2007 has been prepared on the assumption that the rights offer was effected on 30 September 2007.

30 September 2007

	Audited Before rights offer R'000	<i>Pro forma</i> Adjustments R'000	Unaudited, <i>pro forma</i> After rights offer R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3 326 719	–	3 326 719
Intangible assets	2 540 645	–	2 540 645
Biological assets	695 652	–	695 652
Interest in joint ventures	7 913	–	7 913
Investment in associates	13 187	–	13 187
Available-for-sale financial assets	1 772	–	1 772
Trade and other receivables	34 830	–	34 830
Deferred income tax assets	7 196	–	7 196
	25 524	–	25 524
<b>Current assets</b>			
Inventories	3 500 047	–	3 500 047
Biological assets	1 622 334	–	1 622 334
Derivative financial instruments	111 245	–	111 245
Trade and other receivables	5 441	–	5 441
Cash and cash equivalents	1 510 212	–	1 510 212
	250 815	–	250 815
<b>Total assets</b>	6 826 766	–	6 826 766

	<b>Audited Before rights offer R'000</b>	<b>Pro forma Adjustments R'000</b>	<b>Unaudited, pro forma After rights offer R'000</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to equity holders of the Group</b>	3 609 221	483 967	4 093 188
Share capital	18 118	2 000 <sup>1</sup>	20 118
Share premium	734 358	481 967 <sup>1, 2</sup>	1 216 325
Treasury shares	(249 555)	–	(249 555)
Other reserves	149 370	–	149 370
Retained earnings	2 956 930	–	2 956 930
<b>Minority interest</b>	5 784	–	5 784
<b>Total equity</b>	3 615 005	483 967	4 098 972
<b>Non-current liabilities</b>	674 675	–	674 675
Borrowings	187 362	–	187 362
Deferred income tax liabilities	415 427	–	415 427
Provisions for other liabilities and charges	71 886	–	71 886
<b>Current liabilities</b>	2 537 086	(483 967)	2 053 119
Trade and other payables	1 213 457	–	1 213 457
Current income tax liabilities	46 482	–	46 482
Borrowings	1 258 297	(483 967) <sup>2, 3</sup>	774 330
Derivative financial instruments	18 544	–	18 544
Dividends payable	306	–	306
<b>Total liabilities</b>	3 211 761	(483 967)	2 727 794
<b>Total equity and liabilities</b>	6 826 766	–	6 826 766
Reconciliation of tangible net asset value:			
Net asset value	3 609 221	483 967	4 093 188
Intangible assets	(695 652)	–	(695 552)
<b>Tangible net asset value</b>	2 913 569	483 967	3 397 536
Net asset value per share (cents)	2 338.6	9.3	2 347.9
Net tangible asset value per share (cents)	1 887.9	61.0	1 948.9

**Notes:**

1. In terms of the rights offer R500 million was raised through the issue of 20 million ordinary shares, with a par value of 10 cents per shares at a premium of R24.90 per share.
2. Transaction costs of R16.0 million are assumed to have been paid on 30 September 2007 and have been written off against the share premium.
3. The net proceeds of the rights offer will be used by the Group to repay debt and so create debt capacity, which will at an appropriate time be used to fund capital projects. Due to the uncertainty surrounding the timing of the capital projects, the net proceeds of the rights offer are off-set against the borrowings in the *pro forma* balance sheet.

## UNAUDITED *PRO FORMA* INCOME STATEMENT OF PIONEER FOOD GROUP

The unaudited *pro forma* income statement of Pioneer Food Group for the year ended 30 September 2007 has been prepared on the assumption that the rights offer was effected on 1 October 2006.

Year ended 30 September 2007

	Audited Before rights offer R'000	<i>Pro forma</i> Adjustments R'000	Unaudited <i>pro forma</i> After rights offer R'000
Revenue	11 676 598	–	11 676 598
Cost of goods sold	(8 225 770)	–	(8 225 770)
Gross profit	3 450 828	–	3 450 828
Other operating income	110 978	–	110 978
Biological assets fair value adjustments	74 968	–	74 968
Distribution costs	(1 002 845)	–	(1 002 845)
Administrative expenses	(234 120)	–	(234 120)
Other operating expenses	(1 567 834)	–	(1 567 834)
Items of a capital nature	1 063	–	1 063
Operating profit	833 038	–	833 038
Investment income	16 803	–	16 803
Finance costs	(131 592)	44 719 <sup>1</sup>	(86 873)
Profit from associated companies	72	–	72
Profit before income tax	718 321	44 719	763 040
Income tax expense	(211 308)	(12 968) <sup>2</sup>	(224 276)
Profit for year	507 013	31 751	538 764
<i>Attributable to:</i>			
Equity holders of the Group	506 187	31 751	537 938
Minority interest	826	–	826
	507 013	31 751	538 764
Earnings attributable to the equity holders of the Group	506 187	31 751	537 938
Items of a capital nature	(3 573)	–	(3 573)
Headline earnings	502 614	31 751	534 365
Headline earnings per ordinary share (cents)			
– undiluted	328.4	(19.6)	308.8
– diluted	318.2	(17.9)	300.3
Earnings per ordinary share (cents)			
– undiluted	330.7	(19.9)	310.8
– diluted	320.5	(18.2)	302.3
Dividend per ordinary share (cents)	93.0	–	93.0

### Notes:

1. Due to the uncertainty surrounding the timing of the capital projects and its impact on earnings, interest has been calculated at an average call rate of 9.24% per annum on the net proceeds of the rights offer for purposes of the *pro forma* income statement.
2. Taxation has been taken into account on the adjustments at a rate of 29%
3. The above adjustments will have a continuing effect on the earnings of the Group.

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**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED  
*PRO FORMA* FINANCIAL INFORMATION OF PIONEER FOOD GROUP**

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"10 April 2008

The Directors  
Pioneer Food Group Limited  
32 Market Street  
Paarl  
7646

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE  
*PRO FORMA* FINANCIAL INFORMATION OF PIONEER FOOD GROUP LIMITED ("PIONEER")  
AND ITS SUBSIDIARIES****INTRODUCTION**

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out in Annexure 4 of the circular to Pioneer shareholders, to be dated on or about Monday, 14 April 2008. The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Listings Requirements, for illustrative purposes only, to provide information about how the rights offer might have affected the reported historical financial information presented for the financial year ended 30 September 2007, had the transaction been undertaken at the commencement of the period or at the date of the *pro forma* balance sheet being reported on.

**DIRECTORS' RESPONSIBILITIES**

The directors are responsible for the compilation, contents and presentation of the *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 *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Pioneer; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

**REPORTING ACCOUNTANTS' RESPONSIBILITIES**

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the circular to Pioneer shareholders. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Guide on *Pro Forma* Financial Information issued by SAICA. 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 *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 with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Pioneer, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of Pioneer in respect of the corporate action.

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

While our work performed has involved an analysis of the historical published and audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with International Standards on Auditing or 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.

## **CONCLUSION**

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

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

Yours faithfully

## **PricewaterhouseCoopers Inc**

*Director: J F Basson*

*Registered Auditor*

No. 1 Waterhouse Place  
Century City, 7441”

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## CORPORATE GOVERNANCE AND KING CODE

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### 1. CORPORATE GOVERNANCE

The Board of Directors of Pioneer Foods is committed to the principles of effective corporate governance and strives for the highest standards of integrity and ethics.

The Board supports the Code of Corporate Practices and Conduct as set out in the King II Report on Corporate Governance and is satisfied that the Group complies materially with the said Code.

Regarding instances of non compliance with the King Code, the following matters will be attended to upon listing of the Company's shares on the JSE:

- (a) The annual evaluation of the individual performance of the chairman (currently the Board as a whole is evaluated annually).
- (b) Full disclosure of director remuneration on an individual basis.

All directors have access to the advice and services of the Company Secretary who is responsible, *inter alia*, for ensuring that Board procedures and applicable rules and regulations are fully observed.

The chief executive officer does not also hold the position of chairperson of the Board.

### 2. DIRECTORS AND BOARD COMMITTEES

#### (a) Directors

The Board of directors is responsible for the total and effective control of the Group. The Board consists of 12 non-executive and four executive members. The chairman of the board is non-executive. The chief executive officer does not also hold the position of chairperson of the Board.

The non-executive directors are selected for specific terms and their re-appointment is not automatic. Executive directors and the Company Secretary are appointed by the Board.

The Board meets five times per year and reviews strategy, operational and capital budgets and operating results. Other matters relating to the overall objectives of the Group are also discussed. Additional board meetings are held during the year, if needed.

To ensure a clear division of responsibilities, a decision making framework has been approved by the Board in terms of which levels of authority have been established relating to various matters, *inter alia*, the appointment of the managing director, the appointment of executive and non-executive directors, remuneration, approval of financial reports, approval of capital and operational budgets, acquisition of new businesses, acquisition and disposal of capital assets, approval of loans and investments and approval of plans relating to procurement of raw material. Relevant information is supplied timeously to Board members to enable them to comply with their statutory and fiduciary responsibilities and to take informed decisions.

The Board is supported by a number of Board Committees in the execution of its duties. Each of the committees functions according to specific mandates of the Board.

#### (b) Human Resources Committee

The Human Resources Committee consists of five non-executive directors. The chairman is non-executive and the committee meets at least three times a year and operates in accordance with a charter as approved by the Board. This committee is responsible for the following:

- Maintaining and approving an appropriate human resources policy.
- Executive management succession planning.
- Monitoring the implementation of relevant labour legislation.
- Monitoring the implementation of the transformation policy.

- The remuneration of directors and senior management.
- The evaluation and approval of a remuneration strategy, including market-related incentive schemes for executive and senior management.

The Committee consists of the following non-executive directors:

J A Louw (*Chairperson*)

H E Blanckenberg

G D Eksteen

F A Sonn

M I Survé

### (c) **Pioneer Foods Fund**

The Pioneer Foods Fund (PFF) is an independent committee of the Board Human Resources Committee and is tasked to manage and monitor the Socio-Economic Development expenditure in accordance with the Codes of Good Practice of the Broad Based Black Economic Empowerment Legislation and the Group's internal grant-making policies.

The PFF is chaired by an independent non-executive director, with 2 independent third party committee members and 2 internal staff members and they are mandated and authorised to meet 3 times per year, wherein they:

- Generally promote and pursue the philanthropic mission of the Group, by reviewing requests for Socio-Economic Development ("Proposal/s"), received by the Corporate Office of the Group, above R25 000;
- Satisfy themselves whether each Proposal fall within the Group's Board Mandated, Development Boundaries;
- Critically evaluate each Proposal in terms of pre-defined: risk criteria, enduring impact for beneficiaries and measurable outcomes;
- Either approve or reject, the entire or a portion of the Funding of each Proposal; and
- Monitor the progress of, and evaluate the results of each Proposal in an active collaborative manner

in an independent and transparent manner, with thoughtful adherence, to honour the principles of Stewardship, Propriety, Prudence, Dignity, Integrity, Trust, Collaboration, Transparency and Confidentiality.

The Fund reports its progress to the Board Human Resources Committee.

## 3. **NOMINATION COMMITTEE**

The Nomination Committee is chaired by the Board chairperson. All appointments to the Board are formal and transparent and a matter for the Board as a whole assisted by the Nomination Committee. During October of each year, the Nomination Committee revises the structure, size and composition of the Board and makes a recommendation in this regard to the Board if necessary. During this meeting the committee will consider retirement of directors through rotation at the first following Annual General Meeting, normally held during February the following year and will consider recommendation for re-appointment of directors. In considering reappointments or new appointments the necessary attributes of candidates as well as diversification will be taken into consideration.

Specific policy rules exist relating to the election of the Chairperson, Vice Chairperson, members of the Nomination, Human Resources and Audit and Risk Committees.

The Nomination Committee consists of the following non-executive directors:

H E Blanckenberg (*Chairperson*)

G D Eksteen

N S Mjoli-Mncube

A W Bester

J H van Niekerk



#### 4. **AUDIT AND RISK COMMITTEES**

The Audit and Risk Committees consists of four non-executive directors and operates in accordance with a charter approved by the Board. The committee's responsibilities are, in summary, to ensure that:

- Appropriate internal control procedures are in place and are applied.
- Risk management procedures are adequate.
- Appropriate standards of reporting and compliance are maintained.
- Relevant legislation is adhered to.
- Principles are set for recommending the use of the external auditors for non-audit services.

The Audit and Risk Committees consists of the following non-executive directors:

- J N Hamman (*Chairperson*)
- W A Agenbach
- A H Sangqu
- A C Singleton

Meetings are held at least three times per year and are attended by the internal and external auditors and relevant members of management. The internal, as well as the external auditors have unlimited access to the Audit and Risk Committees, thereby ensuring that their independence is not compromised in any way.

#### 5. **INTERNAL CONTROL AND RISK MANAGEMENT**

The Board accepts final responsibility for the internal control and risk management systems of the Group. In order to ensure completeness, all material risks in the Group have been identified and documented in a comprehensive risk framework per division. Proper internal control systems are in place and are maintained through a self-control system. The timely execution of self-control procedures is controlled programmatically and the implementation of self-control procedures is monitored internally.

Group assets are comprehensively insured by Sasguard Insurance Company Limited, a subsidiary with a limited insurance licence, as approved by the Financial Services Board and is regulated as such. It is therefore in essence a process of self-insurance, supported by external re-insurance cover for abnormal disasters and other material risks.

The daily treasury activities of the Group are limited to call and short-term loans, as well as short-term investments. Adequate credit facilities exist to ensure daily liquidity, while surplus funds may only be invested at institutions approved by the Board. Foreign currency trading is regulated by an approved policy to ensure optimal effectivity between the buying and selling of currency.

Raw material purchases and the use of derivative financial instruments for the hedging of raw material costs are regulated by a comprehensive policy document as approved by the Board. Speculation with any financial instrument is not part of the Group's business and is not allowed. Application of the policy is monitored by a committee consisting of the applicable members of executive management.

The abovementioned procedures provide the Board with reasonable assurance concerning the reporting of reliable financial information, as well as securing of the Group's assets.

#### 6. **INTERNAL AUDIT**

An independent internal audit function exists, with the head of internal audit reporting directly to the managing director with ready and regular access to the chairman of the Audit and Risk Committees.

The department consists of personnel with relevant training and experience. The objectives, authority and responsibility of the independent internal audit function are fully described in an internal audit charter approved by the Audit and Risk Committees. The internal audit department liaises closely with the external auditors to prevent duplication.

The internal audit of specialised information technology and the SAP ERP system environment has been outsourced to a division of PricewaterhouseCoopers Inc. This division functions independently from the external audit function.

Findings and recommendations of all internal audit processes are reported to management and the Audit and Risk Committees.

## 7. **STAKEHOLDER COMMUNICATION**

Regular communication is maintained with various stakeholders in the Group such as:

- Institutional investors;
- Investment analysts;
- Shareholders;
- Employees; and
- Communities at large.

The Board encourages shareholders to attend the general meetings and also provides a full explanation of the effects of resolutions to be proposed. The results of all decisions taken at shareholders' meetings are disseminated by way of written minutes to ensure that all shareholders are timeously informed.

Various methods of communication are used to keep employees and other stakeholders informed of Group activities. Examples of these are:

- The Flagpost – a quarterly magazine distributed to all staff containing information about the business, management, industry matters and other relevant news.
- Newsflash – a pamphlet for staff containing up to date, immediate information on various subjects such as events, actions, or public news.
- Internet – through the Pioneer Foods website and email correspondence.
- Management also ensures that all staff have access to information on employment opportunities within the Group. Vacant positions are advertised at all business units.

## 8. **ETHICS**

The Group strives to maintain high ethical and moral standards through the application of sound business principles in all circumstances.

An independent hotline service, Tip-Offs Anonymous, is available 24 hours per day to receive complaints or allegations regarding unethical conduct. It reports directly to internal auditors or the chairman of the Audit and Risk Committees. Through this service employees and any other stakeholder can report anonymously and confidentially any unethical conduct by employees or service providers.

## 9. **DEALINGS IN SECURITIES**

A closed period for trading in the Group's shares is maintained for prescribed periods to prevent any insider trading of the Group's shares. No director or member of the executive management may trade, either directly or indirectly, in Group shares during the closed period. These periods apply at least every six months from 15 March and 15 September, respectively, until the publication of the interim or the annual financial results.

## 10. **EMPLOYEE WELLNESS AWARENESS**

The Board recognises that a comprehensive approach to a healthy and happy workforce is essential. The HIV/Aids programmes have been consolidated into a Wellness Awareness Programme.

## 11. **ENVIRONMENTAL GOVERNANCE**

As a food producer, Pioneer Foods strives to ensure that best practices are being applied in respect of environmental management and occupational health and safety. Systems to support and measure such behaviour have been implemented.

The implementation of the ISO standards and HACCP at certain manufacturing sites ensure that continuous monitoring, measurement and accreditation occurs.

The diverse nature of the various businesses within the Group dictates that systems and processes for monitoring environmental governance are different and particular. Therefore, the respective divisional management teams are responsible for the research of best-practice processes in each particular business, as well as to ensure that these practices are implemented and monitored.

Certain manufacturing processes are also accredited in terms of international accreditation standards to ensure that export products adhere to the relevant international standards in the country of destination.

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**OVER-THE-COUNTER TRADING HISTORY OF PIONEER FOODS SHARES**


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The over-the-counter trading history of Pioneer Foods shares is set out below:

			<b>High (cents)</b>	<b>Low (cents)</b>	<b>Volume</b>
<b>Quarterly</b>					
2005	June	30	13.32	12.40	2 061 234
	September	30	20.00	12.95	2 529 038
	December	31	24.75	18.71	1 288 230
2006	March	31	33.00	23.50	1 271 439
	June	30	30.15	28.00	1 482 635
	September	30	29.25	26.00	1 320 437
	December	31	33.00	28.00	1 003 821
2007	March	31	32.00	30.10	1 922 342
<b>Monthly</b>					
2007	March	31	31.50	30.55	789 636
2007	April	30	31.30	30.50	381 490
2007	May	31	40.00	30.75	314 072
2007	June	30	38.00	36.01	194 161
2007	July	31	36.00	34.25	190 507
2007	August	31	34.30	32.25	151 572
2007	September	30	36.00	30.50	318 335
2007	October	31	35.00	33.00	152 288
2007	November	30	33.40	27.00	205 809
2007	December	31	32.00	31.00	139 768
2008	January	31	32.50	28.00	245 138
2008	February	29	28.00	26.50	438 275
<b>Daily</b>					
2008	February	15	27.50	27.00	3 568
		18	27.50	27.50	116 000
		19	27.40	27.00	49 400
		20	27.00	26.50	10 000
		21	26.50	26.50	400
		22	27.90	26.50	22 000
		25	27.50	27.50	13 800
		26	27.50	27.00	17 800
		27	27.50	27.00	7 000
		28	27.00	27.00	3 100
		29	27.50	27.00	10 000
2008	March	3	28.00	27.00	32 850
		4	27.90	27.90	7 150
		5	27.00	26.50	22 586
		6	28.00	26.25	23 428
		7	26.25	26.00	54 964
		10	26.05	25.50	6 528
		11	26.00	26.00	6 000
		12	26.00	25.00	26 110
		13	–	–	–
		14	–	–	–
		17	25.00	24.50	33 800
		18	–	–	–
		19	24.50	24.50	3 543
		20	24.50	24.50	2 000
		25	24.75	24.50	8 000
		26	–	–	–
		27	25.00	25.00	710
		28	25.00	25.00	3 488
		31	25.00	24.70	11 000

Source: Barnard Jacobs Mellet, Pioneer Foods.





