

This circular is important and requires your immediate attention

The definitions and interpretations commencing on page 6 of this circular apply to this circular in its entirety, including this cover page.

Action required

This entire circular is important and should be read with particular attention to pages 2 to 3 entitled "Action required by Nutritional Holdings Shareholders".

The procedure for acceptance of the Offer is set out in paragraph 8 of this Circular.

If you are in any doubt as to the action you should take, please consult your broker, banker, legal adviser, accountant or other professional adviser immediately.

If you have disposed of all of your Nutritional Holdings Shares, this document should be handed to the purchaser of such Shares or the Broker, banker, legal adviser, accountant or other agent through whom such disposal was effected.



NUTRITIONAL HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 2004/002282/06)
(Share code: NUT ISIN code: ZAE000156485)
("Nutritional Holdings")

EMPIRE CANNABIS HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2019/364151/06)
("Empire")

COMBINED OFFER CIRCULAR TO THE REMAINING SHAREHOLDERS OF NUTRITIONAL HOLDINGS

relating to:

an Offer by Empire to the Remaining Shareholders of Nutritional Holdings for a purchase consideration of 0.11 cents per Nutritional Holdings ordinary Share

and incorporating:

- **a form of acceptance, transfer and surrender (*pink*);**
- **an independent professional expert opinion regarding the Offer; and**
- **the views of the independent board of directors of Nutritional Holdings.**

**Designated Adviser to
Nutritional Holdings**



**Independent professional
expert to the board of
Nutritional Holdings**



Legal adviser to Empire



Date of posting: Monday, 20 January 2020

Copies of this circular (in English only) may be obtained from the registered office of Nutritional Holdings at the address as set out in the "Corporate Information and Advisers" section of this circular from 21 January 2020 or on the Company's website: www.nholdings.co.za.

CORPORATE INFORMATION AND ADVISERS

NUTRITIONAL HOLDINGS

Directors

Mr TV Mokgatlha* (*Chairman*)
Mr M Azum (*Chief Executive Officer*)
Mr M Tinawi*#
Sheikh Khalfan Nasser*#
Ms PM Chabeli*#
Dr PJ Mokgothu*#
Mr MM Suping*
* Non-executive
Independent

Registered office of Nutritional Holdings

Unit 20, Boulevard Business Park
14 Belladonna Road, Cornubia, Durban
(PO Box 5026, Frosterley Park, La Lucia Ridge
Office Estate, 4019)
Telephone: 031 536 8066

Date and place of incorporation:

29 January 2004 – South Africa

Nutritional Holdings Company Secretary

Eshcol Compliance Proprietary Limited
(Registration number 2018/469854/07)
210 Lowndes Gate, 46 Fricker Road, Illovo,
Johannesburg, 2196
Telephone: 072 900 5422

Designated Adviser to Nutritional Holdings

Exchange Sponsors (2008) Proprietary Limited
(Registration number 2008/019553/07)
44A Boundary Road, Inanda, 2196
(PO Box 411216, Craighall, 2024)
Telephone: 011 880 2113

Commercial banker to Nutritional Holdings

Nedbank Limited
(Registration number 1951/000009/06)
Second Floor, 90 Bram Fischer Road, Kingsmead,
Durban, 4001, South Africa
(PO Box 3560, Durban, 4000, South Africa)

Auditors of Nutritional Holdings

SNG Grant Thornton
Practice number: 946016
2nd Floor 4 Pencarrow Crescent, Pencarrow Park
La Lucia Ridge Office Estate, La Lucia, 4019
(PO Box 950, Umhlanga Rocks, 4320)

Independent expert to Nutritional Holdings

BDO Corporate Finance
Wanderers Office Park
52 Corlett Drive, Illovo, 2196
(Private Bag X60500, Houghton, 2041)

Transfer Secretaries to Nutritional Holdings

4 Africa Exchange Registry Proprietary Limited
(Registration number 2007/033697/06)
1st Floor, Cedar Wood House, Ballywoods Office Park
33 Ballyclare Drive, Bryanston, 2121
(Postnet Suite 532, Private Bag X51, Bryanston, 2021)

EMPIRE

Directors

Mr Neville Moodley
Mr Thulani Ronald Sishuba
Mr Assumani Sibomana

Registered office of Empire

Nedbank House
30 Ingcuce Street
Durban

Empire Company secretary

Ms F Fakrooddeen
Nedbank House
30 Ingcuce Street
Durban

Legal advisors to Empire

Amod's Attorneys
Suite 900, Nedbank House
30 Ingcuce Street (formerly Albert Street), Durban
(PO Box 48094, Qualbert, 4078)
Telephone: 031 307 7861/2

SUMMARY

Empire makes an Offer to acquire all the Remaining Shares, from all the Remaining Shareholders of Nutritional Holdings, for a purchase consideration of 0.11 cents per share, in terms of section 117(1)(c)(v) of the Companies Act.

The Offer by Empire is set out in this circular.

Also included in this Circular is:

- a form of acceptance, transfer and surrender (*pink*);
- an independent professional expert opinion regarding the Offer; and
- the views of the independent board of directors of Nutritional Holdings.

ACTION REQUIRED BY NUTRITIONAL HOLDINGS SHAREHOLDERS

The definitions and interpretations commencing on page 6 of the circular apply, *mutatis mutandis*, to this information on action required by Nutritional Holdings Shareholders.

If a Nutritional Holdings shareholder is in any doubt as to what action you should take in regard to the Offer, you should consult your CSDP, Broker, banker, accountant, legal adviser or other professional adviser immediately.

If you are a Nutritional Holdings Shareholder and have disposed of some or all of your Nutritional Holdings shares, this Circular should be handed to the purchaser of such Shares or the CSDP, Broker, banker or other agent through whom such disposal was affected.

1. ACTION REQUIRED BY CERTIFICATED SHAREHOLDERS OF NUTRITIONAL HOLDINGS

- 1.1 Certificated Shareholders who wish to accept the Offer must complete the form of acceptance, surrender and transfer (*pink*) attached to this circular, in accordance with the instructions therein, and forward it, together with the relevant documents of title, by hand or by mail to the transfer secretaries:

By hand:

4 Africa Exchange Registry Proprietary Limited
(Registration number 2007/033697/06)
1st Floor, Cedar Wood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2121

By mail:

c/o Africa Exchange Registry Proprietary Limited
Postnet Suite 532
Private Bag X51
Bryanston
2021
Email: nutritional@4axregistry.co.za

so as to be received by no later than 12:00 on the closing date.

- 1.2 Acceptances of the Offer and documents of title that are sent through the post are sent at the risk of the Nutritional Holdings shareholder concerned. Accordingly, Nutritional Holdings Shareholders should make a note of the postal delivery times so as to ensure that acceptances of the Offer are received timeously. It is therefore recommended that such acceptances be sent by registered mail, delivered by hand or email to the transfer secretaries.
- 1.3 The discharge of the Offer Consideration will be made on the respective dates set forth in the "salient dates and times" section of this Circular.
- 1.4 If any person who is not a registered holder of Nutritional Holdings Shares surrenders a document of title in respect of Nutritional Holdings Shares, together with a transfer form for the registration of such Nutritional Holdings Shares purporting to have been properly completed by the registered holder thereof, such first mentioned person shall be entitled to receive payment of the Offer Consideration pursuant to acceptance of the Offer, provided that:
- 1.4.1 such person proves to the satisfaction of Empire and Nutritional Holdings that the relevant securities transfer tax payable has in fact been paid in respect of the proposed registration of transfer of such Nutritional Holdings Shares; and
- 1.4.2 the Offer Consideration has not already been delivered or posted to the registered holder of such Nutritional Holdings Shares.
- 1.5 If a form of acceptance, surrender and transfer (*pink*) is rejected due to non-compliance with the instructions contained therein, then the Nutritional Holdings shareholder concerned will be deemed not to have accepted the Offer. Empire may nevertheless, in its sole discretion, condone the non-compliance by any Nutritional Holdings shareholder of any of the terms and conditions of the Offer.

2. ACTION REQUIRED BY DEMATERIALIZED SHAREHOLDERS OF NUTRITIONAL HOLDINGS

- 2.1 Dematerialised Shareholders of Nutritional Holdings must NOT complete the form of acceptance, surrender and transfer.
- 2.2 Dematerialised Shareholders of Nutritional Holdings who wish to accept the Offer, either in whole or in part, should instruct their duly appointed CSDP or Broker, in accordance with the Custody Agreement concluded with their CSDP or Broker.
- 2.3 The instruction to accept the Offer must be provided to the CSDP or Broker of the Nutritional Holdings Dematerialised shareholder by the cut-off time stipulated for such instruction in order for such CSDP or Broker to take the necessary action to accept the Offer prior to the closing date. Nutritional Shareholders are accordingly advised to confirm with their CSDP or Broker as to what the cut-off time will be. This must be done in accordance with the Custody Agreement between the Nutritional Holdings shareholder concerned and his CSDP or Broker.
- 2.4 Neither Empire nor Nutritional Holdings nor any of their authorised agents will accept any responsibility nor be held liable for any acts or omissions on the part of any CSDP or Broker of a Dematerialised Nutritional Holdings shareholder who fails to communicate any Nutritional Holdings shareholder's acceptance of the Offer timeously or at all, for whatsoever reason.
- 2.5 The discharge of the Offer Consideration will be made on the respective dates set forth in the "salient dates and times" section of this circular.
- 2.6 Nutritional Holdings Shareholders who Dematerialise their Nutritional Holdings Shares through a CSDP or broker on or prior to Monday, 2 March 2020 must furnish such CSDP or Broker with their written instructions in respect of the Offer in terms of the Custody Agreement entered into between the Nutritional Holdings Shareholder and the appointed CSDP or Broker.

3. GENERAL

- 3.1 Offer Participants should note that they may NOT trade any Nutritional Holdings Shares surrendered to Empire in terms of the Offer, from the date of acceptance thereof.
- 3.2 Nutritional Holdings Shares may not be Dematerialised or rematerialised by Offer Participants between Wednesday, 4 March 2020 and Friday, 6 March 2020, both days inclusive.
- 3.3 Nutritional Holdings Shareholders who do not wish to accept the Offer need not take any action.
- 3.4 Nutritional Holdings Shareholders who wish to accept the Offer will be settled in cash after rounding the number of Offer Shares surrendered to the nearest cent. Fractions of cents of 0.5 or greater will be rounded up and less than 0.5 will be rounded down to the nearest cent.
- 3.5 The Offer does not constitute an Offer to purchase or the solicitation of an Offer to sell any Nutritional Holdings Shares in any jurisdiction in which such Offer, solicitation or sale would be unlawful prior to the registration or qualification under the laws of such jurisdiction.
- 3.6 Without limitation of the generality of the above, the Offer is not being made, directly or indirectly, in or into or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national securities exchange of, the United States, Australia, Canada or Japan and the Offer cannot be accepted by any such use, means, instrumentality or facility or from within the United States, Australia, Canada or Japan.
- 3.7 **If you are a non-resident Offer Participant and you are in doubt about your position, you should consult your professional adviser in the relevant jurisdiction.**

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SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 6 of the Offer Circular apply to these salient dates and times.

2020

Record date in order to be eligible to receive this circular on	Friday, 17 January
Circular posted to Nutritional Holdings Shareholders and announced on SENS on	Monday, 20 January
Offer opens at 09:00 on	Tuesday, 21 January
Last day to trade in order to be eligible to participate in the Offer on	Tuesday, 3 March
Nutritional Holdings Shares trade “ex” the right to participate in the Offer	Wednesday, 4 March
Offer closes at 12:00 on (closing date) on	Friday, 6 March
Offer Record Date, being the final date upon which Nutritional Holdings Shareholders must be recorded in the Nutritional Holdings register in order to be eligible to participate in the Offer, on	Friday, 6 March
Offer Consideration credited to the Dematerialised Offer Participant's account at his CSDP or Broker (as the case may be) or bank accounts of Certificated Offer Participants credited or Offer Consideration posted by cheque to Certificated Offer Participants at the Certificated Offer Participant's own risk	after the closing of the Offer and receipt of the relevant TRP compliance certificate
Results of Offer to be published on SENS on	Monday, 9 March

Notes:

1. All dates and times are subject to amendment by Empire. Any such change will be announced on SENS.
2. Certificated Nutritional Holdings Shareholders who wish to participate in the Offer are required to complete and return the form of acceptance, surrender and transfer (*pink*) in accordance with the instructions contained therein to be received by the Transfer Secretaries by no later than 12:00 on the closing date.
3. Dematerialised Nutritional Holdings Shareholders must notify their CSDP or Broker of their acceptance of the Offer in the manner and time stipulated in the Custody Agreements governing the relationships between such Dematerialised Nutritional Holdings Shareholders and the CSDP or Broker.
4. All times indicated above are South African times.
5. The deemed effective date of disposal of Nutritional Holdings Shares by Offer Participants will be the date that the Offer Consideration is credited to the Offer Participant's account or the date that the cheque in payment of the Offer Consideration is posted to the Certificated Offer Participants, as the case may be.
6. Even though the salient dates and times are subject to change, this should not be regarded as a consent or dispensation for any time periods which may be required in terms of the Companies Act Regulations, where applicable, and any such consents or dispensations must be specifically applied for, and granted by the TRP.
7. Share certificates may not be dematerialised or rematerialised between Wednesday, 4 March 2020 and Friday, 6 March 2020, both dates inclusive.

DEFINITIONS AND INTERPRETATIONS

In this circular, unless otherwise stated or clearly indicated by the context, the words in the first column have the meanings stated opposite them in the second column; words in the singular include the plural and *vice versa*; words importing one gender include the other gender and references to a person include reference to a body corporate and *vice versa*.

“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“Broker”	a “stockbroker” as defined in the Financial Markets Act, or its nominee;
“cents”	South African cents in the official currency of South Africa;
“Certificated Offer Participants”	Offer Participants who hold their Nutritional Holdings shares as Certificated shares;
“Certificated Share”	a Share that have not been Dematerialised in terms of Strate, title to which is represented by Documents of Title;
“Certificated Shareholder”	holders of Certificated shares;
“Circular” or “Document” or “Offer Document”	this bound document dated Monday, 20 January 2020, including the annexures hereto and incorporating a form of acceptance, transfer and surrender;
“closing date”	the closing date of the Offer, being Tuesday, 6 March 2020;
“common monetary area”	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“Companies Act”	the Companies Act, 2008 (Act 71 of 2008), as amended;
“CSDP”	a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act with which a Shareholder holds a Dematerialised share account;
“Custody Agreement”	the agreement which regulates the relationship between the CSDP or Broker and each beneficial holder of Dematerialised Shares;
“Dematerialise”	the process whereby Certificated Shares are converted into an electronic format as Dematerialised Shares, and recorded in the Company’s uncertificated securities register administered by a CSDP;
“Dematerialised Offer Participants”	Offer Participants who hold their Nutritional shares as 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;
“Dematerialised Shareholder”	a shareholder who holds Dematerialised Shares;
“documents of title”	valid share certificate(s), certified transfer deed(s), balance receipts and/or any other documents of title acceptable to Empire in respect of Nutritional Holdings’ Shares;
“emigrant”	any emigrant from the Common Monetary Area whose address is outside of the Common Monetary Area;
“Empire” or “the Offeror”	Empire Cannabis Holdings Limited (registration number 2019/364151/06), a private company duly registered and incorporated under the laws of South Africa;
“Empire board”	the board of directors of Empire;

“Empire Group”	Empire and all its subsidiaries;
“Empire shares”	ordinary shares of no par value in the issued capital of Empire;
“entire issued share capital of Nutritional Holdings”	the full issued share capital of Nutritional Holdings, being 13 743 368 179 Shares in issue at the last practicable date;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961, as amended, made in terms of section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
“Exchange Sponsors”	Exchange Sponsors (2008) Proprietary Limited (registration number 2008/019553/07), a private company registered and incorporated under the laws of South Africa, the designated adviser of Nutritional Holdings;
“Financial Markets Act”	the Financial Markets Act, 2012 (Act 19 of 2012), as amended;
“form of acceptance, transfer and surrender”	the attached form of acceptance, transfer and surrender of the offer (<i>pink</i>) to be completed and to accompany surrendered documents of title;
“Income Tax Act”	the Income Tax Act, 1962 (Act 58 of 1962), as amended;
“Independent board of Nutritional Holdings”	the following members of the board of directors of Nutritional Holdings, namely Dr PJ Mokgothu, Ms P Chabeli and Mr. S. Naudé, which board is deemed to be impartial, has no conflict of interest and accordingly is “independent” as defined under Regulation 81(j) of the Companies Act;
“IFRS”	International Financial Reporting Standards;
“last practicable date”	the last practicable date prior to the finalisation of this circular, which date was Friday, 10 January 2020;
“Nutritional Holdings” or “the Offeree”	Nutritional Holdings Limited (registration number 2004/002282/06), a public company incorporated in accordance with the laws of South Africa;
“Nutritional Holdings board”	the board of directors of Nutritional Holdings, further details of whom appear under the “Corporate information and advisers” section;
“Nutritional Holdings company secretary”	Eshcol Compliance Proprietary Limited, further details of whom appear under the “Corporate information and advisers” section;
“Nutritional Holdings Group”	Nutritional Holdings and all its subsidiaries;
“Nutritional Holdings register”	the register of Nutritional Holdings members maintained by the Nutritional Holdings company secretary;
“Nutritional Holdings Shareholders”	the registered holders of Nutritional Holdings Shares as appearing on the Nutritional Holdings register;
“Nutritional Holdings Shares” or “Shares”	ordinary shares of no par value in the issued capital of Nutritional Holdings, represented by a share certificate or other physical document of title;
“Offer”	the mandatory offer by Empire to the Remaining Shareholders of Nutritional Holdings, to acquire all their Shares in Nutritional Holdings at a consideration of 0.11 cents per share, the full details of which are set out in this circular;
“Offer Consideration”	0.11 cents for every one Nutritional Holdings ordinary share held to Shareholders who accepted the offer;
“Offer” Participants	Nutritional Holdings Shareholders recorded in the Nutritional Holdings register as such as at the close of business on the record date, who are entitled to receive the offer consideration;
“Offer Shares”	the Nutritional Holdings Shares held by Offer Participants;
“opening date”	the opening date of the Offer, being Tuesday, 21 January 2020;
“payment date”	the date on which the Offer Consideration is paid in terms of the Offer;

“Rand” or “R”	South African Rand;
“record date”	the record date of the Offer, being Friday, 6 March 2020;
“Remaining Shares”	4 543 368 179 Nutritional Holdings ordinary Shares not directly or indirectly held by Empire and its associates and excluding the 1 000 000 000 (1 billion) Nutritional Holdings Shares which Philisani Proprietary Limited holds and has committed to not accept the Offer in terms of;
“Remaining Shareholders”	the registered holders of the Remaining Shares from time to time, in other words Shares not directly or indirectly held by Empire and its associates;
“securities transfer tax”	securities transfer tax, leviable in terms of the Securities Transfer Tax Act, 2007 (Act 25 of 2007);
“Shareholders”	shareholders who hold Shares;
“South Africa”	the Republic of South Africa;
“South African Exchange Control”	the Exchange Control Department of the South African Reserve Bank;
“TRP”	the Takeover Regulation Panel established in terms of section 196 of the Companies Act; and
“TRP Regulations”	the Takeover Regulations prescribed by the Minister of Trade and Industry in terms of section 120 of the Companies Act.



NUTRITIONAL HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 2004/002282/06)
(Share code: NUT ISIN code: ZAE000156485)
("Nutritional Holdings")

EMPIRE CANNABIS HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2019/364151/06)
("Empire")

COMBINED OFFER CIRCULAR TO THE REMAINING SHAREHOLDERS OF NUTRITIONAL HOLDINGS

The definitions and interpretations commencing on page 6 of this circular apply to this Offer Document.

1. INTRODUCTION

- 1.1 Nutritional Holdings Shareholders are referred to the joint firm intention announcement made by Empire and Nutritional Holdings on 25 November 2019.
- 1.2 The purpose of this document is to make an offer to Offer Participants to acquire the Offer Shares and provide Offer Participants with information regarding the terms of the Offer and the manner in which it will be implemented.

2. BACKGROUND TO AND REASONS FOR THE OFFER

- 2.1 On 15 October 2019, Empire acquired a 66.94% shareholding in Nutritional Holdings by acquiring 9 200 000 000 Shares at a price of 0.11 cents per share, from Baphalane Ba Mantserre Investment Holdings Proprietary Limited.
- 2.2 Nutritional Holdings Shareholders were advised in the abovementioned joint firm intention announcement of the Offer by Empire to acquire the Remaining Shares.
- 2.3 The rationale for the Offer is for Empire to provide all Nutritional Holdings Shareholders, who no longer wish to remain as Shareholders in the Company, with an Offer to realise their investment in the Company, and for Empire to take up a greater shareholding in Nutritional Holdings going forward.
- 2.4 Further to the cautionary announcement published by Nutritional Holdings on the Stock Exchange News Service on 17 December 2019, Nutritional Holdings anticipates entering into an acquisition agreement which will enable Nutritional Holdings to maintain its shareholder spread as required by the JSE.

3. TERMS OF THE OFFER

3.1 The Offeror

- 3.1.1 The Offer is extended by Empire.
- 3.1.2 Empire owns the following Shares in Nutritional Holdings:

	Number of Shares	% of issued Shares
Empire	9 200 000 000	66.94
Total	9 200 000 000	66.94

No company in the Empire Group, save for Empire, directly or indirectly owns any other Shares in Nutritional Holdings.

3.2 **The Offer**

Empire hereby makes an Offer to acquire all the Remaining Shares, from all the Remaining Shareholders of Nutritional Holdings, for a purchase consideration equal to 0.11 cents per share, in terms of section 123 read in conjunction with section 117(1)(c)(vi) of the Companies Act.

The Offer is an affected transaction by virtue of section 123 read in conjunction with section 117(1)(c)(vi) of the Companies Act. It does, however, not require shareholder approval of Nutritional Holdings Shareholders in terms of section 115 of the Companies Act.

As the Offer is not a transaction as contemplated in sections 112, 113 or 114 of the Companies Act, section 164 of the Companies Act dealing with appraisal rights of dissenting Shareholders, does not apply.

Nutritional Holdings Shareholders may elect to accept the Offer in whole or in part and must indicate in the form of acceptance, transfer and surrender in what form they wish to receive the Offer Consideration.

Nutritional Holdings Shareholders that do not wish to sell their Nutritional Holdings Shares need not take any action and will remain shareholders in the Company.

3.3 **Applicable law**

The Offer is made in compliance with the requirements of the TRP Regulations, and is governed by and subject to the provisions of the laws of South Africa and will be subject to the exclusive jurisdiction of a South African court.

Each Offeree will be deemed, by his acceptance, to have consented and submitted to the jurisdiction of the courts of South Africa in relation to all matters arising out of or in connection with the Offer and acceptance thereof.

3.4 **Offer not made where illegal**

- 3.4.1 The legality of the Offer to persons resident in jurisdictions outside of South Africa may be affected by laws of the relevant jurisdiction.
- 3.4.2 Such persons should acquaint themselves with any applicable legal requirements which they are obligated to observe.
- 3.4.3 It is the responsibility of any such person wishing to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith.
- 3.4.4 In particular, the Offer is not being made, directly or indirectly, in or into any jurisdiction where it is illegal for the Offer to be made or accepted ("affected jurisdictions") or by the use of mail, or by means or instrumentality of interstate or foreign commerce of, or any facility of a national securities exchange of any of the affected jurisdictions.
- 3.4.5 Persons wishing to accept the Offer should not use the mail of any of the affected jurisdictions or any such means, instrumentality or facility for any purpose, directly or indirectly, relating to the Offer.
- 3.4.6 Envelopes containing forms of acceptance, transfer and surrender or other documents relating to the Offer should not be post-marked in any of the affected jurisdictions or otherwise dispatched from any of the affected jurisdictions and all acceptors must provide addresses outside the affected jurisdictions for receipt of the Offer Consideration to which they are entitled under the Offer.
- 3.4.7 If received in any affected jurisdiction, this document should be treated as being received for information only.

4. **OFFER ACCEPTANCE PERIOD**

The Offer is unconditional, the Offer will be open for acceptance by Nutritional Holdings Shareholders for a period of at least 30 days as required by Regulation 102 of the Companies Act. It will open on Tuesday, 21 January 2020 and close at 12:00 on Friday, 6 March 2020.

Accordingly, the Offer will be open for acceptance by the Remaining Shareholders at any time during the Offer period. Settlement of the Offer Consideration will take place after the closing of the Offer and receipt of the relevant TRP compliance certificate. For more information refer to paragraph 8 below.

5. **TRP FUNDING CONFIRMATION**

Should all the Remaining Shareholders accept the Offer in respect of all the Remaining Shares, the maximum Offer Consideration will be R3 897 705.00. Empire has confirmed to Nutritional Holdings that sufficient cash resources are available for the payment of the Offer Consideration.

As required by the Companies Act and the TRP Regulations, Amod's Attorneys has provided confirmation of cash held in escrow in the amount of R3 897 705.00 to the TRP to satisfy the full Offer Consideration payable in terms of the Offer, namely R3 897 705.00, which is in a form acceptable to the TRP and complies with TRP Regulations 111(4) and 111(5).

6. **TAX IMPLICATIONS FOR OFFEREES**

The tax treatment of Offer Participants is dependent on their individual circumstances and the tax jurisdiction applicable to such Offer Participants. It is recommended that, if Offer Participants are uncertain about the tax treatment of the receipt of the Offer Consideration, they seek appropriate advice in this regard.

7. **PROCEDURE FOR ACCEPTANCE BY OFFER PARTICIPANTS**

7.1 **Dematerialised Nutritional Holdings Shareholders**

- 7.1.1 Dematerialised Nutritional Holdings Shareholders must NOT complete the form of acceptance, surrender and transfer (*pink*).
- 7.1.2 Dematerialised Nutritional Holdings Shareholders who wish to accept the Offer, either in whole or in part, should instruct their duly appointed CSDP or Broker, in accordance with the Custody Agreement concluded with their CSDP or Broker.
- 7.1.3 The instruction to accept the Offer must be provided to the CSDP or Broker by the cut-off time stipulated for such instruction in order for the CSDP or Broker to take the necessary action to accept the Offer prior to the closing date. Nutritional Holdings Shareholders are accordingly advised to confirm with their CSDP or Broker as to what the cut-off time will be. This must be done in accordance with the Custody Agreement between the Nutritional Holdings shareholder concerned and the CSDP or Broker.
- 7.1.4 Neither Nutritional Holdings nor Empire nor any of their authorised agents will accept any responsibility nor be held liable for any acts or omissions on the part of any CSDP or Broker of a Dematerialised Nutritional Holdings Shareholder who fails to communicate any acceptance by a Nutritional Holdings Shareholder of the Offer timeously or at all, for whatsoever reason.

7.2 **Certificated Nutritional Holdings Shareholders**

- 7.2.1 Certificated Nutritional Holdings Shareholders must complete the form of acceptance, surrender and transfer (*pink*).
- 7.2.2 Certificated Nutritional Holdings Shareholders who wish to accept the Offer must complete the form of acceptance, surrender and transfer (*pink*) attached to the circular of which this circular forms part, in accordance with the instructions therein and forward it, together with the relevant Documents of Title, by hand or by post to the Transfer Secretaries:

By hand:

4 Africa Exchange Registry
Proprietary Limited
(Registration number 2007/033697/06)
1st Floor, Cedar Wood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2121

By mail:

c/o Africa Exchange Registry
Proprietary Limited
Postnet Suite 532
Private Bag X51
Bryanston
2021
Email: nutritional@4axregistry.co.za

So as to be received by the Transfer Secretaries by no later than 12:00 on the closing date

- 7.2.3 Acceptances of the Offer that are sent through the post are sent at the risk of the Nutritional Holdings Shareholder concerned. Accordingly, Nutritional Holdings Shareholders should take note of postal delivery times so as to ensure that acceptances of the Offer are received timeously. It is therefore recommended that such acceptances be sent by registered mail or delivered by hand to the Transfer Secretaries.
- 7.2.4 If a form of acceptance, surrender and transfer (*pink*) is rejected due to non-compliance with the instructions contained therein, then the Nutritional Holdings shareholder concerned will be deemed not to have accepted the Offer. Empire may nevertheless, in its sole discretion, condone the non-compliance by any Nutritional Holdings Shareholder of any of the terms and conditions of the Offer.
- 7.2.5 Nutritional Holdings Shareholders who Dematerialise their Nutritional Holdings Shares through a CSDP or Broker prior to the closing date must furnish such CSDP or Broker with their written instructions in respect of the Offer in terms of the Custody Agreement entered into between the Nutritional Holdings shareholder and the appointed CSDP or Broker.

7.3 General

- 7.3.1 The Offer may be accepted by the Nutritional Holdings Shareholders in respect of all or part of their Nutritional Holdings Shares. Nutritional Holdings Shareholders who do not wish to accept the Offer need take no further action and will be deemed to have declined the Offer.
- 7.3.2 Nutritional Holdings and Empire reserves the right, in their discretions, to:
- 7.3.2.1 treat as invalid, forms of acceptance, surrender and transfer (*pink*) not completed correctly; and
 - 7.3.2.2 require proof of the authority of the person signing the form of acceptance, surrender and transfer (*pink*) where such proof has not yet been lodged with or recorded by the Transfer Secretaries.
- 7.3.3 Unless otherwise permitted by law and in the sole discretion of Empire and Nutritional Holdings, purported acceptances will not be considered valid if given from within any of the United States, Australia, Canada or Japan.

7.4 Acceptances Irrevocable

- 7.4.1 All valid acceptances of the Offer received by the Transfer Secretaries or the relevant CSDP or Broker on or prior to closing date, shall be irrevocable.
- 7.4.2 Offer Participants should note that they may not trade any Nutritional Holdings Shares surrendered to Empire in terms of the Offer, from the date of acceptance thereof.
- 7.4.3 For the sake of clarity, Nutritional Holdings Shares may not be dematerialised or rematerialised by Offer Participants between Wednesday, 4 March 2020 and Friday, 6 March 2020, both days inclusive.

7.5 **Transaction receipts**

No receipts will be issued by the Transfer Secretaries for forms of acceptance, surrender and transfer (*pink*) unless specifically requested to do so by the Nutritional Holdings Shareholder in question. Lodging agents who require special transaction receipts are requested to prepare such receipts and to submit them for stamping by the Transfer Secretaries together with the form of acceptance, surrender and transfer (*pink*).

7.6 **Acceptances of the Offer by Nominee Companies and Representatives**

Acceptances of the Offer by recognised nominee companies may be submitted in aggregate or in respect of each Nutritional Holdings Shareholder represented by such nominee companies. Any representative accepting the Offer warrants that it is duly authorised to do so.

7.7 **Offer not made where illegal**

7.7.1 The legality of the Offer to Nutritional Holdings Shareholders resident in jurisdictions outside of South Africa may be affected by laws of the relevant jurisdiction. Such Nutritional Holdings Shareholders should familiarise themselves with any applicable legal requirements, which they are obligated to observe. It is the responsibility of any such Nutritional Holdings Shareholders wishing to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith.

7.7.2 In particular, the Offer is not being made, directly or indirectly, in or into any jurisdiction where it is illegal for the Offer to be made or accepted ("**the Affected Jurisdictions**") or by the use of mail, or by means or instrumentality of interstate or foreign commerce of, or any facility of a national securities exchange of, any of the Affected Jurisdictions. In such circumstances, this circular is sent for information only.

7.7.3 Nutritional Holdings Shareholders wishing to accept the Offer should not use the post of any of the Affected Jurisdictions or any such means, instrumentality or facility for any purpose, directly or indirectly, relating to the Offer. Envelopes containing forms of acceptance, surrender and transfer (*pink*) or other documents relating to the Offer should not be post-marked in any of the Affected Jurisdictions or otherwise dispatched from any of the Affected Jurisdictions and all acceptors must provide addresses outside the Affected Jurisdictions for receipt of the Offer consideration to which they are entitled under the Offer.

7.7.4 Without limitation to the generality of the above, the Offer is not being made, directly or indirectly, in or into or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national securities exchange of, the United States, Australia, Canada or Japan and the Offer cannot be accepted by any such use, means, instrumentality or facility or from within the United States, Australia, Canada or Japan.

7.8 **Representation and warranty of overseas Nutritional Holdings Shareholders**

Nutritional Holdings Shareholders who complete the form of acceptance, surrender and transfer (*pink*) are deemed to represent and warrant to Empire that they have not received or sent copies or originals of this document, the form of acceptance, surrender and transfer (*pink*) or any related documents in, into or from the Affected Jurisdictions and have not otherwise utilised in connection with the Offer, the mails, or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or of any facility of a national securities exchange of, the Affected Jurisdictions, and that the form of acceptance, surrender and transfer (*pink*) has not been mailed or otherwise sent in, into or from the Affected Jurisdictions and such shareholder is accepting the Offer from outside the Affected Jurisdictions.

8. **SETTLEMENT OF THE OFFER CONSIDERATION**

8.1 Settlement of the Offer consideration to Certificated Offer Participants who have furnished a duly signed form of acceptance, surrender and transfer (*pink*) and the relevant documents of title in accordance with the instructions contained therein will, subject to paragraph 8.2 and 8.3, take place after the closing of the Offer and receipt of the relevant TRP compliance certificate. The Offer Consideration will be posted by ordinary mail to the Certificated Offer Participants at the addresses

recorded in the Nutritional Holdings register by the Transfer Secretaries or credited to the bank account of such Offer Participants, details whereof have been furnished in the attached form of acceptance, surrender and transfer (*pink*), at the risk of such Offer Participants.

- 8.2 Settlement of the Offer Consideration to Dematerialised Offer Participants will, subject to paragraph 7.3 take place in accordance with the Custody Agreement concluded between such Dematerialised Offer Participants and their CSDPs or Brokers. The Offer Consideration will be paid after the closing of the Offer and receipt of the relevant TRP compliance certificate. Payment will be by way of appropriate entries being made in the sub-register of Nutritional Holdings administered or maintained by CSDPs or Brokers such that the Nutritional Holdings Shares will be debited from the accounts of the Dematerialised Offer Participants, and the Offer Consideration will be credited to such accounts in terms of the Custody Agreement that exists between such Dematerialised Offer Participants and their CSDPs or Brokers.
- 8.3 Payment by Empire to Offer Participants of the Offer Consideration shall be the sole and exclusive manner of discharge by Empire of its obligations in terms of the Offer.
- 8.4 The rights of Offer Participants to receive the Offer Consideration will be rights enforceable by the Offer Participants against Empire.
- 8.5 Nutritional Holdings Shareholders who wish to accept the Offer will be settled in cash after rounding the number of Offer Shares surrendered to the nearest cent. Fractions of cents of 0.5 or greater will be rounded up and less than 0.5 will be rounded down to the nearest cent.
- 8.6 Acceptance of the Offer may have an effect on an individual Offer Participant's tax position. The nature of the tax implications, whether related to income tax or capital gains tax, will vary from one Offer Participant to another. The jurisdiction in which the Offer Participant resides may also have a bearing on the tax implications. Nutritional Holdings Shareholders are advised to consult their professional advisers about their personal tax positions.

9. EXCHANGE CONTROL REGULATIONS

The settlement of the Offer Consideration for Nutritional Holdings Shareholders will be made subject to the Exchange Control Regulations. The following is a summary of the applicable Exchange Control Regulations. The Remaining Shareholders that are to receive the Offer Consideration who are not resident in South Africa, or who have registered addresses outside (as the case may be), must satisfy themselves as to the full observance of the laws of the relevant jurisdiction concerning the receipt of the Offer Consideration. This includes obtaining any required governmental or other consents, observing any other required formalities and paying any transfer or other taxes due in that jurisdiction. If any Remaining Shareholder is in any doubt, he should consult his professional advisers without delay.

9.1 Residents of the common monetary area

In the case of Nutritional Holdings Shareholders whose registered addresses in the Nutritional Holdings register are within the common monetary area and whose documents of title are not restrictively endorsed in terms of the Exchange Control Regulations, the Offer Consideration will be posted to such Shareholders, in accordance with paragraph 9.

9.2 Emigrants from the common monetary area

In the case of Nutritional Holdings Shareholders who are emigrants from the common monetary area and whose Shares form part of their blocked assets, the Offer Consideration will in the case of Nutritional Holdings Shareholders whose documents of title are restrictively endorsed in terms of the Exchange Control Regulations, be forwarded to the authorised dealer in foreign exchange in South Africa controlling the Offeree's blocked assets in terms of the Exchange Control Regulations, against delivery of the relevant documents of title. The attached form of acceptance, transfer and surrender makes provision for the details of the authorised dealer concerned to be given.

9.3 **All other non-residents of the common monetary area**

The Offer Consideration accruing to non-resident Remaining Shareholders whose registered addresses are outside the common monetary area and who are not emigrants from the common monetary area will, in the case of Nutritional Holdings Shareholders whose documents of title have been restrictively endorsed in terms of the Exchange Control Regulations, be deposited with their authorised dealer in foreign exchange in South Africa nominated by such shareholder.

9.4 **Information not provided**

If the information regarding authorised dealers is not given or the instructions are not given, the Offer Consideration will be held in trust by the Nutritional Holdings company secretary on behalf of the Remaining Shareholders concerned, pending receipt of the necessary information or instructions. Should no information or instructions be received for three years after the closing date, the Offer Consideration will be donated to a charitable organisation of Empire's choice.

10. **INDEPENDENT EXPERT**

The independent board of Nutritional Holdings has appointed BDO Corporate Finance Proprietary Limited as its independent expert to provide the independent board with its opinion as to whether the terms of the Offer are fair and reasonable in terms of section 114(2) and (3) of the Companies Act read with Company Regulation 90.

BDO Corporate Finance Proprietary Limited meets the requirements as set out in section 114(2) of the Companies Act.

11. **OPINION OF INDEPENDENT EXPERT**

BDO Corporate Finance Proprietary Limited delivered to the independent board of directors of Nutritional Holdings an opinion to the effect that, as of the date of the opinion, and based upon and subject to the factors and assumptions detailed in its letter, the terms and conditions of the Offer are fair and reasonable in terms of section 114(2) and (3) of the Companies Act read with Company Regulation 90. The opinion is annexed hereto as **Annexure 2** and has not been withdrawn prior to the publication of this circular.

The independent expert arrived at the following value in the opinion:

A valuation range of 0 cents to 0.09 cents per Nutritional Holdings Share with a most likely value of 0 cents per Nutritional Holdings Share.

The valuation range is provided solely in respect of the independent expert report and should not be used for any other purposes.

12. **VIEWS OF THE INDEPENDENT BOARD OF NUTRITIONAL HOLDINGS**

The independent board of directors of Nutritional Holdings has considered the terms and conditions of the Offer as well as the opinion of the independent expert.

The independent board places reliance on the valuation of the Nutritional Holdings Shares that are the subject of the Offer, performed by the independent expert, after performing the requisite amount of work that satisfies the independent board that it is justified in placing reliance upon that valuation.

The independent board, taking into account the above considerations, concurs with the independent expert's valuation range of between 0 cents and 0.09 cents per Nutritional Holdings Share, and is unanimously of the opinion that the Offer is fair and reasonable in terms of the Companies Act.

13. **INFORMATION ON NUTRITIONAL HOLDINGS**

Nutritional Holdings is an investment holding company with interest in the manufacture, marketing and distribution of staple dry-foods. www.nholdings.co.za.

There have been no material changes in the financial or trading position of Nutritional Holdings in the six month period prior to the last practicable date.

13.1 Major Shareholders

The following Shareholders had a 5% or more interest in the issued share capital of Nutritional Holdings at the last practicable date:

Name	Number of Shares	Percentage held
Philisani Proprietary Limited	1 000 000 000	7.28
Empire	9 200 000 000	66.94

13.2 Share capital of Nutritional Holdings

The authorised share capital of Nutritional Holdings comprises 15 000 000 000 ordinary Shares of no-par value.

The issued share capital of Nutritional Holdings comprises 13 743 368 179 ordinary Shares of no-par value. Nutritional Holdings' Shares are listed on the JSE Limited AltX Board.

14. FINANCIAL INFORMATION ON NUTRITIONAL HOLDINGS

The audited financial statements of Nutritional Holdings in respect of the years ended 28 February 2019, 28 February 2018 and 28 February 2017 and the unaudited interim Nutritional Holdings group results for the six months ended 31 August 2019 are included in **Annexure 1**.

15. INTERESTS OF EMPIRE IN NUTRITIONAL HOLDINGS

At the last practicable date, Empire held 66.94% of the issued ordinary Shares of Nutritional Holdings.

Pursuant to the implementation of the Offer, Empire will become the beneficial owner of the Offer Shares sold pursuant to acceptances of the Offer.

16. INTERESTS OF THE DIRECTORS OF NUTRITIONAL HOLDINGS IN NUTRITIONAL HOLDINGS AND EMPIRE

16.1 Shareholdings

On the last practicable date, the current directors of Nutritional Holdings, and persons who were directors of Nutritional Holdings within the preceding 12 months, had no direct, indirect, beneficial and non-beneficial interests in Empire shares, with the exception of Thabo Mokgatlha, Rob Etchells and Anthony Pinfold, indirectly through their indirect shareholdings in Empire.

On the last practicable date neither Nutritional Holdings nor the directors of Nutritional Holdings had any direct, indirect, beneficial or non-beneficial interests in the shares of Empire or any of its subsidiaries.

16.2 Option holdings

On the last practicable date the directors of Nutritional Holdings held no options in respect of any Shares of Nutritional Holdings, Empire or any of its subsidiaries.

16.3 Share dealings

No current directors of Nutritional Holdings have traded in Nutritional Holdings Shares during the six-month period prior to the last practicable date save for Thabo Mokgatlha (Baphalane Ba Mantserre Investment Holdings Proprietary Limited, which sold the following Shares in Nutritional Holdings:

Name	Shares	Price
Baphalane Ba Mantserre Investment Holdings Proprietary Limited	9 200 000 000	R17 500 000

No current directors of Nutritional Holdings have traded in the shares of Empire or any of its subsidiaries during the six-month period prior to the last practicable date

17. INTERESTS OF THE DIRECTORS OF EMPIRE IN NUTRITIONAL HOLDINGS

At the last practicable date, no director of Empire held Shares in Nutritional Holdings save for the direct shareholding that Empire has in Nutritional Holdings as detailed in 16 above.

There were no trades by the directors of Empire in Shares of Nutritional Holdings during the period beginning six months prior to the Offer period and ending on the last practicable date.

Empire has no concert parties in respect of the Offer.

18. NUTRITIONAL HOLDINGS DIRECTORS' INTERESTS

Other than the payment of salaries in accordance with their service contracts, their shareholdings and share dealings as disclosed herein, no directors of Nutritional Holdings will benefit, directly or indirectly, in any manner as a consequence of the Offer.

19. ARRANGEMENTS, UNDERTAKINGS OR AGREEMENTS IN RELATION TO OFFER SHARES

There are no agreements, arrangements or understandings between Empire or any person acting in concert with it, or any of the directors of Nutritional Holdings or persons who were directors of Nutritional Holdings within the period commencing 12 months prior to the date on which the details of Offer was published in the press, or any person who is or was a Nutritional Holdings shareholder within the abovementioned period. There are no arrangements with, undertakings by, or agreements between Empire and Nutritional Holdings and any persons acting in concert with any of them in relation to the Offer or the Remaining Shares.

20. CONSENTS

The designated adviser, auditors, legal advisors, independent expert and the company secretary of Nutritional Holdings have consented in writing to act in the capacities stated in this document and to their names being stated in this document in the form and context in which they appear and have not withdrawn their consents prior to the publication of this circular.

21. DIRECTORS' RESPONSIBILITY STATEMENT

All members of the independent board of Nutritional Holdings and the directors of Empire:

- have considered all statements of fact and opinion in this Offer Document;
- accept, individually and collectively, full responsibility for the accuracy of the information given;
- certify that, to the best of their knowledge and belief, there are no omissions of material facts or considerations which would make any statement of fact or opinion contained in this document false or misleading;
- have made all reasonable enquiries in this regard; and
- confirm that the Offer Document contains all information required by the TRP Regulations.

22. IRREVOCABLE UNDERTAKINGS

Philisani Proprietary Limited (registration number 2013/086134/07) holds 1 000 000 000 (1 billion) Nutritional Holdings Shares and has, prior to the last practicable date, irrevocably and unconditionally committed to not accept the Offer in terms of the 1 billion Nutritional Holdings Shares held by them.

23. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered office of Nutritional Holdings, from the date of issue of this document until the closing date of the Offer:

- a signed copy of this circular;
- Nutritional Holdings' memorandum of incorporation;
- the audited annual financial statements of Nutritional Holdings for the years ended 28 February 2019, 2018 and 2017;
- interim results of Nutritional Holdings for the six months ended 31 August 2019;
- the signed letters of consent of the designated adviser, auditors, legal advisors, independent expert and the company secretary of Nutritional Holdings consenting to the publication of their names in the form and context in which they appear in this Offer Document;
- a copy of the document wherein Philisani Proprietary Limited irrevocably and unconditionally committed not to accept the Offer;
- approval letter from the TRP, approving the posting of the Circular (the TRP when approving the Circular did not consider the advantages and disadvantages of the Offer); and
- independent expert's opinion letter regarding the Offer.

Signed at Fourways, Johannesburg on behalf of the Empire board and Nutritional Holdings board on 20 January 2020 in terms of resolutions passed by the boards.

FOR AND ON BEHALF OF THE INDEPENDENT BOARD OF

NUTRITIONAL HOLDINGS LIMITED

Thabo Mokgatla
Director

EMPIRE CANNABIS HOLDINGS LIMITED

Neville Moodley
Director

HISTORICAL FINANCIAL INFORMATION OF NUTRITIONAL HOLDINGS

The financial information presented in this Annexure have been extracted and compiled from the consolidated annual financial statements of Nutritional Holdings. The extraction of the aforementioned annual financial statements and interim financial results is the responsibility of the directors of Nutritional Holdings.

PART A: ABRIDGED HISTORICAL FINANCIAL INFORMATION OF NUTRITIONAL HOLDINGS FOR THE FINANCIAL YEARS ENDED 28 FEBRUARY 2017, 2018 AND 2019.

The abridged consolidated statements of financial position, statements of comprehensive income, statements of changes in equity, cash flow statements and notes of Nutritional Holdings for the financial years ended 28 February 2017, 2018 and 2019, have been extracted, and compiled from the audited consolidated annual financial statements of Nutritional Holdings. The preparation of this Annexure 1 (Part A) is the responsibility of the directors of Nutritional Holdings.

The historical financial information of Nutritional Holdings was audited by SizweNtsalubaGobodo Grant Thornton Inc. and was reported on without qualification for all of the aforementioned financial periods.

AUDITED RESULTS OF NUTRITIONAL HOLDINGS AND ITS SUBSIDIARIES FOR THE YEARS ENDED 28 FEBRUARY 2019, 2018 AND 2017

CONDENSED STATEMENT OF FINANCIAL POSITION

	Audited as at 28 February 2019	Audited as at 28 February 2018	Audited as at 28 February 2017
ASSETS			
Non-current assets			
Property, Plant & Equipment	23 214	23 730	24 730
Intangible assets	1 622	1 581	1 762
Deferred tax	5 415	5 424	9 629
Current assets			
Inventories	3 322	3 828	6 375
Trade and other receivables	5 483	4 390	7 569
Cash and cash equivalents	838	21	91
Total assets	39 894	38 974	50 156
EQUITY			
Stated capital	159 580	150 086	150 086
Revaluation reserves	10 521	10 521	10 521
Share-based payment reserve	212	418	397
Accumulated loss	(152 367)	(147 171)	(133 389)
LIABILITIES			
Non-current liabilities			
Related party loans	12 552	8 910	7 813
Secure loans	–	–	2 192
Deferred tax	5 415	5 424	5 366
Current liabilities			
Instalment sale creditors	–	–	20
Related party loans	–	2 551	190
Secure loans	–	2 432	–
Trade and other payables	3 075	3 968	5 442
Bank overdraft	906	1 835	1 518
Total liabilities	21 948	25 120	22 541
Total equity and liabilities	39 894	38 974	50 156
Net asset value per share	0.1	0.4	0.8

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

R'000	Audited as at 28 February 2019	Audited as at 28 February 2018	Audited as at 28 February 2017
Revenue	37 876	42 496	43 215
Cost of sales	(22 757)	(30 462)	(26 826)
Gross profit	15 119	12 034	16 389
Operating expenses excluding impairment	(18 895)	(19 297)	(23 665)
Other income	37	51	39
Loss on disposal of subsidiary	–	(2 484)	(7 633)
Profit on sale of property, plant and equipment	122	–	–
Operating loss for the year	(3 617)	(9 696)	(14 870)
Net interest expense	(1 785)	(1 535)	(1 336)
Loss before taxation	(5 402)	(11 231)	(16 206)
Taxation	–	(2 551)	(825)
Loss for the year	(5 402)	(13 782)	(17 031)
Total comprehensive income (loss)	(5 402)	(13 782)	(17 031)
(Loss) per share (basic) (cents)	(0,06)	(0,38)	(0,49)
(Loss) per share (diluted) (cents)	(0,06)	(0,38)	(0,48)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

R'000	Audited year 28 February 2019	Audited year 28 February 2018	Audited year 28 February 2017
Cash used in operations	(3 513)	(1 886)	(9 130)
Net interest costs	(1 785)	(1 535)	(1 336)
Cash flow from operating activities	(5 289)	(3 421)	(10 466)
Cash flows from investing activities			
Purchase of property, plant and equipment	(1 287)	(608)	(1 396)
Purchase of intangible assets	(79)	(323)	(242)
Proceeds on sale of intangible assets	–	–	4 700
Proceeds on sale of property, plant and equipment	257	–	–
Disposal of subsidiary	–	287	–
Cash flows from financing activities			
Proceeds on share issue	9 494	–	4 336
Advances on related party loans	1 091	3 458	379
Advances on secured loan	(2 432)	240	2 192
Repayment of instalment sale creditors	–	(20)	(77)
Net decrease in cash equivalent	1 746	(387)	(574)
Cash and cash equivalents at beginning of year	(1 814)	(1 427)	(853)
Cash and cash equivalents at end of year	(68)	(1 814)	(1 427)

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Stated capital	Treasury shares	Revaluation reserve	Share-based payment reserve	Accumulated loss	Total equity
Balance at 1 March 2016	152 491	(6 741)	10 521	297	(116 358)	40 210
Issue of shares	4 336	–	–	–	–	4 336
Share-based payment reserve	–	–	–	100	–	100
Total comprehensive loss for the year	–	–	–	–	(17 031)	(17 031)
Balance at 28 February 2017	156 827	(6 741)	10 521	397	(133 389)	27 615
Balance at 1 March 2017	156 827	(6 741)	10 521	397	(133 389)	27 615
Share-based payment reserve	–	–	–	21	–	21
Total comprehensive loss for the year	–	–	–	–	(13 782)	(13 782)
Total changes	–	–	–	21	(13 782)	(13 761)
Balance at 28 February 2018	156 827	(6 741)	10 521	418	(147 171)	13 854
Balance at 1 March 2018	156 827	(6 741)	10 521	418	(147 171)	13 854
Issue of shares	9 494	–	–	–	–	9 494
Share-based payment reserve	–	–	–	(206)	206	–
Total comprehensive loss for the year	–	–	–	–	(5 402)	(5 402)
Total changes	9 494	–	–	(206)	(5 196)	4 092
Balance at 28 February 2019	166 321	(6 741)	10 521	212	(152 367)	17 946

	Audited year 28 February 2019	Audited year 28 February 2018	Audited year 28 February 2017
(Loss)/profit for the year	(5 402)	(13 782)	(17 031)
Loss on disposal of intangible assets/PPE	(122)	–	7 633
Loss on disposal of business	–	2 484	908
Headline (loss)/earnings attributable to shareholders	(5 524)	(11 298)	(8 490)
Net asset value per share			
Number of shares in issue ('000)	8 530 808	3 653 368	3 653 368
Net asset value per share (cents)	0,1	0,4	0,8
Net tangible asset value per share (cents)	0,1	0,3	0,7
Earnings per share			
Weighted average shares in issue net of treasury shares ('000)	8 530 808	3 653 368	3 505 231
Headline (loss) per share (cents)	(0,06)	(0,38)	(0,24)
Diluted headline (loss) per share (cents)	(0,06)	(0,38)	(0,24)

EXTRACTS FROM ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act of South Africa, the requirements of the JSE Listing Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The annual financial statements have been prepared on the historical cost basis, except for the measurement of land and buildings and certain financial instruments which are measured at fair value and are consistent with the accounting policies applied in the previous corresponding period except for the changes set out in section 2 of these accounting policies. The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous financial year. The annual financial statements have been prepared under the supervision of the Financial Director – RS Etchells. They are presented in South African Rand.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and all entities that are controlled by the company. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

1.2 Significant judgments

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Property, plant and equipment

Management has made certain estimations with regard to the determination of the valuation of land and buildings and the estimated residual values and useful lives of items of property, plant and equipment, as discussed further in note 1.3 and note 3.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. The Group recognises the net future benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted. Refer note 6.

1.14 Segment reporting

The Group had three operating segments: the Foods, Healthcare Solutions and Services segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker and in compliance with IFRS. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

1.17 Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The Group adopted IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts and Customers with a date of initial application of 1 March 2018. As a result, the Group has changed its accounting policy for revenue recognition and financial instruments.

The Group has elected not to restate comparative information and has recorded the cumulative effect of initially applying the new standards as an adjustment to the opening balance of equity at the date of initial application. Therefore the comparative information has not been restated and is reported under the previous standards.

Application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the Group's financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provision set out in IFRS 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 March 2018. Accordingly the Group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 March 2018 and has not applied the requirements that have already been derecognised as at 1 March 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The applicable measurement requirements are summarised below:

Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on debt instruments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure loss allowance for that financial instrument at an amount equal to

12 months' expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivable, contract assets and lease receivables in certain circumstances.

As at 1 March 2019, the directors reviewed and assessed the Group's existing financial assets and amounts due from customers for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9, to determine the credit risk of the respective items at the date they were initially recognised. The assessment revealed that there was no material impact on the numbers previously reported.

Application of IFRS 15 Revenue from contracts with customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreement for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 introduces a five-step approach to revenue recognition. Far more prescriptive guidance have been added in IFRS 15 to deal with specific scenarios.

The adoption of this new standard has not resulted in any material changes to the current or the prior period financial results. Consequently, there has not been a material impact on the financial statements both from a quantitative perspective as well as from a disclosure perspective.

35. GOING CONCERN

The Group incurred an operating loss for the year of R3.617 million (2018: R9.696 million)

The Group's total assets exceed its total liabilities by R17.946 million (2018: R13.854 million) despite having an accumulated loss of R152.367 million (2018: R147.171 million).

The Group continued to incur losses as a result of the current depressed market conditions within the lower LSM market segment.

An additional R3 million loan was agreed and was advanced by the majority shareholder to the Group on 3 March 2019. This loan is repayable on 31 March 2022. The loan was advanced to finance working capital requirements of the Group.

A letter of financial support has been provided by the majority shareholder confirming its intent to provide financial and/or other support with a view to ensuring that the company is able to meet its liabilities in the ordinary course of business.

Given the directors evaluation that the Group has sufficient cash resources to meet its obligations as they fall due, the financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities and commitments will occur in the ordinary course of business.

36. SUBSEQUENT EVENTS

On 3 March 2019 the Group's majority shareholder advanced an additional three year loan to the Company for an amount of R3 million.

The directors are not aware of any other material matters or circumstance arising since the end of the financial year that is not disclosed in the integrated report.

PART B: UNAUDITED RESULTS OF NUTRITIONAL HOLDINGS AND ITS SUBSIDIARIES FOR THE SIX MONTHS ENDED 31 AUGUST 2019

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2019

Unaudited Condensed Consolidated Interim Results for the six months ended	Unaudited Six months 31 Aug 2019 R'000	Unaudited Six months 31 Aug 2018 R'000	Audited Year ended 28 Feb 2019 R'000
Revenue	16 706	19 430	37 876
Operating loss before interest and taxation	(3 773)	(2 053)	(3 617)
Net finance costs	(957)	(753)	(1 785)
Loss before taxation	(4 730)	(2 806)	(5 402)
Taxation	–	–	–
Loss for the period	(4 730)	(2 806)	(5 402)
Other comprehensive income for the year net of taxation	–	–	–
Attributable to ordinary shareholders	(4 730)	(2 806)	(5 402)
Loss per share (cents) – basic and diluted	(0,03)	(0,08)	(0,06)
Headline loss per share (cents) – basic and diluted	(0,03)	(0,08)	(0,06)
Number of ordinary shares in issue (000)			
– issued net of treasury shares	13 653 368	3 653 368	13 653 368
– weighted-average	13 653 368	3 653 368	8 530 080
– diluted weighted-average	13 653 368	3 657 257	8 530 080
Calculation of headline earnings (R'000)			
Loss attributable to ordinary shareholders	(4 730)	(2 806)	(5 402)
(Profit)/Loss on disposal of subsidiary	–	–	(122)
Loss on disposal of property, plant and equipment	53	–	–
Headline loss attributable to ordinary shareholders	(4 677)	(2 806)	(5 524)

Unaudited Condensed Consolidated Statement of Financial Position for the period ended	Unaudited Six months 31 Aug 2019 R'000	Unaudited Six months 31 Aug 2018 R'000	Audited Year ended 28 Feb 2019 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	23 755	23 093	23 336
Intangibles	1 481	1 518	1 500
Deferred taxation	5 481	5 463	5 415
	30 717	30 074	30 251
Current assets			
Inventories	3 920	4 842	3 322
Trade and other receivables	4 146	4 344	5 483
Bank balance and cash	466	4 482	838
	8 532	13 668	9 643
TOTAL ASSETS	39 249	43 742	39 894
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	159 580	150 086	159 580
Shares to be issued	–	10 000	–
Reserves	10 734	10 939	10 733
Accumulated loss	(157 098)	(149 977)	(152 367)
Total shareholders' funds	13 216	21 048	17 946
Non-current liabilities			
Loans from related parties secured loan	15 885	12 062	12 552
Deferred taxation	5 481	5 463	5 415
	21 366	17 525	17 967
Current liabilities			
Trade and other payables	4 663	3 811	3 075
Bank overdraft	4	1 358	906
	4 667	5 169	3 981
TOTAL EQUITY AND LIABILITIES	39 249	43 742	39 894
Net asset value per share (cents)	0,1	0,2	0,1

Unaudited Condensed Consolidated Statement of Cash Flows for the period ended	Unaudited Six months 31 Aug 2019 R'000	Unaudited Six months 31 Aug 2018 R'000	Audited Year ended 28 Feb 2019 R'000
Cash utilised by operations	(455)	(2 378)	(3 513)
Net finance costs	(624)	(753)	(694)
Cash flows from operating activities	(1 079)	(3 131)	(4 207)
Cash flows from investing activities			
Purchase of property, plant and equipment	(1 406)	(163)	(1 287)
Disposal of intangible assets	–	63	–
Purchase of intangible assets	–	–	(79)
Proceeds on sale of property, plant and equipment	15	–	257
Cash flows from financing activities			
Shares to be issued	–	10 000	–
Advances on related party loans	3 000	601	–
Proceeds on share issue	–	–	9 494
Net movement on secured loans	–	–	(2 432)
Net (decrease)/increase in cash and cash equivalents	530	7 370	1 746
Cash and cash equivalents at beginning of period	(68)	(1 814)	(1 814)
Cash and cash equivalents at end of period	462	5 556	(68)

Unaudited Condensed Consolidated Statement of Changes in Equity for the period ended 31 August 2019	Stated capital R'000	Treasury shares R'000	Share-based payment reserve R'000	Revaluation reserve R'000	Accumulated loss R'000	Equity R'000
Balance at 28 February 2018 – audited	156 827	(6 741)	418	10 521	(147 171)	13 854
Total comprehensive loss for the period	–	–	–	–	(2 806)	(2 806)
Shares to be issued	10 000	–	–	–	–	10 000
Balance at 31 August 2018 – unaudited	166 827	(6 741)	418	10 521	(149 977)	21 048
Cost of shares issued	(506)	–	–	–	–	(506)
Total comprehensive loss for the period	–	–	–	–	(2 596)	(2 596)
Share-based payment reserve	–	–	(206)	–	(206)	–
Balance at 28 February 2019 – audited	166 321	(6 741)	212	10 521	(152 367)	17 946
Total comprehensive loss for the period	–	–	–	–	(4 730)	(4 730)
Balance at 31 August 2019 – unaudited	166 321	(6 741)	212	10 521	(157 097)	13 216

Unaudited Condensed Consolidated Group Segmental Analysis	Foods R'000	Healthcare Solutions R'000	Services R'000	Consolidated R'000
<i>Business segments</i>				
for the six months ended 31 August 2019 – unaudited				
Revenue from external sales	16 706	–	–	16 706
Revenue from internal sales	–	–	300	300
Segment profit/(loss) before tax	(3 078)	–	(1 652)	(4 730)
Taxation				–
<i>Loss for the period</i>				(4 730)
for the six months ended 31 August 2018 – unaudited				
Revenue from external sales	19 430	–	–	19 430
Revenue from internal sales	–	–	300	300
Segment profit/(loss) before tax	(1 744)	–	(1 062)	(2 806)
Taxation				–
<i>Loss for the period</i>				(2 806)
for the year ended 28 February 2019 – audited				
Revenue from external sales	37 876	–	–	37 876
Revenue from internal sales	–	–	600	600
Segment profit/(loss) before tax	(2 628)	–	(2 774)	(5 402)
Taxation	–	–	–	–
<i>Loss for the year</i>				(5 402)

COMMENTARY

BASIS OF PRESENTATION

The unaudited and un-reviewed, condensed interim financial results for the period ended 31 August 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the presentation and disclosure requirements of IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Accountants Council, the Listings Requirements of the JSE Limited and the requirements of the Companies Act, No 71 of 2008. The results have been prepared in terms of IFRS on the historical cost basis, except for the measurement of land and buildings and certain financial instruments which are measured at fair value and are consistent, in all material respects, with the accounting policies and methods applied in the previous annual financial statements.

The unaudited and un-reviewed, condensed interim financial results have been prepared under the supervision of the Group Financial Director, Mr RS Etchells.

Neither these unaudited and un-reviewed, condensed interim financial results, nor any reference to future financial performance included in this results announcement, has been audited or reviewed or reported on by the Company's external auditor, Grant Thornton.

NATURE OF BUSINESS

For management purposes the Group is organised into two major operating divisions, namely Foods and Services. These divisions are the basis on which the Group reports its primary segment information.

The Group's primary business focus during the period under review was the manufacture and sale of basic staple dry food products to the LSM 3 to 6 market as well as mass feeding schemes and other contract manufacturing activities at its Klerksdorp-based facility, Nutritional Foods ("Foods").

OVERVIEW

The Group continued to struggle with a very low order book in its Food division as a direct result of reduced spending by both retail consumers and government departments. Despite having been awarded contracts to supply both the Department of Health and Basic Education with fortified food products, orders from both of these departments have been considerably down versus forecast during the period under review. In an attempt to off-set this, management have engaged with major brand owners in the breakfast and staple food categories, with a view to securing contract manufacturing off-take agreements. These discussions have started to bear fruit with two new off-take agreements having been negotiated during the latter part of the current period under review. It is anticipated that these off-take agreements will have a positive effect on the Foods division trading situation during the second part of the financial year to February 2020.

FINANCIAL HIGHLIGHTS

Group Turnover decreased to R16,706 million compared to R19,430 million in the previous corresponding period. The Headline loss increased by 68,6% for the period under review, to R4,730 million compared to a loss of R2,806 million in the previous corresponding period. As a result of the significant increase in the number of shares in issue both the loss per share and headline loss per share decreased by 54,8% for the period under review, to 0,03 cents compared a loss of 0,08 cents in the previous corresponding period.

GOING CONCERN

As stated in the overview above, the Company has battled with a low order book during the period under review. Consequently, Foods has continued to incur operating losses. These losses continue to place strain on the Company's cash flow position.

Management have engaged with the Company's majority shareholder, who has agreed to support the Group until such time as a workable solution is found. Post the 31st of August a medium-term shareholders loan has been negotiated as well as a letter on comfort from the Company's majority shareholder pledging financial support to the Company, giving the Company sufficient funding to cover operating expenditure for the foreseeable future.

Shareholders are advised that the unaudited condensed consolidated interim results for the six months ended 31 August 2019 have been prepared on the going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

CHANGES TO THE GROUP'S BOARD

Mr Anthony Richard Pinfold resigned as a non-executive director with effect from 30 September 2019.

Mrs Jennifer Ann Etchells resigned as the Company Secretary with effect from 31 October 2019.

Mr Robert Stephen Etchells resigned as the CEO and Financial Director with effect from 31 October 2019.

DIVIDENDS

No dividends were declared for the six months ended 31 August 2019.

On behalf of the board

R.S. Etchells

Chief Executive Officer

Umhlanga Rocks

14 October 2019

Directors

RS Etchells (Chief Executive Officer & Group Financial Director)

TV Mokgatla (Non-executive Chairman)

Dr PJ Mokgothu (Independent non-executive)

Ms PM Chabele (Independent non-executive)

Registered office

Unit 20 Boulevard Business Park, 14 Belladonna Road, Cornubia, Durban

Tel: +27 31 536 8066

Designated Advisor

PSG Capital

Transfer secretaries

4 Africa Exchange Registry Proprietary Limited

1st Floor. Cedarwood House, Ballyswoods Office Park, 33 Ballyclare Drive, Bryanston, 2121

Company secretary

JA Etchells CA(SA)

OPINION LETTER FROM THE INDEPENDENT PROFESSIONAL EXPERT



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South Africa

The Independent Board

Nutritional Holdings Limited
Unit 20 Boulevade Business Park
14 Belladonna Road
Cornubia
Durban
4319

15 January 2020

Dear Sirs

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO NUTRITIONAL HOLDINGS LIMITED REGARDING THE MANDATORY OFFER BY EMPIRE CANNABIS HOLDING LIMITED TO NUTRITIONAL HOLDINGS LIMITED SHAREHOLDERS**Introduction**

In an announcement published by Nutritional Holdings Limited (“Nutritional” or the “Company”) on the Stock Exchange News Service of the exchange operated by the JSE Limited (“JSE”) (“SENS”) on 28 October 2019, holders of ordinary shares in the issued share capital of Nutritional (“Nutritional Shares”) (“Nutritional Shareholders” or “Shareholders”) were informed that Empire Cannabis Holding Limited (“Empire”) has acquired 9 200 000 000 Nutritional Shares, representing 66.94% of Nutritional’s issued ordinary share capital, from Baphalane Ba Mantserre Investment Holdings Proprietary Limited at price of 0.11 cents per Nutritional Share (“the Acquisition”). As a result of the Acquisition, Empire holds more than 35% of the issued share capital of Nutritional and consequently, in terms of Section 123 of the Companies Act, No. 71 of 2008, as amended, (the “Companies Act”) read with the Takeover Regulations promulgated in terms of sections 120 and 223 of the Companies Act (the “TRP Regulations”), Empire (the “Offeror”), is obligated to make an offer to Nutritional Shareholders to acquire all of the Nutritional Shares, other than those that it already owns (the “Offer Shares”), at 0.11 cents per Offer Share (the “Offer Consideration”) (the “Mandatory Offer” or “Offer”).

As at 10 January 2020, being the last practicable date prior to the finalisation of the circular in respect of the Mandatory Offer (“Circular”) (“Last Practicable Date”), the authorised and issued share capital of the Company comprised the following:

- authorised share capital comprising 15,000,000,000 ordinary shares of no-par value; and
- issued share capital comprising 13,743,368,178 ordinary shares of no-par value, of which 90,000,000 are held as treasury shares.

Full details of the Offer are contained in the Circular, which includes a copy of this letter.

Fair and reasonable opinion required in terms of the Companies Act

The Offer is an affected transaction as defined in section 117(1)(c) of the Companies Act. In terms of section 114(2) of the Companies Act, as read with Regulation 90 and 110 of the Companies Regulations, the Company is required to retain an independent expert to provide an independent expert report (in the form of a fair and reasonable opinion) in terms of section 114(3) of the Companies Act and Regulations 90 and 110 of the Companies Regulations (the “Fair and Reasonable Opinion” or “Opinion”).

BDO Corporate Finance Proprietary Limited (“BDO Corporate Finance”) has been appointed as the independent expert by the Company, acting through its independent directors, to assess the terms and conditions of the Offer as well as the Offer Consideration as required in terms of section 114 of the Companies Act and Regulation 90 and 110 of the Companies Regulations which will be provided for the sole purpose of assisting the Independent Board, and any relevant independent sub-committee thereof, in forming and expressing an opinion on the Offer and the Offer Consideration for the benefit of the Nutritional Shareholders, and for distribution of the Opinion to Nutritional Shareholders pursuant to the requirements of the Companies Act.

Responsibility

Compliance with the Companies Act and the TRP Regulations is the responsibility of the Independent Board. Our responsibility is to report to the Independent Board on whether the terms and conditions of the Offer and the Offer Consideration are fair and reasonable to Shareholders.

Definition of the terms “fair” and “reasonable” applicable in the context of the Offer

The “fairness” of a transaction is primarily based on quantitative issues. A transaction will generally be said to be fair to a Company’s shareholders if the benefits received, as a result of the transaction, are equal to or greater than the value given up.

The Offer may be said to be fair to the Shareholders if the Offer Consideration is equal to or greater than the fair value of a Nutritional Share, or unfair if the Offer Consideration is less than the fair value of a Nutritional Share. Furthermore, in terms of Regulation 110(8) of the TRP Regulations, an offer with a consideration per offeree regulated company security within the fair-value range is generally considered to be fair.

The assessment of reasonableness of the Offer is generally based on qualitative considerations surrounding the transaction. Hence, even though the consideration may be lower than the market value, the Offer may be considered reasonable after considering other significant qualitative factors. The Offer may be said to be reasonable if the Offer Consideration is greater than the trading price of an Offer Share as at the time of the offer Acquisition, or at some other more appropriate identifiable time.

Details and sources of information

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

- the notice of intention to make a mandatory offer to the Shareholders;
- terms and conditions of the Offer, as set out in the Circular;
- the annual reports of Nutritional, incorporating the audited annual financial statements, for the financial years ended 28 February 2015, 2016, 2017, 2018 and 2019;
- the year to date management accounts of Nutritional for the period ended 31 October 2019;
- forecast financial information provided by Nutritional management for the financial years ending February 2020 to 2024;
- discussions with the Nutritional directors and management and/or their advisors regarding the Offer;
- discussions with Nutritional directors and management regarding the historical and forecast financial information of the Company;
- discussions with the Nutritional directors and management on prevailing market, economic, legal and other conditions which may affect underlying value;
- publicly available information relating to the industry in which Nutritional operates in general; and
- publicly available information relating to Nutritional that we deemed to be relevant, including Company announcements and media articles.

The information above was secured from:

- Nutritional directors and management; and
- third-party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Nutritional.

Procedures

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the Offer:

- reviewed the terms and conditions of the Offer;
- reviewed the audited financial information related to Nutritional as detailed above;
- reviewed and obtained an understanding from Nutritional management as to the forecast financial information of Nutritional for the financial years ending February 2020 to 2024 as prepared by Nutritional management. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with Nutritional management and assessed the achievability thereof by considering historical information as well as macro-economic and industry-specific data;
- performed such other studies and analyses as we deemed appropriate and have considered our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the industry in which Nutritional operates;
- held discussions with Nutritional directors and management regarding the past and current business operations, regulatory requirements, financial condition and prospects of Nutritional and such other matters as we have deemed relevant to our inquiry;
- determined the fair value of Nutritional by applying appropriate generally accepted valuation approaches and methods in use in the market from time to time in order to derive the fair value of a Nutritional Share;
- assessed the long-term potential of Nutritional;
- performed a sensitivity analysis on key assumptions included in the valuation;
- evaluated the relative risks associated with Nutritional and the industry in which it operates;
- reviewed certain publicly available information relating to Nutritional and the industry in which it operates that we deemed to be relevant, including Company announcements and media articles, including available analyst coverage of the industry in general; and
- where relevant, representations made by Nutritional directors and management were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which Nutritional operates, and to analyse external factors that could influence the business of Nutritional.

Assumptions

We arrived at our opinion based on the following assumptions:

- that none of the Nutritional Shares acquired pursuant to the Offer will be transferred to any person other than the Offeror and it will be the ultimate owner of the Nutritional Shares so acquired;
- that the Offer will have the legal, accounting and taxation consequences described in the Circular and discussions with, and materials furnished to us by representatives and advisers of Nutritional; and
- that reliance can be placed on the financial information of Nutritional.

Appropriateness and reasonableness of underlying information and assumptions

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

- placing reliance on audit reports in the financial statements of Nutritional;
- conducting analytical reviews on the historical financial results and forecast financial information, such as key ratio and trend analyses; and
- determining the extent to which representations from Nutritional directors and management were confirmed by documentary and other financial evidence as well as our understanding of Nutritional and the economic environment in which the Company operates.

Limiting conditions

The Independent Expert Report is provided in connection with and for the purposes of the Offer. This Independent Expert Report does not purport to cater for each individual Shareholder's perspective, but rather that of the general body of Shareholders. Should a Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

Individual Shareholder's decisions regarding the Offer may be influenced by such Shareholder's circumstances and accordingly individual Shareholders should consult an independent adviser if in any doubt as to the merits or otherwise of the Offer.

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

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

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

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

The scope of our appointment does not require us to express, and nor do we express, a view on the future growth prospects, earnings potential or value of a Nutritional Share. We do not express any view as to the price at which Shares may trade nor on the future value, financial performance or condition of Nutritional.

Independence, competence and fees

We confirm that neither we nor any person related to us (as contemplated in the Companies Act) have a direct or indirect interest in the Nutritional Shares or the Offer, nor have had within the immediately preceding two years, any relationship as contemplated in section 114(2)(b) of the Companies Act, and specifically declare, as required by Regulation 90(6)(i) and 90(3)(a) of the TRP Regulations, that we are independent in relation to the Offer and will reasonably be perceived to be independent. We also confirm that we have the necessary competence to provide the Independent Expert Report and meet the criteria set out in section 114(2)(a) of the Companies Act.

Furthermore, we confirm that our professional fees of R80,000 (excluding VAT), in respect of professional services relating to the Offer are not contingent upon the success of the Offer. Our fees are not payable in shares.

Valuation approach

This valuation has been prepared on the basis of "Market Value". The generally accepted definition of "Market Value" is the value as applied between a hypothetical willing vendor and a hypothetical willing prudent buyer in an open market and with access to all relevant information.

We note that Nutritional recorded consolidated revenue of R37.876 million for the year ended February 2019 ("FY19") and a consolidated operating loss of R3.617 million. A total comprehensive loss of R5.402 million was incurred in FY19 after interest of R1.785 million on related party loans and the bank overdraft. The Company has incurred total comprehensive losses in each of the last four financial years, with the highest loss of R17.031 million recorded in the year ended February 2017. The last total comprehensive profit of R1.743 million was achieved in the year ended February 2015 ("FY15"). The net asset value has declined from R45.536 million in FY15 to R17.946 million in FY19 and the losses have been funded primarily by an increase in related party loans.

The forecast provided by Nutritional management indicates ongoing losses for all forecast periods, with the losses increasing on an annual basis mainly as a result of low throughput volumes at its manufacturing facility. Due to the negative cash flows the discounted cash flow ("DCF") methodology derives a fair value of below 0 cents per Nutritional Share.

Due to the history of losses and negative cash flows per Nutritional management's forecasts, the net asset value ("NAV") valuation approach has been considered to derive the fair value of a Nutritional Share. This valuation technique may be appropriate for a business that is not making an adequate return on assets and for which a greater value can be realised by liquidating the business and selling its assets. In the context of Nutritional, the NAV technique may therefore be appropriate based on the losses that it is currently incurring and is expected to incur in future. As at the Valuation Date, the NAV of Nutritional was R12,469,696. Under any liquidation scenario one would expect the assets to sell at a discount to carrying value. The NAV per Nutritional Share equates to 0.09 cents.

Valuation results

In undertaking the valuation exercise above, we determined a valuation range of 0 cents to 0.09 cents per Nutritional Share with a most likely value of 0 cents per Nutritional Share.

The valuation range above is provided solely in respect of the Independent Expert Report and should not be used for any other purposes.

The Offer Consideration compared to the trading price

The 30-day and 60-day volume weighted average traded price per Nutritional Share amounts to 1 cent, as at 31 October 2019, being the last trading date prior to the date on which the cautionary announcement was published on SENS. As a quoted share cannot trade below 1 cent, the Offer Consideration is considered to be reasonable.

The rationale for the Offer is set out in paragraph 2 of the Circular.

Opinion

BDO has considered the terms and conditions of the Offer and, based upon and subject to the conditions set out herein, is of the opinion that the Offer is fair to Nutritional Shareholders.

Based on the qualitative considerations set out above, we are of the opinion that the terms and conditions of the Offer are reasonable in the circumstances.

Our opinion is necessarily based upon the information available to us up to 10 January 2020, including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory and other approvals and consents required in connection with the Offer have been fulfilled or obtained.

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

Consent

We hereby consent to the inclusion of this Independent Expert Report, in whole or in part, and references thereto in the Circular and any other announcement or document pertaining to the Offer, in the form and context in which they appear.

Yours faithfully

N Lazanakis

Director

BDO Corporate Finance Proprietary Limited

Wanderers Office Park

52 Corlett Drive

Illovo

2196

SHARE TRADING HISTORY OF NUTRITIONAL HOLDINGS

Set out in the table below are the aggregate volumes and values and the highest and lowest prices traded in Nutritional Holdings Shares in respect of:

- each day over the 30 trading days preceding the last practicable date; and
- each month over the 12 months prior to the date of issue of this Circular.

Daily	Close (cents)	High (cents)	Low (cents)	Value (Rand)	Volume
2019					
21 November	2	2	1	12 736 890	131 069
22 November	2	2	1	657 000	10 570
26 November	2	2	1	7 382 961	90 329
27 November	2	2	1	3 004 307	48 074
28 November	2	2	1	1 828 748	22 734
29 November	1	2	1	26 484 781	266 348
2 December	1	2	1	9 242 418	95 994
3 December	2	2	1	1 100 050	13 651
4 December	1	2	1	8 565 800	86 163
5 December	1	2	1	9 553 524	96 535
6 December	1	1	1	1 104 616	11 046
9 December	1	1	1	1 584 764	15 848
10 December	1	1	1	721 000	7 210
11 December	1	1	1	100 000	1 000
12 December	1	1	1	200 000	2 000
13 December	1	1	1	283 000	2 830
17 December	1	1	1	38 250 050	382 501
18 December	1	1	1	9 812 700	98 127
19 December	1	1	1	1 033 868	10 339
20 December	1	1	1	5 128 951	51 290
23 December	1	1	1	2 310 087	23 101
24 December	–	–	–	–	–
27 December	1	1	1	2 281 923	22 819
30 December	1	1	1	2 155 735	21 557
31 December	1	1	1	1 609 669	16 097
2020					
2 January	1	1	1	1 330 513	13 305
3 January	–	–	–	–	–
6 January	1	1	1	1 000 000	10 000
7 January	1	1	1	570 000	5 700
8 January	1	1	1	5 000 000	50 000

Monthly	Close (cents)	High (cents)	Low (cents)	Value (Rand)	Volume
2019					
January	1	1	1	22 039	2 203 850.00
February	1	1	1	5 572	557 235.00
March	1	1	1	1 210	121 000.00
April	1	1	1	9 450	945 000.00
May	1	1	1	6 480	647 954.00
June	1	1	1	7 424	742 355.00
July	1	1	1	4 725	472 496.00
August	1	1	1	6 366	636 600.00
September	1	1	1	191 476	19 147 604.00
October	1	1	1	42 365	4 236 500.00
November	1	1	1	3 034 576	274 006 278.00



NUTRITIONAL HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2004/002282/06)

(Share Code: NUT ISIN Code: ZAE000156485)

("Nutritional Holdings")

FORM OF ACCEPTANCE, SURRENDER AND TRANSFER FOR CERTIFICATED NUTRITIONAL HOLDINGS SHAREHOLDERS ONLY

For use by *CERTIFICATED OFFER PARTICIPANTS* only in terms of the Offer.

The definitions and interpretations commencing on page 6 of the Circular of which this form of acceptance, surrender and transfer forms part, apply to this form of acceptance, surrender and transfer, unless the context clearly indicates otherwise.

This form of acceptance, surrender and transfer is applicable to Certificated Offer Participants who wish to accept the Offer from Empire, to acquire all or part of their Nutritional Holdings Shares, as set out in the Offer Document issued by Empire to Nutritional Holdings Shareholders, to which this form is attached.

Nutritional Holdings Shareholders who surrender their documents of title will not be able to trade their Nutritional Holdings shares after such surrender.

Notes and instructions:

1. All acceptances of the Offer received by the transfer secretaries on or prior to Closing Date, shall be irrevocable.
2. A separate form is required for each Nutritional Holdings shareholder. Persons who have acquired Nutritional Holdings shares after the date of posting of the Offer Circular setting out the Offer, can obtain copies of the Offer Document and this form from the Transfer Secretaries.
3. **PART A:**

This must be completed by all Certificated Offer Participants who wish to accept the Offer.
4. **PART B:**
 - 4.1 Section 1 must be completed by all Certificated Offer Participants who are emigrants of the common monetary area.
 - 4.2 Section 2 must be completed by all other Certificated Offer Participants who are non-residents of the common monetary area (and who are not required to complete Section 1).
5. No receipts will be issued for forms of acceptance, surrender and transfer forms lodged unless specifically requested. In compliance with the JSE Listings Requirements, lodging agents are requested to prepare special transaction receipts, if required.
6. If you are in any doubt as to how to complete this form, please consult your banker, Broker, legal adviser, accountant or other professional adviser immediately.
7. This form, together with the share certificates or other Documents of Title, must be returned to the Transfer Secretaries, so as to be received prior to 12:00 on the closing date of the Offer. If your documents of title have been lost or destroyed, you should nevertheless return this form, together with a duly executed indemnity provided by the Transfer Secretaries. Empire, Nutritional Holdings and the Transfer Secretaries may, in their sole discretion, dispense with the surrender of such documents of title upon production of satisfactory evidence that the documents of title have been lost or destroyed and upon provision of a suitable indemnity. Unless otherwise agreed, only indemnity forms obtained from the Transfer Secretaries (available on request) will be regarded as suitable. Signatories may be called upon for evidence of their authority or capacity to sign this form.
8. Any alteration to this form of acceptance, surrender and transfer must be signed in full and not initialled. Any such alteration may not be accepted by Empire, Nutritional Holdings or the Transfer Secretaries.

9. If this form is signed under a power of attorney, then such power of attorney or a notarially certified copy thereof must be sent with this form for noting, unless it has already been noted by the Transfer Secretaries.
10. When the Nutritional Holdings shareholder is a company or a close corporation or other juristic person, a certified copy of the directors' or members' or other resolution authorising the signing of this form must be submitted together with this form, unless it has already been registered with the Transfer Secretaries or this form bears the JSE broker's stamp.
11. Where Nutritional Holdings Shares are jointly held, this form of acceptance, surrender and transfer must be signed by all joint holders, however, Empire, Nutritional Holdings and the Transfer Secretaries shall be entitled to, in their absolute discretion, accept signature only of that holder whose name stands first in the register in respect of such Nutritional Holdings Shares.
12. The Offer Consideration will be paid to Offer Participants after the closing of the Offer and receipt of the relevant TRP compliance certificate.
13. The Offer Consideration due to a non-resident Nutritional Holdings shareholder will be sent to the authorised dealer in foreign exchange controlling such non-resident Nutritional Holdings shareholder's blocked assets in terms of the Exchange Control Regulations and you are referred to paragraph 10 of the circular in this regard.
14. Nutritional Holdings Shareholders are advised to consult their professional advisers about their personal tax positions regarding the receipt of the Offer Consideration.
15. Nutritional Holdings Shareholders are referred to the circular for the further terms applicable to the Offer and its acceptance, which circular should be read in its entirety for full appreciation thereof.
16. In the event of any conflict between this form and the circular setting out the terms of the Offer, the Circular shall prevail.

The Offer Consideration will not be discharged to Offer Participants unless and until this form of acceptance, surrender and transfer together with the documents of title, have been surrendered to the Transfer Secretaries by hand or by mail:

By hand

4 Africa Exchange Registry Proprietary Limited
(Registration number 2007/033697/06)
1st Floor, Cedar Wood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2121

By mail

c/o Africa Exchange Registry Proprietary Limited
Postnet Suite 532
Private Bag X51
Bryanston
2021
E-mail: nutritional@4axregistry.co.za

so as to be received by the Transfer Secretaries by not later than 12:00 on the closing date.

PART A – CERTIFICATED OFFER PARTICIPANTS ACCEPTING THE OFFER MUST PLEASE COMPLETE THIS SECTION (IN BLOCK CAPITALS). EACH NUTRITIONAL HOLDINGS SHAREHOLDER MUST COMPLETE A SEPARATE FORM

To: Empire Cannabis Holdings Proprietary Limited
c/o 4 Africa Exchange Registry Proprietary Limited

Dear Sirs,

I/We hereby irrevocably accept the Offer on the terms and conditions set out in the circular dated Monday, 20 January 2020 to which this form is attached and enclose the undermentioned documents of title and authorise the Transfer Secretaries of Nutritional Holdings to register transfer of the below mentioned Nutritional Holdings Shares to Empire and/or their duly authorised nominees. I/We do hereby appoint each of the directors of Empire and the Transfer Secretaries acting on his/her/its own behalf as my attorney and agent with full power and authority to act on my behalf (*in rem suam*), sign all documents and do all such acts as may be necessary or desirable for the purpose of transferring such Nutritional Holdings Shares to Empire or their nominees, pursuant to and on the basis set out in the Offer.

PART B – ADDITIONAL INFORMATION REQUIRED FROM EMIGRANTS FROM THE COMMON MONETARY AREA AND ALL OTHER NON-RESIDENTS OF THE COMMON MONETARY AREA

1. To be completed only by Nutritional Holdings Shareholders who are emigrants from the common monetary area (see paragraph 10 of the circular).	
Name and address of authorised dealer in South Africa	
Blocked Rand account number	
2. To be completed by all Nutritional Holdings Shareholders who are non-residents of the common monetary area, other than those required to complete 1 above (see paragraph 10 of the circular).	
The Offer Consideration will be paid to the nominated authorised dealer in South Africa, and it will be incumbent on the Nutritional Holdings Shareholders concerned to instruct the nominated authorised dealer(s) as to the disposal of the amount concerned	
Name and address of authorised dealer in South Africa	
If no nomination is made in terms of 1 and 2 above, the Offer Consideration will be held in trust in accordance with paragraph 8 of the circular.	
Signature of or on behalf of Nutritional Holdings shareholder:	Stamp and address of agent lodging this form (if any)
Name:	
(Who warrants that he/she is duly authorised)	
Capacity:	
Assisted by me (if applicable):	
(State full name and capacity of assistance):	
Date:	

