



Sovereign Food Investments Limited

Unaudited Group Results

for the six months ended 31 August 2009 and further cautionary announcement

- 419% increase in profit before interest and taxation
- 168% increase in earnings per share to 70,5 cents per share
- 49% increase in turnover
- 18% reduction in net gearing

Income Statement

	Unaudited six months ended 31 August		Audited year ended 28 February
	2009 R'000	2008 R'000	2009 R'000
Revenue	544 968	365 246	909 121
Operating income/(loss)	77 637	(11 657)	71 011
Depreciation	12 022	8 916	20 364
Profit/(loss) before interest and taxation	65 615	(20 573)	50 647
Net interest paid	33 375	22 304	56 173
Net operating income/(loss)	32 240	(42 877)	(5 526)
Normal and deferred taxation	8 991	(8 531)	(5 034)
Retained earnings/(accumulated loss) for the period	23 249	(34 346)	(492)
Weighted average number of shares in issue (000's)	33 003	33 003	33 003
Earnings/(loss) per share (cents)	70,5	(104,1)	(1,5)
Headline earnings/(loss) per share (cents)	70,5	(104,1)	(1,5)
Diluted earnings/(loss) per share (cents)	70,3	(102,9)	(1,5)
Diluted headline earnings/(loss) per share (cents)	70,3	(102,9)	(1,5)
Reconciliation between earnings/(loss) and headline earnings/(loss)			
Earnings/(loss) after taxation	23 249	(34 346)	(492)
Reconciling items:	-	-	-
Headline earnings/(loss) after taxation	23 249	(34 346)	(492)

Balance Sheet

	Unaudited six months ended 31 August		Audited year ended 28 February
	2009 R'000	2008 R'000	2009 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	813 587	703 729	780 130
Current assets	313 345	267 459	320 427
Cash and cash equivalents	104 510	50 914	82 679
Inventory and biological assets	121 015	118 747	124 423
Trade and other receivables	87 820	97 798	113 325
Total assets	1 126 932	971 188	1 100 557
EQUITY AND LIABILITIES			
Capital and reserves			
Equity	309 503	252 595	286 493
Interest-bearing debt	536 830	479 931	548 966
Long-term portion	446 406	362 074	457 981
Short-term portion	90 424	117 857	90 985
Deferred taxation	106 054	93 564	97 062
Trade and other payables	174 545	145 098	168 036
Total equity and liabilities	1 126 932	971 188	1 100 557

Cash Flow Statement

	Unaudited six months ended 31 August		Audited year ended 28 February
	2009 R'000	2008 R'000	2009 R'000
Cash generated/(utilised) from operations before working capital changes	77 637	(11 657)	71 056
Changes in working capital	35 422	(46 747)	(45 012)
Cash generated/(utilised) from operating activities	113 059	(58 404)	26 044
Net interest paid	(33 375)	(22 304)	(56 173)
Taxation received/(paid)	-	3 476	3 476
Net cash flows from operating activities	79 684	(77 232)	(26 653)
Net cash flows from investing in property, plant and equipment	(45 479)	(160 252)	(248 048)
Net cash flows from debt (repaid)/raised	(12 374)	163 244	232 226
Net increase/(decrease) in cash and cash equivalents	21 831	(74 240)	(42 475)
Cash and cash equivalents at beginning of period	82 679	125 154	125 154
Cash and cash equivalents at end of period	104 510	50 914	82 679

Statement of Changes in Equity

	28 February 2009 R'000	Net profit for the period R'000	Share-based payments R'000	31 August 2009 R'000
Share capital	330	-	-	330
Share premium	14 305	-	-	14 305
Share-based payments	301	-	(239)	62
Revaluation reserve	28 848	-	-	28 848
Retained earnings	242 709	23 249	-	265 958
Total	286 493	23 249	(239)	309 503
	28 February 2008 R'000	Net loss for the period R'000	Share-based payments R'000	31 August 2008 R'000
Share capital	330	-	-	330
Share premium	14 305	-	-	14 305
Share-based payments	257	-	-	257
Revaluation reserve	28 848	-	-	28 848
Retained earnings	243 201	(34 346)	-	208 855
Total	286 941	(34 346)	-	252 595

Commentary

RESULTS FOR THE PERIOD UNDER REVIEW

The Group experienced a return to profitability during the period under review with turnover increasing 49% on the back of a 30% increase in volumes and a 15% increase in poultry prices. Total production costs fell 5% per kg sold and as a result profit before interest and taxation increased 419% to R65,6 million from a loss of R20,6 million for the six months ended 31 August 2008.

Feed costs fell 6% per kg sold as a result of lower commodity prices and improved production efficiencies. Non-feed costs fell 3% as a result of the cost reduction initiatives undertaken by the Group.

Due to the expansion over the past two years, finance costs have increased 15% per kg sold. However, the Group has a significant portion of its debt with floating rates and therefore the decline in interest rates during the period under review has had a positive impact on the amount of finance charges paid.

Working capital has been well managed and despite an increase in turnover, the Group experienced a 52% reduction in net working capital utilised as at 31 August 2009 to R34 million from R71 million at the end of the comparative period.

As a result of the Group's improved performance, net gearing has fallen to 140% from 170% for the comparative period.

INDUSTRY CONDITIONS

National poultry prices declined from the first quarter to the second quarter of the period under review as the increased strength of the Rand led to increases in import volumes. However, national and international grain and protein prices have declined since February 2009 as a result of large international crops and a reduction in the international demand for grains and proteins.

PROSPECTS

While the Group expects a recovery in poultry prices and a reduction in input costs due to lower grain and protein prices, the strengthening of the Rand will continue to be of importance for the remainder of the year.

ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply with the requirements of International Accounting Standard 34 – Interim Financial Reporting. The accounting policies are consistent with those applied by the Group for the year ended 28 February 2009.

These results have not been reviewed or reported on by the Group's auditors.

INTERIM DIVIDEND

In accordance with the Group's intention to improve its gearing position, the Board of Directors of Sovereign ("the Board") considers it prudent not to propose an interim dividend for the period under review.

FURTHER CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the cautionary announcement dated 4 September 2009 and are advised that "the Group" remains involved in discussions which, if successfully concluded, may have a material effect on the price of the company's securities.

Accordingly, shareholders are advised to continue to exercise caution when dealing in the company's shares until a further announcement is made.

By order of the Board

CP Davies
Non-executive Chairman

29 September 2009

e-mail: info@sovfoods.co.za

MJB Davis
Chief Executive Officer

Transfer secretaries

Computershare Investor Services (Pty) Limited, PO Box 61051, Marshalltown 2107, Gauteng

Sponsor

Barnard Jacobs Mellet Corporate Finance (Pty) Limited

Directorate

CP Davies* (Chairman), MJ Hankinson*, KT Kweyama*, PM Madi*, LM Nyhonyha*, MJB Davis, C Coombes, BJ van Rensburg, GG Walter (*Non-Executive)

Sovereign Food Investments Limited

Incorporated in the Republic of South Africa, Registration number 1995/003990/06
JSE code: SOV ISIN: ZAE 000009221, ("Sovereign" or "the Group")

www.sovfoods.co.za