

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions commencing on page 4 of this circular apply *mutatis mutandis* to this circular including this cover page.

Action required:

1. This entire circular is important and should be read with particular attention to pages 2 and 3 entitled "Action required by shareholders".
2. If you are in any doubt as to the action you should take, please consult your broker, Central Securities Depository Participant ("CSDP"), banker, accountant, attorney or other professional adviser immediately.
3. If you have disposed of all your shares in Sovereign, please forward this circular to the purchaser of such shares or to the broker, CSDP, banker or other agent through whom the sale was affected.

The distribution of this circular and accompanying documents and the granting of the right to subscribe for Rights Shares in certain jurisdictions other than South Africa may be restricted by law and a failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction. Refer to paragraph 3 on page 2 of this circular for further details.

- The Rights Offer does not constitute an offer in any jurisdiction in which it is illegal to make such an offer and in such circumstances, this circular, if sent, is sent for information purposes only.
- The Rights Shares, upon their issue, will rank *pari passu* in dividends and in all respects with the Sovereign Shares currently in issue.
- There are no convertibility or redemption provisions relating to the Rights Shares.
- The allocation of Rights Shares will be such that only whole numbers of Rights Shares will be issued and shareholders will be entitled to rounded numbers of rights shares. Fractional entitlements of 0.5 or greater will be rounded up and less than 0.5 will be rounded down.

The rights that are represented by the Letters of Allocation are valuable and may be sold on the JSE. Letters of Allocation can, however, only be traded in dematerialised form and accordingly, all Letters of Allocation have been issued in dematerialised form.

The electronic record of certificated shareholders is being maintained by the Transfer Secretaries and this has made it possible for the holders of certificated shares to enjoy similar rights and opportunities as holders of dematerialised shares in respect of the Letters of Allocation. Instructions on how to accept, renounce or sell the rights represented by the Letters of Allocation are set out in paragraph 4 of this circular.

The directors, whose names are set out on page 8 of this circular, collectively and individually, accept full responsibility for the accuracy of the information given herein and certify that, to the best of their knowledge and belief, no facts have been omitted which would make any statement false or misleading, and that they have made all reasonable enquiries to ascertain such facts and that this circular contains all information required by law and the Listings Requirements.

This circular incorporates revised listing particulars and is issued in compliance with the Listings Requirements, for the purpose of providing information to the public with regard to Sovereign and contains the information described in Section 6 of the Listings Requirements.



Sovereign Food Investments Limited

(Incorporated in the Republic of South Africa)

(Registration number 1995/003990/06)

JSE code: SOV ISIN: ZAE000009221

JSE code for LA's: SOVN ISIN for LA's: ZAE000142279

CIRCULAR TO SOVEREIGN SHAREHOLDERS

regarding:

- **a partially underwritten renounceable Rights Offer by Sovereign of 16 997 070 new ordinary shares of 1 cent each in the ordinary share capital of Sovereign at a subscription price of 850 cents per new ordinary share, in the ratio of 51.5017 new ordinary shares for every 100 ordinary shares held in Sovereign at the close of business on Friday, 20 November 2009;**

and incorporating:

- **a Form of Instruction in respect of a renounceable (nil paid) Letter of Allocation in respect of the Rights Offer (for use by Certificated Shareholders); and**
- **the revised listing particulars relating to Sovereign.**

Rights Offer opens at the commencement of trade on:

Monday, 23 November 2009

Rights Offer closes at 12:00 on:

Friday, 11 December 2009

An English copy of this circular, together with the Form of Instruction and the documents referred to in paragraph 17 of this circular, has been lodged with CIPRO in terms of section 145A of the Companies Act and the Form of Instruction was registered by CIPRO in terms of sections 146A of the Companies Act.

All the advisors, whose names and reports are included in this circular, have given and have not withdrawn, prior to publication of this circular, their written consents for the inclusion of their names and reports in the form and context in which they appear.

Corporate Advisor and Sponsor



Reporting accountants



Date of issue: 23 November 2009

CORPORATE INFORMATION

Company secretary and Registered Office of Sovereign

C Coombes, CA(SA)
Kruis River Road
Uitenhage
6230
(PO Box 1386, Uitenhage, 6230)

Place of incorporation: South Africa

Date of incorporation: 8 May 1995

Transfer Secretaries

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

Underwriters

Old Mutual Investment Group (South Africa)
(Proprietary) Limited
3rd Floor, West Campus
Jan Smuts Drive
Pinelands, 7405
(PO Box 878, Cape Town, 8000)

Prudential Portfolio Managers (South Africa)
(Proprietary) Limited
7th Floor, Protea Place
40 Dreyer Street
Claremont, 7735
(PO Box 44813, Claremont, 7735)

Corporate advisor and sponsor

Barnard Jacobs Mellet Corporate Finance
(Proprietary) Limited
BJM House
Ground Floor
24 Fricker Road
Illovo
2196
(PO Box 62200, Marshalltown, 2107)

Reporting accountants and auditors

PKF (Jhb) Inc.
42 Wierda Road West
Wierda Valley
Sandton
2196
(Private Bag X10046, Sandton, 2146)

Bankers to Sovereign

The Standard Bank of South Africa Limited
3 Simmonds Street
Johannesburg
2001
South Africa
(PO Box 61344, Marshalltown, 2107)

Copies of this document, in English only, may be obtained from the Transfer Secretaries of Sovereign, whose address is set out above.

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ACTION REQUIRED BY SHAREHOLDERS

This circular is important and requires your immediate attention. The enclosed Form of Instruction applies to certificated shareholders only. The Letter of Allocation to which the Form of Instruction relates is negotiable and can be sold on the JSE.

Shareholders are referred to paragraph 4 of this circular, which sets out the procedures to be followed by shareholders in relation to the Rights Offer.

1. IF YOU HAVE DEMATERIALIZED YOUR SOVEREIGN SHARES

- 1.1 You will **not** receive a printed Form of Instruction.
- 1.2 Your CSDP or broker will credit your account with the number of rights to which you are entitled.
- 1.3 Your CSDP or broker will contact you to ascertain:
 - whether or not you wish to follow your rights in terms of the Rights Offer and in respect of how many Rights Shares; or
 - if you do not wish to follow all or any of your rights:
 - whether you wish to sell your rights;
 - whether you wish to renounce your rights and the details of the renouncee; or
 - whether you wish your rights to lapse.
- 1.4 If you are not contacted, you should contact your CSDP or broker and furnish them with your instructions. If your CSDP or broker does not obtain instructions from you, they are obliged to act in terms of the agreement entered into between you and your CSDP or broker.

Sovereign does not take responsibility and will not be held liable for any failure on the part of the CSDP or broker to notify the shareholder of the Rights Offer and/or to obtain instructions from shareholders as to whether to subscribe for the Rights Shares and/or to sell and/or renounce the rights allocated and any and all such liability is hereby expressly excluded.

2. IF YOU HAVE NOT DEMATERIALIZED YOUR SOVEREIGN SHARES

If you wish to subscribe for the Rights Shares allocated to you, you must complete the enclosed Form of Instruction in accordance with the instructions contained therein and lodge it, together with the payment for the amount due, with the Transfer Secretaries by 12:00 on Friday, 11 December 2009.

If you do not wish to subscribe for all or some of the Rights Shares allocated to you, as reflected in the Form of Instruction, you may sell or renounce or lapse your rights. In such an event, you must complete the relevant section of the Form of Instruction and return it to the Transfer Secretaries to be received by no later than 12:00 on Friday, 4 December 2009 if you wish to sell your rights and no later than 12:00 on Friday, 11 December 2009 if you renounce your rights. You need do nothing if you wish your rights to lapse.

3. JURISDICTION

The distribution of this circular, the Rights Offer, the Form of Instruction and the transfer of the Rights Shares and/or the rights to subscribe for the Rights Shares in jurisdictions other than South Africa may be restricted by law and failure to comply with any of those restrictions may constitute a violation of the laws of any such jurisdiction. Neither this circular, nor any Form of instruction, may be regarded as an offer in any jurisdiction in which it is illegal to make such an offer. In those circumstances, this circular and any Form of instruction are sent for information purposes only.

It is the responsibility of any person outside South Africa (including, without limitation, nominees, agents and trustees for such persons) receiving this circular and wishing to take up rights under the Rights Offer, to satisfy himself as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

4. NON-RESIDENTS

Shareholders who are non-residents are referred to paragraph 11 of the circular regarding their rights.

DEFINITIONS

In this circular, unless otherwise stated or the context so requires, the words in the first column have the meanings stated opposite them in the second column, words in the singular shall include the plural and *vice versa*, words denoting one gender include the other and expressions denoting natural persons include juristic persons and associations of persons:

"Articles"	Articles of association;
"Board"	the board of Directors of Sovereign;
"Broker"	any person registered as a "broking member (equities)" in terms of the Listings Requirements made in accordance with the provisions of the Securities Services Act of 2004, as amended;
"Business Day"	any day other than a Saturday, Sunday or public holiday in South Africa;
"Certificated Shareholders"	holders of Certificated Sovereign Shares;
"Certificated Sovereign Shares"	Sovereign Shares which are not dematerialised, title to which is represented by a share certificate or other document of title;
"CIPRO"	the Companies and Intellectual Property Registration Office;
"the circular" or "this circular"	this document and all annexures and attachments hereto;
"Companies Act"	the Companies Act, No. 61 of 1973, as amended;
"Corporate Advisor and Sponsor"	Barnard Jacobs Mellet Corporate Finance (Proprietary) Limited (registration number 2000/023249/07), a private company registered and incorporated in South Africa;
"CSDP"	Central Securities Depository Participant;
"dematerialised"	the process by which Certificated Sovereign Shares are or are to be converted into electronic form under Strate for trading on the JSE;
"Dematerialised Sovereign Shares"	Sovereign Shares which have been incorporated into the Strate system and which are no longer evidenced by physical Documents of Title;
"Dematerialised Shareholders"	holders of Dematerialised Sovereign Shares;
"Directors" or "Sovereign Directors"	the directors of Sovereign;
"Documents of Title"	valid share certificate(s), certificated transfer deed(s), balance receipts or any other Documents of Title acceptable to Sovereign in respect of Sovereign Shares;
"Form of Instruction"	reflecting the rights of Certificated Shareholders and on which Certificated Shareholders are entitled to indicate whether they wish to take up, sell or renounce their rights;
"the Group"	Sovereign and its associates and subsidiaries, including joint ventures where appropriate, from time to time;
"Independent Reporting Accountants" and/or "Auditors"	PKF (Jhb) Inc (registration number 2000/026635/21), Registered Auditors, Chartered Accountants (SA);
"Implementation Date"	the date upon which the Rights Offer becomes unconditional and the finalisation data is announced in accordance with the Listings Requirements being Thursday, 5 November 2009;

“JSE”	the exchange operated by JSE Limited (registration number 2005/022939/06), a public company registered and incorporated in South Africa;
“Land Bank”	the Land and Agricultural Development Bank of South Africa;
“Last Practicable Date”	Friday, 30 October 2009, being the last practicable date prior to the finalisation of the circular;
“Letter/s of Allocation” or “LA’s”	renounceable (nil paid) Letters of Allocation to be issued to Sovereign shareholders, conferring a right on the holder to subscribe for Rights Shares in terms of the Rights Offer;
“Listings Requirements”	the Listings Requirements of the JSE as amended by the JSE from time to time;
“Premium”	in respect of each of the Rights Shares an amount of 849 cents per share;
“Prime”	the publicly quoted prime rate of interest (per cent, per annum, compounded monthly in arrears and calculated on a 365-day year irrespective of whether or not the year is a leap year) as published by The Standard Bank of South Africa Limited (or its successor) as being its prime rate from time to time;
“Record date”	date that Shareholders are required to be recorded in the register in order to be entitled to participate in the Rights Offer, being Friday, 20 November 2009;
“Registered Office of Sovereign”	the registered office of Sovereign which is Kruis River Road, Uitenhage, 6230, South Africa;
“revised listing particulars”	the revised listing particulars attached to this circular and all the annexures attached thereto;
“right(s)”	the renounceable right to subscribe for Rights Shares in terms of the Rights Offer;
“Rights Offer”	the renounceable Rights Offer by Sovereign of 16 997 070 new ordinary shares at a subscription price 850 cents per share in the ratio of 51.5017 new ordinary shares for every 100 ordinary shares held in Sovereign at the close of business on Friday, 20 November 2009;
“Rights Offer Amount”	the total amount to be raised should the Rights Offer be fully subscribed, being R144 475 095;
“Rights Participant”	a shareholder entitled to participate in the Rights Offer;
“Rights Shares” or “New Sovereign Shares” or “New Ordinary Shares”	16 997 070 new ordinary shares in Sovereign which are the subject of the Rights Offer;
“SARS”	the South African Revenue Services;
“Sovereign Shares”	ordinary shares with a par value of R0.01 (one cent) each in the capital of the Company;
“SENS”	Securities Exchange News Service of the JSE;
“Shareholders”	registered holders of Sovereign Shares, from time to time;
“Shareholder Subscription Undertakings”	irrevocable undertakings provided by Shareholders to subscribe for their <i>pro rata</i> rights in terms of the Rights Offer;

“South Africa”	the Republic of South Africa;
“Sovereign” or “the Company”	Sovereign Food Investments Limited (registration number 1995/003990/06), a limited liability public company duly incorporated in South Africa, whose ordinary shares are listed on the JSE;
“Strate”	Strate Limited (registration number 1998/022242/06), a public company registered and incorporated in South Africa, and the electronic settlement system used by the JSE to settle trades;
“Transfer Secretaries”	Computershare Investor Services (Proprietary) Limited (registration number 2004/003647/07), a limited liability private company duly incorporated in South Africa;
“Underwriters”	Prudential Portfolio Managers (South Africa) (Proprietary) Limited (registration number 1993/004503/07) and Old Mutual Investment Group (South Africa) (Proprietary) Limited (registration number 1993/003023/07);
“Underwriting”	the commitment of R80 million to the Rights Offer by the Underwriters representing approximately 55.4% of the Rights Offer Amount;
“Underwriting Agreements”	the underwriting agreements between Sovereign and the Underwriters entered into on 19 October 2009 in terms of which the Underwriters have committed R80 million to support the Rights Offer;
“Underwriting Amount”	R80 000 000 (eighty million Rand);
“VAT”	Value-Added Tax levied in terms of the Value-Added Tax Act, 1991 (Act 89 of 1991), as amended from time to time;
“VWAP”	volume weighted average price of a Sovereign Share, being the total value of the Sovereign Shares traded for a specified period divided by the total number of Sovereign Shares traded for that period; and
“ZAR” or “Rand” or “R”	South African Rand.

SALIENT DATES AND TIMES

2009

Last day to trade in Sovereign Shares in order to settle by the record date and to qualify to participate in the Rights Offer (<i>cum</i> entitlement)	Friday, 13 November
Listing of Letters of Allocation on the JSE commences at commencement of trading	Monday, 16 November
Shares commence trading ex-rights on the JSE at commencement of trading	Monday, 16 November
Record date for participation in the Rights Offer at the close of business	Friday, 20 November
Rights Offer circular and, where applicable, a Form of Instruction posted to Shareholders	Monday, 23 November
Rights Offer opens at commencement of trading	Monday, 23 November
Dematerialised Shareholders will have their accounts at their CSDP or broker automatically credited with their entitlement	Monday, 23 November
Certificated Shareholders on the register will have their entitlement credited to an account held with the Transfer Secretaries	Monday, 23 November
Last day to trade in Letters of Allocation on the JSE	Friday, 4 December
Listing of Rights Offer shares and trading therein commences at commencement of trading	Monday, 7 December
Rights Offer closes at 12:00 – payments to be made and Form of Instruction in respect of Letters of Allocation lodged by certificated shareholders by 12:00 (see note 5)	Friday, 11 December
Record date for Letters of Allocation	Friday, 11 December
Dematerialised Shareholders' accounts will be updated with entitlements and debited with money by their CSDP or broker and certificates posted to certificated shareholders	Monday, 14 December
Results of Rights Offer released on SENS	Monday, 14 December
Results of Rights Offer published in the press	Tuesday, 15 December

Notes:

1. All times referred to in this circular are South African times.
2. No share certificates may be dematerialised or rematerialised between Monday, 16 November 2009 and Friday, 20 November 2009, both days inclusive.
3. Dematerialised Shareholders are required to notify their duly appointed CSDP or broker of their acceptance of the Rights Offer in the manner and time stipulated in the agreement governing the relationship between the Shareholder and his CSDP or broker.
4. The CSDP or broker accounts of Dematerialised Shareholders will be automatically credited with new Sovereign Shares to the extent to which they have accepted the Rights Offer. Sovereign share certificates will be posted, by registered post at the shareholder's risk, to certificated shareholders in respect of the Rights Shares which have been accepted.
5. CSDPs effect payment in respect of dematerialised shareholders on a delivery versus payment basis.



Sovereign Food Investments Limited

(Incorporated in the Republic of South Africa)
(Registration number 1995/003990/06)
JSE code: SOV ISIN: ZAE000009221

Directors

M J B Davis	<i>Chief executive officer</i>
C Coombes	<i>Financial director</i>
G G Walter	<i>Sales and marketing director</i>
B J van Rensburg	<i>Operations director</i>
C P Davies	<i>Non-executive Chairman</i>
M Hankinson	<i>Independent non-executive director</i>
K Kweyama	<i>Independent non-executive director</i>
P Madi	<i>Independent non-executive director</i>
L Nyhonyha	<i>Independent non-executive director</i>

CIRCULAR TO SOVEREIGN SHAREHOLDERS

1. INTRODUCTION

- 1.1** Shareholders were advised by way of a SENS announcement on Monday, 12 October 2009 that in terms of a Rights Offer, 16 997 070 ordinary shares of 1 cent each in the issued share capital of Sovereign will be issued at a subscription price of 850 cents per share to raise R144.5 million. Sovereign has entered into Underwriting Agreements in terms of which the Underwriters have committed R80 million to partially underwrite the Rights Offer. The purpose of this circular is to furnish Shareholders with relevant information concerning the Rights Offer and the implications thereof in accordance with the Listings Requirements and the Companies Act.
- 1.2** On Wednesday, 4 November 2009 Shareholders placed the authorised but unissued share capital under the control of the Directors for the purposes of the Rights Offer.
- 1.3** The enclosed Form of Instruction in respect of the Letter of Allocation contains details of the rights to which Certificated Shareholders are entitled, as well as the procedures for acceptance, sale or renunciation of the Rights Shares. Dematerialised Shareholders will be advised of the rights to which they are entitled as well as the procedure for acceptance, sale or renunciation of the Rights Offer by their CSDP or broker.
- 1.4** The JSE has approved the listing of the Letters of Allocation in respect of the Rights Shares from the commencement of business on Monday, 16 November 2009, to the close of trade on Friday, 4 December 2009.
- 1.5** The JSE has approved the listing of the Rights Shares from the commencement of trade on Monday, 7 December 2009.
- 1.6** Shareholders recorded in the register at the close of business on Friday, 20 November 2009, will receive rights to subscribe for Rights Shares in terms of the Rights Offer on the basis of 51.5017 Rights Shares for every 100 Sovereign Shares held at 850 cents per rights share.
- 1.7** The Rights Shares, upon their issue, will rank *pari passu* in all respects with the Sovereign Shares currently in issue.
- 1.8** The Rights Shares, upon their issue, will be issued under the general authority of Directors to issue unissued, but authorised shares for cash which was authorised at the general meeting of Shareholders held on Wednesday, 4 November 2009.

2. PURPOSE OF THE RIGHTS OFFER

During the past three years Sovereign has embarked on an intensive expansion drive focusing on increasing its production and processing capacity. The expansion drive and concomitant capital expenditure have led to an increased level of debt within the Group.

Notwithstanding Sovereign's recent favourable trading results and the benefits of the expansion drive becoming visible, the Board has considered it prudent to undertake a comprehensive assessment of the Group's capital structure and gearing position, in view of, *inter alia*, the current global debt and capital markets' assessment of gearing risk.

Shareholders are advised that Sovereign intends to implement a capital and debt restructuring programme to improve the gearing level of and enhance the cash flows within the Group.

The capital and debt restructuring programme involves the raising of equity capital through the Rights Offer.

The majority of the funds raised through the Rights Offer will be applied towards existing debt within the Group. The reduction of this debt will reduce the Group's debt servicing requirements and favourably alter the debt servicing profile. The remaining proceeds from the Rights Offer will be utilised to fund working capital requirements of the Group and, to a lesser extent, some minor capital expenditure requirements (including committed contractual capital expenditure).

Sovereign is in the process of negotiating more favourable terms and conditions pertaining to certain of its banking facilities as a consequence of the Rights Offer. The objectives of reducing Sovereign's debt are to decrease Sovereign's absolute cost of debt as well as to secure more competitive borrowing costs on existing debt.

The Board has committed a minimum of 75% of the expected total proceeds from the Rights Offer (after deduction of related costs), to reducing debt. This would result in an increase in the Group's liquidity of approximately R2 million per month, in addition to providing the Group with additional working capital funding.

The remaining funds raised from the Rights Offer will be utilised to fund working capital commitments and, to a limited extent, capital expenditure requirements. In order to achieve the objectives of the capital and debt restructuring programme, the Board has limited the Group's immediate capital expenditure requirements to:

- contractually committed capital expenditure;
- capital expenditure that has a direct revenue impact; and
- critical capital maintenance expenditure.

3. TERMS OF THE RIGHTS OFFER

3.1 Particulars of the Rights Offer

Sovereign is offering for subscription, upon the terms and conditions set out in this circular by way of renounceable rights offer, to Sovereign shareholders and/or their renounees, a total of 16 997 070 Rights Shares at a subscription price of 850 cents per Rights Share payable in full on acceptance by Certificated Shareholders, or on delivery versus payment basis by the CSDP or broker of Dematerialised Shareholders, in ZAR, in the ratio of 51.5017 Rights Shares for every 100 Sovereign Shares held at the close of business on Friday, 20 November 2009.

The Rights Shares are being issued at a discount of 25% to the 30-day VWAP of Sovereign Shares as at the close of trade on 16 October 2009.

3.2 Opening and closing dates of the Rights Offer

The Rights Offer will open at the commencement of business on Monday, 23 November 2009 and will close at 12:00 on Friday, 11 December 2009.

3.3 Entitlement

Sovereign shareholders will be granted the right to subscribe for 51.5017 Rights Shares for every 100 Sovereign Shares held at the close of business on Friday, 20 November 2009. Sovereign shareholders are referred to the table of entitlement set out in Annexure 5 hereto. The allocation of Rights Shares will be such that only whole numbers of Rights Shares will be issued and Shareholders will be entitled to rounded numbers of Rights Shares. Fractional entitlements of 0.5 or greater will be rounded up and less than 0.5 will be rounded down.

- 3.3.1 Certificated Shareholders will have their rights credited to an account in electronic form, which will be administrated by the Transfer Secretaries on their behalf. The enclosed Form of Instruction reflects the number of Rights Shares for which the Certificated Shareholders are entitled to subscribe. The procedure that the Shareholders should follow for the acceptance, sale or renunciation of their rights is reflected in the Form of Instruction.
- 3.3.2 Dematerialised Shareholders will have their rights to the Rights Shares to which they are entitled to subscribe, credited to their custody accounts by their appointed CSDP or broker in electronic form. The CSDP or broker will advise the Dematerialised Shareholders of the procedures they need to follow for acceptance, sale or renunciation of rights.
- 3.3.3 The Letters of Allocation to which the Form of Instruction relates are negotiable and can be traded on the JSE.

3.4 Excess applications

Sovereign shareholders may not apply for Rights Shares in excess of those allocated to them in terms of the Rights Offer.

3.5 JSE listings

The JSE has granted listings for the Letters of Allocation and Rights Shares as follows:

- Letters of Allocation in respect of 16 997 070 Rights Shares will be listed from the commencement of trade on Monday, 16 November 2009 to the close of trade on Friday, 4 December 2009, both days inclusive;
- the Letters of Allocation will trade under the JSE code: SOVN (short name: SOVFOOD NPL) and have been allocated an ISIN of ZAE000142279; and
- 16 997 070 Rights Shares will be listed with effect from the commencement of trade on Monday, 7 December 2009.

3.6 Suspensive conditions

All the suspensive conditions pertaining to the Rights Offer have been fulfilled.

4. PROCEDURE FOR ACCEPTANCE, RENUNCIATION AND SALE OF RIGHTS

4.1 Certificated Shareholders

4.1.1 Acceptance

Full details of the procedure for acceptance of the Rights Offer by Certificated Shareholders are contained in the Form of Instruction enclosed with this circular. The following should be noted:

- 4.1.1.1 acceptances are irrevocable and may not be withdrawn;
- 4.1.1.2 acceptances may only be made by Certificated Shareholders by means of the Form of Instruction;
- 4.1.1.3 any instruction to sell or renounce the Rights Shares may only be made by means of the Form of Instruction;

- 4.1.1.4 the properly completed Form of Instruction and a cheque or banker's draft, in the currency of ZAR crossed "not transferable" and "or bearer" deleted in payment of the subscription price for the relevant Rights Shares must be received by the Transfer Secretaries at either of the addresses referred to in paragraph 4.1.3.2 below, by no later than 12:00 on Friday, 11 December 2009. No late postal acceptances will be accepted;
- 4.1.1.5 the Form of Instruction to take up the rights in question will be regarded as complete only when the cheque or banker's draft has been cleared for payment;
- 4.1.1.6 such payment will constitute an irrevocable acceptance of the Rights Offer upon the terms and conditions set out in this circular and in the Form of Instruction once the banker's draft or cheque has been cleared for payment; and
- 4.1.1.7 if any Form of Instruction is not received as set out above, the Rights Offer will be deemed to have been declined and the right to subscribe for the Rights Shares in terms of the Form of Instruction will lapse regardless of who holds it.

4.1.2 Renunciation or sale of rights

- 4.1.2.1 Sovereign has issued Letters of Allocation in dematerialised form and the electronic record for Certificated Shareholders is being maintained by the Transfer Secretaries. This has made it possible for Certificated Shareholders to enjoy the same rights and opportunities as Dematerialised Shareholders.
- 4.1.2.2 Certificated Shareholders not wishing to subscribe for all, or some of the Rights Shares allocated to them as reflected in the Form of Instruction, may sell or renounce or lapse their rights.
- 4.1.2.3 In addition, Certificated Shareholders who wish to sell the rights allocated to them as reflected in the Form of Instruction, must complete the relevant section of the Form of Instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein, to be received by no later than 12:00 on Friday, 4 December 2009.
- 4.1.2.4 The Transfer Secretaries will endeavour to procure the sale of the rights on the JSE on behalf of such Certificated Shareholders and will remit the proceeds in accordance with the payment instructions reflected in the Form of Instruction, net of brokerage charges and associated expenses. Neither the Transfer Secretaries nor the Company nor any broker appointed by either of them will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such sales, the price obtained or any failure to sell such rights. References in this paragraph to a Certificated Shareholder include references to the person or persons executing the Form of Instruction and any person or persons on whose behalf such person or persons executing the Form of Instruction is/are acting and, in the event of more than one person executing the Form of Instruction, the provisions of this paragraph shall apply to them, jointly and severally.
- 4.1.2.5 Certificated Shareholders who do not wish to sell the rights allocated to them as reflected in the Form of Instruction, and who do not wish to subscribe for Rights Shares offered in terms of the Form of Instruction but who wish to renounce their rights, should complete the relevant section of the Form of Instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein to be received by no later than 12:00 on Friday, 11 December 2009.
- 4.1.2.6 Certificated Shareholders who wish to subscribe for only a portion of the Rights Shares allocated to them must indicate on the Form of Instruction the number of Rights Shares for which they wish to subscribe.
- 4.1.2.7 If the rights are not accepted, sold or renounced, the rights will lapse.

4.1.3 Payment

4.1.3.1 Currency

The amount due on acceptance of the Rights Offer is payable in ZAR.

4.1.3.2 Payment terms

A banker's draft drawn on a registered bank or a cheque drawn on a South African bank (each of which should be crossed and marked "not transferable" and in the case of a cheque, with the words "or bearer" deleted) in favour of **"Sovereign - Rights Offer"** in respect of the amount due, together with a properly completed Form of Instruction, must be lodged by Certificated Shareholders and/or their renounees by no later 12:00 on Friday, 11 December 2009 in accordance with the instructions contained in the Form of Instruction and clearly marked **"Sovereign - Rights Offer"**. Sovereign shareholders wishing to use electronic payments methods must contact the Transfer Secretaries in order to obtain the relevant details.

By hand to:

Computershare Investor Services (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001

Or sent by post, at the risk of the shareholder or renounee concerned, to:

Computershare Investor Services (Pty) Limited
PO Box 61763
Marshalltown
2107

All cheques or banker's drafts received by the Transfer Secretaries will be deposited immediately for payment. In the event that any cheque or banker's draft is dishonoured, Sovereign, in its sole discretion, may treat the relevant acceptance as void or may tender delivery of the relevant Rights Shares to which it relates against payment in cash of the subscription price for such Rights Shares. Payment received in respect of an application which is rejected or otherwise treated as void by Sovereign, or which is otherwise not validly received in accordance with the terms stipulated in this paragraph, will be posted by ordinary mail (without interest) by way of a cheque drawn in ZAR to the applicant concerned, at the applicant's risk on or about Monday, 14 December 2009. If the applicant concerned is not a Sovereign shareholder and gives no address in the Form of Instruction, then the relevant refund will be held by Sovereign until collected by the applicant.

4.1.3.3 Sovereign share certificates

Where applicable, share certificates in respect of Rights Shares will be posted, by registered post, by the Transfer Secretaries, at the risk of the Certificated Shareholders concerned, on or about Monday, 14 December 2009. As Sovereign uses the "certified transfer deeds and other temporary documents of title" procedure approved by the JSE, only "block" certificates will be issued in respect of Rights Shares.

Certificated Shareholders receiving Rights Shares in certificated format must note that such shares cannot be sold on the JSE until they have been dematerialised. This could take between one and ten days.

4.2 Dematerialised Shareholders

4.2.1 Acceptance, renunciation or sale of rights

The CSDPs or brokers appointed by Dematerialised Shareholders should contact them to ascertain:

- whether they wish to follow their rights in terms of the Rights Offer (in which case CSDPs effect payment on a delivery versus payment basis) or renounce their rights and in respect of how many Rights Shares;

- if they do not wish to follow all or any of their rights, whether they wish to sell their rights and how many rights they wish to sell.

If you are not contacted, you should contact your CSDP or broker and furnish them with your instruction. Should a CSDP or broker not obtain instructions from a Dematerialised Shareholder, they are obliged to act in terms of the mandate granted to them by such Dematerialised Shareholder, or if the mandate is silent in this regard, not to accept the rights on behalf of such Shareholder.

4.2.2 Payment

Your CSDP or broker will effect payment directly on your behalf in respect of rights followed, in ZAR, on Monday, 14 December 2009 on a delivery versus payment basis.

4.2.3 Rights Shares

Dematerialised Shareholders will have their accounts credited with the Rights Shares subscribed for in terms of the Rights Offer, on Monday, 14 December 2009.

5. UNDERWRITING AND IRREVOCABLE UNDERTAKINGS

5.1 Underwriting

The Rights Offer will be partially underwritten by the Underwriters but limited to an amount of R80 million, representing approximately 55.4% of the Rights Offer Amount. The Underwriters will be paid a fee of 2.5% of the Underwriting Amount.

The Underwriting Agreements are subject to the following conditions:

- (i) Shareholders approving a resolution placing the authorised but unissued ordinary share capital of the Company under the control of the Board for purposes of the Rights Offer;
- (ii) the Underwriters shall not be bound by the Underwriting Agreements should any other corporate action that directly affects Shareholders (including an offer to Shareholders), be publicly announced by Sovereign or same be unconditionally approved by the Shareholders between the date of the Underwriting Agreements and the implementation date of the Rights Offer;
- (iii) no excess applications shall be granted to any party in terms of the Rights Offer; and
- (iv) a circular setting out full details and terms of the Rights Offer being issued to Shareholders within two months from the signature date of the Underwriting Agreements.

5.2 Irrevocable undertakings

In addition to securing the Underwriting, Sovereign has received the following irrevocable undertakings from existing Shareholders.

5.2.1 Shareholders currently holding 20.1% of Sovereign's issued share capital have provided Shareholder Subscription Undertakings, the table below sets out the shareholders from which these Shareholder Subscription Undertakings were obtained

Shareholder	Number of Sovereign shares held	Percentage of total shares in issue
Orthogonal Investments*	3 072 620	9.3
Stanlib*	1 962 504	5.9
Old Mutual Investment Group (South Africa)*	1 417 592	4.3
M Davis (Director)	100 000	0.3
P Madi (Director)	49 952	0.2
C Coombes (Director)	15 000	0.1
	6 617 668	20.1

*These shareholding percentages may differ from the beneficial holdings disclosed for these shareholders as a result of shares held by fund managers in terms of investment management mandates.

As such, Sovereign has obtained Underwriting of 55.4% of the Rights Offer Amount (refer to paragraph 5.1 above), and Shareholder Subscription Undertakings of 20.1% (refer to paragraph 5.2.1 above), amounting to approximately 75.5% of the Rights Offer Amount. The Board is therefore confident that the Rights Offer will succeed and has purposefully limited the amount of underwriting in order for Sovereign not to incur unnecessary underwriting costs.

6. FINANCIAL EFFECTS OF THE RIGHTS OFFER

The unaudited *pro forma* financial effects are provided for illustrative purposes only to provide information about how the Rights Offer may impact on Sovereign's results and financial position. Due to the nature of the unaudited *pro forma* financial information, it may not give a fair presentation of the Group's results and financial position after the Rights Offer.

The unaudited *pro forma* financial effects are based on the unaudited financial information for the six months ended 31 August 2009 as announced on SENS on 29 September 2009 and have been prepared in accordance with the accounting policies of Sovereign as at that date.

The unaudited *pro forma* financial effects have been included in terms of the Listings Requirements. The directors of Sovereign are responsible for the preparation of the unaudited *pro forma* financial effects. The report by the Independent Reporting Accountants on the *pro forma* financial information, is attached to this circular as Annexure 2.

	Unaudited results for the six months ended 31 August 2009	Unaudited <i>Pro forma</i> After the Rights Offer 31 August 2009	Percentage change
Earnings per share ("EPS") (cents) ⁽²⁾	70.5	55.3	(21.6)
Headline earnings per share ("HEPS") (cents) ⁽²⁾	70.5	55.3	(21.6)
Diluted earnings per share ("DEPS") (cents) ⁽²⁾	70.3	55.2	(21.5)
Diluted headline earnings per share ("DHEPS") (cents) ⁽²⁾	70.3	55.2	(21.5)
Net asset value per share (cents) ⁽³⁾	937.8	901.3	(3.9)
Net tangible asset value per share (cents) ⁽³⁾	937.8	901.3	(3.9)
Weighted average number of shares	33 002 930	50 000 000	51.5
Weighted average diluted number of shares	33 073 208	50 070 278	51.4
Number of shares in issue	33 002 930	50 000 000	51.5

Notes:

1. The unaudited *pro forma* financial effects on the Income Statement were prepared on the basis that the Rights Offer was fully subscribed and completed on 1 March 2009 and the unaudited *pro forma* financial effects on the Balance Sheet were prepared on the basis that the Rights Offer was fully subscribed and completed on 31 August 2009.
2. EPS, HEPS, DEPS and DHEPS are based on the weighted average number of shares and weighted average diluted number of shares in issue at 31 August 2009 and have been adjusted to take into account an interest saving of R6.1 million (before taxation) based on the repayment of interest bearing debt of R108.7 million at the Company's weighted average cost of debt of 11.3%.
3. Net asset value per share and net tangible asset value per share have been adjusted to include the net cash proceeds of the Rights Offer, assumed to be R141.0 million, the reduction of debt by R108.7 million and the increase in share capital and share premium arising from the issue of 16 997 070 ordinary shares of 1 cent each at an issue price of 850 cents per share. Estimated costs of R3.3 million pertaining to the Rights Offer (inclusive of underwriting fees) have been written off against share premium.
4. Should the Rights Offer not be fully subscribed revised *pro forma* financial effects will be released on SENS.

7. NATURE OF THE BUSINESS AND PROSPECTS

Sovereign was founded as Rocklands Poultry in 1948. The Company is currently South Africa's third largest producer of frozen poultry and is a poultry producer who fully owns its entire, vertically-integrated operation. On the back of strong performance, the Company was elected as one of SA's Top 20 companies for 2007 by the *Financial Mail*.

As the world continues to face the challenge of higher food prices, more consumers are choosing chicken as an enjoyable, affordable protein alternative. Compared with other animal protein options, frozen chicken continues to be the best value for money, and the most popular, as proven by recent surveys that have shown that close to 60% of all South Africans make chicken their first choices to meet their family's nutritional needs.

In addition to increasing production volume, the Company has placed a major focus on producing chicken that is of world-class quality. This is evident in its use of the world's leading farming and processing technologies to produce top-class frozen chicken products, aimed at giving consumers much more rewarding meal experiences.

The Company's products are packed under various brands which serve different markets. A large percentage of the Company's production is aimed at the lower income markets, whilst a major focus is placed on providing a range of products that will meet the growing needs of the food services industry.

8. SHARE CAPITAL

8.1 Authorised and issued share capital

The authorised and issued share capital of Sovereign as at the Last Practicable Date is set out below:

	R'000
Authorised share capital	
50 000 000 ordinary shares of 1 cent each	500
Issued share capital	
33 002 930 ordinary shares of 1 cent each	331
Share premium	14 305

The issued share capital of Sovereign after the Rights Offer is set out below:

	R'000
Authorised share capital	
50 000 000 ordinary shares of 1 cent each	500
Issued share capital	
50 000 000 ordinary shares of 1 cent each	500
Share premium	155 280

8.2 Share price history

A table setting out the price history of Sovereign Shares on the JSE is included in this circular as Annexure 6.

9. INFORMATION RELATING TO DIRECTORS

9.1 Directors

Name and age	Address	Occupation	History
Executive directors			
M J B Davis (47) South African	Kruis River Road Uitenhage 6230	Chief executive officer	<p>Appointed to the Board: 9 April 2001</p> <p>Mike started his career in the retail sector as a trainee manager with OK Bazaars. In 1984 he moved to the SA Bottling Company, where he held various financial positions, before he was appointed Group Budgeting Officer.</p> <p>He moved to Dorbyl Automotive Components as a Financial Manager in 1991. From there he served as Area Operations Manager for Federated Timbers, for three years.</p> <p>Mike joined Sovereign in May 1995 as Factory Manager and held various senior positions throughout the Company, before being appointed to his present position on 9 April 2001.</p>
C Coombes (43) South African	Kruis River Road Uitenhage 6230	Financial director	<p>Appointed to the Board: 1 March 1999</p> <p>Chris started his career in the engineering field, where he was employed as a resident engineer, designer and site engineer with a number of civil engineering companies, from 1989 to 1994.</p> <p>He then moved into the accounting profession as an articled clerk with FHS Accountants from 1994 to 1997.</p> <p>Chris joined Sovereign in May 1997 as an accountant and was appointed to his current position in March 1999.</p>
Non-executive directors			
B J van Rensburg (37) South African	Kruis River Road Uitenhage 6230	Operations director	<p>Appointed to the Board: 22 June 2006</p> <p>Blaine joined Sovereign in January 1999 and soon attained the position of General Manager Processing. He held the position of General Manager Logistics from January 2002 to April 2004. From there he returned to the process plant as General Manager.</p> <p>He was appointed to the position of Operations Director in February 2006.</p>
G G Walter (36) South African	Kruis River Road Uitenhage 6230	Sales and marketing director	<p>Appointed to the Board: 28 September 2008</p> <p>Gerald started his career in retail as Branch Manager, Western Province Cellars in 1992 and managed his own restaurant business for a year. From 1996 to 1998 he held the position of Area Sales Manager at the Cold Chain.</p> <p>He then joined McCain Frozen Foods as Key Accounts Manager and left them to become the Inland Key Accounts Manager, County Fair Foods in 2001. In 2002 he was appointed National Sales and Marketing Manager.</p> <p>Gerald joined Sovereign in August 2007 as Sales and Marketing Manager and on 28 September 2008 he was appointed to the position of Sales and Marketing Director.</p>
C P Davies (63) South African	Kruis River Road Uitenhage 6230	Independent non-executive Chairman	<p>Appointed to the Board: 19 February 2007</p> <p>Charles began his career in the insurance industry in 1971 as a salesman and established his own broking firm in 1972. He joined Norwich Union in 1978 followed by a spell with Anglo-American Life/Southern Life from 1983.</p> <p>He rejoined Norwich Life in March 1989 as Managing Director and was appointed Chief Executive Officer of</p>

			<p>Norwich Holdings at its incorporation in 1995. He held this post until his retirement in 1999.</p> <p>He is currently involved in dairy farming and serves on various boards in a non-executive capacity. He was appointed to the Board in 2007.</p> <p>Charles continues to dairy farm, participates in empowerment farming and serves as a director on the boards of a number of companies.</p>
<p>M Hankinson (60) South African</p>	<p>Kruis River Road Uitenhage 6230</p>	<p>Independent non-executive director</p>	<p>Appointed to the Board: 21 September 2007 Mike started his career as with Deloitte & Touche in 1971. From there he joined Romatex as a Financial Manager in 1976. While at Romatex he served as Managing Director in various divisions, until his appointment as Group Chief Executive in 1994.</p> <p>In 1997 he was appointed CEO of BTR Dunlop Limited which then became Dunlop Tyres International (Pty) Limited. In 2006 Dunlop was sold to Apollo Tyres Limited, India. Mike was appointed a non-executive director of Apollo Tyres Limited (Delhi) in 2006 and became a non-executive Director at Dunlop until his resignation from the Dunlop board in 2009.</p>
<p>K Kweyama (44) South African</p>	<p>Kruis River Road Uitenhage 6230</p>	<p>Independent non-executive director</p>	<p>Appointed to the Board: 1 October 2007 In 1989 she started work at Washington DC ELCA where she held the position of Office Manager and Anti-Apartheid Programmes Officer. She was appointed Assistant National Programmes Director, Consultative Business Movement in 1991. From there she joined BMW where she held the position of Manager: Government and Authority Sales.</p> <p>Khanya became Managing Director, Nokusa Communications in 1995 and started KTK HR Solutions in 1999 and held the position of Managing Director until 2003. She then held the positions of Group Executive: HR and Transformation and Group and Executive: Corporate Affairs with Allied Technologies.</p> <p>In 2008 she was appointed Group Executive: Global HR and Transformation at Barloworld Limited, where she is responsible for Group Human Resources and Organisational Performance, Empowerment and Transformation as well as Government and Stakeholder Relations.</p> <p>Within Barloworld Limited, she is an Executive Director of Barloworld SA and serves in a non-executive capacity on the board of Barloworld Logistics Africa.</p>
<p>P Madi (45) South African</p>	<p>Kruis River Road Uitenhage 6230</p>	<p>Independent non-executive director</p>	<p>Appointed to the Board: 8 October 2007 In 1987 Phinda joined the French Bank of South Africa as Corporate Banking & Legal Officer and left them in 1990 to become a candidate attorney, with Young Davis Attorneys.</p> <p>He was appointed In House Consultant on Employment Equity for Standard Bank Group in 1992 and in 1994 he founded and became managing director of Simeka Consulting. In 1997 he sold his stake in Simeka Consulting and became Chairman of Madi Sussens & HerdBuoys.</p> <p>From 2001 to 2003 he held the position of Group Managing Director, Thebe Risks & Benefits Group. Phinda has held the position of Executive Deputy Chairman for Allcare Medical Aid Administrators from 2004 to 2008, when he was appointed Executive Chairman.</p> <p>He has been an <i>Ad Hominem</i> Professor, Rhodes University Business School, lecturing MBA students on Business Leadership.</p> <p>Professor Madi has written three books Affirmative Action in Corporate South Africa, Black Economic Empowerment in the new South Africa and Leadership Lessons from Emperor Shaka Zulu The Great.</p>

Name and age	Address	Occupation	History
L Nyhonyha (50) South African	Kruis River Road Uitenhage 6230	Independent non-executive director	Appointed to the Board: 21 September 2007 Litha qualified as a Chartered Accountant in 1989 after completing his articles with Ernst & Young. After serving as a senior audit manager, Litha moved to the corporate finance department of Ernst & Young until his departure in 1992 to establish Thebe Investment Holdings. Litha has been a director and Executive Chairman of Regiments Capital from its inception in January 2005. He is responsible for building and growing Regiments Capital to achieve its stated objective of being "the pre-eminent and most successful player in our chosen financial services segments". Litha is a director of the chemicals and explosives group AECI and Psitek and is the chairman of Plessey (Pty) Limited and . He is a past chairman of the Council of the new North West University.

9.2 Directors' remuneration

The Directors received the following remuneration for the year ended 28 February 2009:

Directors' emoluments R'000	Salary	Bonus	Provident fund contributions	Fringe benefits	Medical benefits	Total
Executive						
M J B Davis	2 563	–	366	211	111	3 251
C Coombes	1 958	–	272	188	68	2 486
B J van Rensburg	1 330	–	73	103	24	1 530
G G Walter	1 596	–	90	–	–	1 686
	7 447	–	801	502	203	8 953
Non-executive						
C P Davies	979	–	–	–	–	979
M J Hankinson	263	–	–	–	–	263
K T Kweyama	218	–	–	–	–	218
P M Madi	248	–	–	–	–	248
L Nyhonyha	336	–	–	–	–	336
	2 044	–	–	–	–	2 044

9.3 Shareholdings of the Directors

As at the Last Practicable Date, the Directors and their associates, held the following beneficial interests, either directly or indirectly, in the issued share capital of the Company:

Directors	Beneficially held		Percentage
	Direct	Indirect	
C Coombes	15 000	–	0.05
M J B Davis	100 000	–	0.30
C P Davies	5 000	–	0.02
P Madi	49 952	–	0.15

There have been no changes in the Directors' interests in the issued share capital of the Company since the Company's last financial year end being 28 February 2009.

9.4 Directors' interests in share options

As at the Last Practicable Date, the Directors held the following options, either directly or indirectly, over the issued share capital of the Company:

Directors' interests in share incentive scheme options	Date option granted	Share scheme	Option price per share (cents)	Number of options outstanding as at 28 February 2009
B J van Rensburg	19 September 2003	n/a	125	83 333
B J van Rensburg	1 March 2008	PSM	n/a	275 000
B J van Rensburg	1 March 2008	SAR	1 191	175 000
M J B Davis	1 March 2008	PSM	n/a	1 200 000
M J B Davis	1 March 2008	SAR	1 191	647 500
C Coombes	1 March 2008	PSM	n/a	900 000
C Coombes	1 March 2008	SAR	1 191	478 333
G G Walter	1 March 2008	PSM	n/a	75 000
G G Walter	1 March 2008	SAR	1 191	75 000

The Sovereign Food Investments Limited 2007 Share Plan – Performance Shares (PSM)

Under "The Sovereign Food Investments Limited 2007 Share Plan – Performance Shares" executive directors and selected employees are granted conditional awards of ordinary shares in Sovereign, which are exercisable on the third anniversary of the date of the award. These awards will only vest to the extent that performance targets are met over a three-year performance period. PSM's may be cash settled at the option of the Company.

The Sovereign Food Investments Limited 2007 Share Plan – Share Appreciation Rights (SAR)

Under "The Sovereign Food Investments Limited 2007 Share Plan – Share Appreciation Rights", executive directors and selected employees are granted options to purchase ordinary shares in Sovereign, which are exercisable between three and five years after the grant date. Certain performance criteria have to be met for the option to vest. SAR's may be cash settled at the option of the Company.

9.5 Directors' interests in contracts

Directors do not have any material beneficial interests, either directly or indirectly, in any transactions affected by the Company in the current or immediately preceding financial year or during any previous financial year which remain in any respect outstanding or unperformed.

9.6 Variation of remuneration

The remuneration receivable by the directors of Sovereign will not be varied as a consequence of the Rights Offer.

10. LITIGATION

The Company is not aware of any legal or arbitration proceedings (including any such proceedings which are pending or threatened), which may have or may have had, in the last 12 months, a material effect on the Group's financial position, save as set out below:

As at the Last Practicable Date the Company was involved in the following material litigation:

- a contractor for the local electrical authority has brought legal action against several of Sovereign's subsidiaries, the local electrical authority and several other persons for damages relating to injuries sustained. The total claim is for R4 600 000 (the effect of which would be R3 266 000 after taxation). The Group is of the opinion that the claim is unlikely to be successful and, accordingly, no provision has been made.

11. EXCHANGE CONTROL REGULATIONS

The following summary is intended as a guide only and is, therefore, not comprehensive. If a Shareholder or his renouncee is in any doubt in regard hereto, he should consult his professional advisor.

Sovereign shareholders who are not resident in the common monetary area should obtain advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to follow their rights in terms of the Rights Offer.

Non-residents of the common monetary area

In terms of the Exchange Control Regulations of South Africa and upon specific approval by the South African Reserve Bank, non-residents, excluding former residents, of the common monetary area will be allowed to:

- take up rights allocated to them in terms of the Rights Offer;
- purchase rights on the JSE;
- subscribe for the Rights Shares in terms of the Rights Offer, provided payment is received either through normal banking channels or from a non-resident account.

In respect of Sovereign shareholders taking up their rights in terms of the Rights Offer:

- a "non-resident" endorsement will be applied to forms of instruction issued to non-resident certificated shareholders; or
- a "non-resident" annotation will appear in the CSDP or broker's register for non-resident dematerialised shareholders.

All applications by non-residents for the above purposes must be made through a South African authorised dealer.

Where rights are sold on the JSE on behalf of non-residents, the proceeds of such a sale are freely remittable through a South African authorised dealer in foreign exchange.

Former residents of the common monetary area ("emigrants")

Where a right in terms of the offer falls due to a former resident, which right is based on shares blocked in terms of the South African Exchange Control Regulations, then only blocked funds may be used to:

- take up rights allocated to such emigrant in terms of the Rights Offer; or
- purchase rights on the JSE; or
- subscribe for Rights Shares arising in terms of the Rights Offer.

All applications by emigrants using blocked Rand for the above purposes must be made through the South African authorised dealer controlling their blocked assets. Sovereign share certificates issued pursuant to blocked Rand transactions must be endorsed "non-resident" and placed under the control of the authorised dealer through whom the payments were made.

In respect of Sovereign shareholders taking up their rights in terms of the Rights Offer:

- a "non-resident" endorsement will be applied to forms of instruction issued to non-resident certificated shareholders; or
- a "non-resident" annotation will appear in the CSDP or broker's register for non-resident dematerialised shareholders.

Non-resident and emigrant dematerialised shareholders will have all aspects relating to Exchange Control managed by the CSDP or broker.

12. CORPORATE GOVERNANCE

Sovereign's Code of Corporate Governance and Ethics is detailed in Annexure A to the attached revised listing particulars.

13. CONSENTS

The Corporate Advisor and Sponsor, Transfer Secretaries and the Independent Reporting Accountants have given and have not, prior to the Last Practicable Date, withdrawn their written consents to the inclusion of their names in the form and context in which they appear in this circular.

14. EXPENSES

As at the Last Practicable Date, estimated expenses of R3.3 million were provided for in respect of the Rights Offer which will be settled out of the proceeds of the Rights Offer and include:

	R'000
Corporate Advisor and Sponsor – Barnard Jacobs	
Mellet Corporate Finance (Pty) Ltd	1 000
Underwriting fee – Underwriters	2 000
Independent reporting accountant's fee – PKF (Jhb) Inc	50
Legal fees	80
Transfer secretaries fees – Computershare Investor Services (Pty) Ltd	13
Printing and other related costs – Ince (Pty) Ltd	100
JSE documentation fee	11
JSE listing fees	76
Estimated	3 330

15. REGISTRATION OF DOCUMENTS

The following documents were registered by CIPRO in terms of section 146A of the Companies Act:

- this circular, the Letter of Allocation and Form of Instruction;
- a signed copy of the Independent Reporting Accountants' report on the *pro forma* financial information relating to Sovereign;
- the Exchange Control approval for the Rights Offer;
- powers of attorney granted by the directors of Sovereign;
- copies of all documents required and approved by the JSE, including the Underwriting Agreements and a copy of the letter from the JSE confirming its approval of such documents; and
- the written consents of the Corporate Advisor and Sponsor, Transfer Secretaries and Independent Reporting Accountants to Sovereign to act in the capacities stated and to their names and reports being included in this circular in the form and context in which they are presented, which consents had not been withdrawn prior to lodging these documents for registration.

16. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are given in paragraph 9.1 above, collectively and individually, accept full responsibility for the accuracy of the information given in this circular and certify that, to the best of their knowledge and belief there are no facts, the omission of which would make any statement in this circular false or misleading and that they have made all reasonable enquiries to ascertain such facts and this circular contains all information required by law and the Listings Requirements.

17. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, are available for inspection at the registered office of the Company and at the offices of the Corporate Advisor and Sponsor, from the date of issue of this circular, up to and including Friday, 11 December 2009:

- the memoranda and articles of association of Sovereign and its subsidiaries;
- the audited financial statements of Sovereign for the three financial years ended 28 February 2009 and the unaudited interim results for the six months ended 31 August 2009;
- the Company's latest valuation reports on land and buildings;
- the Independent Reporting Accountants' report on the *pro forma* financial information, the text of which included as Annexure 2 to this circular;
- copies of the Directors' service agreements;
- the written consents of the Company's professional advisers;
- copies of this circular and Form of Instruction; and
- signed copies of the Underwriting Agreements entered into with the Underwriters.

Signed for and on behalf of the Board:

M Davis

Chief executive officer

PRO FORMA FINANCIAL INFORMATION

The unaudited *pro forma* income statement and balance sheet (“*pro forma* financial information”) are provided for illustrative purposes only to provide information about how the Rights Offer may impact on Sovereign’s results and financial position. Due to the nature of the unaudited *pro forma* financial information, it may not give a fair presentation of the Group’s results and financial position after the Rights Offer.

The unaudited *pro forma* financial information is based on the unaudited financial information for the six months ended 31 August 2009 as announced on SENS on 29 September 2009 and has been prepared in accordance with the accounting policies of Sovereign at that date.

The unaudited *pro forma* financial information has been included in terms of the Listings Requirements of the JSE. The directors of Sovereign are responsible for the preparation of the unaudited *pro forma* financial information.

Income Statement

R'000	Before the Rights Offer⁽¹⁾ Adjustments		Pro Forma After the Rights Offer
Revenue	544 968		544 968
Operating income	77 637		77 637
Depreciation	(12 022)		(12 022)
Profit before interest and taxation	65 615		65 615
Net interest paid	(33 375)	6 119 ⁽²⁾	(27 256)
Net operating income	32 240	6 119	38 359
Normal and deferred taxation	(8 991)	(1 713) ⁽³⁾	(10 704)
Retained earnings for the period	23 249	4 406	27 655
Weighted average number of shares in issue ('000)	33 003	16 997 ⁽⁴⁾	50 000
Weighted average diluted number of shares in issue ('000)	33 073	16 997 ⁽⁴⁾	50 070
Earnings/(loss) per share (cents)	70.5	(15.2)	55.3
Headline earnings/(loss) per share (cents)	70.5	(15.2)	55.3
Diluted earnings/(loss) per share (cents)	70.3	(15.1)	55.2
Diluted headline earnings/(loss) per share (cents)	70.3	(15.1)	55.2
Reconciliation between earnings/(loss) and headline earnings/(loss):			
Earnings after taxation	23 249	4 406	27 655
Reconciling items:			
Headline earnings after taxation	23 249	4 406	27 655

Notes:

1. Extracted from the unaudited published interim financial information of Sovereign for the six months ended 31 August 2009.
2. Interest saving of R6.1 million (before taxation) based on repayment of interest bearing current debt of R108.7 million at the weighted average cost of debt of 11.3%. This interest saving is expected to be a continuing effect on Sovereign’s income statement.
3. Increase in taxation due to the interest saving described in note 2 above at the statutory rate of 28%.
4. 16 997 070 Sovereign ordinary shares issued on 1 March 2009 in terms of the Rights Offer.
5. The unaudited *pro forma* financial effects on the Income Statement were prepared on the basis that the Rights Offer was fully subscribed and completed on 1 March 2009.
6. The *pro forma* income statement has been prepared in accordance with the accounting policies of Sovereign as presented in the Company’s audited annual financial statements for the year ended 28 February 2009.

Balance Sheet

R'000	Before the Rights Offer ⁽¹⁾	Adjustments	<i>Pro Forma</i> After the Rights Offer
ASSETS			
Non-current assets			
Property, plant and equipment	813 587		813 587
Current assets			
Cash and cash equivalents	104 510	32 475 ⁽²⁾	136 985
Inventory and biological assets	121 015		121 015
Trade and other receivables	87 820		87 820
Total assets	1 126 932	32 475	1 159 407
EQUITY AND LIABILITIES			
Capital and reserves			
Equity	309 503	141 145 ⁽³⁾	450 648
Interest-bearing debt			
Long-term portion	446 406	(108 670) ⁽⁴⁾	337 736
Short-term portion	90 424		90 424
Deferred taxation	106 054		106 054
Trade and other payables	174 545		174 545
Total equity and liabilities	1 126 932	32 475	1 159 407
Actual shares in issue ('000)	33 003	16 997	50 000
Net asset value per share (cents)	937.8	(36.5)	901.3
Tangible net asset value per share (cents)	937.8	(36.5)	901.3

Notes:

1. Extracted from the unaudited published interim financial information of Sovereign for the 6 months ended 31 August 2009.
2. Cash received from the Rights Offer after the repayment of debt of R108.7 million and transaction costs of R3.3 million which is to be utilised to fund working capital commitments.
3. Share premium and share capital raised through the Rights Offer net of transaction costs.
4. Repayment of long-term debt of R108.7 million.
5. The unaudited *pro forma* financial effects on the Balance Sheet were prepared on the basis that the Rights Offer was fully subscribed and completed 31 August 2009.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* CONSOLIDATED FINANCIAL INFORMATION

"The Directors
Sovereign Food Investments Limited
Kruis River Road
Uitenhage
6230

2 November 2009

INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF SOVEREIGN FOOD INVESTMENTS LIMITED ("SOVEREIGN")

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out in paragraph 6 and Annexure 1 to the circular to be dated on or about 23 November 2009 ("the circular") to be issued to Sovereign ordinary shareholders in connection with the partially underwritten rights offer of 16 997 070 ordinary shares at an issue price of 850 cents per share in the ratio of 50.5017 new Sovereign shares for every 100 Sovereign shares held ("the rights offer). Terms used herein and defined in the circular have the meaning assigned to them therein unless otherwise indicated by the context.

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

Responsibilities

Directors' responsibility

The directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the circular and for the financial information from which it has been prepared. Their responsibility includes determining that:

- the *pro forma* financial information has been properly compiled on the basis stated;
- the basis is consistent with the accounting policies of Sovereign;
- the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the circular to Sovereign's shareholders.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and the *Guide on Pro Forma Financial Information* issued by SAICA. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

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

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Sovereign, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of the company in respect of the rights offer.

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

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

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

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that, in terms of Sections 8.17 and 8.30 of the JSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of Sovereign;
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed.

Consent

This report on the *pro forma* financial information is included solely for the information of the Sovereign shareholders. We consent to the inclusion of our report on the *pro forma* financial information and the references thereto, in the form and context in which they appear.

Yours faithfully

PKF (Jhb) Inc

Duncan Church

Registration number 1994/001166/21

Registered Auditors

Chartered Accountants (SA)

42 Wierda Road West

Wierda Valley

Sandton

2196"

PUBLISHED HISTORICAL FINANCIAL INFORMATION OF SOVEREIGN

COMMENTARY

Sovereign started as Rocklands Poultry in 1948. The Company has become one of South Africa's largest producers of frozen poultry and is a vertically-integrated operation. On the back of strong performance, the Company was elected as one of SA's Top 20 companies for 2007 by the *Financial Mail*.

The Groups' expansion plans, which began three years ago, are nearing completion. Since the beginning of the expansion the Group has constructed over 100 000 m² of additional environmentally controlled poultry housing, and has converted all of its older houses to be environmentally controlled. The R62 million state-of-the-art hatchery has reached its targeted first phase production of just over 900 000 birds per week, with a capacity to produce 2 000 000 birds per week in the long term.

Due to the expansion over the past three 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.

National poultry prices declined during 2009 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.

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 2010 financial year.

There has been no material change in the nature of Sovereign or its subsidiaries' business during the last three financial years other than breaching the covenants of its current lending arrangements, nor any change in the nature of the Group's property, plant and equipment or in the policy regarding the use thereof.

The Group's auditors, PKF (PE) Incorporated, have provided unqualified audit opinions on the financial information of Sovereign for the financial years ended 28 February 2009, 29 February 2008 and 28 February 2007.

The historical financial information provided in this annexure has been extracted from the published audited annual financial statements of Sovereign for the financial years ended 28 February 2009, 29 February 2008 and 28 February 2007 and are the responsibility of the Board.

ACCOUNTING POLICIES

The financial statements incorporate the following principal accounting policies which are consistent with those of the previous financial year.

The consolidated financial statements of the group and company have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical-cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed.

STATEMENT OF COMPLIANCE

The financial statements and group financial statements are prepared in accordance with the International Financial Reporting Standards and the requirements of the South African Companies Act.

BASIS FOR CONSOLIDATION

Subsidiaries are those entities over whose financial and operating policies the group has the power to exercise control, so as to obtain benefits from their activities.

The group's financial statements incorporate the assets, liabilities and results of the operations of the company and its subsidiaries. The results of subsidiaries acquired and disposed of during a financial year are included from the effective dates of acquisition to the effective dates of disposal. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the group.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

Inter-group balances and transactions, and any unrealised gains or losses arising from intergroup transactions, are eliminated in preparing the consolidated financial statements.

INVESTMENTS IN SUBSIDIARIES

All subsidiaries are 100% owned. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group.

Investments in subsidiaries are recorded at cost in the company.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recognised at cost. Transaction costs are included in the initial measurement. Subsequent costs are recognised to the extent that it is probable that the future economic benefits that are associated with the asset will flow to the entity, and the cost can be measured reliably. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Depreciation is provided on the straight-line basis, over the estimated useful lives of the assets. Land is presumed to have an indefinite useful life. Assets are depreciated to their estimated residual values, which are reviewed each year.

The estimated useful lives of buildings is 50 years, 20 years for plant, 10 years for vehicles, office equipment, furniture and fittings, and five years for computer equipment.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses/(Deficits) on the disposal of property, plant and equipment are credited/(charged) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

As buildings are constructed for specialised purposes, it is considered that they have no residual value. Land and buildings are revalued at each balance sheet date when the difference between the fair value and the carrying value becomes significant. Increases in the carrying amount arising on the revaluation of land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity, all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged the income statement and depreciation based on the asset's original cost is transferred from "other reserves" to "retained earnings" When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

IMPAIRMENT

The carrying amounts of the group's assets are reviewed at a minimum at each balance sheet date, and at any other time where appropriate, to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its estimated fair value less costs to sell and its value in use.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised directly in the income statement.

LEASED ASSETS

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease. The capital element of the future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest method to determine the finance lease cost, which is charged against income, and the capital repayment, which reduces the liability to the lessor. These assets are depreciated on the same basis as categories of fixed assets owned by the group.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases.

Operating lease payments are charged against the income statement using the straight-line method.

BIOLOGICAL ASSETS

Breeding stock, live broiler chickens, hatching eggs and other livestock

Biological assets are measured at cost less accumulated depreciation and any accumulated impairment losses as there is no active market for breeding stock, live broiler chickens, hatching eggs and other livestock.

The depreciation method used is to depreciate the layers over their expected useful lives from when they begin producing eggs at week 21 to week 64 when they are disposed of. Broilers are not depreciated.

Biological assets consist of broilers, parent stock layers, hatching eggs and cattle. All broilers and parent stock are mature biological assets.

The nature of the group's activities regarding the layer stock is to produce day-old chickens. The nature of the group's activities regarding the broilers is to produce processed poultry.

If fair value could be determined, we do not believe it would be significantly different from cost less accumulated depreciation.

INVENTORIES

Finished product

A finished product is processed poultry, which is valued at the lower of cost, determined on a first-in first-out basis, and net realisable value. Costs include all direct production costs and an appropriate portion of overheads.

Raw materials and consumables

Raw materials and consumables, including feedmill inventories, are valued at the lower of cost, determined on a first-in first-out basis, and net realisable value.

CURRENT TAXATION

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantively enacted at the balance sheet date, and any adjustment of tax payable for previous years.

DEFERRED TAXATION

Deferred taxation is provided on the comprehensive basis computed as the difference between the tax base and carrying amounts of assets and liabilities. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money market instruments, net of bank overdraft, all of which are available for use by the group unless otherwise stated.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any foreign exchange difference is dealt with in the income statement in the year in which the difference occurs.

GOVERNMENT GRANTS

Government grant income is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the group will comply with the conditions attaching to it. Grants that compensate the group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

REVENUE

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

BORROWING COSTS

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

RETIREMENT BENEFITS

The policy of the group is to provide retirement benefits for all its monthly paid permanent employees. Current contributions to the provident fund operated for employees are charged against income as incurred. The group only contributes to one defined contribution fund. The group has no further obligations once the contributions have been paid.

EMPLOYEE ENTITLEMENTS

Wages, salaries, annual leave, sick leave and bonus pay

The provisions for employee entitlements to wages, salaries, annual leave, sick leave and bonus pay represent the amounts which the group has a present obligation to pay resulting from employees' services provided up to the balance sheet date.

The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

FINANCIAL INSTRUMENTS

Financial instruments are initially measured at cost, which includes directly attributable transaction costs. Subsequent to initial recognition these instruments are measured as set out below:

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "operating expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "operating expenses" in the income statement.

Trade payables

Liabilities are initially recognised at fair value. Subsequently, they are measured at amortised cost using the effective interest method. The present value of these liabilities closely resembles the carrying amount and as such these liabilities are carried at their carrying amount. They are recognised for amounts in respect of which the group has an obligation to make payment for goods or services received, whether or not billed to the group.

Cash and cash equivalents

Cash and cash equivalents are carried on the balance sheet at their fair value, subject to set-off arrangements. Interest expense and interest income are accrued at the contracted rates.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The group uses derivative financial instruments and forward exchange contracts to manage its exposure to foreign exchange and commodity price risk arising from its operational and financing activities.

Derivative instruments are measured at fair value.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss in the period in which the change arises.

Gains and losses from measuring the hedging instruments relating to a fair value hedge at fair value are recognised immediately in net profit or loss.

Gains and losses from remeasuring the hedging instruments relating to a cash flow hedge to fair value are initially recognised directly in equity. If the hedged firm commitment or forecast transaction results in the recognition of an asset or a liability, the cumulative amount recognised in equity up to the transaction date is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount recognised in equity is included in net profit or loss in the period when the commitment or forecast transaction affects profit or loss.

Where the hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in the income statement immediately.

Futures commodity price contracts

The group uses futures commodity price contracts to manage commodity risks. Gains and losses of existing assets or liabilities are treated in the same manner as gains and losses on the related item. All gains and losses on futures commodity price contracts are taken to the income statement in the periods in which they occur.

Investments

Investments are designated as held-for-trading and are measured at fair value. Gains and losses arising from a change in the fair value of investments are included in the income statement in the period in which the change arises.

Interest-bearing borrowings

Interest-bearing borrowings are measured at amortised cost using the effective interest method, comprising original debt less principal payments and amortisations.

SEGMENTAL REPORTING

The group is a producer of poultry products. As the group operates in one industry and in one geographical market, the segmental report is the same as that presented in the income statement and balance sheet.

SHARE-BASED PAYMENTS

The group issues equity-settled share-based payments to employees.

Equity-settled share-based payments are measured at the fair value of the goods or services rendered, or, if not determinable, at the fair value of the equity instruments granted, excluding the effects of market-related vesting conditions.

The fair value determined at grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's best estimate of the number of shares that are expected to vest, including the effects of non-market-related vesting conditions.

Fair value is determined using the Black-Scholes pricing model. The expected life used in this model has been adjusted for the effects of non-transferability, exercise restrictions and behavioural considerations.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Increases and decreases in provisions are credited/(charged) to the income statement.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in accordance with IFRS required the use of certain critical accounting estimates. It requires management to exercise judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are mainly the following:

Impairment of trade receivables

A provision for impairment is established when there is evidence of significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments.

Estimation of useful lives of property, plant and equipment

The assets' residual values and useful lives are reviewed annually and adjusted if appropriate, taking into account technological developments and maintenance programmes. Uniform depreciation and amortisation rates are established based on the straight-line method which may not represent actual usage of the assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fair value assessment of biological assets

The determination of fair value is based on active market values, where appropriate, or management's assessment of the fair value based on available data and benchmark statistics.

Inventory net realisable value

Inventory net realisable value is based on estimates of future market conditions and the ability to recover the cost of inventory.

Deferred taxation assets

The recoverability of deferred taxation assets is based on the future profitability of the relevant entity and the ability to generate future taxable income.

Share-based payments

The fair value of share options granted are based on market conditions, discount rates, share price volatility and estimated future forfeitures. These values may change from time to time and the eventual outcome may differ from the valuations.

All estimates and underlying assumptions are based on historical experience and various other factors that management believes are reasonable under the circumstances. The results of these estimates form the basis of judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any affected future periods.

STANDARDS AND INTERPRETATIONS EFFECTIVE FOR THE FINANCIAL YEAR 2009

At the date of authorisation of these annual financial statements, the following standards and interpretations had become effective during the course of the financial year:

IFRIC12	Service Concession Arrangements	Annual periods beginning on/after 1 January 2008
IFRIC14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods beginning on/after 1 January 2008

STANDARDS AND INTERPRETATIONS ADOPTED EARLY

Although it was not yet effective, the following standard was adopted on 1 March 2006. The impact of the early adoption was disclosed in the 2007 group annual financial statements.

IAS 23	Capitalisation of Borrowing Costs	Annual periods beginning on/after 1 January 2009
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STANDARDS AND INTERPRETATIONS IN ISSUE, NOT YET EFFECTIVE

At the date of authorisation of these annual financial statements, the following standards and interpretations, as well as revisions, improvements and amendments to existing standards and interpretations, were in issue but were not yet effective:

IAS1	Presentation of Financial Instruments	Annual periods beginning on/after 1 January 2009
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Annual periods beginning on/after 1 January 2009
IAS 10	Events After the Reporting Period	Annual periods beginning on/after 1 January 2009
IAS 16	Property, Plant and Equipment	Annual periods beginning on/after 1 January 2009
IAS 18	Revenue	Annual periods beginning on/after 1 January 2009
IAS 19	Employee Benefits	Annual periods beginning on/after 1 January 2009
IAS 20	Accounting for Government Grants and Disclosures of Government Assistance	Annual periods beginning on/after 1 January 2009
IAS 27	Consolidated and Separate Financial Statements	Annual periods beginning on/after 1 July 2009
IAS 28	Investments in Associates	Annual periods beginning on/after 1 January 2009
IAS 29	Financial Reporting in Hyperinflationary Economies	Annual periods beginning on/after 1 January 2009

IAS 31	Interests in Joint Ventures	Annual periods beginning on/after 1 January 2009
IAS 32	Financial Instruments: Presentation and Disclosure	Annual periods beginning on/after 1 January 2009
IAS 34	Interim Financial Reporting	Annual periods beginning on/after 1 January 2009
IAS 36	Impairment of Assets	Annual periods beginning on/after 1 January 2009
IAS 38	Intangible Assets	Annual periods beginning on/after 1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement	Annual periods beginning on/after 1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement	Annual periods beginning on/after 1 July 2009
IAS 40	Investment Property	Annual periods beginning on/after 1 January 2009
IAS 41	Agriculture	Annual periods beginning on/after 1 January 2009
IFRS 1	First-time Adoption of International Financial Reporting Standards	Annual periods beginning on/after 1 January 2009
IFRS 2	Share-based Payments	Annual periods beginning on/after 1 January 2009
IFRS 3	Business Combinations	Annual periods beginning on/after 1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Annual periods beginning on/after 1 July 2009
IFRS 7	Financial Instruments: Disclosures	Annual periods beginning on/after 1 January 2009
IFRS 8	Operating Segments	Annual periods beginning on/after 1 January 2009
IFRIC13	Customer Loyalty Programmes	Annual periods beginning on/after 1 July 2008
IFRIC15	Agreements for the Construction of Real Estate	Annual periods beginning on/after 1 January 2009
IFRIC16	Hedge of a Net Investment in a Foreign Operation	Annual periods beginning on/after 1 October 2008
IFRIC17	Distributions of Non-cash Assets to Owners	Annual periods beginning on/after 1 January 2009
IFRIC 18	Transfers of Assets from Customers	Annual periods beginning on/after 1 January 2009

Management is of the opinion that the above standards and interpretations will have a minimal or nil effect on the format and disclosure of the group annual financial statements. The above interpretations had no effect on the group's annual financial statements.

BALANCE SHEET

as at 28 February 2009, 29 February 2008 and 28 February 2007

	Notes	2009 R'000	2008 R'000	2007 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	1	780130	552 446	269 986
		780130	552 446	269 986
Current assets				
		320 427	259 240	209 564
Inventories	3	39 081	26 260	24 452
Biological assets	3	85 342	63 198	32 687
Trade and other receivables	4	113325	44 628	34 687
Cash and cash equivalents	15	82 679	125 154	117 558
Total assets		1 100 557	811 686	479 550
EQUITY AND LIABILITIES				
Share capital	5	330	330	330
Share premium	6	14 305	14 305	34 602
Non-distributable reserve		28 848	28 848	-
Share options	5,28	301	257	199
Retained earnings		242 709	243 201	196 485
Equity		286 493	286 941	231 616
Non-current liabilities				
Interest-bearing borrowings	7	457 981	246 566	98 558
Deferred taxation	8	97 062	98619	75 115
Current liabilities		259 021	179 560	74 261
Trade and other payables	9	160 752	104 274	43 798
Provisions	26	7 284	5112	-
Provision for taxation		-	-	7 472
Current portion of interest-bearing borrowings	7	90 985	70 174	22 991
Total equity and liabilities		1 100 557	811 686	479 550
Net asset value per share (cents)		1 162.18	1 168.26	929.40
Tangible net asset value per share (cents)		1 162.18	1 168.26	929.40

INCOME STATEMENT

for the years ended 28 February 2009, 29 February 2008 and 28 February 2007

	Notes	2009 R'000	2008 R'000	2007 R'000
Revenue		909121	581 232	458 652
Cost of sales		596 586	277 838	192 577
Gross profit		312 535	303 394	266 075
Operating expenses		261 888	229 055	166 922
Profit before finance costs	10	50 647	74 339	99 153
Interest paid	11	61803	18 504	12 687
Interest received	11	(5 630)	(7 592)	(8 283)
(Loss)/Profit before taxation		(5 526)	63 427	94 749
Taxation	12	(5 034)	16711	27 364
Net (loss)/profit for the year		(492)	46 716	67 385
(Loss)/Earnings per ordinary share (cents)	17	(1.5)	141.6	206.7
Diluted (loss)/earnings per ordinary share (cents)	17	(1.5)	140.0	204.3
Capital distribution per ordinary share (cents)		-	-	70.0

CASH FLOW STATEMENT

for the years ended 28 February 2009, 29 February 2008 and 28 February 2007

	Notes	2009 R'000	2008 R'000	2007 R'000
Cash generated from operations before working capital changes		71056	87 546	108 693
Changes in working capital		(45 012)	23 508	(8 300)
Cash generated from operating activities	14	26 044	111 054	100 393
Net interest paid		(56173)	(10912)	100 393
Taxation received/(paid)		3 476	(8 131)	(4 404)
Net cash flow from operating activities		(26 653)	92011	(5 537)
Dividend paid			(20 297)	90 452
Net cash flow from operating activities after dividend paid		(20 127)	71 714	70 325
Net cash flow from investing in property, plant and equipment		(248 048)	(265 552)	(80 738)
Shares issued for cash				549
Net cash flow from debt raised/(repaid)		232 226	201 434	(19 335)
Net (decrease)/increase in cash and cash equivalents		(42 475)	7 596	(29 198)
Cash and cash equivalents at beginning of year	15	125 154	117 558	146 756
Cash and cash equivalents at end of year	15	82 679	125 154	117 558

STATEMENT OF CHANGES IN EQUITY

for the years ended 28 February 2009, 29 February 2008 and 28 February 2007

Statement of changes in equity for the year ended 28 February 2009

R'000	Share capital	Share premium	Share options	Retained earnings	Revaluation reserve	Total
Balance at beginning of year	330	14 305	257	243 201	28 848	286 941
Net loss for the year	-	-	(492)	-	(492)	
Total recognised income and expense	-	-	-	(492)	-	(492)
Share options	-	-	44	-	-	44
Balance at end of year	330	14 305	301	242 709	28 848	286 493

Statement of changes in equity for the year ended 29 February 2008

R'000	Share capital	Share premium	Share options	Retained earnings	Revaluation reserve	Total
Balance at beginning of year	330	34 602	199	196 485	-	231 616
Revaluation of land and buildings	-	-	-	-	36 302	36 302
Deferred tax on revaluation	-	-	-	-	(7 454)	(7 454)
Net income recognised directly in equity	-	-	-	-	28 848	28 848
Net profit for the year	-	-	-	46 716	-	46 716
Total recognised income and expense	-	-	-	46 716	28 848	75 564
Dividend paid	-	(20 297)	-	-	-	(20 297)
Share options	-	-	58	-	-	58
Balance at end of year	330	14 305	257	243 201	28 848	286 941

Statement of changes in equity for the year ended 28 February 2007

R'000	Share capital	Share premium	Share options	Retained earnings	Revaluation reserve	Total
Balance at beginning of year	325	54 186	446	129 100		184 057
New shares issued	5	543				548
Capital distribution		(20 127)				(20 127)
Share options			(247)			(247)
Net profit for the year				67 385		67 385
Balance at end of year	330	34 602	199	196 485		231 616

NOTES TO THE FINANCIAL STATEMENTS

for the years ended 28 February 2009, 29 February 2008 and 28 February 2007

	2009 R'000	2008 R'000	2007 R'000
1. PROPERTY, PLANT AND EQUIPMENT			
Cost/Valuation			
Land	58 415	39 359	6 675
Buildings	323 758	240 046	104 644
Assets in the course of construction	130138	151357	73 395
Plant	315 036	162 574	112 685
Vehicles	16109	11202	14 973
Office equipment, furniture and fittings	2 124	1 953	1 737
Computer equipment	9 924	8 159	6 581
	855 504	614650	320 690
Accumulated depreciation			
Land	-	-	-
Buildings	21 565	16 289	12 768
Assets in the course of construction	-	-	-
Plant	39 226	33 463	25 696
Vehicles	7 207	6 235	6 953
Office equipment, furniture and fittings	1209	1 060	911
Computer equipment	6167	5157	4 376
	75 374	62 204	50 704
Net carrying value			
Land	58 415	39 359	6 675
Buildings	302 193	223 757	91 876
Assets in the course of construction	130138	151357	73 395
Plant	275 810	129 111	86 989
Vehicles	8 902	4 967	8 020
Office equipment, furniture and fittings	915	893	826
Computer equipment	3 757	3 002	2 205
	780 130	552 446	269 986

	Land R'000	Buildings R'000	Assets in the course of construc- tion R'000	Plant R'000	Vehicles R'000	Office equipment furniture and fittings R'000	Computer equipment R'000	Total R'000
1. PROPERTY, PLANT AND EQUIPMENT (continued)								
2009								
Net carrying value at beginning of year	39 359	223 757	151 357	129 111	4 967	893	3 002	552 446
Additions	19 056	83 713	-	159 642	4 871	189	1 796	269 267
Transfers out	-	-	(21 219)	-	-	-	-	(21 219)
Depreciation	(5 277)	-	(12 943)	(936)	(167)	(1 041)	(20 364)	
Net carrying value at end of year	58 415	302 193	130 138	275 810	8 902	915	3 757	780 130
2008								
Net carrying value at beginning of year	6 675	91 876	73 395	86 989	8 020	826	2 205	269 986
Additions	15 740	124 213	73 037	50 095	1 680	216	1 578	266 559
Scrapping	-	(1 965)	(272)	(206)	(3 744)	-	-	(6 187)
Revaluation	16 944	13 154	5 197	-	-	-	-	35 295
Depreciation	-	(3 521)	-	(7 767)	(989)	(149)	(781)	(13 207)
Net carrying value at end of year	39 359	223 757	151 357	129 111	4 967	893	3 002	552 446
2007								
Net carrying value at the beginning of the year	5 675	81 391	-	81 890	8 186	924	1 761	179 827
Additions	1 000	12 405	73 395	10 177	990	39	1 146	99 152
Disposals	-	-	-	274	-	-	-	274
Depreciation	-	(1 920)	-	(5 352)	(1 156)	(137)	(702)	(9 267)
Net carrying value at the end of the year	6 675	91 876	73 395	86 989	8 020	826	2 205	269 986

Details of land and buildings are contained in a register, setting out the information required by P16(6) of the Fourth Schedule to the Companies Act, which is available for inspection by members or their duly authorised agents at the registered office of the company. A copy of the register will be posted on request to members of the public.

Certain items of property, plant and equipment are encumbered as stated in note 7.

The group's land and buildings were last revalued by independent valuers on 29 February 2008. Valuations were made on the basis of recent market transactions on arm's length terms. The revaluation surplus net of applicable deferred income taxes was credited to "revaluation reserve in shareholders' equity" This reserve is non-distributable.

During the year ended 28 February 2009, the group was of the opinion that the land and buildings were fairly valued and no independent valuation was performed.

The group assessed the useful lives and residual values of all assets on hand at year-end and is of the opinion that these are correctly estimated, thus no adjustments to the useful lives and residual values of the assets have been made in the current year.

If land and buildings were stated on the historical-cost basis, the amounts would be as follows:

	2009	2008	2007
	R'000	R'000	R'000
Cost	338 301	235 532	111 319
Accumulated depreciation	(21 905)	(16 289)	(12 768)
Net carrying amount	316 396	219 243	98 551

The valuation was performed by A van Rensburg, BCom (Hons), BSc Agric, using standard valuation techniques.

Borrowing costs of R11 541 432 (2008: R10 954 860; 2007: nil) arising on financing specifically entered into for the construction of new farms and equipment were capitalised during the year and are included in "additions" in property, plant and equipment.

A capitalisation rate of 14.4% (2008:11.0%; 2007: nil) was used, representing the borrowing cost of the loans used to finance the project.

	Issued share capital		Group's effective holding		Investment at cost		Book value of holding company's interest Loans to/(from) subsidiaries	
	2009	2008	2009	2008	2009	2008	2009	2008
	R'000	R'000	%	%	R'000	R'000	R'000	R'000

2. INTEREST IN SUBSIDIARIES

Subsidiary companies

Directly owned

Sovereign Food Industries (Pty) Limited	36	36	100	100	29 746	29 746	5 451	5 451
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Indirectly owned

Crown Chickens (Pty) Limited	5 005	5 005	100	100	-	-	(30 003)	(24 861)
United Chix (Pty) Limited	1 000	1 000	100	100	-	-	3 520	3 119
Country Range Farm Products (Pty) Limited	1 000	1 000	100	100	-	-	(638)	(638)
Rocklands Fine Foods (Pty) Limited	100	100	100	100	-	-	-	-
Rocklands Processed Foods (Pty) Limited	100	100	100	100	-	-	-	-
Rocklands Organics (Pty) Limited	100	100	100	100	-	-	-	-
Chelsea Poultry Farm (Pty) Limited	100	100	100	100	-	-	-	-
Rocklands By-Products (Pty) Limited	100	100	100	100	-	-	-	-
Jeffreys Bay Poultry Farm (Pty) Limited	100	100	100	100	-	-	-	-
Gedults Farm (Pty) Limited	100	100	100	100	-	-	-	-
Pashia Farm (Pty) Limited	100	100	100	100	-	-	-	-
Chicken Barn Holdings (Pty) Limited	100	100	100	100	-	-	54	54
Chicken Barn Korsten (Pty) Limited	100	100	100	100	-	-	5	5
Chicken Barn Kwadwesi (Pty) Limited	100	100	100	100	-	-	-	-
Chicken Barn Uitenhage (Pty) Limited	100	100	100	100	-	-	40	40
Chicken Barn Walmer (Pty) Limited	100	100	100	100	-	-	44	44
					29 746	29 746	(21 527)	(16 786)

These loans are unsecured, have no fixed terms of repayment and bear nil (2008: nil; 2007: nil) interest. All subsidiaries of the group were incorporated in South Africa.

	2009	2008	2007
	R'000	R'000	R'000

3. INVENTORIES AND BIOLOGICAL ASSETS

Inventories

Raw materials and consumables	31 880	20 843	19 378
Finished products	7 201	5 417	5 074
	39 081	26 260	24 452

Biological assets

Balance at beginning of year	63 198	32 687	26 199
Purchases	81 430	63 098	53 719
Increase due to biological growth	384 636	309 448	190 230
Decrease due to slaughter	(443 922)	(342 035)	(237 461)
Balance at end of year	85 342	63 198	32 687

As at 28 February 2009, the group had approximately 4 542 378 (2008: 2 917 883; 2007: 2 446 529) broilers on hand and approximately 462 409 (2008: 426 762; 2007: 187 975) female laying stock on hand.

Certain items of inventory have been encumbered as stated in note 7.

	2009	2008	2007
	R'000	R'000	R'000

4. TRADE AND OTHER RECEIVABLES

Trade receivables	112 976	43 253	32 934
Less: Provision for impairment of trade receivables	(2 475)	(1 281)	(500)
Trade receivables – net	110 501	41 972	32 434
Prepayments	1 919	1 316	987
Sundry receivables	905	1 340	1 446
	113 325	44 628	34 867

The fair values of trade and other receivables are as follows:

Trade receivables	110 501	41 972	32 434
Prepayments	1 919	1 316	987
Sundry receivables	905	1 340	1 446
	113 325	44 628	34 867

Trade receivables that are less than three months past due are not considered impaired. As at 28 February 2009, trade receivables of R5 441 458 (2008: R6 584 905; 2007: 2392 664) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

Up to three months	5 441	6 584	2 393
Three to six months	-	-	-
	5 441	6 584	2 393

	2009 R'000	2008 R'000	2007 R'000
Movement on the provision for impairment of trade receivables is as follows:			
Balance at beginning of year	1 281	500	401
Provision for receivables impairment	1 980	1 029	99
Receivables written off during the year as uncollectable	(786)	(248)	-
Balance at end of year	2 475	1 281	500

The creation and release of provision for impaired receivables have been included in operating expenses

in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the gross value of each class of receivable mentioned above. The group does not hold any collateral as security.

As at 28 February 2009, trade receivables of R7 711 086 (2008: R2 136 114; 2007: R499 748) were potentially impaired. The amount of the provision was R2 475 181 (2008: R1 281 370; 2007: R500 000). The potentially impaired receivables mainly relate to wholesalers. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

Three to six months	2 366	1 268	-
Over six months	5 345	868	500
	7 711	2 136	500

As at 28 February 2009, trade receivables to the value of R102 781 307 (2008: R32 672 319) of a subsidiary were ceded as security to a financial institution for a loan (see note 7). Further to this, the same trade receivables are subject to a revisionary cession to another financial institution (see note 7).

	2009 R'000	2008 R'000	2007 R'000
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5. SHARE CAPITAL

Authorised

50 000 000 ordinary shares of one cent each	500	500	500
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Issued

33 002 930 ordinary shares of one cent each (2008: 33 002 930 shares)	330	330	330
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Number of shares ('000)

Balance at beginning of year	33 003	33 003	32 427
Issued during the year	-	-	576
Balance at end of year	33 003	33 003	33 003

Number of shares ('000)	Number of shares	Number of shares	Number of shares
Under option in terms of the company's share incentive scheme at 36 cents per share exercisable until 4 July 2007			
Under option in terms of the company's "The Sovereign Food Share Incentive Scheme" at 125 cents per share exercisable until 19 September 2010	412	412	5
Under control of the trustees for the purpose of the Sovereign Share Incentive Scheme	755	755	755
Under the control of the directors until the next annual general meeting	15 830	15 830	15 825
Ordinary shares in issue	33 003	33 003	33 003
Authorised ordinary shares	50 000	50 000	50 000

Reconciliation of share options ('000)	Number of shares	Number of shares	Number of shares
Share options in issue at beginning of year	412	417	1 268
Options cancelled during the year	(275)		
Options exercised during the year	-	(5)	(576)
Share options in issue at end of year	412	412	417

Reconciliation of shares to be utilised by the share incentive scheme ('000)	Number of shares	Number of shares	Number of shares
Shares available at beginning of year	755	480	480
Shares made unavailable due to the issue of options	-	-	-
Shares made available due to the cancellation of options	-	275	275
Shares available at end of year	755	755	755

	2009 R'000	2008 R'000	2007 R'000
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6. SHARE PREMIUM

Balance at beginning of year	14 305	34 602	54 186
Premium on shares issued in September 2006	328		
Net premium on shares issued in December 2006	215		
Dividend/Capital distribution paid	-	(20 297)	(20 127)
Balance at end of year	14 305	14 305	34 602

	2009 R'000	2008 R'000	2007 R'000
7. INTEREST-BEARING BORROWINGS			
Secured			
Secured loan repayable in monthly instalments of R596 000 (2008: nil). Interest is charged at rates that fluctuate with prime rates less 0,75%. Secured by first mortgage bond over certain land with a cost of R70 000 000 (2008: R70 000 000)	34 844	40 148	
Secured cash credit facility to the value of R30 000 000 (2008: R30 000 000) with no fixed terms of repayment. Interest is charged at rates that fluctuate with prime rates less 1%. Trade receivables of R102 781 307 (2008: R32 672 319) and inventory of R7 200 681 (2008: R5 145 934) of a subsidiary of the group have been ceded as security for this facility	30 000	30 000	
Secured loan repayable in monthly instalments of R715 448 (2008: R608 333) and bearing interest at the prime lending rate. Secured by first mortgage bond over certain land and buildings with a cost of R114 870 713 (2008: R114 870 713)	65 134	71 783	
Secured loan repayable in monthly instalments of R315 967 (2008: R306 449) and bearing interest at the prime rate less 0.75%			
Secured by first mortgage bond over certain land and buildings with a cost of R50 000 000 (2008: R50 000 000)	24 827	25 000	
Secured loan repayable in quarterly instalments of R450 883 (2008: R450 883; 2007: R364 753) and bearing interest at a fixed rate of 13,16% per annum. Secured by first mortgage bond over certain land and buildings with a cost of R6 339 467 (2008: R6 339 467; 2007: R6 339 467)	6 411	7 324	7 952
Secured loan repayable in monthly instalments of nil (2008: R173 893; 2007: R170 621) and bearing interest at nil percent (2008:13.25%; 2007: 11%) per annum. Secured by first mortgage bond over certain land and buildings with a cost of nil (2008: R19 096 043; 2007: R19 096 043)		1 960	3 725
Secured loan repayable in bi-monthly instalments of R53 333 (2008: R53 333; 2007: R53 333) and bearing interest at the prime lending rate less 1.75%. Secured by first mortgage bond over certain land and buildings with a cost of R2 719 203 (2008: R2 719 203; 2007: R2 719 203)	1 119	1439	1 759
Secured loan repayable in bi-monthly instalments of R100 000 (2008: R100 000; 2007: R100 000) and bearing interest at the prime lending rate less 1.25%. Secured by first mortgage bond over certain land and buildings with a cost of R6 000 000 (2008: R6 000 000; 2007: R6 000 000)	2 600	3 200	3 800

	2009 R'000	2008 R'000	2007 R'000
7. INTEREST-BEARING BORROWINGS continued			
Instalment sale creditors payable in monthly instalments totalling R2 930 276 (2008: R2 045 663; 2007: R1 495 122). These liabilities are secured by instalment sale agreements over assets with a carrying value of R113 994 309 (2008: R93 249 547; 2007: R59 387). Interest rates are charged at rates that fluctuate with prime rates on these agreements	102 480	87 196	48 563
Secured loan repayable in monthly instalments of R83 333 (2008: R83 333; 2007: R83 333) and bearing interest at 13.05% (2008: 13.05%; 2007: 13.05%) per annum. Secured by first mortgage bond over certain land and buildings with a cost of R114 870 713 (2008: R114 870 713; 2007: R100 250 591)	7 957	8 833	9 917
Secured loans with no fixed terms of repayment. Interest is charged at the prime lending rate. Secured by first mortgage bond over certain land with a cost of R137 026 454 (2008: nil). This is a bridging finance facility that must be converted into a term loan in the new financial year	86 770	-	
Secured loans with no fixed terms of repayment. Interest is charged at the prime lending rate. Secured by first mortgage bond over certain land and buildings with a cost of R53 510 385 (2008: nil) and a revisionary cession of trade receivables with a carrying value of R102 781 307 (2008: nil). Interest rates are charged at rates that fluctuate with prime rates on these agreements	49 885	-	
Secured loan repayable in monthly instalments of R789 559. Interest is charged at the prime lending rate. Secured by first mortgage bond over certain land and buildings with a cost of R114 870 713 (2008: R114 870 713)	57 344	-	
Secured loan repayable in monthly instalments of R565 328 (2008: nil) of repayment. Interest is charged at rates that fluctuate with the prime rates. Secured by first mortgage bond over certain land and buildings with a cost of R114 870 713 (2008: R114 870 713)	30 358	-	
Secured loan repayable in monthly instalments of R570 305 (2008: R416 666; 2007: R333 333) and bearing interest at 10.9% (2008: 10.9%; 2007: 13.05%) per annum. Secured by first mortgage bond over certain land and buildings with a cost of R114 870 713 (2008: R114 870 713; 2007: R100 250 591)	44 237	39 607	44 583
	543 966	316 490	120 299

	2009	2008	2007
	R'000	R'000	R'000

7. INTEREST-BEARING BORROWINGS continued

Unsecured

Unsecured cash credit facility to the value of R5 000 000 (2008: nil) with no fixed terms of repayment.

Interest is charged at prime less 3%

5 000

Unsecured loan repayable in quarterly instalments of R250 000 (2008: R250 000; 2007: R250 000) and bearing interest at a fixed rate of nil per annum (2008: 15.79%; 2007: 15.79%).

250

1 250

5 000

250

1 250

Total liabilities

548 966

316 740

121 549

Less: Current portion included in current liabilities

90 985

70 174

22 991

457 981

246 566

98 558

Details of land and building mortgages are contained in a register, setting out the information required by P16(6) of the Fourth Schedule to the Companies Act, which is available for inspection by members or their duly authorised agents at the registered office of the company. A copy of the register will be posted on request to members of the public.

Group instalment sale liabilities - minimum lease payments:

Less than one year

34 860

27 910

17 121

Later than one year and no later than five years

86 632

83 134

43 271

Later than five years

3 446

-

121 492

114 490

60 392

Future finance charges on instalment sales

19 012

27 294

11 829

Present value of instalment sale liabilities

102 480

87 196

48 563

The present value of instalment sale liabilities is as follows:

Less than one year

24 361

17 808

16 870

Later than one year and no later than five years

78 119

66 366

31 693

Later than five years

-

3 022

-

102 480

87 196

48 563

	2009	2008	2007
	R'000	R'000	R'000
8. DEFERRED TAXATION			
Deferred taxation comprises:			
Capital allowances	72 815	73 585	62 684
Revaluation	7 454	7 454	-
Livestock	28 465	21 097	15 335
Provisions and other temporary differences	(1 241)	(579)	(808)
Tax losses	(10 431)	(2 938)	(2 096)
	97 062	98 619	75 115
The movement in deferred taxation was as follows:			
Balance at beginning of year	98 619	75 115	55 915
Current (reversal)/charge	(1 557)	23 504	19 200
Temporary differences	5 936	31 129	18 564
Rate change		(2 591)	-
Increase in tax loss	(7 493)	(5 034)	636
Balance at end of year	97 062	98 619	75 115
Deferred tax assets amounting to R3 112 560 (2008: R57 960; 2007: R75 857) relating to certain subsidiaries have not been raised as it is not probable that these subsidiaries will make future profits.			
9. TRADE AND OTHER PAYABLES			
Trade payables	133 720	101 074	38 054
Accruals	27 032	3 200	5 744
	160 752	104 274	43 798
10. INCOME BEFORE FINANCE COSTS			
Income before finance costs is arrived at after taking into account:			
Expense items			
Auditors' remuneration:			
Audit fees	286	212	211
Share-based payments	44	57	-
Depreciation of property, plant and equipment	20 364	13 207	9 267
Property rentals	623	1 164	1 346
Operating leases of office and other equipment	5 632	7 942	4 410
Staff costs	114 043	111 827	58 011
Loss on disposal of property, plant and equipment and commercial vehicles		6 187	273
Loss on derivative instruments	63	11 857	(21 409)
11. NET FINANCE COSTS			
Interest on debt (bank borrowings)	61 803	18 504	12 687
Interest received (short-term bank deposit)	(5 630)	(7 592)	(8 283)
	56 173	10 912	4 404

	2009	2008	2007
	R'000	R'000	R'000

12. TAXATION

Current taxation			
South African normal taxation	(3 477)	(6 793)	8 164
– current year	(7 452)	8 164	
– prior year under/(over) provision	(3 477)	659	-
Deferred taxation	(1 557)	23 504	19 200
– current year	(1 557)	26 095	
– change in rate	-	(2 591)	-
Taxation (credit)/charge	(5 034)	16 711	27 364

The estimated taxation losses of certain subsidiaries available for set-off against future taxable income amounts to R123 602 784 (2008: R21 581 180; 2007: R7 585 380).

In addition to the above, the group has future capital allowances available for set-off against future taxable income to the value of R220 440 227 (2008: R216 992 495).

Reconciliation of taxation rate	%	%	%
Normal rate of company taxation	28.0	29.0	29.0
Overprovision from prior year	63.1	-	-
Tax loss utilised	-	(2.7)	(0.1)
Effective taxation rate	91.1	26.3	28.9

During the year under review, the group was successful in an objection to taxes paid relating specifically to the 2005 financial year. In line with this, the group was able to recover R3.47 million in taxes from the revenue authorities.

13. RETIREMENT BENEFIT INFORMATION

The company provides, through a defined contribution provident plan, retirement benefits for the majority of employees. These funds are subject to the Pension Funds Act, 1956, as amended. All new members pay their own contributions to the funds. Contributions are at the rate of 15.5% of pensionable emoluments of which members pay 6.5%.

The independent consulting actuaries were of the opinion at the last review of the funds that the reconciliation of total contributions showed that the employer's contribution liabilities for the scheme have been met.

	2009	2008	2007
	R'000	R'000	R'000
Total value of current service contributions to the schemes	6 156	4 367	2 718
Proportion of total employees covered	86.5%	97.1%	78.2%

	2009	2008	2007
	R'000	R'000	R'000
14. CASH GENERATED FROM OPERATIONS			
(Loss)/Profit before taxation	(5 526)	63 427	94 749
Interest received	(5 630)	(7 592)	(8 283)
Interest paid	61 803	18 504	12 687
Depreciation	20 365	13 207	9 267
Loss on disposal of assets	273		
Movement on share option scheme	44	57	-
Operating profit/(loss) before working capital changes	71 056	87 546	108 693
Working capital changes			
Increase/(Decrease) in inventories	(12 821)	(1 808)	1 217
Increase in biological assets	(22 144)	(30 511)	(6 000)
Increase in trade and other receivables	(68 697)	(9 761)	(1 887)
Decrease/(Increase) in trade and other payables	58 650	65 588	(1 630)
Increase in amounts owing from subsidiaries	-	-	-
Increase in amounts owing to subsidiaries	-	-	-
	(45 012)	23 508	(8 300)
Cash generated from operating activities	26 044	111 054	100 393
15. CASH AND CASH EQUIVALENTS			
Bank balances and cash on hand	82 679	125 154	117 558
16. CAPITAL COMMITMENTS			
Authorised			
Contracted	2 802	65 941	15 952
Not contracted for	56 241	244 059	129 998
To be expended within one year	59 043	310 000	145 950
This capital expenditure will be financed as follows:			
Cash generated from current operations	49 043	51 025	20 700
Long-term finance	10 000	258 975	125 250
	59 043	310 000	145 950

	2009	2008	2007
	R'000	R'000	R'000
17. (LOSS)/EARNINGS PER SHARE			
17.1 (Loss)/Earnings per share			
The calculation of (loss)/earnings per ordinary share is based on earnings attributable to ordinary shareholders of (R492 081) (2008: R46 716 034; 2007: R67 385 039) and a weighted average of 33 002 930 (2008: 33 002 930; 2007: 32 608 028) ordinary shares in issue.			
(Loss)/Earnings per share	(1.5)	141.6	169.5
17.2 Headline (loss)/earnings per share and diluted headline earnings per share			
The calculation of headline (loss)/earnings per share is based on net profit attributable to ordinary shareholders of (R492 081) (2008: R51 154 542; 2007: R67 385 039) and a weighted average of 33 002 930 (2008: 33 002 930; 2007: 32 608 028) ordinary shares in issue.			
Headline (loss)/earnings per share	(1.5)	155.0	207.2
The calculation of headline (loss)/earnings per share is based on net profit attributable to ordinary shareholders of (R492 081) (2008: R51 154 542; 2007: R67 385 039) and a weighted average of 33 341 513 (2008: 33 373 729; 2007: 32 981 517) ordinary shares in issue.			
Diluted headline (loss)/earnings per share	(1.5)	153.3	204.3
<i>Reconciliation between earnings and headline earnings for the year ended 28 February 2009</i>			
	Loss from ordinary activities	Taxation	Net loss
As per annual financial statements	(5 526)	5 034	(492)
Reconciling items	-	-	
Headline loss	(5 526)	5 034	(492)
<i>Reconciliation between earnings and headline earnings for the year ended 29 February 2008</i>			
	Profit from ordinary activities	Taxation	Net profit
As per annual financial statements	63 427	(16 711)	46 716
Loss on the disposal of property, plant and equipment	6 167	(1 728)	4 439
Headline earnings	69 594	(18 439)	51 155

17. (LOSS)/EARNINGS PER SHARE continued

17.2 Headline (loss)/earnings per share and diluted headline earnings per share

Reconciliation between earnings and headline earnings for the year ended 28 February 2007

R'000	Profit from ordinary activities	Taxation	Net profit
As per financial statements	94 749	(27 364)	67 385
(Profit)/Loss on the sale of fixed assets	240	(70)	170
Headline earnings	94 989	(27 434)	67 555

17.3 Diluted earnings per share

The calculation of diluted earnings per ordinary share is based on earnings attributable to ordinary shareholders of (R492 081) (2008: R46 716 034; 2007: R67 385 039) and a weighted average number of ordinary shares outstanding during the year adjusted for the effect of all possible dilutions of 33 341 513(2008: 33 373 729; 2007: 32 981 517). The company has one category of potential dilutive ordinary shares: share option scheme "The Sovereign Food Share Incentive Scheme". The new share option scheme "The Sovereign Food Limited 2007 Share Plan", has not been taken into account in relation to the calculation of the possible dilution due to the probable non-achievement of vesting criteria. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

18. RELATED PARTIES

18.1 Holding company

Sovereign Food Investments Limited does not have a holding company.

18.2 Identity of related parties with whom material transactions have taken place

The subsidiaries of the group are identified in a group structure and in the group's interest in subsidiaries as set out in note 2. All of these entities are related parties of the company. Other than subsidiaries and directors, there are no related parties with whom material transactions have taken place.

18.3 Types of related-party transactions

Sovereign Food Investments Limited has made loans and received advances from certain subsidiaries (refer to note 2). The group entered into transactions involving goods and services with entities in which the directors are either directors, trustees or have a direct or indirect interest.

18.4 Related-party transactions

Material transactions with the company

Loans to and from related parties	Refer to note 2
Management fees from subsidiaries	R12 274 215 (2008: R15 455 235; 2007: R9 569 000)
Directors' and key management's remuneration	Refer to note 21

Material transactions with the group

- Fertiliser to the value of R754 947 (2008: nil) was sold to Uplands Farming (Pty) Limited of which C P Davies is a director. At year-end nil (2008: nil) was outstanding.

- Goods and services to the value of R97 266 377 (2008: nil) were sold to The Spar Group of which M J Hankinson is chairman of the board. At year-end R41 832 884 (2008: nil) was outstanding.
- Services to the value of R800 000 (2008: nil) were provided by Regiments Capital (Pty) Limited of which L M Nyhonyha is the chairman of the board. At year-end nil (2008: nil) was outstanding.
- Rental of Rnil (2008: R nil; 2007: R148 812) was paid to the Charlewood Property Trust of which CG Charlewood is a trustee. Rental was paid on a monthly basis.
- Goods and services of R nil (2008: R296 400; 2007: R722 960) were purchased from Paramount Mills (Pty) Limited of which B A Spanjaard is a director. Payment terms are 30 days from month-end statement.

19. BORROWING POWERS

The Articles of Association of the company and its subsidiaries state that the directors may borrow such sums as they deem fit. The directors have exercised due diligence in affecting these borrowing powers and, as such, the directors have not exceeded their borrowing powers as authorised by the Articles of Association.

20. RISK MANAGEMENT

20.1 Capital risk management

The group's policy is to maintain a strong capital base so as to maintain shareholder, creditor and market confidence and to sustain future development needs of the business. The group monitors both the spread of shareholders and return on equity (defined as attributable profit expressed as a percentage of the average total equity) and the level of dividends paid to shareholders.

The capital structure of the group comprises equity attributable to equity holders of Sovereign Food Investments Limited consisting of issued ordinary share capital, share premium, reserves and retained earnings as disclosed in the Statement of Changes in Equity, and cash and cash equivalents as disclosed in note 15, and borrowings as disclosed in note 7. There were no changes to the group's approach to capital management during the year.

Certain requirements in the form of covenants are imposed by the group's bankers. At year-end, the group was in breach of certain covenants, but had received condemnation letters from the relevant banking institutions.

20.2 Interest rate risk

The group borrows at both fixed and floating rates of interest. The group's policy is to keep between 15% and 40% of its borrowings at fixed rates of interest. Based on simulations performed, the impact on post-tax profit and equity of a 10-bps adjustment to the interest rate would be a maximum of R395 000 (2008: R316 000; 2007: R121 000). The simulation has been run for all liabilities that represent major interest-bearing portions. These simulations are performed on a quarterly basis to verify that the maximum loss potential is within the thresholds set by senior management.

20.3 Credit risk

No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions are used for investing and cash-handling purposes. At balance sheet date there were no significant concentrations of credit risk.

20. RISK MANAGEMENT continued

20.4 Price risk

The group is exposed to raw material commodity price risk. To manage its raw material price risk, the group enters into forward exchange contracts to hedge changes in market prices. The group is also exposed to price risk in terms of poultry sales.

Based on simulations performed, the impact on post-tax profit and equity of a 5% variation in the price of poultry would be R32 million (2008: R29 million; 2007: R23 million). The simulations are performed on a monthly basis to determine the impact of the poultry price risk on group consolidated results.

20.5 Commodity futures

Certain derivative instruments are utilised with the intention of managing a portion of the group's future strategic raw material purchases. As at 28 February 2009, the group held nil (2008: nil; 2007: 304) futures contracts.

20.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and access to cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines. The group's policy has throughout the year been that, to ensure continuity of funding, at least 10% of its borrowings should mature in more than five years. At the year-end, 36% (2008: 22%) of the group's borrowings were due to mature in more than five years.

Short-term flexibility is achieved by overdraft facilities.

The maturity profile of the financial liabilities is analysed below:

	Within one year R'000	Between two to five years R'000	More than five years R'000	Total R'000
2009				
Borrowings	90 985	260 531	197 450	548 966
Trade and other payables	160 752	-	-	160 752
	251 737	260 531	197 450	709 718
2008				
Borrowings	70 174	174 920	71 646	316 740
Trade and other payables	104 274	-	-	104 274
	174 448	174 920	71 646	421 014

20.7 Fair values

The fair values of all financial instruments are substantially identical to the carrying values reflected in the balance sheet, except for loans which are carried at amortised cost.

20.8 Exchange rate risk

The group limits exposure to fluctuations in exchange rates through the implementation of an effective hedging policy. The financial instruments most commonly utilised to limit exposure to exchange rate risk are forward exchange cover contracts.

20. RISK MANAGEMENT continued**20.8 Exchange rate risk** continued

The notional principal amounts of outstanding forward foreign exchange contracts at 28 February 2009 were US\$4 497 (2008: US\$684 941) and Euro 38 427 (2008: Euro 2 355 625). The forward foreign exchange contracts are raised in respect of liabilities to the value of R533 750 (2008: R30 314 540) at year-end, which are included in trade creditors.

	Salary	Perform- ance- related bonus	Provi- dent fund contri- butions	Fringe benefits	Medical benefits	2009 Total	2008 Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
21. DIRECTORS' AND KEY MANAGEMENT'S REMUNERATION							
Executive directors							
M J B Davis	2 563	-	366	211	111	3 251	4 355
C Coombes	1 958	-	272	188	68	2 486	3 160
B J van Rensburg	1 330	-	73	103	24	1 530	1 617
G G Walter	1 596	-	90	-	-	1 686	731
M P Manley	-	-	-	-	-	-	439
	7 447	-	801	502	203	8 953	10 302
Non-executive directors							
C P Davies	979	-	-	-	-	979	698
M J Hankinson	263	-	-	-	-	263	88
K T Kweyama	218	-	-	-	-	218	105
P M Madi	248	-	-	-	-	248	105
L M Nyhonhya	336	-	-	-	-	336	118
B R Cape	-	-	-	-	-	-	38
B A Spanjaard	-	-	-	-	-	-	175
	2 044	-	-	-	-	2 044	1 327

All emoluments received by executive directors are for managerial services. All emoluments received by non-executive directors are for services as directors. G G Walter received his total remuneration from Crown Chickens (Pty) Ltd. Apart from G G Walter, the directors did not receive any payments from any subsidiaries of the company.

Directors' interest in share incentive scheme options	Date option granted	Type	Option price per share at 28 February 2009	Number of options outstanding at 28 February 2009	Number of options outstanding at 29 February 2008
Executive directors					
M J B Davis	1 March 2008	PSM	n/a	1 200 000	-
M J B Davis	1 March 2008	SAR	1 191c	647 500	-
C Coombes	1 March 2008	PSM	n/a	900 000	-
C Coombes	1 March 2008	SAR	1 191c	478 333	-
B J van Rensburg	1 March 2008	PSM	n/a	275 000	-
B J van Rensburg	1 March 2008	SAR	1 191c	175 000	-
B J van Rensburg	19 September 2003	n/a	125c	83 333	83 333
G G Walter	1 March 2008	PSM	n/a	75 000	-
G G Walter	1 March 2008	SAR	1 191c	75 000	-
M P Manley	n/a	n/a	See note below	See note below	183 333
				3 909 166	266 666

Refer to note 28 for an explanation of the PSM/SAR share option scheme.

M P Manley resigned as director of Sovereign Food Investments Limited during the year under review.

22. OPERATING LEASES

Operating lease commitments

The group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms vary according to the relevant contracts, and the majority of lease agreements are renewable at the end of the lease period at a market rate.

The group also leases various plant and machinery under cancellable operating lease agreements. The group is required to give a six-month notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in note 10.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Up to one year R'000	Two to five years R'000	More than five years R'000	Total R'000
For the year ended 28 February 2009				
Future minimum lease payments	30 839	63 529	41 117	135 485
For the year ended 29 February 2008				
Future minimum lease payments	21 187	34 000	1 873	57 060
For the year ended 28 February 2007				
Future minimum lease payments	9 434	22 991	1 056	33 481

23. PURCHASING CONTRACTS

At 28 February 2009, the group had concluded a contract to purchase maize for the coming year. At the date of this report the group had priced 40 300 tons at an average landed price of R1 830 per ton. Two banks will issue guarantees to the value of R19 000 000 (2008: nil; 2007: R3 000 000) in favour of the supplier of the maize.

24. CONTINGENT ASSETS AND LIABILITIES

A contractor for the local electrical authority has brought legal action against the group, the local electrical authority and several other persons for damages relating to injuries incurred. The total claim is for R4 600 000 (the effect of which would be R3 266 000 after taxation). The group is of the opinion that the claim is unlikely to be successful and accordingly no provision has been made.

25. RESOLUTIONS PASSED

During the 2009 and 2008 financial year, neither the company nor any of its subsidiaries passed any special resolutions during the year relating to the capital structure, borrowing powers, the object clause in the Memorandum of Association or any other material matter that may affect the understanding of the company and its subsidiaries.

	Carrying amount at the beginning of the year R'000	Additional provisions R'000	Used during the year R'000	Unused amounts reversed during the year R'000	Carrying amount at the end of the year R'000
26. PROVISIONS					
2009					
Leave pay	3 248	1 392	(127)	-	4 513
Provision for litigation	838	-	(838)	-	-
Provision for onerous contracts	751	631	(623)	-	759
Provision for water and electricity	275	1 737	-	-	2 012
	5 112	3 760	(1 588)	-	7 284
2008					
Leave pay	-	3 247 962	-	-	3 247 962
Provision for litigation	-	838 000	-	-	838 000
Provision for onerous contracts	-	751 521	-	-	751 521
Provision for water and electricity	-	275 508	-	-	275 508
	-	5 112 991	-	-	5 112 991
Analysis of total provisions					
		2009	2008	2007	
		R'000	R'000	R'000	
Non-current		153	751	-	
Current		7 131	4 361	-	
		7 284	5 112	-	

Leave pay

The company provides for leave pay on leave outstanding at year-end. This provision is based on the number of leave days due to employees multiplied by their daily rate of remuneration.

Onerous contracts

Certain subsidiaries of the group have entered into long-term lease contracts for the premises that they occupy. These subsidiaries have, however, reduced operations and therefore the contracts have become onerous as the benefits of having the contracts are exceeded by the

obligation to pay the lease rentals, and as such a provision has been raised in the current year. The provision raised is the lesser of the cost to cancel/complete the contract and the present value of the payments still to be made.

Water and electricity

The local municipality has had problems in charging some of the group's facilities for services. Attempts have been made to correct the problem, but some group facilities have yet to be charged for services. The group raised a provision based on charges for similar facilities in the area or on the group's own readings.

27. SUBSEQUENT EVENTS

The group has entered into a heads of agreement with Afgri Operations Ltd, whereby Afgri Operations Ltd will reverse-list its foods division into the group by selling it for a purchase consideration to be settled through the issue and allotment of 110 488 070 new Sovereign ordinary par value shares to the value of one cent each.

The heads of agreement is subject to certain suspensive conditions which at the date of this report have not yet been fulfilled.

28. SHARE-BASED PAYMENTS

The group operates two equity-settled share-based payment arrangements, namely "The Sovereign Food Investments Limited 2007 Share Plan" and "The Sovereign Food Share Incentive Scheme".

28.1 The Sovereign Food Investments Limited 2007 Share Plan - Performance Shares (PSM)

Under "The Sovereign Food Investments Limited 2007 Share Plan – Performance Shares" executive directors and selected employees are granted conditional awards of ordinary shares in Sovereign, which are exercisable on the third anniversary of the date of the award. These awards will only vest to the extent that performance targets are met over a three-year performance period. On 1 March 2008, 2 662 000 conditional allocations were awarded.

50% of the allocations vest based on performance in comparison with "The Small Cap Index" (JSE Code J202). The other 50% vest based on targeted growth in HEPS over inflation. The targeted growth rate was on a hurdle of 2% in excess of inflation year-on-year.

The information in relation to "The Sovereign Food Investments Limited 2007 Share Plan – Performance Shares" are:

	Conditional awards 2009 R'000	Conditional awards 2008 R'000
Outstanding at beginning of year	-	-
Granted during year	2 662 000	-
Forfeited during year	(53 700)	-
Exercised during year	-	-
Expired during year	-	-
Outstanding at end of year	2 608 300	-
Exercisable at end of year	-	-

None of the awards have met their vesting conditions and therefore the value of the awards is nil (2008: nil).

28. SHARE-BASED PAYMENTS continued

28.2 The Sovereign Food Investments Limited 2007 Share Plan -- Share Appreciation Rights (SAR)

Under "The Sovereign Food Investments Limited 2007 Share Plan - Share Appreciation Rights" executive directors and selected employees are granted options to purchase ordinary shares in Sovereign, which are exercisable between three and five years after the grant date. Certain performance criteria have to be met for the option to vest. On 1 March 2008, 1 799 083 allocations were awarded.

The initial strike price of the options on 1 March 2008 was R11,91 per share. A hurdle growth rate of 2% over inflation year-on-year has been set for the options to vest.

The information in relation to "The Sovereign Food Investments Ltd 2007 – Share Appreciation Rights" are:

	Options 2009 '000	Weighted average exercise price 2009 cents	Options 2008 '000	Weighted average exercise price 2008 cents
Outstanding at beginning of year	-	-	-	-
Granted during year	1 799 083	1 191	-	-
Forfeited during year	(83 750)	1 191	-	-
Exercised during year	-	-	-	-
Expired during year	-	-	-	-
Outstanding at end of year	1 715 333	1 191	-	-
Exercisable at end of year	-	-	-	-

None of the options have met their vesting conditions and therefore the value of the awards is nil (2008: nil).

28.3 The Sovereign Food Investments Share Incentive Scheme

The group has not granted any options per this plan in 2009, but has continued to operate the scheme under which employees were granted options to purchase ordinary shares in Sovereign. No further options will be granted under this plan in the future.

The information in relation to "The Sovereign Food Share Incentive Scheme" plan are:

	Options 2009 '000	Weighted average exercise price 2009 cents	Options 2008 '000	Weighted average exercise price 2008 cents
Outstanding at beginning of year	412	125	417	123
Granted during year	-	-	-	-
Forfeited during year	-	-	-	-
Exercised during year	-	-	(5)	36
Expired during year	-	-	-	-
Outstanding at end of year	412	125	412	125
Exercisable at the end of the year	206	125	-	125

The weighted average share price at the date of exercise for those options exercised during the year was nil (2008: 36 cents).

PUBLISHED INTERIM FINANCIAL INFORMATION OF SOVEREIGN

The following information was extracted from Sovereign's published unaudited group results for the six months ended 31 August 2009:

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.

Income Statement

	Unaudited six months ended 31 August	
	2009	2008
	R'000	R'000
Revenue	544 968	365 246
Operating income/(loss)	77 637	(11 657)
Depreciation	12 022	8 916
Profit/(Loss) before interest and taxation	65 615	(20 573)
Net interest paid	33 375	22 304
Net operating income/(loss)	32 240	(42 877)
Normal and deferred taxation	8 991	(8 531)
Retained earnings/(Accumulated loss) for the period	23 249	(34 346)
Weighted average number of shares in issue ('000)	33 003	33 003
Earnings/(loss) per share (cents)	70.5	(104.1)
Headline earnings/(loss) per share (cents)	70.5	(104.1)
Diluted earnings/(loss) per share (cents)	70.3	(102.9)
Diluted headline earnings/(loss) per share (cents)	70.3	(102.9)
Reconciliation between earnings/(loss) and headline earnings/(loss)		
Earnings/(loss) after taxation	23 249	(34 346)
Reconciling items:		
Headline earnings/(loss) after taxation	23 249	(34 346)

Balance Sheet

	Unaudited six months ended 31 August	
	2009	2008
	R'000	R'000
ASSETS		
Non-current assets		
Property, plant and equipment	813 587	703 729
Current assets		
Cash and cash equivalents	104 510	50 914
Inventory and biological assets	121 015	118 747
Trade and other receivables	87 820	97 798
Total assets	1 126 932	971 188
EQUITY AND LIABILITIES		
Capital and reserves		
Equity	309 503	252 595
Interest-bearing debt	536 830	479 931
Long-term portion	446 406	362 074
Short-term portion	90 424	117 857
Deferred taxation	106 054	93 564
Trade and other payables	174 545	145 098
Total equity and liabilities	1 126 932	971 188

Cash Flow Statement

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

	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
	286 493	23 249	(239)	309 503

	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	257	–	–	257
Revaluation reserve	28 848	–	–	28 848
Retained earnings	243 201	(34 346)	–	208 855
	286 941	(34 346)	–	252 595

TABLE OF ENTITLEMENT TO RIGHTS SHARES

The rounded number of rights to new shares to which a rights participant will become entitled will be as follows:

Number of existing ordinary shares held	Number of Rights Shares to which a rights participant is entitled	Number of existing ordinary shares held	Number of Rights Shares to which a rights participant is entitled	Number of existing ordinary shares held	Number of Rights Shares to which a rights participant is entitled
1	1	34	18	67	35
2	1	35	18	68	35
3	2	36	19	69	36
4	2	37	19	70	36
5	3	38	20	71	37
6	3	39	20	72	37
7	4	40	21	73	38
8	4	41	21	74	38
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28	14	61	31	94	48
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31	16	64	33	97	50
32	16	65	33	98	50
33	17	66	34	99	51

PRICE HISTORY OF SOVEREIGN SHARES ON THE JSE

Daily

Day ended	High (cents)	Low (cents)	Volume	Value (Rand)
30-October-09	–	–	–	–
29-October-09	950	920	4 400	41,590
28-October-09	950	940	600	5 650
27-October-09	955	950	21 900	208 445
26-October-09	1 010	1 000	11 500	115 150
23-October-09	1 060	1 010	27 900	286 890
22-October-09	–	–	–	–
21-October-09	1 100	1 010	207 257	2 114 561
20-October-09	1 140	1 140	494 363	5 635 738
19-October-09	1 225	1 200	86 774	1 062 231
16-October-09	1 225	1 225	13 939	170 752
15-October-09	1 270	1 260	1 200	15 220
14-October-09	–	–	–	–
13-October-09	–	–	40 000	519 600
12-October-09	1 299	1 200	4 600	58 269
09-October-09	1 300	1 270	228 143	2 965 519
08-October-09	1 300	1 240	36 205	459 764
07-October-09	1 250	1 150	7 597	90 305
06-October-09	1 200	1 180	71 970	852 686
05-October-09	1 180	1 180	144 803	1 708 675
02-October-09	1 180	1 160	17 830	207 624
01-October-09	1 160	1 050	36 105	406 175
30-September-09	1 100	1 050	11 780	128 811
29-September-09	1 075	1 020	15 090	157 776
28-September-09	1 100	1 000	18 653	194 212
25-September-09	1 097	1 050	8 473	90 355
23-September-09	1 050	1 050	100	1 050
22-September-09	–	–	–	–
21-September-09	1 100	1 095	803	8 820
18-September-09	1 050	990	5 890	61 286

Monthly

Month ended	High (cents)	Low (cents)	Volume	Value (Rand)
September-09	1 100	980	798 354	8 018 815
August-09	1 001	900	613 070	5 912 052
July-09	1 110	900	1 975 772	19 669 365
June-09	950	800	3 751 336	35 215 282
May-09	980	665	8 114 980	60 088 821
April-09	720	620	401 125	2 719 270
March-09	695	450	1 753 594	9 760 562
February-09	540	400	1 417 744	6 808 397
January-09	575	520	2 869 103	15 591 409
December-08	525	475	2 094 097	10 363 458
November-08	525	430	1 834 394	8 721 682
October-08	500	380	814 512	3 517 536
September-08	800	500	331 460	2 129 233

Quarterly

Quarter ended	High (cents)	Low (cents)	Volume	Value (Rand)
September-09	1 110	900	3 387 196	33 600 232
June-09	980	620	12 267 441	98 023 373
March-09	695	400	6 040 441	32 160 368
December-08	525	380	4 743 003	22 602 676
September-08	800	500	2 012 819	11 507 083
June-08	1 100	750	3 947 786	37 056 192
March-08	2 100	945	3 778 461	51 019 665
December-07	2 100	1 750	4 498 058	86 881 159
September-07	1 760	1 500	4 577 564	75 155 743
June-07	1 650	1 101	6 888 197	96 413 950
March-07	1 500	1 025	8 340 710	112 402 360
December-06	1 450	1 060	3 982 740	48 123 049
September-06	1 101	999	3 640 943	38 054 438

INFORMATION ON THE UNDERWRITERS

The following information on the Underwriters is disclosed in accordance with the Listings Requirements:

Company name	Prudential Portfolio Managers (South Africa) (Proprietary) Limited
Registration number	1993/004503/07
Date of incorporation	11 August 1993
Place of incorporation	South Africa
Directors	G Mason, W Africa, Z Bassadien, M Beckenstrater, B Fick, J Kinsley, T Leeuw and D Sethole
Company secretary	W Africa
Bankers	The Standard Bank of South Africa Limited, Nedbank Limited and ABSA Bank Limited
Authorised share capital	470 000 ordinary shares and 5 preference shares
Issued share capital	470 000 ordinary shares and 1 preference share

Company name	Old Mutual Investment Group (South Africa) (Proprietary) Limited
Registration number	1993/003023/07
Date of incorporation	1993
Place of incorporation	South Africa
Directors	D Konar, B Kodisang, P Hanratty, T Dloti, P Boynton, P Linley and H Beets
Company secretary	Old Mutual Life Assurance Company (South Africa) (Proprietary) Limited
Bankers	The Standard Bank of South Africa Limited, Nedbank Limited and ABSA Bank Limited
Authorised share capital	1 000 000 ordinary shares and 1 000 preference shares
Issued share capital	205 000 ordinary shares



Sovereign Food Investments Limited

(Incorporated in the Republic of South Africa)
(Registration number 1995/003990/06)
JSE code: SOV ISIN: ZAE00009221

REVISED LISTING PARTICULARS Prepared in terms of the Listings Requirements

The definitions commencing on page 4 of the circular apply *mutatis mutandis* to these revised listing particulars.

These revised listing particulars are not an invitation to the public to subscribe for ordinary shares in Sovereign but are issued for the purpose of giving information to shareholders with regard to the Company. It is intended that 16 997 070 new ordinary shares will be issued in terms of a Rights Offer and will thereafter be listed on the JSE.

These revised listing particulars have been prepared on the assumption that the issue of New Ordinary Shares referred to in this circular to which these revised listing particulars are attached will have taken place and the conditions precedent will have been fulfilled.

The authorised ordinary share capital of Sovereign comprises 50 000 000 ordinary shares having a par value of 1 cent each and the issued ordinary share capital of the Company will comprise 50 000 000 ordinary shares of 1 cent each.

The Directors, whose names are set out on page 8 of the circular, collectively and individually, accept full responsibility for the accuracy of the information given herein and certify that, to the best of their knowledge and belief, no facts have been omitted which would make any statement false or misleading, and that they have made all reasonable enquiries to ascertain such facts and that the circular contains all information required by law and the Listings Requirements.

PKF (Jhb) Inc, whose reports are included in the circular, have given and have not, prior to publication, withdrawn their written consent to the inclusion of their reports in the form and context in which they appear. The Corporate Advisor and Sponsor and Transfer Secretaries, whose names are included in the circular, have given and have not, prior to the issue, withdrawn their written consents to the inclusion of their names in the capacities stated and, where applicable, to their reports being included in the circular, including these revised listing particulars.

Corporate Advisor and Sponsor



Reporting Accountants



Date of issue: 23 November 2009

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The definitions commencing on page 4 of this circular apply *mutatis mutandis* to these revised listing particulars, the annexures hereto and to the following contents:

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Sovereign Food Investments Limited

(Incorporated in the Republic of South Africa)

(Registration number 1995/003990/06)

JSE code: SOV ISIN: ZAE000009221

REVISED LISTING PARTICULARS

1. INCORPORATION AND HISTORY

Sovereign was founded as Rocklands Poultry in 1948. The Company is currently South Africa's third largest producer of frozen poultry and is a poultry producer who fully owns its entire, vertically-integrated operation.

2. NATURE OF BUSINESS

Sovereign is the holding company of five principal operations within the broiler industry which covers breeding activities, broiler farming, food processing, animal feed milling and value-added poultry processing and trading.

3. PROSPECTS

As the world continues to face the challenge of higher food prices, more consumers are choosing chicken as an enjoyable, affordable protein alternative. Compared with other animal protein options, frozen chicken continues to be the best value for money and the most popular, as proven by recent surveys that have shown that close to 60% of all South Africans make chicken their first choices to meet their family's nutritional needs.

In addition to increasing production volume, the Company has placed a major focus on producing chicken that is of world-class quality. This is evident in its use of the world's leading farming and processing technologies to produce top-class frozen chicken products, aimed at giving consumers much more rewarding meal experiences.

The Company's products are packed under various brands which serve different markets. A large percentage of the Company's production is aimed at the lower income markets, whilst a major focus is placed on providing a range of products that will meet the growing needs of the food services industry.

4. MAJOR SHAREHOLDERS

4.1 As at the Last Practicable Date, insofar as is known to the Board, the following Shareholders beneficially held 5 percent or more of the issued ordinary share capital before and after the Rights Offer assuming they follow their rights:

Shareholder	Shares held before Rights Offer	Percentage holding	Shares held after Rights Offer	Percentage holding
Country Bird Holdings Limited	7 570 570	22.94	11 469 542	22.94
Nedgroup	4 084 586	12.38	6 188 217	12.38
Old Mutual Investment Group	3 126 400	9.47	4 736 549	9.47
Advantage	2 339 324	7.09	3 544 116	7.09
Stanlib	2 243 926	6.80	3 399 586	6.80
Investec	1 820 222	5.52	2 757 667	5.52
Sanlam Group	1 650 000	5.00	2 499 778	5.00
	22 835 028	69.20	34 595 455	69.20

4.2 Refer to paragraph 9 of the circular for Directors' interests in securities.

5. DIRECTORS AND EXECUTIVE MANAGEMENT

5.1 Details of directors

The details of the Directors of Sovereign are set out in paragraph 9.1 of the circular.

5.2 Experience of directors

Brief *curriculum vitae* of the Directors are set out in paragraph 9.1 of the circular.

5.3 Qualification, appointment, remuneration and borrowing powers of directors

5.3.1 Qualification and appointment

The relevant provisions of the articles of association of Sovereign relating to the qualification, appointment, remuneration, borrowing powers of the Directors and any power enabling a Director to vote remuneration to themselves or any member of their board is set out in Annexure B.

According to the Schedule 21 declarations completed by the Directors in terms of the Listings Requirements, none of the following applies to any of the directors listed on page 8 of the circular for the 12 months preceding the date of the circular: bankruptcies, insolvencies or individual voluntary compromise arrangements; receiverships or compulsory liquidations, administrations or partnership voluntary arrangements of any partnership, creditors' voluntary liquidations, company voluntary liquidations, or any compromise or arrangement with creditors, receivership of an asset of a partnership; public criticism or disqualification in Court by way of statutory or recognised bodies of any offence involving dishonesty.

5.3.2 Remuneration of directors

5.3.2.1 The information pertaining to Directors' remuneration is set out in paragraph 9.2 of the circular.

5.3.2.2 There will be no variation in the remuneration payable to any of the Directors as a direct consequence of the Rights Offer.

5.3.2.3 No payments were made, or accrued as payable, or are proposed to be paid within the three years preceding the date of this circular, either directly or indirectly, in cash or securities or otherwise to:

- a third party *in lieu* of Directors' fees;
- the Directors as an inducement to qualify them as Directors.

5.3.2.4 No Director or promoter has any material beneficial interest, direct or indirect, in the promotion of Sovereign and in any property to be acquired or proposed to be acquired by Sovereign regarding the Rights Offer or during the three years preceding the date of the circular.

5.3.2.5 Neither Sovereign nor its subsidiaries will be managed by third parties under a contract or an arrangement.

5.4 Directors' interests in securities

The information pertaining to Directors' interests in securities is set out in paragraph 9.3 of the circular.

5.5 Directors' service contracts

Each of the Directors has entered into a service contract with Sovereign, containing such terms that are normal for such contracts and the terms relating to the remuneration, details of which are set out in paragraph 9 of the circular.

5.6 Other directorships held by directors

Details of other directorships held by the Directors are contained in Annexure C. There is no conflict between each Director's duty to the Company and his private interests.

6. SHARE CAPITAL

6.1 Authorised and issued ordinary share capital

The authorised and issued ordinary share capital of Sovereign, taking into account the Rights Offer and the costs as set out in paragraph 23 below, which are to be offset against the share premium, are set out below:

	R'000
<hr/>	
<i>Authorised</i>	
50 000 000 ordinary shares of 1 cent each	500
<hr/>	
<i>Issued</i>	
50 000 000 ordinary shares of 1 cent each	500
<hr/>	
Share premium	155 280
<hr/>	

All the authorised and issued ordinary shares are of the same class and rank *pari passu* in every respect.

There has been no sub-division or consolidation of ordinary shares during the three years prior to the date of issue of the circular.

No offer has been made for the subscription or sale of ordinary shares during the three-year period preceding the date of issue of the circular other than disclosed in paragraph 6.2 below.

No premium or discount was offered on issued ordinary shares.

There are currently no preferential conversion or exchange rights to shares in Sovereign.

6.2 Issue of ordinary shares

The Company issued the following shares in terms of its share incentive scheme during the preceding three years:

- 264 334 shares issued in September 2006 at a price of 125 cents per share; and
- 311 998 shares issued in December 2006 at a price of 70 cents per share.

6.3 Unissued ordinary shares

The authorised but unissued ordinary shares in the Company have been placed under the control of the directors until its next annual general meeting, subject to the provisions of sections 221 and 222 of the Companies Act and the Listings Requirements.

6.5 No other listings

The issued ordinary shares of Sovereign are listed on the Main Board of the JSE. No other ordinary shares of Sovereign are listed on any other stock exchange.

7. PROFIT HISTORY AND UNAUDITED *PRO FORMA* FINANCIAL INFORMATION AND DIVIDEND POLICY

7.1 Audited income statements

The audited historical financial information of Sovereign and the interim financial information of Sovereign, the preparation of which is the responsibility of the Directors, is presented in Annexure 3 and Annexure 4, respectively, to the circular.

7.2 Unaudited *pro forma* income statement and balance sheet reflecting the transactions

The unaudited *pro forma* income statement and balance sheet, set out in Annexure 1 to the circular, are provided for illustrative purposes only to provide information about how the Rights Offer may have impacted on Sovereign's financial position. The unaudited *pro forma* income statement and balance sheet should be read in conjunction with the independent reporting accountants' report thereon as set out in Annexure 2 to the circular. The Directors are responsible for the preparation of the unaudited *pro forma* financial effects.

7.3 Dividends

There has been no change to the dividend policy of Sovereign as a result of the Rights Offer. There is no arrangement under which future dividends will be waived or agreed to be waived. Dividends which remain unclaimed for a period of 12 years will be forfeited for the benefit of the Company.

8. MATERIAL CHANGES

There has been no change in the controlling shareholders of Sovereign nor material changes in the financial or trading positions of Sovereign during the previous five years.

9. MATERIAL COMMITMENTS, LEASE PAYMENTS AND CONTINGENT LIABILITIES

9.1 Sovereign had no material capital commitments and contingent liabilities at 28 February 2009, save for paragraphs 9.2 and 9.3 below.

9.2 The following lease payments relating to equipment were due at 28 February 2009:

	R'000
Minimum lease payments due on instalment sale liabilities:	
– within one year	34 860
– in second to fifth year inclusive	86 632
– later than five years	–
Present value of minimum lease payments	102 480
Non-current liabilities	78 119
Current liabilities	24 361

10. DETAILS OF MATERIAL LOANS AND BORROWING POWERS

10.1 The Company does not have any material loans outstanding, save as disclosed in paragraph 10.2 below:

10.2 Details of all the loans payable by Sovereign are included in Annexure 2 to the circular.

The following material loans are due by Sovereign:

Lender	Description	Amount outstanding as at 28 February 2009 R'000
ABSA	Secured loans with no fixed terms of repayment. Interest is charged at the prime lending rate. Secured by first mortgage bond over certain land with a cost of R137 026 454 (2008: nil). This is a bridging finance facility that is to be converted into a term loan in the new financial year	86 770
Land Bank	Secured loan repayable in monthly instalments of R789 559. Interest is charged at the prime lending rate. Secured by first mortgage bond over certain land and buildings with a cost of R114 870 713 (2008 – R114 870 713)	57 344
Land Bank	Secured loan repayable in monthly instalments of R715 448 (2008: R608 333) and bearing interest at the prime lending rate. Secured by first mortgage bond over certain land and buildings with a cost of R114 870 713 (2008: R114 870 713)	65 134
Stannic/WesBank	Instalment sale creditors payable in monthly instalments totalling R2 930 276 (2008: R2 045 663). These liabilities are secured by instalment sale agreements over assets with a carrying value of R113 994 309 (2008: R93 249 547). Interest rates are charged at rates that fluctuate with prime rates on these agreements	102 480
		311 728

10.3 The borrowing powers of Sovereign have not been exceeded during the three years preceding the date of the circular. There is no Exchange Control or other restriction on the borrowing powers of the Company.

10.4 The borrowings of Sovereign were incurred in the ordinary course of business.

10.5 The borrowing powers of the Directors in terms of the Company's articles of association are set out in Annexure B.

10.6 No loan capital is outstanding.

10.7 The instalments repayable within the next 12 months on the above loans will be funded out of working capital.

10.8 None of the loans are subject to any conversion or redemption rights.

10.9 There are no debentures created in terms of a trust deed.

11. LOANS RECEIVABLE

11.1 Sovereign, including its subsidiary companies, has not advanced any material loans at their respective year-ends and until the Last Practicable Date.

11.2 Sovereign has not made any loans to or for the benefit of any director, or manager or any associate of any director or manager of Sovereign.

12. PROPERTY AND SUBSIDIARIES ACQUIRED

Sovereign has not made any material acquisitions during the three years preceding the circular.

13. DISPOSAL OF PROPERTY AND SUBSIDIARIES

There have been no disposals of material property or subsidiaries within the last three years preceding the date of the circular.

14. ORDINARY SHARES ISSUED, OTHER THAN FOR CASH

No ordinary shares have been issued or agreed to be issued by the Company or any of its subsidiaries in the three years preceding the circular, other than for cash.

15. PRINCIPAL IMMOVABLE PROPERTY OWNED AND LEASED

The principal immovable property owned and leased by the Company is set out in Annexure D. Rentals are entered into at arm's length and at market-related rates.

16. DETAILS OF SUBSIDIARIES

16.1 Details of the Company's subsidiaries are set out as follows:

Name	Nature of business	Date of becoming subsidiary	Registration number	Issued share capital R	Group's effective holding %
Subsidiary companies					
Directly owned					
Sovereign Food Industries (Pty) Limited	Investment holding company	8 May 1995	1995/004033/07	36	100
Indirectly owned					
Crown Chickens (Pty) Limited	Operations holding company	8 May 1995	1991/000935/07	5 005	100
United Chix (Pty) Limited	Operations holding company	8 May 1995	1992/007126/07	1 000	100
Country Range Farm Products (Pty) Limited	Manufacturing	8 May 1995	1993/001569/07	1 000	100
Rocklands Fine Foods (Pty) Limited	Manufacturing	1 November 1999	1998/004984/07	100	100
Rocklands Processed Foods (Pty) Limited	Manufacturing	1 November 1999	1998/012501/07	100	100
Rocklands Organics (Pty) Limited	Manufacturing	1 November 1999	1999/022991/07	100	100
Chelsea Poultry Farm (Pty) Limited	Manufacturing	1 November 1999	1999/022984/07	100	100
Rocklands By-Products (Pty) Limited	Manufacturing	1 November 1999	1999/023042/07	100	100
Jeffreys Bay Poultry Farm (Pty) Limited	Manufacturing	1 November 1999	1999/023052/07	100	100

Name	Nature of business	Date of becoming subsidiary	Registration number	Issued share capital R	Group's effective holding %
Gedults Farm (Pty) Limited	Manufacturing	1 November 1999	1999/23041/07	100	100
Pashia Farm (Pty) Limited	Retail Holding Company	1 November 1999	1999/023040/07	100	100
Chicken Barn Holdings (Pty) Limited	Retail operations	1 November 2004	2004/029092/07	100	100
Chicken Barn Korsten (Pty) Limited	Retail operations	1 November 2004	2004/025711/07	100	100
Chicken Barn Kwadwesi (Pty) Limited	Retail operations	1 November 2004	2004/029380/07	100	100
Chicken Barn Uitenhage (Pty) Limited	Retail operations	1 November 2004	2004/029131/07	100	100
Chicken Barn Walmer (Pty) Limited	Retail operations	1 November 2004	2004/025843/07	100	100

16.2 There is no government protection or any investment encouragement law affecting the Sovereign business.

16.3 No material changes have taken place in the nature of the business of Sovereign and its subsidiaries during the past five years.

16.4 No material assets were acquired by Sovereign during the three years preceding the publication of the circular.

17. ADEQUACY OF WORKING CAPITAL

The directors of Sovereign, having considered the effect of the Rights Offer, consider that there are reasonable grounds for believing that:

- the Group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the completion of the Rights Offer;
- the assets of the Group will exceed its liabilities for a period of 12 months after the completion of the Rights Offer. For this purpose, the assets and liabilities have been recognised and measured in accordance with the accounting policies used in the latest audited Sovereign financial statements;
- the ordinary share capital and reserves of the Group shall be adequate for ordinary business purposes for a period of 12 months after the completion of the Rights Offer;
- the working capital available to Sovereign and its subsidiaries is sufficient for the Group's present requirements, that is at least the next 12 months after completion of the Rights Offer.

The Corporate Advisor and Sponsor has provided a sign-off on the working capital statement in compliance with the Listings Requirements.

18. MATERIAL CONTRACTS

18.1 Save as disclosed in paragraph 18.2 below, Sovereign nor its subsidiaries have entered into any material contracts, other than in the ordinary course of business at any time either verbally or in writing, which contain an obligation or settlement that is material to either Sovereign or its subsidiaries as at the date of the circular or during the two year period preceding the date of the circular:

18.2 Shareholders were advised by way of a SENS announcement on 29 October 2009 that, in terms of a Rights Offer, 16 997 070 ordinary shares of 1 cent each in the issued share capital of Sovereign will be issued at a subscription price of 850 cents per share to raise

R144.5 million. Sovereign entered into underwriting agreements on 19 October 2009 with the Underwriters in terms of which they have undertaken to partially underwrite the Rights Offer.

18.3 Sovereign is not subject to any management or royalty agreements or payments of a similar nature. The Company has not paid any material technical or secretarial fees during the period of two years preceding the issue of the circular, save for paragraph 9.2.2. of the circular.

18.4 Sovereign has not entered into any promoters' agreements during the two years preceding the date of the circular.

19. OPTIONS AND PREFERENTIAL RIGHTS IN RESPECT OF ORDINARY SHARES

Other than the Directors' interests in options disclosed in paragraph 9.4 of the circular, there are no contracts or arrangements, either actual or proposed, whereby any option or preferential right of any kind has been or will be given to any person to subscribe for any ordinary shares in the Company or its subsidiaries.

20. LITIGATION STATEMENT

Refer to paragraph 10 of the circular for the particulars of any litigation.

21. CODE OF CORPORATE PRACTICE AND CONDUCT

The Company's Corporate Governance Report is set out in Annexure A.

22. CONSENTS

Sovereign's Corporate Advisor and Sponsor, Transfer Secretaries and Independent Reporting Accountants have consented in writing to act in the capacities stated and to their names appearing in the circular and have not withdrawn their consents prior to the publication of the circular.

23. PRELIMINARY EXPENSES

23.1 The total amount of preliminary expenses incurred by Sovereign within the three years preceding the date of the circular, exclusive of VAT, is as follows:

	R'000
Corporate Advisor and Sponsor – Barnard Jacobs Mellet Corporate Finance (Pty) Ltd	1 000
Underwriting fee – Underwriters	2 000
Independent Reporting Accountant's fee – PKF (Jhb) Inc	50
Legal fees	80
Transfer Secretaries' fees – Computershare Investor Services (Pty) Ltd	13
Printing and other related costs – Ince (Pty) Ltd	100
JSE documentation fee	11
JSE listing fees	76
Estimated	3 330

23.2 The full amount of the abovementioned expenses will be written-off against the share premium account to the extent permissible by the Companies Act.

23.3 No commissions have been paid in the past three years to any person for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for any of the securities of the applicant.

24. MATERIAL INTER-COMPANY TRANSACTIONS

Other than disclosed in Note 2 of Annexure 3, there are no material inter-company balances in Sovereign.

25. BROKERAGES AND COMMISSIONS

During the three years preceding the date of these revised listing particulars, no commission has been paid or is payable in respect of underwriting.

No commissions, discounts, brokerages or other special terms have been granted during the three years preceding the date of the circular in connection with the issue of any securities or stock of Sovereign, where this has not been disclosed in any audited annual financial statements.

26. DIRECTORS' INTERESTS IN TRANSACTIONS

Refer to paragraph 9.4 of the circular.

27. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of Sovereign, whose names are given on page 8 of the circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these revised listing particulars contains all information required by the Listings Requirements.

28. HISTORICAL FINANCIAL INFORMATION OF SOVEREIGN

Refer to Annexures 3 and 4 to the circular.

29. SOVEREIGN ORDINARY SHARE PRICE HISTORY ON THE JSE

Refer to Annexure 6 to the circular.

30. DOCUMENTS AVAILABLE FOR INSPECTION

Refer to paragraph 17 of the circular.

Signed for and on behalf of the Board

M Davis

Chief executive officer

STATEMENT OF CORPORATE PRACTICE AND CONDUCT

Sovereign prizes its reputation on fair dealing, accountability and openness in conducting its business affairs. The Group carries out its business within an ethical framework that gives effect to these principles. At the same time, the Group strives to benefit the community in which it operates, whilst minimising any possible damaging effects that its operations may have on the environment. The Board and management endorse the principles of good corporate governance as set out in the King I and King II reports, especially the need to conduct the enterprise with integrity and accountability. The Group complies fully with the requirements of the King I and King II reports.

BOARD OF DIRECTORS

The Board currently comprises four executive directors and five independent non-executive directors, who meet regularly and maintain full and effective control over the Group's affairs. The offices of the chairman and chief executive officer are held by different directors. The non-executive directors bring an analytical and outside view of performance, strategy and resource planning. Directors have full access to all information within the Group and services of the company secretary and, in appropriate circumstances, may, at the Group's expense, seek independent professional advice concerning the Group's affairs.

AUDIT COMMITTEE

The Audit Committee whose purpose is to bring influence to bear on accounting, auditing and financial reporting matters meets on a periodic basis. The Audit Committee comprises non-executive directors L M Nyhonyha (chairman), M J Hankinson and C P Davies. The Group's external auditors have unrestricted access to the members and workings of the Audit Committee. The committee monitors proposed changes in accounting policies, reviews the internal audit functions, advises the Board on the accounting implications of major transactions and recommends the appointment of the Group external auditors for approval by shareholders. Committee members reviewed the qualifications, experience and performance of the Group's Chief Financial Officer and confirmed that the appointee had sufficient knowledge of IFRS and the Listings Requirements. The Audit Committee sets the principles for recommending the use of the external auditors for non-audit services.

HR & REMUNERATION COMMITTEE

The HR & Remuneration Committee meets as and when required throughout the year to ensure that remuneration policies within the Group are equitable. The committee comprises non-executive directors C P Davies (chairman) Prof P M Madi and Ms K T Kweyama. A special interest is applied to training and opportunities for empowerment.

APPOINTMENT OF DIRECTORS

Procedures for appointment to the Board are formal and transparent and are a matter for the Board. Following the appointment of new directors, visits to the Group's businesses and meetings with senior management, as appropriate, are offered to facilitate their understanding of the Group.

INTERNAL CONTROL AND RISK MANAGEMENT

The Directors believe the internal controls in use by the Group are adequate to safeguard the assets from loss or unauthorised use and that the financial records may be relied upon to maintain accountability for group assets and liabilities. Internal controls are enhanced by accounting policies and organisational structures providing adequate segregation of duties. The Group has been careful in the selection and training of administrative personnel. The cost of enhancements to

internal controls is compared to the benefits to be derived from their implementation. Nothing has come to the attention of the Directors to indicate any material breakdown in the functioning of the Group's internal controls, procedures and systems during the year under review.

MANAGEMENT REPORTING

The Group has a comprehensive system of management reporting, which includes the preparation of annual budgets at board and divisional level, the comparison of actual results to budgets on a weekly, monthly and annual basis with some indicators being reviewed on a daily basis. On a monthly basis, cash flow, working capital and long-term borrowing forecasts are prepared, reviewed and reported on.

STRATEGIC PLANNING

The strategic focus of the Group is reviewed on a regular basis at both Board and divisional level and the long-term strategy is reduced to near term operational plans and responsibilities.

ATTENDANCE AT MEETINGS

The table below indicates the Board meetings and board committee meetings attended by each director during the year:

	AGM	Directors					Audit Committee			Remuneration Committee		
	2 Jul 2008	24 Apr 2008	2 Jul 2008	18 Aug 2008	23 Sep 2008	29 Jan 2009	23 Apr 2008	19 Sep 2008	29 Jan 2009	16 Jul 2008	14 Oct 2008	21 Jan 2009
CP Davies	★	★	★	★	★	★	★	★	★	★	★	★
MJ Hankinson	★	★	★	★	★	★	★	★	★	n/a	n/a	n/a
KT Kweyama	—	—	★	★	—	—	n/a	n/a	n/a	★	★	★
Prof PM Madi	★	★	★	★	—	★	n/a	n/a	n/a	★	★	★
LM Nyhonyha	★	★	★	★**	★	★	★	★	★	n/a	n/a	n/a
MJB Davis	★	★	★	★	★	★	★	★	★	★	★	★
C Coombes	★	★	★	★	★	—	★	★	—	★	—	—
BJ van Rensburg	★	★	★	★	★	★	n/a	n/a	n/a	n/a	n/a	n/a
GG Walter	n/a	n/a	n/a	n/a	n/a	★	n/a	n/a	n/a	n/a	n/a	n/a
MP Manley	—	★	—	★	—	n/a	n/a	n/a	n/a	n/a	n/a	n/a

** Attendance via conference

EXTRACTS FROM MEMORANDUM AND ARTICLES OF ASSOCIATION

Extracts from the articles of association of Sovereign are set out below:

“11. VARIATION OF RIGHTS

- 11.1 If at any time the share capital is divided into different classes of shares, all or any of the special rights or privileges attached to any class of shares may:
- 11.1.1 only be varied or cancelled by special resolution and with:
 - 11.1.1.1 the prior written consent of three-quarters of the holders of the issued shares of that class; or
 - 11.1.1.2 the prior sanction of a resolution passed *mutatis mutandis* as a special resolution at a separate general meeting of the holders of the shares of such class;
 - 11.1.2 be varied or cancelled as provided for in 11.1.1, whether or not the company is being wound up or a winding up is contemplated.
- 11.2 Any shares not ranking *pari passu* in all respects with any other shares (both as regards rate of dividend and any other term of issue) shall, for the purpose of this article, be deemed to constitute a separate class of shares.
- 11.3 The provisions of the articles relating to general meetings of the company shall *mutatis mutandis* apply to any such separate general meeting excepting that:
- 11.3.1 the necessary quorum shall be 2 (two) persons (unless all the shares of that class are held by 1 (one) person) holding or representing by proxy not less than one-third of the issued shares of the class (provided that if at any adjourned meeting of such holders a quorum as above defined is not present, those members who are present in person or by proxy shall be a quorum);
 - 11.3.2 any holder of shares of that class present in person or by proxy may demand a poll and, on a poll, shall have 1 (one) vote for each share of the class of which he is the holder.
- 11.4 The special rights attached to the shares of any class shall not, unless otherwise expressly provided by the conditions of issue of such shares, be deemed to be varied by the creation or issue of further shares:
- 11.4.1 ranking *pari passu* therewith; or
 - 11.4.2 enjoying lesser rights,
- and which do not have preference over the first mentioned shares.

17. DIRECTORS

- 17.1 The number of the directors shall not be less than 4 (four) and, other than directors appointed to any position or executive office in terms of 24 shall not be more than 20 (twenty).
- 17.2 The company in general meeting or the directors may appoint any person as a director either to fill a casual vacancy or as an additional director, but the total number of directors shall not at any time exceed the maximum number fixed by or in accordance with the articles.

- 17.3 A person appointed by the directors as a director in terms of 17.2:
- 17.3.1 shall retire at the following annual general meeting;
 - 17.3.2 shall not be considered in determining the directors to retire by rotation;
 - 17.3.3 shall be eligible for re-election.
- 17.4 If the company in general meeting increases or reduces the number of directors, it may also determine in what rotation such increased or reduced number is to retire.
- 17.5 The shareholding qualification for directors and alternate directors may be fixed and from time to time varied by the company in general meeting and unless and until so fixed, directors and alternate directors need not hold any qualification shares.
- 17.6 The directors shall be entitled to such remuneration as the company in general meeting may from time to time determine.
- 17.7 Any director who:
- 17.7.1 serves on any executive or other committee; or
 - 17.7.2 devotes special attention to the business of the company; or
 - 17.7.3 goes or resides outside South Africa for the purpose of the company; or
 - 17.7.4 otherwise performs or binds himself to perform services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director,
- may be paid such extra remuneration or allowances in addition to or in substitution of the remuneration to which he may be entitled as a director, as the directors, excluding the director in question, may from time to time determine.
- 17.8 The directors shall also be paid all their travelling and other expenses necessarily expended by them in connection with:
- 17.8.1 the business of the company; and
 - 17.8.2 attending meetings of the directors or of committees of the directors of the company.
- 17.9 Without prejudice to the provisions, if any, in respect of retirement of directors by rotation or otherwise hereinafter determined, the office of a director shall be vacated in any of the following events:
- 17.9.1 if his estate is sequestrated (whether provisionally or finally) or he surrenders his estate or enters into a general compromise with his creditors;
 - 17.9.2 if he is found to be or becomes of unsound mind;
 - 17.9.3 if a majority of his co-directors sign and deposit at the registered office a written notice wherein he is requested to vacate his office (which shall become operative on deposit at the registered office) but without prejudice to any claim for damages;
 - 17.9.4 if he be removed by a resolution of the company of which proper notice has been given in terms of the Act (but without prejudice to any claim for damages);
 - 17.9.5 if he shall, pursuant to the provisions of the Act or any order made thereunder, be prohibited from acting as a director;
 - 17.9.6 if he resigns his office by notice in writing to the company; and

- 17.9.7 if:
- 17.9.7.1 he is absent from meetings of the directors for 6 (six) consecutive months without leave of the directors otherwise than on the business of the company; and
 - 17.9.7.2 he is not represented at any such meetings during such 6 (six) consecutive months by an alternate director; and
 - 17.9.7.3 the directors resolve that his office be, by reason of such absence, vacated, provided that the directors shall have power to grant to any director leave of absence for a definite or indefinite period.
- 17.10 A director may hold any other office or place of profit under the company (except that of auditor) or any subsidiary of the company in conjunction with his office of director, for such period and on such terms as to remuneration (in addition to the remuneration to which he may be entitled as a director) and otherwise as a disinterested quorum of the directors may determine.
- 17.11 A director of the company may be or become a director or other officer of, or otherwise interested in, any company promoted by the company or in which the company may be interested as shareholder or otherwise and (except insofar as otherwise decided by the directors) he shall not be accountable for any remuneration or other benefits received by him as a director or officer of or from his interest in such other company.
- 17.12 Any director may act by himself or through his firm in a professional capacity for the company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director.
- 17.13 A director who is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the company, shall declare the nature of his interest in accordance with the Act.
- 17.14 No director or intending director shall be disqualified by his office from contracting with the company with regard to:
- 17.14.1 his tenure of any other office or place of profit under the company or in any company promoted by the company or in which the company is interested;
 - 17.14.2 professional services rendered or to be rendered by such director;
 - 17.14.3 any sale or other transaction.
- 17.15 No such contract or arrangement entered into by or on behalf of the company in which any director is in any way interested is voidable.
- 17.16 No director so contracting or being so interested shall be liable to account to the company for any profit realised by any such appointment, contract or arrangement by reason of such director holding office or of the fiduciary relationship thereby established.
- 17.17 A director may not be counted in the quorum for a meeting at which a resolution is proposed for his own appointment as a director to any other office or position of profit in the company or any of its subsidiaries or in respect of any contract or arrangement in which he is interested nor vote on any such resolution, but this prohibition shall not apply to:
- 17.17.1 any arrangement for giving to any director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the company; or

- 17.17.2 any arrangement for the giving by the company of any security to a third party in respect of a debt or obligation of the company which the director has himself guaranteed or secured: or
- 17.17.3 any contract by a director to subscribe for or underwrite shares or debentures of the company; or
- 17.17.4 any contract or arrangement with a corporation in which he is interested by reason only of being a director, officer, creditor or member of such corporation, and these prohibitions may at any time be suspended or relaxed either generally, or in respect of any particular contract or arrangement, by the company in general meeting.
- 17.18 Any contract entered into contrary to the terms of 17.17 can be ratified by the company in general meeting.
- 17.19 The terms of 17.17 shall not prevent a director from voting as a member at a general meeting at which a resolution in which he has a personal interest is tabled.
- 17.20 The directors may exercise the voting powers conferred by the shares held or owned by the company in any other company in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing themselves or any of them to be directors or officers of such other company or for determining any payment of or remuneration to the directors or officers of such other company.
- 17.21 A director may vote in favour of a resolution referred to in 17.20 for the exercise of the voting rights in the manner described in 17.20, notwithstanding that he may be, or is about to become, a director or other officer of such other company and for that or any other reason may be interested in the exercise of such voting rights in the manner aforesaid.

18. ALTERNATE DIRECTORS

- 18.1 A director may:
- 18.1.1 appoint another director or any person approved for that purpose by a resolution of the directors to act as alternate director in his place and during his absence;
 - 18.1.2 remove such alternate director.
- 18.2 A person so appointed shall, except as regards authority to appoint an alternate director and remuneration, be subject in all respects to the terms and conditions existing in respect of the other directors of the company.
- 18.3 Each alternate director, whilst so acting, shall be entitled to:
- 18.3.1 receive notices of all meetings of the directors or of any committee of the directors of which his appointer is a member;
 - 18.3.2 attend and vote at any such meeting at which his appointer is not personally present;
 - 18.3.3 generally exercise and discharge all the functions, powers and duties of his appointer in such appointer's absence as if he were a director.
- 18.4 Any director acting as alternate director shall in addition to his own vote have a vote for each director for whom he acts as alternate.

- 18.5 An alternate director shall *ipso facto* cease to be an alternate director if his appointer ceases for any reason to be a director, provided that if any director retires by rotation or otherwise, but is re-elected at the same meeting, any appointment made by him pursuant to this article 18 which was in force immediately before his retirement shall remain in force as though he had not retired.
- 18.6 In the event of the disqualification or resignation of any alternate director during the absence or inability to act of the director whom he represents, the vacancy so arising shall be filled by the chairman of the directors who shall nominate a person to fill such vacancy, subject to the approval of the board.
- 18.7 Any appointment or removal of an alternate director shall be effected by written notice delivered at the registered office and signed by the appointer.
- 18.8 The remuneration of an alternate director shall be payable only out of the remuneration payable to the director whose alternate he is and he shall have no claim against the company for any remuneration.

19. RETIREMENT OF DIRECTORS IN ROTATION

- 19.1 Subject to 24.2, at every annual general meeting one-third of the directors for the time being or, if their number is not a multiple of 3 (three), then the number nearest to but not less than one-third shall retire from office.
- 19.2 The directors so to retire shall be those who have been longest in office since their last election, but in the case of persons who became directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.
- 19.3 Notwithstanding anything herein contained, if at the date of any annual general meeting any director shall have held office for a period of 3 (three) years since his last election or appointment, he shall retire at such meeting either as one of the directors to retire by rotation or additionally thereto.
- 19.4 The length of time a director has been in office shall be computed from his last election, appointment or date upon which he was deemed re-elected.
- 19.5 A director retiring at a meeting shall retain office until the election of directors at that meeting has been completed.
- 19.6 Retiring directors shall be eligible for re-election.
- 19.7 No person, other than a director retiring at the meeting shall, unless recommended by the directors, be eligible for election to the office of a director at any general meeting, unless:
- 19.7.1 not more than 14 (fourteen), but at least 7 (seven) clear days before the day appointed for the meeting, there shall have been delivered at the registered office of the company a notice in writing by a member (who may also be the proposed director) duly qualified to be present and vote at the meeting for which such notice is given;
- 19.7.2 such notice sets out the member's intention to propose a specific person for election as director; and
- 19.7.3 notice in writing by the proposed person of his willingness to be elected is attached thereto (except where the proposer is the same person as the proposed).

19.8 Subject to 19.6 and 19.7, the company may at the meeting at which a director retires by rotation, fill the vacated office by electing a person thereto and in default the retiring director, if willing to continue to act, shall be deemed to have been re-elected, unless:

19.8.1 it is expressly resolved at such meeting not to fill such vacated office; or

19.8.2 a resolution for the re-election of such director shall have been put to the meeting and rejected.

20. POWERS OF DIRECTORS

20.1 The management and control of the business of the company shall be vested in the directors who, in addition to the powers and authorities expressly conferred upon them by the articles, may exercise all powers and authorities and perform all acts which may be exercised or done by the company, and are not in terms of the articles or the Act expressly reserved to the company in general meeting.

20.2 Such management and control may not be inconsistent with the articles nor with the provisions of the Act.

20.3 The general powers given by 20.1 shall not be limited or restricted by any special authority or power given to the directors by any other article.

20.4 The directors may:

20.4.1 in their discretion arrange that any branch of the business carried on by the company or any other business in which the company may be interested, shall be carried on by or through one or more subsidiary companies;

20.4.2 make such arrangements on behalf of the company as they think advisable:

20.4.2.1 for taking the profits or bearing the losses of any such branch or business; or

20.4.2.2 for financing, assisting or subsidising any such subsidiary company; or

20.4.2.3 guaranteeing its contracts, obligations or liabilities.

20.5 The directors may:

20.5.1 establish any contributory or non-contributory pension, retirement, provident, medical or other funds for the benefit of; and

20.5.2 pay on behalf of the company a gratuity or pension or allowance on retirement or other benefit to, any director or ex-director or other officer or employee of the company, its holding or subsidiary company (if any), whether or not he has held any other salaried office with the company, or to his widow or dependents, and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance or life assurance or other benefits, subject to the provisions of the Act.

20.6 The directors may:

20.6.1 take all steps that may be necessary or expedient and incur any liability in order to enable the shares, debentures or other securities of the company to be:

20.6.1.1 negotiable in South Africa or elsewhere;

20.6.1.2 recognised by and quoted on any Stock Exchange in South Africa or elsewhere;

20.6.2 pay all taxes, duties, fees, expenses or other amounts which may be payable in relation to the matters referred to in 20.6.1.

- 20.7 Save as otherwise expressly provided by the articles, all cheques, promissory notes, bills of exchange and other negotiable or transferable instruments and all documents to be executed by the company, shall be signed, drawn, accepted, endorsed or executed as the case may be in such manner as the directors shall from time to time determine.

21. BORROWING POWERS

- 21.1 The directors may from time to time:
- 21.1.1 borrow for the purpose of the company such sums as they think fit; or
 - 21.1.2 secure the payment or repayment of any such sums or any other sum, as they think fit, whether by the creation and issue of debentures, mortgage or charge upon all or any of the property or assets of the company;
 - 21.1.3 make such regulations regarding the transfer of debentures, the issue of certificates therefor (subject to the provisions of 5) and all such other matters incidental to debentures as the directors think fit.
- 21.2 No special rights as to:
- 21.2.1 allotment of shares in the company; or
 - 21.2.2 the attending and voting at general meetings; or
 - 21.2.3 the appointment of directors, or otherwise, shall be given to the holders of debentures of the company save with the sanction of the company in general meeting.

24. EXECUTIVE DIRECTORS

- 24.1 The directors may from time to time appoint:
- 24.1.1 managing and other executive directors (with or without specific designation) of the company;
 - 24.1.2 any director to any other executive office with the company, as the directors shall think fit, for a period not exceeding 5 (five) years, and may from time to time remove or dismiss such persons from office and appoint another or others in his or their place or places.
- 24.2 Any director appointed in terms of 24.1:
- 24.2.1 shall not (subject to the provisions of the contract under which he is appointed) whilst he continues to hold that position or office, be subject to retirement by rotation; and
 - 24.2.2 shall not, during the currency of such appointment, be taken into account in determining the rotation of retirement of directors; and
 - 24.2.3 shall be subject to the same provisions as to removal as the other directors of the company, and if he ceases to hold office as a director, his appointment to such position or executive office shall *ipso facto* terminate, without prejudice to any claims for damages which may accrue to him as a result of such termination.
- 24.3 Only a minority of the directors may be so appointed on the basis that they shall not be subject to retirement by rotation.
- 24.4 The remuneration of a director appointed to any position or executive office in terms of 24.1:

- 24.4.1 shall be determined by a disinterested quorum of the directors;
- 24.4.2 shall be in addition to or in substitution of any ordinary remuneration as a director of the company as the directors may determine;
- 24.4.3 may consist of a salary or a commission on profits or dividends or both, as the directors may direct.

24.5 The directors may:

- 24.5.1 from time to time confer upon a director appointed to any position or executive office in terms of 24.1 any or all powers exercisable under the articles by the directors;
- 24.5.2 confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions, as they think expedient;
- 24.5.3 confer such powers with or to the exclusion of or in substitution for any powers of the directors;
- 24.5.4 from time to time revoke, withdraw or vary such powers.”

OTHER DIRECTORSHIPS HELD BY DIRECTORS OF SOVEREIGN

COMPANY	DESIGNATION	ACTIVE/RESIGNED
M J B Davis		
None		
C Coombes		
None		
B J van Rensburg		
None		
G G Walter		
None		
M J Hankinson		
Apollo Tyres Limited (Delhi)	Non-Executive Director	A
Brandcorp (Pty) Limited	Chairman	A
Brandcorp Holdings (Pty) Limited	Chairman	A
Dunlop Nigeria Plc	Director	R
Dunlop Tyres Africa Marketing (UK) Limited	Director	R
Dunlop Tyres International (Pty) Limited	CEO/Non-Executive Director	R
Dunlop Zimbabwe Limited, Zimbabwe	Director	R
Illovo Sugar Limited	Non-Executive Director	A
Main Street 63 (Pty) Limited	Director	A
National Tyres Services Limited, Zimbabwe	Chairman	R
Pollock & Aitken (Pty) Limited	Non-Executive Director	A
Pressurerite (Pty) Limited	Non-Executive Director	R
The Spar Group Limited	Chairman	A
Transnet Limited	Non-Executive Director	A
C P Davies		
Amadlelo Agri (Pty) Limited.	Deputy Chairman	A
Amadlelo Milk Producers Investment Company (Pty) Limited	Chairman	A
Basil Read Holdings Limited	Non-Executive Director	A
Charnay Farming (Pty) Limited	Director	A
East Cape Farmers Trading Company	Non-Executive Director	A
Eastern Produce Cape (Pty) Limited	Non-Executive Director	R
Profert Eastern Cape (Pty) Limited	Non-Executive Director	A
The Land and Agriculture Development Bank of South Africa	Non-Executive Director	R
Uplands Farming (Pty) Limited	Director	A
L Nyhonyha		
AECI Limited	Non-Executive Director	A
Amalgum Investment 113 (Pty) Limited	Non-Executive Director	A
Ashbrook investments 15 (Pty) Limited	Non-Executive Director	A
Coral Lagoon Investments 194 (Pty) Limited	Non-Executive Director	A
Intsika Capital (Pty) Limited	Non-Executive Director	A
Little River Trading 191 (Pty) Limited	Non-Executive Director	A
Newshelf 937 (Pty) Limited	Non-Executive Director	A
Nolutho Investments (Pty) Limited	Non-Executive Director	A
Nolutho Properties (Pty) Limited	Non-Executive Director	A

COMPANY	DESIGNATION	ACTIVE/RESIGNED
L Nyhonyha continued		
Plessey (Pty) Limited	Chairman	A
Psitek South Africa (Pty) Limited	Non-Executive Director	A
Regiments Broll Consortium (Pty) Limited	Non-Executive Director	A
Regiments Capital (Pty) Limited	Chairman	A
Regiments Engineering (Pty) Limited	Director	A
Regiments Fund Managers (Pty) Limited	Director	A
Regiments Healthcare (Pty) Limited	Director	A
Regiments Properties (Pty) Limited	Director	A
Regiments Securities Limited	Chairman	A
Regiments Telecommunications (Pty) Limited	Director	A
Risk Monitor Group (Pty) Limited	Non-Executive Director	A
South African Express Airways (Pty) Limited	Non-Executive Director	R
The Land and Agriculture Development Bank of South Africa	Non-Executive Director	R
The Land Bank Insurance Company	Non-Executive Director	R
Worldwide African Investment Holdings (Pty) Limited	Non-Executive Director	A
Prof P M Madi		
Allcare Medical Administrators (Pty) Limited	Chairman	A
Illovo Sugar Limited	Non-Executive Director	A
M Power-Health (Pty) Limited	Non-Executive Director	A
Madi Investments (Pty) Limited	Non-Executive Director	A
Nampak Limited	Non-Executive Director	A
Rhodes University	Professor Ad Hominem	A
Siyafika Ikapa (Pty) Limited	Non-Executive Director	A
Siyafika Recruitment Advertising (Pty) Limited	Non-Executive Director	A
The Spar Group Limited	Non-Executive Director	A
K T Kweyama		
Allied Technologies Limited	Non-Executive Director	R
Allied Electronics Corporation Limited	Non-Executive Director	R
Barloworld Logistics (Pty) Limited	Non-Executive Director	A
Barloworld SA (Pty) Limited	Non-Executive Director	A
Barloworld Siyakhula (Pty) Limited	Non-Executive Director	A
Barloworld Trust Company Limited	Non-Executive Director	A
CellSaf (Pty) Limited	Non-Executive Director	R
Independent Actuarial Consultants (Pty) Limited	Non-Executive Director	A
KeyMix Investments (Pty) Limited	Non-Executive Director	A
Nokusa Telecommunications (Pty) Limited	Non-Executive Director	R
Pyromet Technologies (Pty) Limited	Non-Executive Director	R

DETAILS OF PRINCIPAL IMMOVABLE PROPERTIES OWNED AND LEASED

PROPERTIES OWNED

The Group owns the following immovable properties:

DESCRIPTION	DETAILS
Factory	Erf 12082 Uitenhage
Farms	
Access Labs	Portion 17 (a portion of portion 9) of the farm Brakkefontein No 416
Accurate	Portions 76 and 177 of the farm Brakkefontein
Boschfontein 1	Remainder of Portion 13 of the farm Boschfontein No 390
Boschfontein 2	Remainder of Portion 12 of the farm Boschfontein No 390
Dormant	Portion 87 (a portion of portion 43) of the farm Brakkefontein No 416
Draaifontein	Portion 14 of the farm Draaifontein No 407
Driedoring	Portion 35 of the farm Witteklip No 466
Gedults	Portion 158 of the farm Gedults River No 411
Handsworth	Portion 2 of farm 442 Strandfontein
Hatchery 2	Portion 26 of Brakfontein Farm 416
Hatchery 3	Portion 9 of Klaasniemands River Farm 403
Hillside	Portion 173 (a portion of portion 29) of the farm Mauritzkraal No 501
Jbay	Portion 1 of farm 854, Humansdorp
Managers Houses	Remainder of Portion 43 (a portion of portion 21) of the farm Brakkefontein No 416
Nooitgedacht	Remainder of Portion 1 of the farm Nooitgedacht 398
Pashia	Portion 19 (a portion of portion 9) of the farm Brakkefontein No 416
Peckhams AB	Portion 190 (a portion of Lot 6) of the farm Brakkefontein No 416
Peckhams C	Portion 125 (a portion of portion 25) of the farm Brakkefontein No 416
Pink	Portion 88 (a portion of portion 21) of the farm Brakkefontein No 416
RAF Depot	Portion 16 (a portion of portion 9) of the farm Brakkefontein No 416
Rapsy	Portion 127 (a Portion of Portion 10) of the farm Brakkefontein No 416
Riethuwel	Remainder of Portion 7 (a portion of portion 1) of the farm Rietheuwel No 296
Rocklands Complex	Remainder of Portion 21 (The Homestead) (a portion of portion 9) of the farm Brakkefontein No 416
Slipper	Portion 5 of the farm Slipper No 467
Wincanton	Portion of Wincanton Farm 329
Witteklip	Portion 30 of the farm Witteklip No 466

PROPERTIES LEASED TO THE GROUP

Letting entity	Location	Expiry date	Unexpired term	Rental per month (exclusive of VAT)
Access Laboratories (Pty) Limited	Newton Street, Newton Park, Port Elizabeth	Rolling monthly	Rolling monthly	R7 260
M Mulder Bell Store	Kruisriver Road, Uitenhage	Rolling monthly	Rolling monthly	R3 850
Premier Prec-Hella	Kruisriver Road, Uitenhage	Rolling monthly	Rolling monthly	R8 784
Rental of Ebensley House	20 Wackthee Street, Jeffreys Bay	01/01/2010	2 months	R4 961
Rental of Synergy	Plot 38, Draaifontein	01/04/2010	6 months	R10 000
Castle Properties	Queen Mary Crescent Fruit & Veg Centre, Uitenhage	01/04/2010	6 months	R20 497
iFour Properties Limited	Erf 2969, Portion 923, Kwadwesi	30/04/2010	7 months	R20 204
Trafalgar Properties	244 Durban Road, Korsten	31/01/2010	3 months	R12 383

