



**SENS – Sovereign – Announcement Regarding:
A Proposed Partially Underwritten**

DATE: 20 Oct 2009

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SOV – Sovereign – Announcement Regarding: A Proposed Partially Underwritten Rights Offer; Notice Of General Meeting; And Further Cautionary Announcement
Sovereign Food Investments Limited
Incorporated in the Republic of South Africa
Registration number 1995/003990/06
JSE code: SOV ISIN: ZAE000009221
("Sovereign" or "the Group" or "the Company")

ANNOUNCEMENT REGARDING:

- * A PROPOSED PARTIALLY UNDERWRITTEN RIGHTS OFFER;
- * NOTICE OF GENERAL MEETING; AND
- * FURTHER CAUTIONARY ANNOUNCEMENT

1 Introduction

During the past three years Sovereign has embarked on an intensive expansion drive focussing on increasing its production and processing capacity. The expansion drive and concomitant capital expenditure have lead 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 of directors of Sovereign ("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.

Sovereign`s shareholders ("Shareholders") are advised that Sovereign intends to implement a capital and debt restructuring programme ("the Programme") to improve the gearing level of and enhance the cash flows within the Group.

The Programme involves the raising of equity capital through a partially underwritten rights offer to Shareholders ("the Rights Offer").

The majority of the funds raised through the Rights Offer will be applied towards existing debt within the Group ("the Debt Reduction"). The Debt Reduction 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 the Debt Reduction are to decrease Sovereign`s absolute cost of debt as well as to secure more competitive borrowing costs on existing debt.

2 The Rights Offer

2.1 Terms of the Rights Offer and Irrevocable Shareholder Undertakings

Shareholders are advised that Sovereign has finalised the terms upon which it proposes to proceed with the Rights Offer. In terms of the Rights Offer, Sovereign would extend an offer to Shareholders to subscribe for a maximum of 16 997 070 new ordinary shares ("the Rights Offer Shares") at a subscription price of 850 cents per ordinary share ("the Subscription Price") in order to raise a maximum total amount of R144.475 million in new capital (before accounting for costs pertaining to the Rights Offer) ("the Rights Offer Amount"). The Subscription Price represents a 25% discount to the 30 day volume weighted average traded price of Sovereign`s shares on the JSE Limited ("JSE") as at 16 October 2009.

The Rights Offer will be partially underwritten by Prudential Portfolio Managers ("Prudential") and Old Mutual Investment Group (South Africa) (Pty) Limited ("OMIGSA") (collectively "the Underwriters") limited to an amount of R80 million ("the Underwriting Amount"), representing approximately 55.4% of the Rights Offer Amount ("the Underwriting").

In addition to securing the Underwriting, Sovereign has received irrevocable undertakings from existing Sovereign shareholders:

- currently holding approximately 48.9% of Sovereign`s issued share capital, to vote in favour of the necessary resolutions to implement the Rights Offer ("Shareholder Voting Undertakings"); and
- currently holding approximately 20.1% of Sovereign`s issued share capital, to subscribe for their pro rata rights in terms of the Rights Offer ("Shareholder Subscription Undertakings").

As such, Sovereign has obtained Underwriting and Shareholder Subscription Undertakings 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. Further information pertaining to the Underwriting is set out in paragraph 2.3 below.

Shareholders may not apply for Rights Offer Shares in excess of their pro rata entitlement allocated to them in terms of the Rights Offer.

2.2 Rationale

The Rights Offer will allow Sovereign to, inter alia,:

- * achieve a more sustainable gearing ratio and to strengthen its balance sheet;
- * match its debt repayment profile with its operating cash generation capacity;
- * match its debt and expansion profiles; and
- achieve more competitive funding terms and more sustainable future borrowing capacity.

2.3 Underwriting

In terms of underwriting agreements entered into between Sovereign and Prudential and OMIGSA, respectively, on 19 October 2009 ("the Underwriting Agreements"), the Underwriters have committed R80 million to Sovereign for the purpose of partially underwriting the Rights Offer. The Underwriters will be paid a fee of 2.5% of the Underwriting Amount.

The Underwriting Agreements are subject to the following conditions:

- * 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;
- * 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; no excess applications shall be granted to any party in terms of the Rights Offer; and
- * a circular setting out full details and terms of the Rights Offer ("the Rights Offer Circular") being issued to Shareholders within two months from the signature date of the Underwriting Agreements.

2.4 Application of the proceeds of the Rights Offer

The Board has committed a minimum of 75% of the expected total proceeds from the Rights Offer (after deduction of related costs), to the Debt Reduction. The Debt Reduction 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 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.

2.5 Suspensive conditions

The Rights Offer remains conditional upon the fulfilment of the following suspensive conditions:

- * Shareholders placing the entire authorised but unissued share capital of the Company under the control of the Board, for purposes of the Rights Offer, at a general meeting of Shareholders;
- * the necessary regulatory documentation including, inter alia, the Rights Offer Circular and Letters of Allocation being approved and registered by the JSE and the Companies and Intellectual Property Registration Office; and
- * the JSE approving the listing of the Rights Offer Shares.

An announcement will be released on SENS and published in the press as soon as the suspensive conditions have been fulfilled and the Rights Offer has become unconditional.

2.6 Pro forma 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 at that date.

The unaudited pro forma financial effects have 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 effects.

Unaudited

	results for the six months ended 31 August 2009	Unaudited Pro forma After the Rights Offer 31 August 2009	Percentage Change (%)
Earnings per share (cents) (1)	70,5	55,3	(21,6)
Headline earnings per share (cents) (1)	70,5	55,3	(21,6)
Net asset value per share (cents) (2)	937,8	901.3	(3,9)
Net tangible asset value per share (cents) (2)	937,8	901.3	(3,9)
Weighted average number of shares	33 002 930	50 000 000	51.5
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) Earnings and headline earnings per share are based on the weighted average 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



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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.

3 Circular to shareholders and notice of general meeting

A circular, containing details of the ordinary resolution placing the entire authorised but unissued ordinary shares of Sovereign under the control of the Board for purposes of the Rights Offer, will be posted to Shareholders on Tuesday, 20 October 2009.

Notice is hereby given that a general meeting of Shareholders will be held at 10:00am on Wednesday, 4 November 2009 ("the General Meeting") at the Company's registered offices at 9 Kruis River Road, Uitenhage, Eastern Cape in order to vote on the ordinary resolution necessary to implement the Rights Offer.

Shareholders are referred to paragraph 2.1 above regarding the Shareholder Voting Undertakings and the Shareholder Subscription Undertakings received by the Company.

- 4 Salient dates and times for the General Meeting
2009

Circular posted to Shareholders on Tuesday, 20 October

Last day for Shareholders to lodge forms of proxy for the General Meeting at 10h00 or alternatively to be handed to the chairman of the General Meeting at Monday, 2 November least 10 minutes before the commencement

of the General Meeting General Meeting to be held at 10h00 on Wednesday, 4 November

Results of General Meeting to be Wednesday, 4 November released on SENS on

Results of General Meeting to be Thursday, 5 November published in the press on

Note:

Any material changes to these dates and times will be released on SENS and published in the South African press. Any reference to time is a reference to South African time.

- 5 Further cautionary announcement

Shareholders are advised that Sovereign remains involved in discussions which, if successfully concluded, may have a material effect on the price of the Company's securities.

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

19 October 2009

Port Elizabeth

Corporate Advisor and Sponsor:

Barnard Jacobs Mellet Corporate Finance (Pty) Limited

Reporting Accountants

PKF

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