



Sovereign Food Investments Limited

Audited Group Results

for the year ended 28 February 2010
and notice of annual general meeting

- Headline earnings per share increase to 32,3cps
- Turnover up 16%
- Net gearing reduction to 92%
- EBITDA margin increase from 7,8% to 9,9%
- Cash flow per share from operations increase from R2,15 to R2,92

Consolidated Statement of Comprehensive Income

	2010 R'000	2009 R'000
Revenue	1 056 203	909 121
Operating profit before depreciation	104 145	71 011
Depreciation	26 219	20 364
Net finance costs	62 866	56 173
Profit/(loss) before taxation	15 060	(5 526)
Normal and deferred taxation	3 991	(5 034)
Profit/(loss) after taxation	11 069	(492)
Retained earnings at beginning of year	242 709	243 201
Retained earnings at end of year	253 778	242 709
Weighted average shares in issue ('000)	36 088	33 003
Earnings/(loss) per share (cents)	30,7	(1,5)
Headline earnings/(loss) per share (cents)	32,3	(1,5)
Diluted earnings/(loss) per share (cents)	30,3	(1,5)
Diluted headline earnings/(loss) per share (cents)	31,9	(1,5)
Reconciliation between earnings and headline earnings		
Profit/(loss) after taxation	11 069	(492)
Reconciling items:		
Disposal of property, plant and equipment	724	-
Taxation effect	(135)	-
Headline profit/(loss) after taxation	11 658	(492)

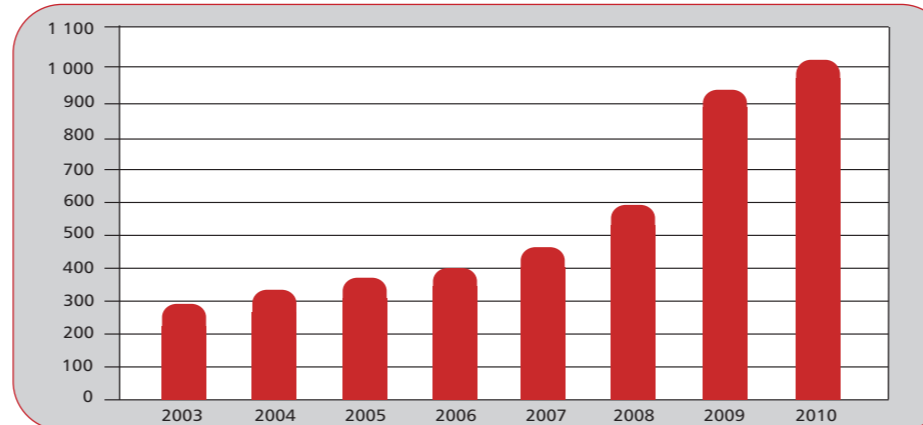
Consolidated Statement of Financial Position

	2010 R'000	2009 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	814 262	780 130
Current assets	299 337	320 427
Inventory	43 967	39 081
Biological assets	94 587	85 342
Trade and other receivables	106 555	113 325
Cash and cash equivalents	54 228	82 679
Total assets	1 113 599	1 100 557
EQUITY AND LIABILITIES		
Equity		
Share capital and premium	134 375	14 635
Non-Distributable Reserve and Share Options	29 743	29 149
Retained earnings	253 778	242 709
Shareholders' interest	417 896	286 493
Liabilities		
Long-term loans	437 382	548 966
Long-term portion	360 673	457 981
Short-term portion	76 709	90 985
Deferred taxation	101 053	97 062
Trade and other payables	157 268	168 036
Total equity and liabilities	1 113 599	1 100 557

Consolidated Statement of Cash Flows

	2010 R'000	2009 R'000
Cash generated from operations before working capital changes	105 463	71 056
Changes in working capital	(18 129)	(45 012)
Cash generated from operating activities	87 334	26 044
Interest paid	(62 866)	(56 173)
Taxation received	-	3 476
Net cash flow from operating activities	24 468	(26 653)
Net cash flow from investing in property, plant and equipment	(61 075)	(248 048)
Net cash flow from shares issued	119 740	-
Net cash flow from debt (repaid)/raised	(111 584)	232 226
Net movement in cash, cash equivalents and investments	(28 451)	(42 475)
Cash, cash equivalents and investments at beginning of year	82 679	125 154
Cash, cash equivalents and investments at end of year	54 228	82 679

Turnover Rm



Consolidated Statement of Changes in Equity

	Share capital	Share premium	Share options	Non-distributable reserve	Retained earnings	Total
2010						
Opening balance	330	14 305	301	28 848	242 709	286 493
Ordinary shares issued	148	119 592	-	-	-	119 740
Share options	-	-	594	-	-	594
Total comprehensive income for the period	-	-	-	-	11 069	11 069
Closing balance	478	133 897	895	28 848	253 778	417 896
2009						
Opening balance	330	14 305	257	28 848	243 201	286 941
Share options	-	-	44	-	-	44
Total comprehensive income for the period	-	-	-	-	(492)	(492)
Closing balance	330	14 305	301	28 848	242 709	286 493

Commentary

RESULTS FOR THE PERIOD UNDER REVIEW

The Group has been successful in reversing the 1,5 cents headline loss per share incurred last year to a 32,3 cents headline earnings per share for the financial year ended 28 February 2010 ("FY10"). Despite the business experiencing a very positive first six months, the second half of the year was disappointing with difficult trading conditions being experienced.

Volumes increased by 14% over the 2009 financial year ("FY09") and have increased by 81% in the three-year period from the 2007 financial year. Poultry prices were up marginally from FY09 to FY10 and as a result turnover increased by 16%. Poultry prices continue to be negatively impacted by higher import volumes, lower prices of imported poultry and softer consumer demand.

Despite the investment and expansion over the past 36 months, the Group remains challenged in various areas of its supply chain, most notably in the broiler operation and at the abattoir. This has resulted in the Group not realising the full effect of the improved efficiencies expected from the expansion and has also impacted on farming performance.

These constraints, together with increases in the costs of items such as electricity, fossil fuels and statutory wage rates, has resulted in an increase in non-feed costs of 4% per kg sold in FY10 compared to FY09. Management is pro-actively addressing these challenges and is committed to reducing the Group's non-feed costs to appropriate levels.

Raw material costs for the year under review have declined by 5%. Although the decline in the spot maize price for the period was 24%, the Group's policy of acquiring commodities in advance meant that the full benefit of the price reduction is not seen in these results. The benefit of the reduced raw material costs will only be felt in the next financial year as a result of the lower cost of feed.

The Rights Offer undertaken in December 2009 ("the Rights Offer"), which raised R125,9 million (before costs) of new equity for the Group, has strengthened the statement of financial position considerably and gearing is now within the target range set by management prior to the Rights Offer. Gross bank funding has decreased by R112 million from R549 million at the end of FY09 to R437 million at the end of FY10. The full impact of the Rights Offer on the statement of comprehensive income is only expected to be seen during the next financial year.

As a result of gearing concerns and the global financial crisis, capital expenditure ("Capex") was limited to what was needed to complete projects in progress and other necessary expenditure. Capex for the year was R61 million with R45 million of this being spent in the first half of FY10.

The Group continues to monitor working capital very closely and net working capital as a percentage of turnover remained consistent with that of FY09 at 8%.

Sovereign's positive financial performance coupled with the Rights Offer has significantly strengthened the Group's statement of financial position allowing the Group the opportunity to consider further strategic growth initiatives to enhance the efficiency and performance of the various business units.

Cash generated from operations increased by R34 million compared to the prior period and after careful working capital management, cash generated from operating activities increased by R61 million compared to the prior period.

INDUSTRY CONDITIONS AND PROSPECTS

Poultry prices are expected to remain the dominant factor in the coming year and the effect of the 2010 Soccer World Cup on poultry prices is not yet clear. National supply and demand remain tightly balanced and the level of low priced imports will have a material impact on poultry prices going forward.

Management's focus in the coming year will be to optimise product mix and resolve the cost issues at both the feed and non-feed levels by addressing internal inefficiencies and minimising the impact of external cost input increases. In this context the Group has outsourced the bulk of its distribution operation since the end of the financial period under review.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the Company will be held at 09:00 on Thursday, 13 July 2010 at the registered offices of the Company in Uitenhage, Eastern Cape.

DIVIDEND

The Group has made a substantial investment in production capacity over the last two years which is expected to enhance earnings in the future, but in the interest of improving the gearing position, the Directors consider it prudent not to declare a dividend at this time.

ACCOUNTING POLICIES

The abridged annual financial statements conform to International Accounting Standard 34: *Interim Financial Reporting*, the Listings Requirements of the JSE Limited and the Companies Act of South Africa (Act 61 of 1973), as amended. The principal accounting policies, which comply with International Financial Reporting Standards, have been consistently applied in all material respects in the current and comparative years.

These results have been audited by the Group's independent auditors, PKF (PE) Inc. Their unmodified audit report, dated 29 April 2010, is available for inspection at the registered offices of the Company.

By order of the board

CP Davies
Non-executive Chairman

MJB Davis
Chief Executive Officer

Uitenhage

5 May 2010

Email: info@sovfoods.co.za

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

Sponsor
One Capital

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

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