

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, CSDP, banker, accountant, attorney or other professional advisor immediately.
3. If you have disposed of all your Sovereign Shares, please forward this Circular to the purchaser of such shares or to the Broker, CSDP, banker or other agent through whom the sale was effected.

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. 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. SHAREHOLDERS NOT RESIDENT IN SOUTH AFRICA ARE REFERRED TO PARAGRAPH 3 ON PAGE 2 OF THIS CIRCULAR FOR FURTHER INFORMATION REGARDING THE RESTRICTIONS APPLICABLE TO THEM IN TERMS OF THE RIGHTS OFFER.

The Rights Shares, upon their issue, will rank *pari passu* 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 maintained by the Transfer Secretaries and this has made it possible for the holders of Certificated Sovereign Shares to enjoy similar rights and opportunities as holders of Dematerialised Sovereign 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 9 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: ZAE000152856

CIRCULAR TO SOVEREIGN SHAREHOLDERS

regarding:

a partially underwritten renounceable Rights Offer by Sovereign of 31 578 947 new ordinary shares of 1 cent each in the ordinary share capital of Sovereign at a subscription price of 475 cents per New Ordinary Share, in the ratio of 66.04155 New Ordinary Shares for every 100 Sovereign Shares held at the close of business on Friday, 18 February 2011;

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, 21 February 2011

Rights Offer closes at 12:00 on:

Friday, 11 March 2011

**Sole Bookrunner,
Corporate Advisor and
Sponsor**

ONE CAPITAL

Attorneys



**Reporting Accountants
and Auditors**



Transfer Secretaries



Date of issue: 21 February 2011

An English copy of this Circular, together with the Letter of Allocation and the documents referred to in paragraph 17 of this Circular, have 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 section 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 INFORMATION

Company Secretary and Registered Office of Sovereign

C Coombes, CA(SA)
Kruis River Road
Uitenhage
6230
Eastern Cape
South Africa
(PO Box 1386, Uitenhage, 6230)

Sole Bookrunner, Corporate Advisor and Sponsor

One Capital Advisory (Proprietary) Limited
17 Fricker Road
Illovo
2196
Johannesburg
South Africa
(PO Box 784573, Sandton, 2146)

Place of incorporation: South Africa

Date of incorporation: 8 May 1995

Attorneys

Cliffe Dekker Hofmeyr Incorporated
1 Protea Place
Sandown
2196
Johannesburg
South Africa
(Private Bag X7, Benmore, 2010)

Reporting Accountants and Auditors

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

Transfer Secretaries

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

Underwriter

Coronation Asset Management (Proprietary) Limited
Seventh Floor
MontClare Place
Corner Campground and Main Roads
Claremont
7708
Cape Town
South Africa
(PO Box 44684, Claremont, 7735)

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 Circular, 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 DEMATERIALISED 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 Right 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 DEMATERIALISED 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 March 2011.

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 some or all of your Rights or allow some or all of your Rights to lapse. 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 March 2011 if you wish to sell your Rights and no later than 12:00 on Friday, 11 March 2011 if you wish to renounce your Rights. You do not need to do anything if you wish your Rights to lapse.

3. SHAREHOLDERS NOT RESIDENT IN SOUTH AFRICA

The Rights Shares have not been and will not be registered for the purposes of the Rights Offer under the securities laws of the United Kingdom, European Economic Area or EEA, Canada, United States of America, Japan, Australia or Namibia and, accordingly, except as stated below, are not being offered, sold, taken up, resold or delivered, directly or indirectly, to Rights recipients with registered addresses in such jurisdictions. Therefore, this Circular is sent to them for information purposes only. In this regard, the approval of CIPRO in terms of section 142(2)(a) of the Companies Act has been obtained to exclude all Excluded Foreign Shareholders from the Rights Offer process. No Letters of Allocation will be sent, therefore, to any Shareholder whose registered address is in the United Kingdom, European Economic Area or EEA, Canada, United States of America, Japan, Australia or Namibia. The Letters of Allocation attributable to Excluded Foreign Shareholders will instead be delivered to the Transfer Secretaries who will act as nominee for the Excluded Foreign Shareholders. The Transfer Secretaries will, to the extent

that a premium can be realised over the costs associated with the sale, sell the Rights on the JSE on a best endeavours basis on behalf and for the benefit of the Excluded Foreign Shareholders and will remit the proceeds to the said Shareholders subject to *de minimis* threshold of R5.00. The Excluded Foreign Shareholders will not be entitled to accept the Rights Offer.

For the purposes of the above, "United States" means the United States of America (including the States and District of Columbia), its territories, its possessions and all areas subject to its jurisdiction and "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States and an estate or trust, the income of which is subject to United States Federal Income Taxation regardless of its source.

The making of the Rights Offer, the distribution of this Circular and 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 the 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 the 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/herself 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.

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 of Sovereign;
“Board”	the board of Directors of Sovereign;
“Broker”	any person registered as a “broking member (equities)” 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;
“the Capital Agreements”	the agreements entered into between Sovereign on the one hand, and the Underwriter and the Subscribers on the other, on or about 20 October 2010 in terms of which the Subscribers have collectively agreed to subscribe for the Rights Shares at the Subscription Price to the extent of R37 million and the Underwriter has agreed to underwrite the Rights Offer to the extent of R113 million;
“Capital Commitments”	collectively, the Subscribed Amount and the Underwriting Amount;
“the Capital Raising”	the proposed R150 million capital raising by the Company, to be implemented by way of the Rights Offer;
“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;
“Cliffe Dekker” or “the Attorneys”	Cliffe Dekker Hofmeyr Incorporated (registration number 2008/018923/21), a private company duly registered and incorporated with limited liability in South Africa;
“Common Monetary Area”	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“Companies Act”	the Companies Act, No. 61 of 1973, as amended;
“Coronation” or “the Underwriter”	Coronation Asset Management (Proprietary) Limited (registration number 1993/002807/07), a company duly incorporated and registered with limited liability under the company laws of 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;
“Excess Shares”	Rights Shares in excess of Shareholders’ <i>pro rata</i> entitlement thereto which may be applied for by holders of LA’s after Coronation has taken up the Rights Shares allocated to it in terms of the Underwriting Agreement;
“Exchange Control Regulations”	Exchange Control Regulations of South Africa, issued under the Currency and Exchanges Act, No. 9 of 1933, as amended;
“the Expansion”	the capital expansion programme embarked upon by the Company during the past three years;
“Excluded Foreign Shareholders”	Shareholders which are resident in the United Kingdom, European Economic Area or EEA, Canada, United States of America, Japan, Australia or Namibia;
“Form of Instruction”	the form enclosed 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, whether in whole or in part;
“the Group”	Sovereign and its associates and subsidiaries, including joint ventures where appropriate, from time to time;
“Implementation Date”	the date upon which the Rights Offer became unconditional and the finalisation data was announced in accordance with the Listings Requirements, being Tuesday, 1 February 2011;
“Independent Reporting Accountants” and/or “Auditors”	PKF (Jhb) Inc (registration number 1994/001166/21), Registered Auditors, Chartered Accountants (SA);
“JSE”	the exchange operated by JSE Limited (registration number 2005/022939/06), a company duly incorporated and registered with limited liability under the company laws of South Africa;
“Land Bank”	the Land and Agricultural Development Bank of South Africa;
“Last Practicable Date”	Friday, 7 January 2011, 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 JSE Listings Requirements, as amended;
“OMIGSA”	Old Mutual Investment Group (South Africa) (Proprietary) Limited (registration number 1993/003023/07), a company duly incorporated and registered with limited liability under the company laws of South Africa;
“One Capital” or “Sole Bookrunner, Corporate Advisor and Sponsor”	One Capital Advisory (Proprietary) Limited (registration number 2009/021943/07), a company duly incorporated and registered with limited liability under the company laws of South Africa;
“Orthogonal”	Orthogonal Investments (Proprietary) Limited (registration number 2006/000463/07), a company duly incorporated and registered with limited liability under the company laws of South Africa;

“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;
“Prudential”	Prudential Portfolio Managers (South Africa) (Proprietary) Limited (registration number 1993/004503/07), a company duly incorporated and registered with limited liability under the company laws of South Africa;
“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, 18 February 2011;
“Registered Office of Sovereign”	the registered office of Sovereign which is Kruis River Road, Uitenhage, 6230, South Africa;
“the Restructuring”	a capital and debt restructuring programme undertaken by the Company during 2009 which comprised an equity capital raising and the renegotiation of the Company’s credit facilities;
“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 31 578 947 New Ordinary Shares at the Subscription Price in the ratio of 66.04155 New Ordinary Shares for every 100 Sovereign Shares held at the close of business on the Record Date;
“Rights Offer Amount”	the total amount to be raised should the Rights Offer be fully subscribed, being R150 million;
“Rights Participant”	a participant in the Rights Offer;
“Rights Shares” or “New Sovereign Shares” or “New Ordinary Shares”	the 31 578 947 new Sovereign Shares 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 share capital of the Company;
“SENS”	Securities Exchange News Service of the JSE;
“Shareholders”	registered holders of Sovereign Shares, from time to time;
“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 duly incorporated and registered with limited liability under the company laws of South Africa, being the electronic settlement system used by the JSE to settle trades;
“the Subscribers”	collectively, Prudential and Orthogonal;

“the Subscribed Amount”	collectively, the R20 million and R17 million committed to the Rights Offer by Prudential and Orthogonal respectively, being a total committed subscription amount of R37 million;
“the Subscription Agreements”	the agreements entered into between Sovereign and the Subscribers, on or about 20 October 2010, in terms of which the Subscribers gave the Subscription Undertakings;
“Subscription Price”	an amount of 475 cents per Rights Share;
“Subscription Undertakings”	undertakings provided by the Subscribers to subscribe for their <i>pro rata</i> Rights in terms of the Rights Offer and/or apply for Excess Shares;
“Transfer Secretaries”	Computershare Investor Services (Proprietary) Limited (registration number 2004/003647/07), a limited liability private company duly incorporated in South Africa;
“the Underwriting Agreement”	the agreement entered into between Sovereign and Coronation, on or about 20 October 2010, in terms of which Coronation has undertaken to underwrite the Rights Offer to the extent of R113 million;
“the Underwriting Amount”	the commitment of R113 million to the Rights Offer by the Underwriter representing approximately 75.3% of the Rights Offer Amount;
“VAT”	Value-Added Tax levied in terms of the Value-Added Tax Act, 1991 (Act 89 of 1991), as amended;
“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

2011

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, 11 February
Listing of Letters of Allocation on the JSE commences at commencement of trading	Monday, 14 February
Sovereign Shares commence trading ex-Rights on the JSE at commencement of trading	Monday, 14 February
Record Date for participation in the Rights Offer at the close of business	Friday, 18 February
Rights Offer circular and, where applicable, a Form of Instruction posted to Shareholders	Monday, 21 February
Rights Offer opens at commencement of trading	Monday, 21 February
Dematerialised Shareholders will have their accounts at their CSDP or Broker automatically credited with their entitlement	Monday, 21 February
Certificated Shareholders on the register will have their entitlement credited to an account held with the Transfer Secretaries	Monday, 21 February
Last day to trade in Letters of Allocation on the JSE	Friday, 4 March
Listing of Rights Shares and trading therein commences at commencement of trading	Monday, 7 March
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 March
Record Date for Letters of Allocation	Friday, 11 March
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 March
Results of Rights Offer released on SENS	Monday, 14 March
Results of Rights Offer published in the press	Tuesday, 15 March
Dematerialised Shareholders' accounts will be updated with excess New Sovereign Shares (if any) and debited with money by their CSDP or Broker	Wednesday, 16 March
Share certificates and/or refund cheques in respect of excess New Sovereign Shares will be posted to Certificated Shareholders on or about	Wednesday, 16 March

Notes:

1. All times referred to in this circular are South African times.
2. No share certificates may be dematerialised or rematerialised between Monday, 14 February 2011 and Friday, 18 February 2011, 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/her 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

JSE code for LA's: SOVN ISIN for LA's: ZAE000152856

Sovereign Directors

M J B Davis	<i>Chief executive officer</i>
C Coombes	<i>Chief financial officer</i>
G G Walter	<i>Sales and marketing director</i>
B J van Rensburg	<i>Risk and quality director</i>
C P Davies	<i>Independent non-executive chairman</i>
J A Bester	<i>Independent non-executive director</i>
T Pritchard	<i>Independent non-executive director</i>
P M Madi	<i>Independent non-executive director</i>
L M Nyhonyha	<i>Independent non-executive director</i>

CIRCULAR TO SOVEREIGN SHAREHOLDERS

1. INTRODUCTION

- 1.1** Shareholders were advised by way of a SENS announcement released on Thursday, 21 October 2010 that in terms of a proposed Rights Offer, 31 578 947 ordinary shares of 1 cent each in the issued share capital of Sovereign would be issued at a subscription price of 475 cents per share in order to raise R150 million. 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 Tuesday, 7 December 2010 Shareholders approved the increase in the authorised share capital of the Company by an amount of 100 000 000 Sovereign Shares, and placed 31 578 947 authorised but unissued Sovereign Shares under the control of the Directors for purposes of implementing 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, 14 February 2011, until the close of trade on Friday, 4 March 2011.
- 1.5** The JSE has approved the listing of the Rights Shares from the commencement of trade on Monday, 7 March 2011.
- 1.6** Shareholders recorded in the register on the Record Date will receive Rights to subscribe for Rights Shares in terms of the Rights Offer at 475 cents per Rights Share, on the basis of 66.04155 Rights Shares for every 100 Sovereign Shares held.
- 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 will be issued by the Directors in accordance with the specific authority obtained at the general meeting of Shareholders held on Tuesday, 7 December 2010.

2. PURPOSE OF THE RIGHTS OFFER

During the past three years Sovereign embarked on the Expansion, the key objectives of which were to:

- increase production capacity to approximately 1 million birds per week;
- eliminate bottlenecks from the existing production processes;
- install high technology plant and equipment to introduce further operating efficiencies.

The Expansion was completed at a capital cost of approximately R600 million and resulted in the achievement of the key objectives listed above.

The Expansion was funded principally through third party bank debt which resulted in significantly increased levels of gearing for Sovereign.

Sovereign initiated the Restructuring during 2009, mainly to reduce the Company's third party debt.

The Restructuring achieved the following:

- R126 million of new equity was raised;
- R77 million of the new equity was applied to reduce third party bank debt and to address various debt covenant concerns;
- the balance of the new equity was used to partially fund the remaining committed capital expenditure relating to the Expansion and to strengthen the Company's treasury position; and
- Sovereign obtained more favourable financing terms (including more relaxed debt covenants and lower effective interest rates) from certain of its third party financiers.

At the time of the Restructuring, Sovereign was careful not to overcapitalise the Company.

Subsequent to the implementation of the Restructuring, the entire South African poultry industry has come under strain, *inter alia*, in the following areas:

- selling price deterioration – the average selling prices of poultry products have suffered for some time and have decreased by approximately 9.5% across the board since 2008;
- increased import levels – international over supply, coupled with a significant strengthening of the Rand, has led to increased levels of imports which in turn have influenced local selling prices; and
- input costs – feed costs for the most part have been stable but recent volatility has raised concern and current indicators suggest a potential increase in feed costs in the near future. Non-feed costs have continued to escalate, partly as a result of external cost pressures such as electricity tariff increases, leading to further constraints on operating margins.

The collective impact of these external factors has been to place increasing downward pressure on operating margins within the industry as a whole and Sovereign. Consequently, the Company has been unable to take full advantage of increased operational efficiencies (arising, *inter alia*, from the Expansion) and the benefits stemming from the Restructuring.

The Company, along with most of the poultry industry participants, expect these external pressures to continue into the foreseeable future and the Board has resolved to take decisive pre-emptive action in order to address the risks associated with the general broader economic climate, the risk factors specific to the poultry industry and the potential future impact thereof on Sovereign.

In this regard, the Board has resolved to implement the following actions:

- No further capital expenditure will be permitted for the foreseeable future, save for an amount of approximately R17 million relating to capital projects which have already been committed to and partially executed during the current financial year. Following completion of these capital projects, no further capital expenditure other than critical maintenance capital expenditure will be approved/ permitted.
- Sovereign will propose the Capital Raising to address the Company's remaining gearing concerns.
- All the proceeds received from the Capital Raising will be applied towards reducing third party interest bearing debt within five business days of the receipt thereof by the Company.
- Renewed and focused cost cutting by the Company in order to align its operations with the current economic climate and the challenges facing the poultry industry.
- Maintaining and, where applicable, further increasing operational efficiencies to position the Company so as to endure the industry's potentially slow recovery.

The application of the proceeds received from the Rights Offer will result in an additional cash flow saving (inclusive of an interest saving and a reduction in terms of Sovereign's existing debt repayment profiles) of approximately R2.5 million per month, allowing Sovereign to, *inter alia*:

- achieve a more sustainable gearing ratio and significantly strengthen its statement of financial position;
- match its debt repayment profile more effectively with its operating cash-generating capacity in terms of the current poultry industry and general economic climate; and
- sustain its current borrowing capacity on commercially acceptable terms and conditions.

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 Shareholders and/or their renounees, a total of 31 578 947 Rights Shares at the Subscription Price, payable in full upon acceptance by Certificated Shareholders, or on a delivery versus payment basis by the CSDP or Broker of Dematerialised Shareholders, in ZAR, in the ratio of 66.04155 Rights Shares for every 100 Sovereign Shares held at the close of business on the Record Date.

The Rights Shares are being issued at a discount of 5% to the 30-day VWAP of Sovereign Shares as at the close of trade on 19 October 2010, being the day prior to the signing of the Capital Agreements.

3.2 Opening and closing dates of the Rights Offer

The Rights Offer will open at the commencement of business on Monday, 21 February 2011 and will close at 12:00 on Friday, 11 March 2011.

3.3 Entitlement

Shareholders will be granted the right to subscribe for 66.04155 Rights Shares for every 100 Sovereign Shares held at the close of business on the Record Date. 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 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 Foreign shareholders

The Rights Shares have not been and will not be registered for the purposes of the Rights Offer under the securities laws of the United Kingdom, European Economic Area or EEA, Canada, United States of America, Japan, Australia or Namibia and accordingly, except as stated below, are not being offered, sold, taken up, resold or delivered, directly or indirectly, to Rights recipients with registered addresses in such jurisdictions. Therefore, this Circular is sent to them for information purposes only. In this regard, the approval of CIPRO in terms of section 142(2)(a) of the Companies Act has been obtained to exclude all Excluded Foreign Shareholders from the Rights Offer process. No Letters of Allocation will be sent, therefore, to any Shareholders whose registered address is in the United Kingdom, European Economic Area or EEA, Canada, United States of America,

Japan, Australia or Namibia. The Letters of Allocation attributable to Excluded Foreign Shareholders will instead be delivered to the Transfer Secretaries who will act as nominee for the Excluded Foreign Shareholders. The Transfer Secretaries will, to the extent that a premium can be realised over the costs associated with the sale, sell the Rights on the JSE on a best endeavours basis on behalf and for the benefit of the Excluded Foreign Shareholders and will remit the proceeds to the said Shareholders. However, if the net proceeds of sale in relation to any such Shareholders are less than R5.00, they will be retained for the benefit of Sovereign. The Excluded Foreign Shareholders will not be entitled to accept the Rights Offer.

For the purposes of the above, "United States" means the United States of America (including the States and District of Columbia), its territories, its possessions and all areas subject to its jurisdiction and "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States and an estate or trust, the income of which is subject to United States Federal Income Taxation, regardless of its source.

The making of the Rights Offer, the distribution of this Circular and 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 the 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 the 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/herself 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.

3.5 Excess applications

Sovereign shareholders will be permitted to apply for Rights Shares in excess of those allocated to them in terms of the Rights Offer, being those Rights Shares not taken up by Rights holders who do not follow all or some of their Rights in terms of the Rights Offer or allocated to the Underwriter, in excess of their *pro rata* entitlement in terms of the Rights Offer, as more fully explained in paragraph 5.1 below.

3.6 JSE listings

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

- Letters of Allocation in respect of 31 578 947 Rights Shares will be listed from the commencement of trade on Monday, 14 February 2011 until the close of trade on Friday, 11 March 2011, 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 ZAE000152856; and
- 31 578 947 Rights Shares will be listed with effect from the commencement of trade on Monday, 7 March 2011.

3.7 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 March 2011. 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 will issue Letters of Allocation in dematerialised form and the electronic record for Certificated Shareholders is 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 allow their Rights to lapse.
- 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 March 2011.
- 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, and 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 March 2011.

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 March 2011 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 Wednesday, 16 March 2011. If the applicant concerned is not a 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 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 March 2011. 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);
- if they do not wish to follow all or any of their Rights, whether they wish to renounce or sell their Rights and how many Rights they wish to renounce or 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 March 2011 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 March 2011.

5. UNDERWRITING AND SHAREHOLDER UNDERTAKINGS

5.1 Underwriting

The Rights Offer is partially underwritten by the Underwriter, in an amount of R113 million, representing approximately 75.3% of the Rights Offer Amount. The Underwriter will be paid a fee of 3% of the Underwriting Amount.

Rights Shares not taken up by Rights holders who do not follow all or some of their Rights in terms of the Rights Offer will first be allocated to the Underwriter to the extent of the Underwriting Amount and any remaining Rights Shares will then be allocated, in an equitable manner as determined by the Board, to those Rights holders which applied for Excess Shares.

The Underwriting Agreement was subject to certain suspensive conditions, all of which were fulfilled as at the Last Practicable Date.

5.2 Subscription Undertakings

In addition to securing the underwriting, the Subscribers have agreed to follow their Rights in terms of the Rights Offer and/or apply for excess Rights Shares to the extent of the Subscribed Amount. The Subscribers will be paid a fee of 3% of the Subscribed Amount. Sovereign has received the following undertakings from the Subscribers.

5.2.1 Shareholders currently holding 27.55% of Sovereign's issued share capital have provided Subscription Undertakings. The table below sets out the details of the Shareholders from which the Subscription Undertakings were obtained:

Shareholder	Capital Commitments R'000	Number of Sovereign Shares held	Percentage of total Sovereign Shares in issue
Orthogonal*	17 000	4 367 010	9.13
Prudential*	20 000	8 807 110	18.42
	37 000	13 174 120	27.55

* 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 secured underwriting (refer to paragraph 5.1 above), and Subscription Undertakings (refer to paragraph 5.2.1 above), amounting to 100% of the Rights Offer Amount.

The Underwriting Agreement is, at the date of this Circular, unconditional and irrevocable.

5.3 Directors' statement

The Directors have made due and careful enquiry to confirm that the Underwriter and the Subscribers can meet their commitments made to the Company in terms of the Capital Commitments.

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 results of the Company for the six months ended 31 August 2010 as released on SENS on 23 September 2010 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. The Directors 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 2010	Unaudited <i>pro forma</i>, after the rights offer 31 August 2010 ⁽¹⁾	Percentage change
Earnings per share ("EPS") (cents) ⁽²⁾	2.7	8.5	214.8
Headline earnings per share ("HEPS") (cents) ⁽²⁾	2.7	8.5	214.8
Diluted earnings per share ("DEPS") (cents) ⁽²⁾	2.6	8.5	226.9
Diluted headline earnings per share ("DHEPS") (cents) ⁽²⁾	2.6	8.5	226.9
Net asset value per share (cents) ⁽³⁾	876.60	706.8	(19.4)
Net tangible asset value per share (cents) ⁽³⁾	876.60	706.8	(19.4)
Weighted average number of shares	47 816 787	79 395 734	66.0
Weighted average diluted number of shares	48 246 579	79 825 526	65.5
Number of shares in issue	47 816 787	79 395 734	66.0

Notes:

- (1) The unaudited *pro forma* financial effects on the statement of comprehensive income were prepared on the basis that the Rights Offer was fully subscribed and completed on 1 March 2010 and the unaudited *pro forma* financial effects on the statement of financial position were prepared on the basis that the Rights Offer was fully subscribed and completed on 31 August 2010.
- (2) Earnings, headline earnings per share and diluted earnings and diluted headline earnings per share are based on the weighted average number of shares in issue and diluted weighted average number of shares in issues at 31 August 2010, respectively, and have been adjusted to take into account an interest saving of R765 million (before taxation) based on the repayment of interest bearing debt of R150 million at the weighted average cost of the debt to be repaid of 9.9% for the six-month period.
- (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 R142 million, the reduction of debt by R150 million and the increase in share capital and share premium arising from the issue of 31 578 947 ordinary shares of 1 cent each at an issue price of 475 cents per share. Estimated costs of R8 million pertaining to the Rights Offer (inclusive of fees paid to the Underwriter and Subscribers) have been written off against share premium.

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 choice 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	
150 000 000 ordinary shares of 1 cent each	1 500
Issued share capital	
47 816 787 ordinary shares of 1 cent each	478
Share premium	133 897
The issued share capital of Sovereign after the Rights Offer is set out below:	
Authorised share capital	
150 000 000 ordinary shares of 1 cent each	1 500
Rights Shares issued	
31 578 947 ordinary shares of 1 cent each	315 789
Issued share capital	
79 395 734 ordinary shares of 1 cent each	793
Share premium	283 581

Notes:

1. All ordinary shares rank *pari passu* in all respects.
2. The Company does not currently hold any treasury shares.

8.2 Share price history

A table setting out the share 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	Chief financial officer	<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>
B J van Rensburg (37) South African	Kruis River Road Uitenhage 6230	Risk and quality 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 and thereafter took the position as Operations Director until December 2009.</p> <p>He was appointed to the position of Risk and Quality Director in January 2010.</p>

Name and age	Address	Occupation	History
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>

Non-executive directors

C P Davies (63) South African	Beau Monte Estate 5 2 Sibelius Street Walmer Heights 6070	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 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>
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Name and age	Address	Occupation	History
P M Madi (45) South African	Allcare Administrators (Pty) Limited 3rd Floor Allcare House 90 Grayston Drive Sandton 2196	Independent non-executive director	<p>Appointed to the Board: 8 October 2007</p> <p>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 namely: 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 M Nyhonyha (50) South African	18 Clonmore Road Bryanston 2021	Independent non-executive director	<p>Appointed to the Board: 21 September 2007</p> <p>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.</p> <p>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”.</p> <p>Litha is a director of the chemicals and explosives group AECL and Psitek and is the chairman of Plessey (Pty) Limited. He is a past chairman of the Council of the new North West University.</p>
T Pritchard (55)	306 Delphinus Street Waterkloofridge 0181	Independent non-executive director	<p>Appointed to the Board: 3 November 2010</p> <p>Thomas qualified as a Chartered Accountant in 1980 after completing his articles with Peat Marwick Mitchell and Co. (now KPMG). He served as a senior audit manager until 1983 where he left to join ICS Group Limited as Group Accountant and was appointed to the ICS Group Limited Board in 1988.</p> <p>From 1993 to 1998 he served on the ICS Holdings Limited Board as Group Financial Director and was appointed to all subsidiary, joint venture and associated company boards, of which some of the companies were: Earlybird Farm (Pty) Limited, Sea Harvest Corporation Limited and Enterprise Foods (Pty) Limited.</p> <p>In 2001, Thomas, as Financial Director of the Agri-Poultry division of Tiger Oats Limited, assisted in the unbundling and listing thereof as Astral Foods Limited where he remained as Financial Director until 2007.</p> <p>Thomas co-founded and is currently the Chief Financial Officer of Lodestone Brands (Pty) Limited, a private equity company in consortium with Standard Chartered Bank.</p>

Name and age	Address	Occupation	History
J A Bester	Personal Trust International Limited Personal Trust House Belmont Office Park Belmont Road Rondebosch 7700	Independent non-executive director	Appointed to the Board: 3 November 2010 John has been involved in the accounting profession for 16 years and in commerce and industry for 28 years. He was a partner at Ernst & Young and during this time was responsible for a number of prestigious clients. His experience in commerce and industry includes: serving as Financial Manager of Toyota Marketing South Africa, Financial Director of Warner Lambert South Africa, Financial Director and Chief Financial Officer of the Norwich Holdings Limited Group and a director of Heritage Collection Holdings Limited.

9.2 Directors' remuneration

The Directors received the following remuneration for the year ended 28 February 2010:

Directors' emoluments R'000	Salary	Bonus	Provident fund contributions	Fringe benefits	Medical benefits	Total
Executive						
M J B Davis	2 622	377	372	211	142	3 724
C Coombes	1 986	260	276	194	77	2 793
B J van Rensburg	1 327	153	78	106	28	1 692
G G Walter	2 068	77	108	–	–	2 253
	8 003	867	834	511	247	10 462
Non-executive						
C P Davies	1 060	–	–	–	–	1 060
M J Hankinson	294	–	–	–	–	294
KT Kweyama	278	–	–	–	–	278
P M Madi	294	–	–	–	–	294
L M Nyhonyha	371	–	–	–	–	371
	2 297	–	–	–	–	2 297

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:

	Beneficially held		
	Direct	Indirect	%
Directors			
C Coombes	–	22 725	0.05
M J B Davis	151 502	–	0.32
C P Davies	7 575	–	0.02
P M Madi	49 952	–	0.10
	209 029	22 725	0.49

There have been no changes in the Directors' interests in the issued share capital of the Company since the Company's latest financial year-end, being 28 February 2010.

9.4 Directors interests in share options

On the Last Practicable Date, the Directors directly held the following options 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 2010
B J van Rensburg	1 March 2008	PSM	n/a	275 000
B J van Rensburg	1 March 2008	SAR	1 191	175 000
B J van Rensburg	1 March 2009	PSM	n/a	82 500
B J van Rensburg	1 March 2009	SAR	450	82 500
B J van Rensburg	1 March 2010	PSM	n/a	40 000
B J van Rensburg	1 March 2010	SAR	850	40 000
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
M J B Davis	1 March 2009	PSM	n/a	440 000
M J B Davis	1 March 2009	SAR	450	64 166
M J B Davis	1 March 2010	PSM	n/a	484 000
M J B Davis	1 March 2010	SAR	850	105 875
C Coombes	1 March 2008	PSM	n/a	900 000
C Coombes	1 March 2008	SAR	1 191	478 333
C Coombes	1 March 2009	PSM	n/a	330 000
C Coombes	1 March 2009	SAR	450	64 166
C Coombes	1 March 2010	PSM	n/a	363 000
C Coombes	1 March 2010	SAR	850	70 583
G G Walter	1 March 2008	PSM	n/a	75 000
G G Walter	1 March 2008	SAR	1 191	75 000
G G Walter	1 March 2009	PSM	n/a	82 500
G G Walter	1 March 2009	SAR	450	82 500
G G Walter	1 March 2010	PSM	n/a	90 750
G G Walter	1 March 2010	SAR	850	90 750

The Sovereign Food Investments Limited 2007 Share Plan – Performance Shares

Under "The Sovereign Food Investments Limited 2007 Share Plan – Performance Shares" ("PSM") executive Directors and selected employees are granted conditional awards of Sovereign Shares, 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.

Under "The Sovereign Food Investments Limited 2007 Share Plan – Share Appreciation Rights" ("SAR"), executive Directors and selected employees are granted options to purchase Sovereign Shares, 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 Sovereign Directors 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 electricity authority has brought legal action against Sovereign, the local electrical authority and several other persons for damages relating to injuries suffered. The total claim is for R4.6 million (the effect of which would be R3.2 million after taxation). The claim was dismissed by the High Court and the contractor has appealed the decision. Sovereign is of the opinion that the appeal is unlikely to be successful;
- a former service provider has issued summons against Sovereign for early termination of his contract to provide technical advice to the breeder division. The claim is for R3.1 million (the effect of which would be R2.2 million after taxation). Discussions with the service provider's legal team are in progress, however no court date has been set. Sovereign is of the opinion that this claim is unlikely to be successful; and
- a former supplier has issued summons against Sovereign for early termination of his contract to supply wood shavings. The summons is for R3.4 million (the effect of which would be R2.5 million after taxation). The Company is in the process of finalising a reply to the summons issued. Sovereign is of the opinion that this claim is unlikely to be successful.

11. EXCHANGE CONTROL REGULATIONS

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

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.

Shareholders not resident in South Africa are referred to paragraph 3.4 above.

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; or
- subscribe for the Rights Shares provided payment is received either through normal banking channels or from a non-resident account.

In respect of Rights holders 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 by or on behalf of Shareholders not resident in South Africa, 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 Rights 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 them in terms of the Rights Offer;
- 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 Rights holders taking up their Rights pursuant to purchasing Rights on the JSE:

- 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 Sole Bookrunner, Corporate Advisor and Sponsor, Transfer Secretaries, Attorneys and 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

At the Last Practical Date, estimated expenses of R8 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 – One Capital (Advisory) (Pty) Ltd	2 500
Underwriting fee – the Underwriter	3 390
Subscription fee – the Subscribers	1 110
Independent reporting accountant's fee – PKF (Jhb) Inc	75
Legal fees – Cliffe Dekker Hofmeyr Inc.	400
Transfer Secretary fees – Computershare	40
Printing and other related costs – Ince (Pty) Ltd	400
JSE documentation fee	41
JSE listing fees	92
Estimated	8 000

15. REGISTRATION OF DOCUMENTS

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

- this Circular, and Form of Instruction in respect of a Letter of Allocation;
- a signed copy of the Independent Reporting Accountants' report on the *pro forma* financial information relating to the Rights Offer;
- the Exchange Control approval for the Rights Offer;
- powers of attorney granted by the Directors;
- copies of all documents required and approved by the JSE, including the Underwriting Agreement and letter from the JSE confirming its approval of such documents; and
- the written consents of the Sole Bookrunner, Corporate Advisor and Sponsor, Transfer Secretaries, the Attorneys 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 One Capital, from the date of issue of this Circular, up to and including Friday, 11 March 2011:

- 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 2010 and the unaudited interim results for the six months ended 31 August 2010;
- 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;
- signed copies of this Circular and Form of Instruction registered by CIPRO;
- copies of the signed Subscription Agreements entered into with the Subscribers; and
- a copy of the signed Underwriting Agreement entered into with the Underwriter.

Signed for and on behalf of the Board:

C Coombes

Chief financial officer

PRO FORMA FINANCIAL INFORMATION

The unaudited *pro forma* statement of comprehensive and statement of financial position (“*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 2010 as released on SENS on 23 September 2010 and have 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. The Directors of Sovereign are responsible for the preparation of the unaudited *pro forma* financial information.

Statement of comprehensive income

	Before the Rights Offer ⁽¹⁾ R’000	Adjustments R’000	<i>Pro forma</i> after the Rights Offer R’000
Revenue	527 601		527 601
Operating income	43 259		43 259
Depreciation	(15 772)		(15 772)
Profit before finance costs and taxation	27 487		27 487
Net finance costs	(25 730)	7 650 ⁽²⁾	(18 080)
Net operating income	1 757	7 650	9 407
Normal and deferred taxation	(492)	(2 142) ⁽³⁾	(2 634)
Total comprehensive income for the period	1 265	5 508	6 773
Weighted average number of shares in issue (‘000)	47 817	31 579 ⁽⁴⁾	79 396
Weighted average diluted number of shares in issue (‘000)	48 247	31 579 ⁽⁴⁾	79 826
Earnings per share (cents)	2.7	5.8	8.5
Headline earnings per share (cents)	2.7	5.8	8.5
Diluted earnings per share (cents)	2.6	5.9	8.5
Diluted headline earnings per share (cents)	2.6	5.9	8.5
Reconciliation between earnings and headline earnings:			
Earnings after taxation	1 265	6 773	
Reconciling items:			
Headline earnings after taxation	1 265	6 773	

Notes:

1. Extracted from the unaudited published interim financial information of Sovereign for the six months ended 31 August 2010.
2. Interest saving of R7.65 million (before taxation) based on repayment of interest-bearing current debt of R150 million at the weighted average cost of debt of 9.9%. 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. 31 578 947 New Sovereign Shares issued on 1 March 2010 in terms of the Rights Offer.
5. The unaudited *pro forma* financial effects on the statement of comprehensive income were prepared on the basis that the Rights Offer was fully subscribed and completed on 1 March 2010.
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 2010.

Statement of financial position

	Before the Rights Offer ⁽¹⁾ R'000	Adjustments R'000	<i>Pro forma</i> after the Rights Offer R'000
ASSETS			
Non-current assets			
Property, plant and equipment	823 105		823 105
Current assets	333 126	(8 000)	325 126
Inventory and biological assets	140 547		140 547
Trade and other receivables	115 094		115 094
Cash and cash equivalents	77 485	(8 000) ⁽²⁾	69 485
Total assets	1 156 231	(7 998)	1 148 233
EQUITY AND LIABILITIES			
Capital and reserves			
Equity	419 161	142 000⁽³⁾	561 161
Interest-bearing debt	438 273	(150 000)	288 273
Long-term portion of interest-bearing debt	336 729	(150 000) ⁽⁴⁾	186 729
Deferred taxation	101 544		101 544
Current liabilities	298 797		298 797
Short-term portion of interest-bearing debt	47 320		47 320
Trade, other payables and provisions	171 888		171 888
Overdraft	79 589		79 589
Total equity and liabilities	1 156 231	(8 000)	1 148 231
Actual shares in issue ('000)	47 817	31 579	79 396
Net asset value per share (cents)	876.6	(169.8)	706.8
Tangible net asset value per share (cents)	876.6	(169.8)	706.8

Notes:

1. Extracted from the unaudited published interim financial information of Sovereign for the six months ended 31 August 2010.
2. Cash received from the Rights Offer after the repayment of debt of R150 million and transaction costs of R8 million (inclusive of fees paid to the Underwriter and Subscribers).
3. Share premium and share capital raised through the Rights Offer net of transaction costs.
4. Repayment of long-term debt of R150 million.
5. The unaudited *pro forma* financial effects on the statement of financial position were prepared on the basis that the Rights Offer was fully subscribed and completed 31 August 2010.

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

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

10 January 2011

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 21 February 2011 ("the Circular"), to be issued to Sovereign ordinary shareholders in connection with the partially underwritten rights offer of 31 578 947 ordinary shares at an issue price of 475 cents per share in the ratio of 66.04155 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* statement of financial position 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' capital expansion plans, which began three years ago, have been completed. 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 increased its production to approximately 1 000 000 birds per week, with a capacity to produce 2 000 000 birds per week in the long term.

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 the financial year ended 28 February 2010 compared to 28 February 2009. Management is pro-actively addressing these challenges and is committed to reducing the Group's non-feed costs to appropriate levels.

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.

Poultry prices are expected to remain the dominant factor going where national supply and demand 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.

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 2010, 29 February 2009 and 28 February 2008.

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 2010, 29 February 2009 and 28 February 2008 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

Intergroup 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:

IFRIC 12	Service Concession Arrangements	Annual periods beginning on/after 1 January 2008
IFRIC 14	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:

IAS 1	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
IFRIC 3	Customer Loyalty Programmes	Annual periods beginning on/after 1 July 2008
IFRIC 15	Agreements for the Construction of Real Estate	Annual periods beginning on/after 1 January 2009
IFRIC 16	Hedge of a Net Investment in a Foreign Operation	Annual periods beginning on/after 1 October 2008
IFRIC 17	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.

STATEMENT OF FINANCIAL POSITION

as at 28 February 2010, 28 February 2009 and 29 February 2008.

	Notes	2010 R'000	2009 R'000	2008 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	1	814 262	780 130	552 446
		814 262	780 130	552 446
Current assets				
Inventories	3	43 967	39 081	26 260
Biological assets	3	94 587	85 342	63 198
Trade and other receivables	4	106 555	113 325	44 628
Cash and cash equivalents	15	54 228	82 679	125 154
Total assets		1 113 599	1 100 557	811 686
EQUITY AND LIABILITIES				
Share capital	5	478	330	330
Share premium	6	133 897	14 305	14 305
Non-distributable reserve		28 848	28 848	28 848
Share options	5,28	895	301	257
Retained earnings		253 778	242 709	243 201
Equity		417 896	286 493	286 941
Non-current liabilities				
Interest-bearing borrowings	7	360 673	457 981	246 566
Deferred taxation	8	101 053	97 062	98 619
Current liabilities		233 977	259 021	179 560
Trade and other payables	9	152 087	160 752	104 274
Provisions	26	5 181	7 284	5 112
Current portion of interest-bearing borrowings	7	76 709	90 985	70 174
Total equity and liabilities		1 113 599	1 100 557	811 686
Net asset value per share (cents)			1 162.18	1 168.26
Tangible net asset value per share (cents)			1 162.18	1 168.26

STATEMENT OF COMPREHENSIVE INCOME

for the years ended 28 February 2010, 28 February 2009 and 29 February 2008.

		2010	2009	2008
	Notes	R'000	R'000	R'000
Revenue		1 056 203	909 121	581 232
Cost of sales		601 297	596 586	277 838
Gross profit		454 906	312 535	303 394
Operating expenses		376 980	261 888	229 055
Profit before finance costs	10	77 926	50 647	74 339
Interest paid	11	69 507	61803	18 504
Interest received	11	(6 641)	(5 630)	(7 592)
(Loss)/Profit before taxation		15 060	(5 526)	63 427
Taxation	12	3 991	(5 034)	16711
Net (loss)/profit for the year		11 069	(492)	46 716
(Loss)/Earnings per ordinary share (cents)	17	30.7	(1.5)	141.6
Diluted (loss)/earnings per ordinary share (cents)	17	30.3	(1.5)	140.0
Capital distribution per ordinary share (cents)		-	-	-

STATEMENT OF CASH FLOW

for the years ended 28 February 2010, 28 February 2009 and 29 February 2008

	Notes	2010 R'000	2009 R'000	2008 R'000
Cash generated from operations before working capital changes		105 940	71 055	87 546
Changes in working capital		(18 129)	(45 011)	23 508
Cash generated from operating activities	14	87 811	26 044	111 054
Net interest		(62 866)	(56 173)	(10912)
Taxation received/(paid)		–	3 476	(8 131)
Net cash flow from operating activities		24 945	(26 653)	92011
Dividend paid		–	–	(20 297)
Net cash flow from operating activities after dividend paid		24 945	(26 653)	71 714
Net cash flow from investing in property, plant and equipment		(61 552)	(248 048)	(265 552)
Net cash flow from investing activities		(61 552)	(248 048)	(265 552)
Shares issued for cash		119 740	–	–
Net cash flow from debt raised/(repaid)		(111 584)	232 226	201 434
Net cash from financing activities		8 156	232 226	201 434
Net (decrease)/increase in cash and cash equivalents		(28 451)	(42 475)	7 596
Cash and cash equivalents at beginning of year	15	82 679	125 154	117 558
Cash and cash equivalents at end of year	15	54 228	82 679	125 154

STATEMENT OF CHANGES IN EQUITY

for the years ended 28 February 2010, 28 February 2009 and 29 February 2008

Statement of changes in equity for the year ended 28 February 2010

	Share capital R'000	Share premium R'000	Share options R'000	Retained earnings R'000	Revalua- tion reserve R'000	Total R'000
Balance at beginning of year	330	14 305	301	242 709	28 848	286 493
Total comprehensive income for the year	-	-	11 069	-	11 069	
Ordinary shares issued	148	119 592	-	-	-	119 740
Net value of employee services	-	-	594	-	-	594
Balance at end of year	478	133 897	895	253 778	28 848	417 896

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

	Share capital R'000	Share premium R'000	Share options R'000	Retained earnings R'000	Revalua- tion reserve R'000	Total R'000
Balance at beginning of year	330	14 305	257	243 201	28 848	286 941
Total comprehensive loss for the year	-	-	-	(492)	-	(492)
Net value of employee service	-	-	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

	Share capital R'000	Share premium R'000	Share options R'000	Retained earnings R'000	Revalua- tion reserve R'000	Total R'000
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

NOTES TO THE FINANCIAL STATEMENTS

for the years ended 28 February 2010, 28 February 2009 and 29 February 2008.

	2010 R'000	2009 R'000	2008 R'000
1. PROPERTY, PLANT AND EQUIPMENT			
Cost/Valuation			
Land	56 715	58 415	39 359
Buildings	385 673	323 758	240 046
Assets in the course of construction	36 170	130 138	151 357
Plant	416 892	315 036	162 574
Vehicles	14 004	16 109	11 202
Office equipment, furniture and fittings	1 771	2 124	1 953
Computer equipment	6 705	9 924	8 159
	917 930	855 504	614 650
Accumulated depreciation			
Land	–	–	–
Buildings	29 015	21 565	16 289
Assets in the course of construction	–	–	–
Plant	65 648	39 226	33 463
Vehicles	5 331	7 207	6 235
Office equipment, furniture and fittings	823	1 209	1 060
Computer equipment	2 851	6 167	5 157
	103 668	75 374	62 204
Net carrying value			
Land	56 715	58 415	39 359
Buildings	356 658	302 193	223 757
Assets in the course of construction	36 170	130 138	151 357
Plant	351 244	275 810	129 111
Vehicles	8 673	8 902	4 967
Office equipment, furniture and fittings	948	915	893
Computer equipment	3 854	3 757	3 002
	814 262	780 130	552 446

	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
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1. PROPERTY, PLANT AND EQUIPMENT

(continued)

2010

Net carrying value at beginning of year	58 415	302 193	130 138	275 810	8 902	915	3 757	780 130
Additions	3 062	16 949	–	41 135	221	191	1 559	63 117
Reallocations	(3 062)	44 966	(93 621)	58 581	(1 526)	(544)	(4 794)	–
Disposals	(1 700)	–	(347)	–	(242)	–	–	(2 289)
Depreciation	–	(7 450)	–	(24 282)	1 318	386	3 332	(26 696)
Net carrying value at end of year	56 715	356 658	36 170	351 244	8 673	948	3 854	814 262

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

Details of land and buildings are contained in a register, setting out the information required by P22(3) 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 years ended 28 February 2009 and 2010, 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:

	2010 R'000	2009 R'000	2008 R'000
Cost	398 516	338 301	235 532
Accumulated depreciation	(28 675)	(21 905)	(16 289)
Net carrying amount	369 841	316 396	219 243

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

Borrowing costs of R1 084 228 (2009: R11 541 432; 2008: R10 954 860) 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 9.75% (2009: 14.4%; 2008: 11.0%) was used, representing the borrowing cost of the loans used to finance the project.

	Issued share capital		Group's effective holding		Book value of holding company's interest			
	2010 R'000	2009 R'000	2010 %	2009 %	Investment at cost		Loans to/(from) subsidiaries	
	2010 R'000	2009 R'000	2010 %	2009 %	2010 R'000	2009 R'000	2010 R'000	2009 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	-	-	89 252	(30 003)
United Chix (Pty) Limited	1 000	1 000	100	100	-	-	4 366	3 520
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	98 573	(21 527)

These loans are unsecured, have no fixed terms of repayment and bear nil (2009: nil; 2008: nil) interest. All subsidiaries of the group were incorporated in South Africa.

	2010 R'000	2009 R'000	2008 R'000
3. INVENTORIES AND BIOLOGICAL ASSETS			
Inventories			
Raw materials and consumables	37 535	31 880	20 843
Finished products	6 432	7 201	5 417
	43 967	39 081	26 260

Biological assets

Balance at beginning of year	85 342	63 198	32 687
Purchases	92 939	81 430	63 098
Increase due to biological growth	432 481	384 636	309 448
Decrease due to slaughter	(516 175)	(443 922)	(342 035)
Balance at end of year	94 587	85 342	63 198

As at 28 February 2010, the group had approximately 4 882 353(2008: 4 542 378; 2008: 2 917 883) broilers on hand and approximately 463 501 (2008: 462 409; 2007: 426 762) female laying stock on hand.

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

	2010 R'000	2009 R'000	2008 R'000
4. TRADE AND OTHER RECEIVABLES			
Trade receivables	103 490	112 976	43 253
Less: Provision for impairment of trade receivables	(2 337)	(2 475)	(1 281)
Trade receivables – net	101 153	110 501	41 972
Pre-payments	3 106	1 919	1 316
Sundry receivables	2 296	905	1 340
	106 555	113 325	44 628

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

Trade receivables	101 153	110 501	41 972
Pre-payments	3 106	1 919	1 316
Sundry receivables	2 296	905	1 340
	106 555	113 325	44 628

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) 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
Three to six months	–	–
	5 441	6 584

Movement on the provision for impairment of trade receivables is as follows:

Balance at beginning of year	2 475	1 281	500
Provision for receivables impairment	1 461	1 980	1 029
Receivables written off during the year as uncollectable	(1 599)	(786)	(248)
Balance at end of year	2 337	2 475	1 281

4. TRADE AND OTHER RECEIVABLES (continued)

The creation and release of provision for impaired receivables has been included in operating expenses in the statement of comprehensive income. 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 carries credit insurance against possible default. As at the reporting date R39 676 402 (2009: R nil) of trade receivables was covered under credit insurance.

	2010 R'000	2009 R'000	2008 R'000
Ageing profile of trade receivables:			
Up to 3 months	95 908	105 265	
Three to six months	3 419	2 366	1 268
Over six months	4 163	5 345	868
	103 490	112 976	

Trade receivables that are less than three months past due are not considered impaired. As at 28 February 2010, R5 245 530 (2009: R5 235 904) were past due but not impaired. These relate to customers for whom no default is expected.

As at 28 February 2010, trade receivables to the value of R94 105 493 (2009: 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).

	2010 R'000	2009 R'000	2008 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	33 003
Issued during the year	14 814	–	–
Balance at end of year	47 817	33 003	33 003

	Number of shares	Number of shares	Number of shares
Number of shares ('000)			
Under option in terms of the company's "The Sovereign Food Share Incentive Scheme" at 125 cents per share exercisable until 19 September 2010	206	412	412
Under control of the trustees for the purpose of the Sovereign Share Incentive Scheme	–	755	755
Under the control of the directors until the next annual general meeting	1 977	15 830	15 830
Ordinary shares in issue	47 817	33 003	33 003
Authorised ordinary shares	50 000	50 000	50 000

	2010 R'000	2009 R'000	2008 R'000
6. SHARE PREMIUM			
Balance at beginning of year	14 305	14 305	34 602
Dividend paid	–	–	(20 297)
Rights offer	119 592	–	–
Balance at end of year	133 897	14 305	14 305

7. INTEREST-BEARING BORROWINGS

Secured

Loan 1

Secured cash credit facility to the value of R30 000 000 (2009: R30 000 000) with no fixed terms of repayment. Interest is charged at a rate that fluctuates with prime lending less 1%. Trade receivables of R94 105 493 (2009: 102 781 307) and inventory of R6 432 000 (2009: R7 200 681) of a subsidiary of the Group have been ceded as Security for this facility

29 972	30 000	30 000
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Loan 2

Secured loan repayable in monthly instalments of R602 964 (2009: R715 448). Interest is charged at a rate that fluctuates with prime lending rates. Secured by first mortgage bond over certain land and buildings with a carrying value of R214 718 704 (2009: R194 357 073)

57 281	65 134	71 783
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Loan 3

Secured loan repayable in monthly instalments of R82 013 (2009: R83 333; 2008: R83 333) (2008:13,05%; 2007: 13,05%) per annum. Secured by first mortgage bond over certain land and buildings with a cost of R214 718 704 (2009: 194 357 073; 2008: R114 870 713)

6 889	7 957	8 833
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Loan 4

Secured loan repayable in monthly instalments of R516 500 (2009: 715 448). Interest is charged at a rate that fluctuates with prime lending rates. Secured by first mortgage bond over certain land and buildings with a carrying value of R214 718 704 (2009: 194 357 073)

50 616	57 344	–
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Loan 5

Secured loan repayable in monthly instalments of R249 945 (R565 328) of repayment. Interest is charged at a rate that fluctuates with the prime lending rates. Secured by first mortgage bond over certain land and buildings with a cost of R214 718 704 (2009: R194 357 073)

26 744	30 358	–
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	2010 R'000	2009 R'000	2008 R'000
Loan 6			
Secured loan repayable in monthly instalments of R499 826 (2009: R570 305; 2008: R416 666). Interest is charged at 10,9% (2009: 10.9%; 2008: 10,9%) per annum.			
Secured by first mortgage bond over certain land and buildings with a carrying value of R214 718 704 (2009: R194 357 073; 2008: R114 870 713)	44 237	39 607	44 583
Loan 7			
Secured loan repayable in monthly instalments of R596 000 (2009: R596 000). Interest is charged at rates that fluctuate with prime lending rates less 0,75%. Secured by first mortgage bond over certain land with a carrying value of R45 905 285 (2009: 48 936 447; 2008: R70 000 000)	34 844	40 148	-
Loan 8			
Secured loan repayable in monthly instalments of R440 101 (2009: R315 967; 2008: R306 449).			
Interest is charged at a rate that fluctuates with prime lending rates less 0.75%. Secured by first mortgage bond over certain land and buildings with a cost of R31 601 827 (2009: R31 965 137)	24 827	25 000	-
Loan 9			
Secured loan repayable in quarterly instalments of R424 796 (2009: R450 883). Interest is charged at a rate that fluctuates with prime lending rates less 0.75%. Secured by first mortgage bond over certain land and buildings with a carrying value of R37 147 269 (2009: R20 280 799)	6 411	7 324	7 952
Loan 10			
Secured loan repayable in monthly instalments of R684 669 (2009: Nil). Interest is charged at a rate that fluctuates with prime lending rates less 0.75%. Secured by first mortgage bond over certain land and buildings with a carrying value of R58 718 936 (2009: Nil)	47 681	-	-
Loan 11			
Secured loan repayable in monthly instalments of R418 944 (2009: Nil). Interest is charged at a rate that fluctuates with prime lending rates less 0.75%. Secured by first mortgage bond over certain land and buildings with a carrying value of R44 513 276 (2009: Nil)	29 970	-	-
Loan 12			
Secured loans with no fixed terms of repayment. Interest is charged at a rate that fluctuates with prime lending rates less 0.75%. Secured by first mortgage bond over certain land and buildings with a carrying value of R nil (2009: 137 026 454)	-	86 770	-

	2010 R'000	2009 R'000	2008 R'000
Loan 13			
Secured loan repayable in monthly instalments of R403 620 (2009: Nil). Interest is charged at a rate that fluctuates with prime lending rates less 1.7%. Secured by first mortgage bond over certain land and buildings with a carrying value of R24 417 003 (2009: Nil)	30 887	-	-
Loan 14			
Secured loan repayable in monthly instalments of R218 614 (2009: Nil). Interest is charged at a rate that fluctuates with prime lending rates less 1.7%. Secured by first mortgage bond over certain land and buildings with a carrying value of R24 563 125 (2009: Nil)	17 383	-	-
Loan 15			
Secured loan repayable in monthly instalments of R297 236 (2009: Nil). Interest is charged at a rate that fluctuates with prime lending rates less 1.7%. Secured by first mortgage bond over certain land and buildings with a carrying value of R29 114 871 (2009: Nil)	23 633	-	-
Loan 16			
Secured loan repayable in monthly instalments of R51 587 (2009: Nil). Interest is charged at a rate that fluctuates with prime lending rates less 1.7%. Secured by first mortgage bond over certain land and buildings with a carrying value of R2 280 918 (2009: Nil)	4 102	-	-
Loan 17			
Secured loans with no fixed terms of repayment. Interest is charged at a rate that fluctuates with prime lending rates less. Secured by first mortgage bond over certain land and buildings with a carrying value of R nil (2009: 53 510 385) and a revisionary cession of trade receivables with a carrying value of R nil (2009: 102 781 307). Interest rates are charged at rates that fluctuate with prime rates on these agreements	-	49 885	-
Loan 18			
Instalment sale creditors payable in monthly instalments totalling R659 396 (2009: R2 930 276). These liabilities are secured over assets with a carrying value of R113 994 309 (2009: 93 249 547). Interest is charged at a rate that fluctuates with prime lending rates	12 554	102 480	-
Loan 19			
Secured loan repayable in bi-monthly instalments of R53 333 (2009: R53 333). Interest is charged at a rate that fluctuates with prime lending rates less 1.75%. Secured by first mortgage bond over certain land and buildings with a carrying value of R8 516 845 (2009: R8 606 149)	799	1 119	-

	2010 R'000	2009 R'000	2008 R'000
Loan 20			
Secured loan repayable in bi-monthly instalments of R nil (2009: R100 000). Interest is charged at a rate that fluctuates with prime lending rates less 1.25%. Secured by first mortgage bond over certain land and buildings with a carrying value of R nil (2009: R6 000 000)	–	2 600	–
	437 382	543 966	
Unsecured			
Unsecured cash credit facility to the value of R nil (2009: R5 000 000) with no fixed terms of repayment. Interest is charged at prime less 3% (2009: prime less 3%)	–	5 000	–
Total liabilities	437 382	548 966	316 740
<i>Less: Current portion included in current liabilities</i>	76 709	90 985	70 174
	360 673	457 981	246 566
Details of land and building mortgages are contained in a register, setting out the information required by P22(3) 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	6 414	34 860	27 910
Later than one year and no later than five years	7 371	86 632	83 134
Later than five years	–	–	3 446
	13 785	121 492	114 490
Future finance charges on instalment sales	1 231	19 012	27 294
Present value of instalment sale liabilities	12 554	102 480	87 196
The present value of instalment sale liabilities is as follows:			
Less than one year	5 805	24 361	17 808
Later than one year and no later than five years	6 749	78 119	66 366
Later than five years	–	–	3 022
	12 554	102 480	87 196

	2010 R'000	2009 R'000	2008 R'000
8. DEFERRED TAXATION			
Deferred taxation comprises:			
Capital allowances	66 343	72 815	73 585
Revaluation	7 454	7 454	7 454
Livestock	32 320	28 465	21 097
Provisions and other temporary differences	(1 127)	(1 241)	(579)
Tax losses	(3 937)	(10 431)	(2 938)
	101 053	97 062	98 619
The movement in deferred taxation was as follows:			
Balance at beginning of year	97 062	98 619	75 115
Current (reversal)/charge	3 991	(1 557)	23 504
Temporary differences	(2 503)	5 936	31 129
Rate change	(2 591)		
(Increase)/decrease in tax loss	6 494	(7 493)	(5 034)
Balance at end of year	101 053	97 062	98 619
Deferred tax assets amounting to R3 157 231 (2008: R3 112 560; 2007: R57 960) relating to one of the Group companies has not been raised as it is not probable that this company will make future profits.			
9. TRADE AND OTHER PAYABLES			
Trade payables	139 836	133 720	101 074
Accruals	12 251	27 032	3 200
Payroll and government levies	6 845	8 086	(15)
Discounts	2 533	3 933	496
Interest	1 533	3 916	610
Other	1 340	11 097	2 109
	152 087	160 752	104 274
10. INCOME BEFORE FINANCE COSTS			
Income before finance costs is arrived at after taking into account:			
Expense items			
Auditors' remuneration:			
Audit fees	324	286	212
Share-based payments	594	44	57
Depreciation of property, plant and equipment	26 696	20 364	13 207
Property rentals	983	623	1 164
Operating leases of office and other equipment	4 117	5 632	7 942
Staff costs	183 730	159 216	111 827
Loss on disposal of property, plant and equipment and commercial vehicles	724	–	6 187
Loss on derivative instruments	141	63	11 857
11. NET FINANCE COSTS			
Interest on debt – bank borrowings	69 507	61 803	18 504
Interest received – short-term bank deposit	(6 641)	(5 630)	(7 592)
	62 866	56 173	10 912

	2010 R'000	2009 R'000	2008 R'000
12. TAXATION			
Current taxation			
SA normal taxation	–	(3 477)	(6 793)
– current year			(7 452)
– prior year under/(over) provision	–	(3 477)	659
Deferred taxation	3 991	(1 557)	23 504
– current year	3 991	(1 557)	26 095
– change in rate	–	–	(2 591)
Taxation (credit)/charge	3 991	(5 034)	16 711

The estimated taxation losses of certain subsidiaries available for set-off against future taxable income amounts to R223 337 952 (2008: R123 602 784; 2007: R21 581 180).

In addition to the above, the group has future capital allowances available for set-off against future taxable income to the value of R171 440 949 (2009: R220 440 227; 2008: R216 992 495).

Reconciliation of taxation rate	%	%	%
Normal rate of company taxation	28.0	28.0	29.0
Overprovision from prior year	–	63.1	–
Permanent differences	2.8	–	–
Tax loss utilised	(4.3)	–	(2.7)
Effective taxation rate	91.1	91.1	26.3

During 2009, 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 Group Provident fund scheme, retirement benefits for most 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 between 15.5% and 16.0% of pensionable emoluments, of which members pay between 6.0% and 6.5%.

	2010 R'000	2009 R'000	2008 R'000
Total value of current service contributions to the schemes	7 398	6156	4 367
Proportion of total employees covered (%)	94.0	86.5	97.1

	2010 R'000	2009 R'000	2008 R'000
14. CASH GENERATED FROM OPERATIONS			
(Loss)/Profit before taxation	15 060	(5 526)	63 427
Interest received	(6 641)	(5 630)	(7 592)
Interest paid	69 507	61 803	18 504
Depreciation	26 696	20 365	13 207
Loss on disposal of assets	724	–	–
Movement on share option scheme	594	44	57
Operating profit/(loss) before working capital changes	105 940	71 056	87 546
Working capital changes			
Increase in inventories	(4 886)	(12 821)	(1 808)
Increase in biological assets	(9 245)	(22 144)	(30 511)
(Increase)/Decrease in trade and other receivables	6 770	(68 697)	(9 761)
Increase in trade and other payables	(10 768)	58 650	65 588
Increase in amounts owing from subsidiaries	–	–	–
Increase in amounts owing to subsidiaries	–	–	–
	(18 129)	(45 012)	23 508
Cash generated from operating activities	87 811	26 044	111 054
15. CASH AND CASH EQUIVALENTS			
Bank balances and cash on hand	54 228	82 679	125 154
16. CAPITAL COMMITMENTS			
Authorised			
Contracted	–	2 802	65 941
Not contracted for	25 000	56 241	244 059
To be expended within one year	25 000	59 043	310 000
This capital expenditure will be financed as follows:			
Cash generated from current operations	25 000	49 043	51 025
Long-term finance	–	10 000	258 975
	25 000	59 043	310 000

	2010 R'000	2009 R'000	2008 R'000
17. (LOSS)/EARNINGS PER SHARE			
17.1 Earnings/(loss) per share			
The calculation of earnings/(loss) per ordinary share is based on earnings attributable to ordinary shareholders of R11 069 119 (2009: (R492 081); 2008: R46 716 034) and a weighted average of 36 087 459 (2009: 33 002 930; 2008: 32 608 028) ordinary shares in issue.			
Earnings/(loss) per share	30.7	(1.5)	141.6
17.2 Diluted earnings/(loss) per share			
The calculation of diluted earnings/(loss) per ordinary share is based on earnings attributable to ordinary shareholders of R11 069 119 (2009: (R492 081) and a weighted average of 36 550 389 (2009: 33 341 513;) diluted ordinary shares in issue.			
Diluted earnings/(loss) per share	30.3	(1.5)	
17.3 Headline earnings/(loss) per share and diluted			
The calculation of headline earnings/(loss) per share is based on net profit attributable to ordinary shareholders of R11 657 856 (2009: (R492 081); 2008: R51 154 542) and a weighted average of 36 087 459 (2009: 33 002 930; 2008: 33 002 930) ordinary shares in issue.			
Headline (loss)/earnings per share	32.3	(1.5)	155.0
17.4 Diluted headline earnings/(loss) per share			
The calculation of diluted headline earnings per share is based on net profit attributable to ordinary shareholders of R11 657 856 (2009: (R492 081); 2008: R51 154 542) and a weighted average of 36 550 389 (2009: 33 341 513; 2008: 33 373 729) ordinary shares in issue.			
Diluted headline (loss)/earnings per share	31.9	(1.5)	153.3
17.5 Reconciliation between earnings and headline earnings for the year ended 28 February 2010			
	Profit from ordinary activities	Taxation	Net loss
As per annual financial statements	15 060	(3 991)	11 069
Loss on sale of fixed asset	724	(135)	589
Headline profit	15 784	(4 126)	11 658

17. (LOSS)/EARNINGS PER SHARE (continued)

17.5 Reconciliation between earnings and headline earnings (continued) for the year ended 28 February 2009

	Loss from ordinary activities	Taxation	Net loss
As per annual financial statements	(5 526)	5 034	(492)
Loss on sale of fixed asset	–	–	–
Headline loss	(5 526)	5 034	(492)

Reconciliation between earnings and headline earnings for the year ended 29 February 2008

	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

17.6 Diluted earnings per share

The Company has two categories of potentially dilutive ordinary shares, The Sovereign Food Investments Share Incentive Scheme and The Sovereign Foods Investments Limited 2007 Share Plan.

The Sovereign Food Investments Share Incentive Scheme has been taken into account in relation to the calculation of the possible dilution.

Although a charge has been taken against income in relation to The Sovereign Foods Investments Limited 2007 Share Plan, The Sovereign Foods Investments Limited 2007 Share Plan has not been taken into account in relation to the calculation of the possible dilution due to the uncertainty concerning the achievement of the vesting criteria relating to the scheme.

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.

Reconciliation of weighted number of ordinary shares for diluted earnings per share

	2010	2009	2008
Weighted average number of ordinary shares	36 087 459	33 002 930	33 002 930
Bonus element of share options issued	462 930	338 583	370 799
Weighted average number of diluted ordinary shares	36 550 389	33 341 513	33 373 729

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 the group structure on page 6 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. RELATED PARTIES (continued)

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	R19 768 817 (2009: R12 274 215; 2008: R15 455 235)
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 R278 227 422 (2009: R97 266 377; 2008: nil) were sold to The Spar Group of which M J Hankinson is chairman of the board. At year-end R29 708 850 (2009: R41 832 884; 2008: nil) was outstanding. All sales are at commercial terms.
- 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 R nil (2008: R nil; 2007: R148 812) was paid to the Charlewood Property Trust of which C G 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.
- Cattle and rentals to the value of R750 000 (2009: R nil) were sold to the the Davis Farming Trust of which M J B Davis is a trustee. At year-end R nil (2009: R nil) was outstanding. All sales are on commercial terms.

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, 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 the year-end, the Group had met all stipulations required of them.

20. RISK MANAGEMENT (continued)

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 100 bps adjustment to the interest rate would be a maximum of R314 910 (2009: R395 000; 2008: R316 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 statement of financial position date, there was one significant concentration of credit risk, namely, The Spar Group Limited, which accounted for 29% of the outstanding trade receivables.

The Group has a policy of insuring specific trade receivables with reputable insurance companies. At statement of financial position date, R39 676 402 (2009: R nil; 2008: R nil) was covered under such policies.

20.4 Price risk

The Group is exposed to commodity price risk. To manage its price risk, the Group enters into commodity futures to hedge changes in the market prices. Based on simulations performed, the impact on post-tax profit and equity of a 5% variation in the net sales value (NSV) would be R38 025 308 (2009: R32 588 000 2008: R29 million). The simulations are performed on a monthly basis to determine the impact of the NSV 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 2010, the Group held nil (2009: nil; 2008: nil) 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, 41% (2009: 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.

20. RISK MANAGEMENT (continued)

20.6 Liquidity risk (continued)

	Within one year R'000	Between two to five years R'000	More than five years R'000	Total R'000
The maturity profile of the financial liabilities is analysed below:				
2010				
Borrowings	76 709	183 468	177 205	437 382
Trade and other payables	157 268	–	–	157 268
	233 977	183 468	177 205	594 650
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 statement of financial position, 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. At year-end there were no open forward exchange positions.

The notional principal amounts of outstanding forward foreign exchange contracts at 28 February 2010 were US\$ nil (2009: US\$4 497; 2008: US\$684 941) and € nil (2009: €38 427; 2008: €2 355 625). The forward foreign exchange contracts are raised in respect of liabilities to the value of R nil (2009: R533 750; 2008: R30 314 540) at year-end, which are included in trade creditors.

	Salary R'000	Performance- related bonus R'000	Provident fund contri- butions R'000	Fringe benefits R'000	Medical benefits R'000	2010 Total R'000	2009 Total R'000	2008 Total R'000
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21. DIRECTORS' AND KEY MANAGEMENT'S REMUNERATION

Executive directors

M J B Davis	2 622	377	372	211	142	3 724	3 251	4 355
C Coombes	1 986	260	276	194	77	2 793	2 486	3 160
B J van Rensburg	1 327	153	78	106	106	1 692	1 530	1 617
G G Walter	2 068	77	108	-	-	2 253	1 686	731
M P Manley	-	-	-	-	-	-	-	439
	8 003	-	801	511	247	10 462	8 953	10 302

Non-executive directors

C P Davies	1060	-	-	-	-	1060	979	698
M J Hankinson	294	-	-	-	-	294	263	88
KT Kweyama	278	-	-	-	-	278	218	105
P M Madi	294	-	-	-	-	294	248	105
L M Nyhonhya	371	-	-	-	-	371	336	118
B R Cape	-	-	-	-	-	-	-	38
B A Spanjaard	-	-	-	-	-	175	-	-
	2 297	-	-	-	-	2 297	2 044	1 327

All emoluments received by executive directors are for managerial services. Executive directors do not have service contracts. All emoluments received by non-executive directors are for services as directors.

Directors' interest in share Incentive scheme options	Date option granted	Type	Option price per share at 28 February 2010	Number of options outstand- ing at 28 February 2010	Number of options outstand- ing at 28 February 2009	Number of options outstand- ing at 29 February 2008
Executive directors						
M J B Davis	1 March 2008	PS	n/a	1 200 000	1 200 000	-
M J B Davis	1 March 2008	SAR	1 191c	647 500	647 500	-
M J B Davis	1 March 2009	PS	n/a	440 000	-	-
M J B Davis	1 March 2009	SAR	450c	96 250	-	-
C Coombes	1 March 2008	PS	n/a	900 000	900 000	-
C Coombes	1 March 2008	SAR	1 191c	478 333	478 333	-
C Coombes	1 March 2009	PS	n/a	330 000	-	-
C Coombes	1 March 2008	SAR	450c	64 166	-	-
B J van Rensburg	1 March 2008	PS	n/a	275 000	275 000	-
B J van Rensburg	1 March 2008	SAR	1 191c	175 000	175 000	-
B J van Rensburg	19 Sept 2003	n/a	125c	83 333	83 333	83 333
B J van Rensburg	1 March 2009	PS	n/a	82 500	-	-
B J van Rensburg	1 March 2009	SAR	450c	82 500	-	-
G G Walter	1 March 2008	PSM	n/a	75 000	75 000	-
G G Walter	1 March 2008	SAR	1 191c	75 000	75 000	-
G G Walter	1 March 2009	PS	n/a	82 500	82 500	-
G G Walter	1 March 2009	SAR	450c	82 500	82 500	-
M P Manley	n/a	n/a	See note below	See note below	See note below	183 333
				5 127 916	3 909 166	266 666

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

M P Manley resigned as director of Sovereign Food Investments Limited during the 2009 year.

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 statement of comprehensive income 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 2010				
Future minimum lease payments	37 930	52 028	75	90 033
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

23. PURCHASING CONTRACTS

At 28 February 2010, the Group had entered into negotiations to enter into maize contracts for the coming year. The value of these contracts is R178 200 000 (2009: R166 500 000). Two banks will issue guarantees to the value of R22 000 000 (2009: R19 000 000; 2008: R nil) in favour of these maize purchases.

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 sustained. The total claim is for R4 600 000 (the effect of which would be R3 266 000 after taxation). During the period, the legal action went to the High Court and was dismissed. However, the contractor has appealed this dismissal. The Group is therefore of the opinion that the claim is unlikely to be successful and accordingly no provision has been made.

25. RESOLUTIONS PASSED

No 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					
2010					
Leave pay	4 513	627	–	–	5 140
Provision for onerous contracts	759	–	718	–	41
Provision for water and electricity	2 012	–	2 012	–	–
	7 284	627	2 730	–	5 181
2009					
Leave pay	3 248	1392	(127)	–	4513
Provision for litigation	838	–	(838)	–	–
Provision for onerous contracts	751	631	(623)	–	759
Provision for water and electricity	275	1 737	–	–	2012
	5112	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			2010	2009	2008
			R'000	R'000	R'000
Non-current			–	153	751
Current			5 181	7 131	4 361
			5 181	7 284	5112

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, scaled down operations and therefore the contracts have become onerous as the benefits of having the contracts in place are exceeded by the obligation to pay the lease rentals. A provision is therefore required by the accounting standards and such a provision has been raised in the prior years. The provision raised is the lesser of cost to cancel/complete the contracts 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

Post year-end, the Group outsourced the transport of its frozen product to Hestony Transport (Pty) Limited. This took effect on 12 April 2010. There are no onerous or outstanding contracts related to this which would have a negative impact on the Group's annual financial statements.

28. SHARE-BASED PAYMENTS

The Group operates three equity-settled share-based payment arrangements, namely the performance share plan, the share-appreciation rights plan and the Sovereign Food Investments Share Incentive Scheme.

28.1 Performance share plan:

The Group operates a performance share plan (PS) under which executive directors and selected employees are granted conditional awards of ordinary shares in the Group, 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 2009, a maximum of 1 173 920 (2009: 2 662 000) conditional shares were awarded.

50% of the award 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 is inflation plus 2%.

The information in relation to the performance share awards are:

	Performance shares		
	2010	2009	2008
Outstanding at beginning of year	2 608 300	–	–
Granted during year	1 173 920	2 662 000	–
Forfeited during year	(1 200)	(53 700)	–
Exercised during year	–	–	–
Expired during year	–	–	–
Outstanding at end of year	3 781 020	2 608 300	–

The Group has taken a charge of R656 765 (2009: R nil; 2008: R nil) in the current year in respect of expected future vestings

28.2 Share-appreciation rights plan

The Group operates a share-appreciation rights plan (SAR) under which executive directors and selected employees are granted options to purchase ordinary shares in the Group, which are exercisable between three to five years after the date of grant. Certain performance criteria have to be met for the options to vest. On 1 March 2009, a maximum of 823 166 (2009: 1 799 083) were granted.

The initial strike price of the options on 1 March 2009 was R4.50 (2009: R11,91) per share. A hurdle rate of 2% over inflation year-on-year has been set in order for the options to vest.

The information in relation to the share-appreciation rights are:

	Share appreciation rights		
	2010	2009	2008
Outstanding at beginning of year	1 715 333	–	–
Granted during year	–	1 799 083	–
Forfeited during year	(6 000)	(83 750)	–
Exercised during year	–	–	–
Expired during year	–	–	–
Outstanding at end of year	2 535 499	1 715 333	–
Exercisable at end of year	–	–	–

28. SHARE-BASED PAYMENTS (continued)

28.2 Share-appreciation rights plan (continued)

The Group has taken a charge of R176 642 (2009: R nil; 2008: R nil) in the current year in respect of expected future vestings.

28.3 The Sovereign Food Investments Share Incentive Scheme

The Group operates a share-appreciation rights plan (SAR) under which executive directors and selected employees are granted options to purchase ordinary shares in the Group, which are exercisable between three to five years after the date of grant. Certain performance criteria have to be met for the options to vest. On 1 March 2009, a maximum of 823 166 (2009: 1 799 083) were granted.

The initial strike price of the options on 1 March 2009 was R4.50 (2009: R11,91) per share. A hurdle rate of 2% over inflation year-on-year has been set in order for the options to vest.

The information in relation to the share-appreciation rights are:

	2010	Options 2009	2008
Outstanding at beginning of year	412 000	412 000	417 000
Granted during year	-	-	-
Forfeited during year	-	-	-
Exercised during year	-	-	(5 000)
Expired during year	(206 000)	-	-
Outstanding at end of year	206 000	412 000	412 000
Exercisable at the end of the year	206 000	206 000	125 000

The weighted average share price at the date of exercise for those options exercised during the year was nil (2009: nil; 2008: nil). At year-end, the options have a weighted average useful life of 0,5 years (2009: 1,5 years).

29. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables at amortised cost R'000	Financial liabilities at amortised cost R'000
2010		
Assets per the statement of financial position:		
Trade and other receivables	103 449	–
Cash and cash equivalents	54 228	–
Loans to subsidiary	–	–
	157 677	–
Liabilities per the statement of financial position:		
Trade and other payables	–	152 087
Borrowings	–	437 382
Loans from subsidiaries	–	–
	–	589 469
2009		
Assets per the statement of financial position:		
Trade and other receivables	113 325	–
Cash and cash equivalents	82 679	–
Loans to subsidiary	–	–
	196 004	–
Liabilities per the statement of financial position:		
Trade and other payables	–	160 752
Borrowings	–	548 966
Loans from subsidiaries	–	–
	–	709 718
2008		
Assets per the statement of financial position:		
Trade and other receivables	44 628	–
Cash and cash equivalents	125 154	–
Loans to subsidiary	–	–
	169 782	–
Liabilities per the statement of financial position:		
Trade and other payables	–	104 274
Borrowings	–	316 740
Loans from subsidiaries	–	–
	–	421 014

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 2010:

RESULTS FOR THE PERIOD UNDER REVIEW

During the period under review the Group experienced very difficult trading conditions. This was as a result of national poultry prices declining by 13,9% compared to the same period last year. During the six months ended 31 August 2010 pricing was placed under severe pressure due to oversupply of poultry in the market. Producers and importers had increased volumes in anticipation of additional demand for the 2010 World Cup.

As a result, the Group's poultry prices declined by 10,4% compared to the six months ended 31 August 2009 ("comparative period") and this had the effect of reducing revenues for the period under review by R61 million. As a result of this, EBITDA margins declined from 14,3% in the comparative period to 8,2%.

The Group has however had a strong period operationally. Improvements have been achieved in all key performance indicators ("KPI's"). The substantial investment the Group has made over the last three years in high quality poultry production assets has begun to show benefits. Key highlights have been:

- significant improvement in FCR resulting in a 13% reduction in the feed cost per kg sold;
- improved bird health and a considerable decline in farm mortalities;
- poultry performance ahead of breed standards;
- improved product quality standards;
- 30% decline in frozen transport costs;
- reduction in the cost of feed-milling.

These improvements have been achieved over the period under review with each month reflecting a continually improving trend. The expectation is that these trends will continue and provide a strong underpin for improved business performance into the future. Despite the previous period of intense corporate action, levels of staff motivation inside the business remains extremely strong as a result of the improving business performance in each of the KPI areas.

As a result of the outsourcing of the frozen transport division undertaken in April 2010 and staff restructuring carried out in August 2010, the Group incurred once-off costs in the amount of R6,5 million. Partly as a result of this, non-feed costs increased by 7,6%.

The Group was also challenged by high electricity cost increases during the period under review with the local municipality imposing a 22% tariff increase with effect from 1 July 2010.

Notwithstanding the cost challenges outlined above, the Group was able to decrease its total cost of production per kg sold by 3,4% compared to the comparative period. After accounting for the once off costs of R6,5 million, the decrease in total cost of production per kg sold would have been 4,6%.

As a result of the Rights Offer concluded in December 2009 and the lower prime interest rate, finance charges declined by 22,9% compared to the comparative period.

Gearing and cash management remains a focus area for management and the Board of Directors of Sovereign ("the Board") and despite the difficult trading conditions, the Group managed to keep net gearing at 92% which is the same as at 28 February 2010. As a result of this focus, net working capital declined by R4 million from the end of the previous financial year.

As at 31 August 2010, the Group changed the classification of its overdraft facilities to a separate line item under current liabilities on the Statement of Financial Position. Previously, the overdraft facilities were classified in the short-term portion of the long-term liabilities line item. The overdraft facilities in the short-term portion of the long-term liabilities as at 28 February 2010 and 31 August 2009 were R30 million at each reporting date.

PROSPECTS

The key challenges that the Group face's in the coming six months are a continued weakness in poultry prices and higher volatility in feed raw material markets.

Whilst poultry prices have already strengthened in accordance with seasonal norms, further plans are in place to secure higher poultry prices. These include:

- Finalising an enhancement to its processing facilities. This will allow the production of a range of key poultry products that cannot currently be produced. It is anticipated that this product range will allow the group to move a significant portion of its production into key products that will provide a substantial buffer against the current weak poultry pricing. The new production facilities are scheduled to come on stream at the end of November 2010.
- The completion of a larger cold storage facility will allow increased flexibility in satisfying customer demand.

To mitigate the higher volatility in feed raw material prices, the Group has a procurement practice that has resulted in 75% of the maize requirement for the coming six months being secured at prices at the same level of current SAFEX December 2010 white maize futures. In addition, 40% of the Group's soya requirement for the period has also been secured.

The Group is also pleased to announce that a new contract grower will come on stream by mid-December 2010 who will add 5% to the Group's dedicated farming facilities.

In order to address the challenge of land redistribution, the Group is in the process of transferring ownership of one of its farms into broad based black economic empowerment ownership. This transaction, which is subject to certain conditions, will have the effect of reducing debt by R36 million.

ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the date of transition to IFRS for the Group being 1 March 2005 and comply with the requirements of International Accounting Standard 34 – Interim Financial Reporting and the AC 500 standards as issued by the Accounting Practices Board. The accounting policies are consistent with those applied by the Group for the year ended 28 February 2010.

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 considers it prudent not to declare an interim dividend for the period under review.

Statement of Comprehensive Income

	Unaudited six months ended 31 August		Audited year ended 28 February
	2010 R'000	2009 R'000	2010 R'000
Revenue	527 601	544 968	1 056 203
Operating income/(loss)	43 259	77 637	104 622
Depreciation	15 772	12 022	26 696
Profit/(loss) before interest and taxation	27 487	65 615	77 926
Net interest paid	25 730	33 375	62 866
Net operating income/(loss)	1 757	32 240	15 060
Normal and deferred taxation	492	8 991	3 991
Retained earnings/(accumulated loss) for the period	1 265	23 249	11 069
Weighted average number of shares in issue ('000)	47 817	33 003	36 087
Earnings/(loss) per share (cents)	2,7	70,5	30,7
Headline earnings/(loss) per share (cents)	2,7	70,5	32,3
Diluted earnings/(loss) per share (cents)	2,6	70,3	30,3
Diluted headline earnings/(loss) per share (cents)	2,6	70,3	31,9
Reconciliation between earnings/(loss) and headline earnings/(loss)			
Earnings/(loss) after taxation	1 265	23 249	11 069
Reconciling items:	–	–	589
Headline earnings/(loss) after taxation	1 265	23 249	11 658

Statement of Financial Position

	Unaudited six months ended 31 August		Audited year ended 28 February
	2010 R'000	2009 R'000	2010 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	823 105	813 587	814 262
Current assets			
Cash and cash equivalents	77 485	104 510	54 228
Inventory and biological assets	140 547	121 015	138 554
Trade and other receivables	115 094	87 820	106 555
Total assets	1 156 231	1 126 932	1 113 599
EQUITY AND LIABILITIES			
Capital and reserves			
Equity	419 161	309 503	417 896
Interest-bearing debt	384 049	536 830	437 382
Long-term portion	336 729	446 406	360 673
Short-term portion	47 320	90 424	76 709
Deferred taxation	101 544	106 054	101 053
Trade and other payables	171 888	174 545	157 268
Total equity and liabilities	1 156 231	1 126 932	1 113 599

Statement of Cash Flows

	Unaudited six months ended 31 August		Audited year ended 28 February
	2010 R'000	2009 R'000	2010 R'000
Cash generated/(utilised) from operations before working capital changes	43 259	77 637	105 940
Changes in working capital	(25 973)	35 422	(18 129)
Cash generated/(utilised) from operating activities	17 286	13 059	87 811
Net interest paid	(25 730)	(33 375)	(62 866)
Taxation received/(paid)	–	–	–
Net cash flows from operating activities	(8 444)	79 684	24 945
Net cash flows from investing in property, plant and equipment	(24 615)	(45 479)	(61 552)
Net cash flows from debt (repaid)/raised	(23 333)	(12 374)	8 156
Net increase/(decrease) in cash and cash equivalents	(56 392)	21 831	(28 451)
Net cash and cash equivalents at beginning of period	54 288	82 679	82 679
Net cash and cash equivalents at end of period	2 104	104 510	54 228

	28 February 2010 R'000	Net profit for the period R'000	Share- based payments R'000	31 August 2010 R'000
Share capital	478	–	–	478
Share premium	133 897	–	–	133 897
Share-based payments	895	–	–	895
Revaluation reserve	28 848	–	–	28 848
Retained earnings	253 778	1 265	–	255 043
	417 896	1 265	–	419 161

	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

TABLE OF ENTITLEMENT TO RIGHTS SHARES

The rounded number of Rights Shares to which a participant in the Rights Offer is 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	22	67	44
2	1	35	23	68	45
3	2	36	24	69	46
4	3	37	24	70	46
5	3	38	25	71	47
6	4	39	26	72	48
7	5	40	26	73	48
8	5	41	27	74	49
9	6	42	28	75	50
10	7	43	28	76	50
11	7	44	29	77	51
12	8	45	30	78	52
13	9	46	30	79	52
14	9	47	31	80	53
15	10	48	32	81	53
16	11	49	32	82	54
17	11	50	33	83	55
18	12	51	34	84	55
19	13	52	34	85	56
20	13	53	35	86	57
21	14	54	36	87	57
22	15	55	36	88	58
23	15	56	37	89	59
24	16	57	38	90	59
25	17	58	38	91	60
26	17	59	39	92	61
27	18	60	40	93	61
28	18	61	40	94	62
29	19	62	41	95	63
30	20	63	42	96	63
31	20	64	42	97	64
32	21	65	43	98	65
33	22	66	44	99	65

PRICE HISTORY OF SOVEREIGN SHARES ON THE JSE

Daily

Date	High (C)	Low (C)	Volume	Value (Rand)
07-Jan-11	690	690	4 450	30 705
06-Jan-11	0	0	0	0
05-Jan-11	688	688	4 000	27 520
04-Jan-11	700	700	4 200	29 400
03-Jan-11	700	700	6 810	47 670
31-Dec-10	640	640	4 076	26 086
30-Dec-10	0	0	0	0
29-Dec-10	0	0	0	0
28-Dec-10	631	631	600	3 786
24-Dec-10	630	630	600	37 800
23-Dec-10	645	645	2 980	19 221
22-Dec-10	645	630	190 062	1 216 701
21-Dec-10	680	630	37 110	236 291
20-Dec-10	625	611	2 850	17 651
17-Dec-10	625	611	5 500	34 305
15-Dec-10	680	625	19 750	127 249
14-Dec-10	590	580	132 851	781 836
13-Dec-10	580	580	17 241	99 997
10-Dec-10	590	580	23 536	136 761
09-Dec-10	590	575	4 150	24 410
08-Dec-10	590	589	230	1 355
07-Dec-10	0	0	0	0
06-Dec-10	590	590	1 000	5 900
03-Dec-10	0	0	0	0
02-Dec-10	590	590	5 000	29 500
01-Dec-10	0	0	0	0
30-Nov-10	552	552	2 986	16 482
29-Nov-10	600	600	2 000	12 000
26-Nov-10	0	0	3 509	20 317
25-Nov-10	580	580	3800	22 040

Monthly

Month ended	High (C)	Low (C)	Volume	Value (Rand)
December-10	680	575	447 536	2 764 829
November-10	600	490	3 008 753	16 626 739
October-10	530	450	503 972	2 509 000
September-10	565	454	677 220	3 396 544
August-10	575	490	1 470 155	7 702 419
July-10	625	540	1 288 401	7 216 895
June-10	685	600	264 773	1 694 814
May-10	800	620	828 476	5 661 381
April-10	835	800	494 105	4 010 231
March-10	900	803	993 407	8 444 969
February-10	850	805	7 593 877	59 310 243
January-10	850	801	2 960 741	25 147 501

Quarterly

Quarter ended	High (C)	Low (C)	Volume	Value (Rand)
December-09	946	927	4 917 492	45 638 774
September-09	1 110	900	3 387 196	33 600 232
June-09	980	620	9 108 411	67 877 382
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

INFORMATION ON THE UNDERWRITER AND THE SUBSCRIBERS

The following information on the Underwriter and the Subscribers is disclosed in accordance with the Listings Requirements:

Company name	Coronation Asset Management (Proprietary) Limited
Registration number	1993/002807/07
Date of incorporation	1993
Place of incorporation	South Africa
Directors	J A Snalam, H A Nelson, A C Pillay
Company secretary	Y Moodley
Bankers	Nedbank Limited
Authorised share capital	250 000 ordinary shares of R1.00 each
Issued share capital	250 000 ordinary shares of R1.00 each
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, D Knee, 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	Orthogonal Investments (Proprietary) Limited
Registration number	2006/000463/07
Date of incorporation	12 January 2006
Place of incorporation	South Africa
Directors	D G Steenkamp, J C van Niekerk, R E Katz, R P Williams-Short, P C Marais, D C Tembo
Company secretary	Morestata Corporate Services
Bankers	The Standard Bank of South Africa Limited
Authorised share capital	120 000 ordinary shares of R0.01 each
Issued share capital	16 800 ordinary shares of R0.01 each



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: ZAE000152856

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 Sovereign Shares but are issued for the purpose of giving information to Shareholders with regard to the Company. It is intended that 31 578 947 New Sovereign Shares will be issued in terms of the Rights Offer and will thereafter be listed on the JSE.

These revised listing particulars have been prepared on the assumption that the Rights Offer 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 150 000 000 ordinary shares having a par value of 1 cent each and the issued ordinary share capital of the Company will comprise 79 395 734 ordinary shares of 1 cent each.

The Directors, whose names are set out on page 9 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.

The Independent Reporting Accountants, 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 Sole Bookrunner, Corporate Advisor and Sponsor, Attorneys 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.

**Sole Bookrunner,
Corporate Advisor and
Sponsor**

ONE CAPITAL

Attorneys



**Reporting Accountants
and Auditors**



Transfer Secretaries



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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
 JSE code for LA's: SOVN ISIN for LA's: ZAE000152856

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 the following Shareholders beneficially held 5% 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
Old Mutual Group	16 716 471	34.96	27 756 288	34.96
Nedbank Group	5 786 704	12.10	9 608 333	12.10
Sanlam Group	3 707 896	7.75	6 156 648	7.75
	26 211 071	54.81	43 521 269	54.81

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

5. DIRECTORS AND EXECUTIVE MANAGEMENT

5.1 Details of directors

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

5.2 Experience of directors

Brief *curriculum vitae* of the Directors are provided 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 9 of the Circular for the 12 months preceding the date of this 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 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 issue of the Rights Shares by way of the Rights Offer and the related costs as set out in paragraph 23 below, which are to be offset against the share premium are set out below:

	R'000
<i>Authorised</i>	
150 000 000 ordinary shares of 1 cent each	1 500
<i>Issued</i>	
79 395 734 ordinary shares of 1 cent each	794
Share premium	283 581

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

There has been no sub-division or consolidation of Sovereign 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 Sovereign 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 Sovereign Shares.

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

6.2 Issue of Sovereign Shares

No Sovereign Shares were issued by the Company in terms of its share incentive scheme during the preceding three years.

Sovereign concluded a rights offer to Shareholders in December 2009 in which R125.9 million was raised through the issue of 14 813 857 Sovereign Shares at a price of 850 cents per Sovereign Share in the ratio of 51.5017 new shares for every 100 Sovereign Shares held.

6.3 No other listings

The issued Sovereign Shares are listed on the main board of the JSE. No other Sovereign Shares are listed on any other stock exchange.

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

7.1 Audited income statements

The audited historical financial information 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* statement of comprehensive income and statement of financial position reflecting the transaction

The unaudited *pro forma* statement of comprehensive income and statement of financial position, set out in Annexure 1 to this Circular, are provided for illustrative purposes only to provide information about how the Rights Offer may impact on Sovereign's financial position. The unaudited *pro forma* statement of comprehensive income and statement of financial position 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 will be 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 twelve 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 other than as reported on in the Company's published annual financial statements.

There has been no material fact or circumstance that has occurred between the end of the latest financial year of Sovereign and the Last Practicable Date, in so far as not already dealt with in the interim financial information.

9. MATERIAL COMMITMENTS, LEASE PAYMENTS AND CONTINGENT LIABILITIES

9.1 Sovereign had no material capital commitments and contingent liabilities at 28 February 2010, save for paragraph 9.2 below.

9.2 The following lease payments relating to equipment were due at 28 February 2010:

	R'000
Minimum lease payments due on instalment sale liabilities:	
– within one year	6 414
– in second to fifth year inclusive	7 371
– later than five years	–
Present value of minimum lease payments	12 554
Non-current liabilities	6 749
Current liabilities	5 805

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 3 of the Circular. The following material loans are due by Sovereign:

Lender	Description	Amount outstanding as at 28 February 2010 R'000
Land Bank	Secured loan repayable in monthly instalments of R516 500 (2009: R789 559). Interest is charged at the prime lending rate. Secured by first mortgage bond over certain land and buildings with a carrying value of R214 718 704 (2009: R194 357 073)	50 616
Land Bank	Secured loan repayable in monthly instalments of R602 964 (2009 – R715 448) and bearing-interest at the prime lending rate. Secured by first mortgage bond over certain land and buildings with a carrying value of R214 718 704 (2009: R194 357 704)	57 281
		107 897

- 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 and the rights issue of 2009.

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	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 Nov 1999	1998/004984/07	100	100
Rocklands Processed Foods (Pty) Limited	Manufacturing	1 Nov 1999	1998/012501/07	100	100
Rocklands Organics (Pty) Limited	Manufacturing	1 Nov 1999	1999/022991/07	100	100
Chelsea Poultry Farm (Pty) Limited	Manufacturing	1 Nov 1999	1999/022984/07	100	100
Rocklands By-Products (Pty) Limited	Manufacturing	1 Nov 1999	1999/023042/07	100	100
Jeffreys Bay Poultry Farm (Pty) Limited	Manufacturing	1 Nov 1999	1999/023052/07	100	100
Gedults Farm (Pty) Limited	Manufacturing	1 Nov 1999	1999/23041/07	100	100
Pashia Farm (Pty) Limited	Retail holding company	1 Nov 1999	1999/023040/07	100	100
Chicken Barn Holdings (Pty) Limited	Retail operations	1 Nov 2004	2004/029092/07	100	100
Chicken Barn Korsten (Pty) Limited	Retail operations	1 Nov 2004	2004/025711/07	100	100
Chicken Barn Kwadwesi (Pty) Limited	Retail operations	1 Nov 2004	2004/029380/07	100	100
Chicken Barn Uitenhage (Pty) Limited	Retail operations	1 Nov 2004	2004/029131/07	100	100
Chicken Barn Walmer (Pty) Limited	Retail operations	1 Nov 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.

16.5 Sovereign was converted into a public company on 1 May 1995.

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 Sole Bookrunner, 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, neither Sovereign nor its subsidiaries have entered into any material contracts, other than in the ordinary course of business, any time either verbally or in writing, which contain an obligation or settlement that is material to either Sovereign or its subsidiaries at the date of this 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 21 October 2010 that, in terms of a Rights Offer, 31 578 947 ordinary shares of 1 cent each in the issued share capital of Sovereign will be issued at a subscription price of 475 cents per share to raise R150 million. Sovereign entered into an Underwriting Agreement and the Subscription Agreements with the Underwriter and the Subscribers, respectively, in terms of which the Underwriter undertook to partially underwrite the Rights Offer to the extent of the Underwriting Amount and the Subscribers provided the Subscription Undertakings to the extent of the Subscribed Amount.

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 this 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 Sole Bookrunner, Corporate Advisor and Sponsor, Transfer Secretaries, Attorneys and Independent Reporting Accountants have consented in writing to act in the capacities stated and to their names appearing in this 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 this Circular exclusive of VAT, is as follows:

	R'000
Sole Bookrunner, Corporate Advisor and Sponsor – One Capital Advisory (Pty) Ltd	2 500
Underwriting fee – the Underwriter	3 390
Subscriber fee – the Subscribers	1 110
Independent reporting accountant's fee – PKF (Jhb) Inc.	75
Legal fees – Cliffe Dekker Hofmeyr Inc.	400
Transfer Secretary fees – Computershare	40
Printing and other related costs – Ince (Pty) Ltd	400
JSE documentation fee	41
JSE listing fees	92
Estimated	8 000

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, save as set out below:

- during 2009, Sovereign completed a rights offer where R125.9 million was raised through the issue of 14 813 857 new Sovereign Shares to Shareholders at a price of 850 cents per share in the ratio of 51.5017 rights offer shares for every 100 Sovereign shares held. The underwriter, being Prudential, committed R80 million to partially underwrite the rights offer. Prudential was paid a fee of 2.5% of the underwriting amount, being R2 million.

No commissions, discounts, brokerages or other special terms have been granted during the three years preceding the date of this 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 9 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

C Coombes

Chief financial officer

STATEMENT OF CORPORATE PRACTICE AND CONDUCT

Sovereign prides itself on its reputation of 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 of directors 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 has complied fully with the requirements of the King I and King II reports during the period under review. The Group is in the process of reviewing the requirements set out in the King Code of Governance for South Africa, 2009 (the King III Report) and will adopt existing principles if required.

BOARD OF DIRECTORS

The Board currently comprises four executive directors and five 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 three times a year. The Audit Committee comprises non-executive directors L M Nyhonyha (*Chairman*), J A Bester, T Pritchard 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 International & Financial Reporting Standards (IFRS) and JSE reporting requirements. The Audit Committee considers, on an annual basis, and satisfies itself of the appropriateness of the expertise and experience of the Group's Chief Financial Officer. The scope, independence and objectivity of the external auditors was reviewed. The audit firm PKF, and audit partner Mark Daverin, are, in the Committee's opinion, independent of the Company. PKF has been proposed to the shareholders for approval to be the Group's auditor for the 2011 financial year. On an on-going basis, the Committee reviews and approves the fees proposed by the external auditors. The appointment of the external auditor complies with the Companies Act, as amended, and with all other legislation relating to the appointment of external auditors. The nature and extent of non-audit services provided by the external auditors has been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence. The nature and extent of future non-audit services have been defined and preapproved. As at the date of this report, no complaints have been received relating to accounting practices and internal audit of the Company or to the content or auditing of the Company's financial statements, or to any related matter.

HR & REMUNERATION COMMITTEE

The HR and Remuneration Committee meet three times a 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 KT 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 weekly and 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.

EQUAL OPPORTUNITIES

The directors believe in a policy of equitable employment for members of staff drawn from all sectors of the community. The Group meets the conditions and requirements of the Employment Equity Act.

CODE OF ETHICS

With its mission and value statements in mind, the Group has formalised a code of ethics. The code addresses issues to ensure the future success of the Group and the trust and confidence of all its stakeholders.

ENVIRONMENT

Environmental awareness is an integral part of the Group's operations. The Group is committed to ensuring that its operations, packaging and products are as environmentally friendly as possible and also considers the environmental impact of new and existing projects.

ATTENDANCE AT MEETINGS

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

	AGM	Special GM	Directors						Audit Committee			Remuneration Committee		
	1 Jul 2009	4 Nov 2009	21 Apr 2009	29 May 2009	1 Jul 2009	28 Sept 2009	19 Nov 2009	21 Jan 2010	21 Apr 2009	29 Sept 2009	21 Jan 2010	3 Aug 2009	14 Oct 2009	21 Jan 2010
CP Davies	★	★	★	★	★	★	★	★	★	★	★	★	★	★
MJB Davis	★	★	★	★	★	★	★	★	●	●	●	★	★	★
C Coombes	★	★	★	★	★	★	★	★	●	●	●	★	★	★
MJ Hankinson	★	-	★	★	★	★	★	★	★	★	★	n/a	n/a	n/a
Ms 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
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

-] Attendance via conference call
- Attendance as an observer.

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;
- 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

17.9.72 he is not represented at any such meetings during such 6 (six) consecutive months by an alternate director; and

17.9.73 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.

22. EXECUTIVE DIRECTORS

22.1 The directors may from time to time appoint:

- 22.1.1 managing and other executive directors (with or without specific designation) of the company;
- 22.1.2 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.

22.2 Any director appointed in terms of 24.1:

- 22.2.1 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
- 22.2.2 shall not, during the currency of such appointment, be taken into account in determining the rotation of retirement of directors; and
- 22.2.3 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.

22.3 Only a minority of the directors may be so appointed on the basis that they shall not be subject to retirement by rotation.

22.4 The remuneration of a director appointed to any position or executive office in terms of 24.1:

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

22.5 The directors may:

- 22.5.1 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;
- 22.5.2 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;
- 22.5.3 confer such powers with or to the exclusion of or in substitution for any powers of the directors;
- 22.5.4 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		
C P Davies		
Amadlelo Agri (Pty) Limited.	Deputy Chairman	A
Amadlelo Milk Producers Investment Company (Pty) Limited	Chairman	A
Basil Read Holdings Limited	Director	A
Charnay Farming (Pty) Limited	Director	A
East Cape Farmers Trading Company	Director	A
Eastern Produce Cape (Pty) Limited	Director	R
Profert Eastern Cape (Pty) Limited	Director	A
The Land and Agriculture Development Bank of South Africa	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
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

COMPANY	DESIGNATION	ACTIVE/ RESIGNED
Prof P M Madi		
Allcare Medical Administrators (Pty) Limited	Chairman	A
Ilovo 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
KT 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
JA Bester		
Clicks Group Limited	Non-Executive Director	A
Western Province Rugby (Pty) Limited	Non-Executive Director	A
Homechoice Holdings Limited	Non-Executive Director	A
Personal Trust International Limited	Non-Executive Director	A
The House of Aloes	Non-Executive Director	A
Barnard Jacobs Mellet Holdings Limited	Chairman	R
Paramount Property Fund Limited	Non-Executive Director	R
Western Province Professional Cricket	Non-Executive Director	R
Amjab Properties	Member	R
Western Cape Cricket	Non-Executive Director	R
Amjab Financial Services	Member	A
Investment Data Nominees	Non-Executive Director	A
JGA Apartment	Member	A
T Pritchard		
Astral Foods Limited	Executive Director	R
Famous Brands Limited	Executive Director	R
Suidwes Beherend	Non-Executive Director	R
Lodestone Brands (Pty) Limited	Executive Director	A

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	Portion 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 Riethuwel 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

