sovereignfoods™
full of goodness

Sovereign Food Investments Limited

Annual Report | 2009

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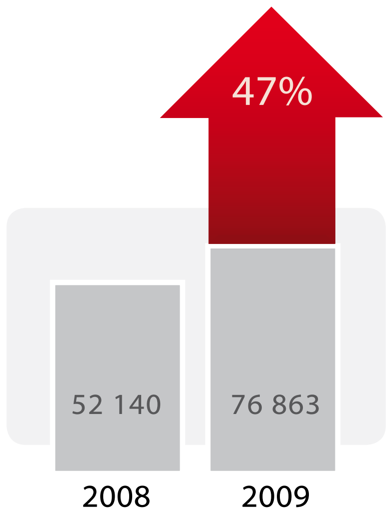
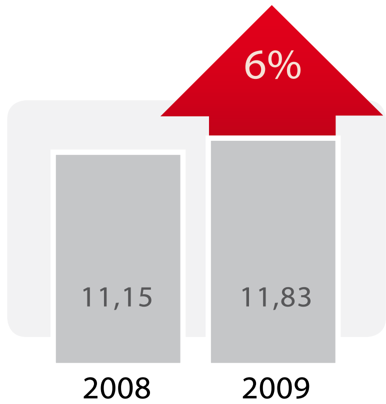
FINANCIAL HIGHLIGHTS

2009 proved to be a challenging year for the industry as a whole. Despite a substantial loss in the first half of the year, Sovereign staged a strong recovery in the second half of the year.

REVENUE (R'000)



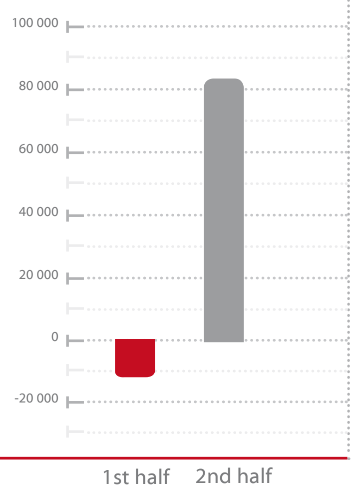
VOLUME (TONS)



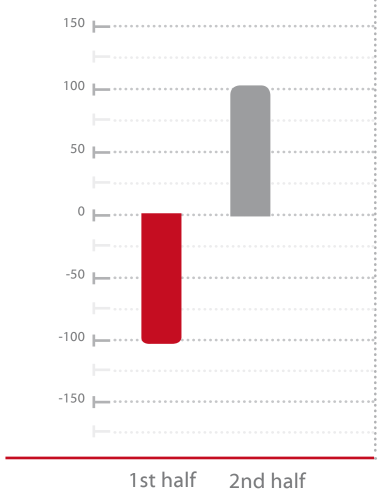
SELLING PRICE (R/kg)

2009

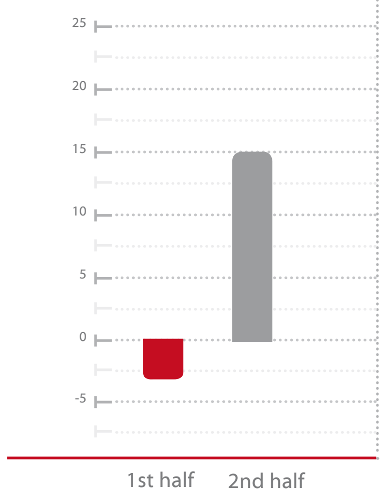
EBITDA (R'000)



Earnings per share (cents)



Operating margin (%)



PRODUCING POULTRY

Since 1948

Since its inception in 1948, Sovereign has grown from a small Eastern Cape operation to a JSE-listed company, to become one of the most important poultry suppliers in South Africa. The company has seen and played a role in chicken becoming the preferred source of protein in the country, a trend which continues to grow every year.

Sovereign is currently one of South Africa's largest poultry producers with a weekly production of 900 000 chickens, all of which are packed as various frozen chicken products. The company's strategy of being a producer of exclusively frozen chicken products, enables the company to supply the large majority of the country's 48 million people with value-for-money, quality protein.

Sovereign Foods is a very different company from what it was 24 months ago. Not only has it doubled its production capacity in this time, but through its expansion plan has also equipped the business with the most advanced chicken farming assets in the world. All of these improvements have one aim in common: long-term sustainable shareholder value.

Being a fully integrated company, Sovereign is able to control the quality of its products at every level of the supply chain to make sure that its operations produce to the highest standards.

Sovereign prides itself on a culture of relationship building, where the needs of its customers are the driving force of its business performance. One of our core values is that we measure our success by that of our customers.

Our aim is to become the chicken supplier with the most loved brands, the best service and the most lasting relationships, in every region our customers are found.

Our Vision

To be the most competitive poultry integrator on earth!

Mission Statement

Our five critical success factors are the driving force behind our vision:

1. Focused on beating our own records inside the business
2. Be a customer-centric operation, internally and externally
3. Focused on increasing the yield from operations
4. Have stringent quality measures in place in all areas of the business
5. Have a team that is engaged for motivation, passion and performance

Corporate Values

1. We are ferocious about cutting wastage in every area of our business and are forever obsessed with finding a better way of doing anything
2. We measure our success by the satisfaction of our customers, internal and external
3. We love what we do and believe we can be the best in the world
4. We pride ourselves on team success and focus on results
5. We speak with candour and respect and value every team member regardless of position, gender, age or race

PRODUCT BRANDS

RETAIL BRANDS

LSM 1-4

Rocklands is a quality frozen chicken brand aimed at low-income consumers whose buying motivation is price, value-for-money and taste. The range also includes bulk products, an economic solution for mass catering.

LSM 4-8

LSM 9-10

FOOD SERVICES BRANDS

Cater Chicken is a premium food services brand that offers a range of chicken portions, fillets and whole grillers, all of which are perfect for use in restaurants, hotels, fast food outlets, function venues and deli's .

Sovereign has positioned itself in the retail/wholesale and food services sectors of the frozen chicken market with a number of brands that cater for all levels of consumers.

ROCKLANDS POULTRY

SUPER VALUE! SUPER TASTE!

Country Range is a Grade A frozen chicken brand aimed at low to middle income consumers who want to provide their family with quality, tasty & value-for-money meals. The brand consists of a huge range of different product sizes to cater for all affordability needs in this consumer sector.

country range™ REAL FARM CHICKEN

THE TASTE YOUR FAMILY LOVES!

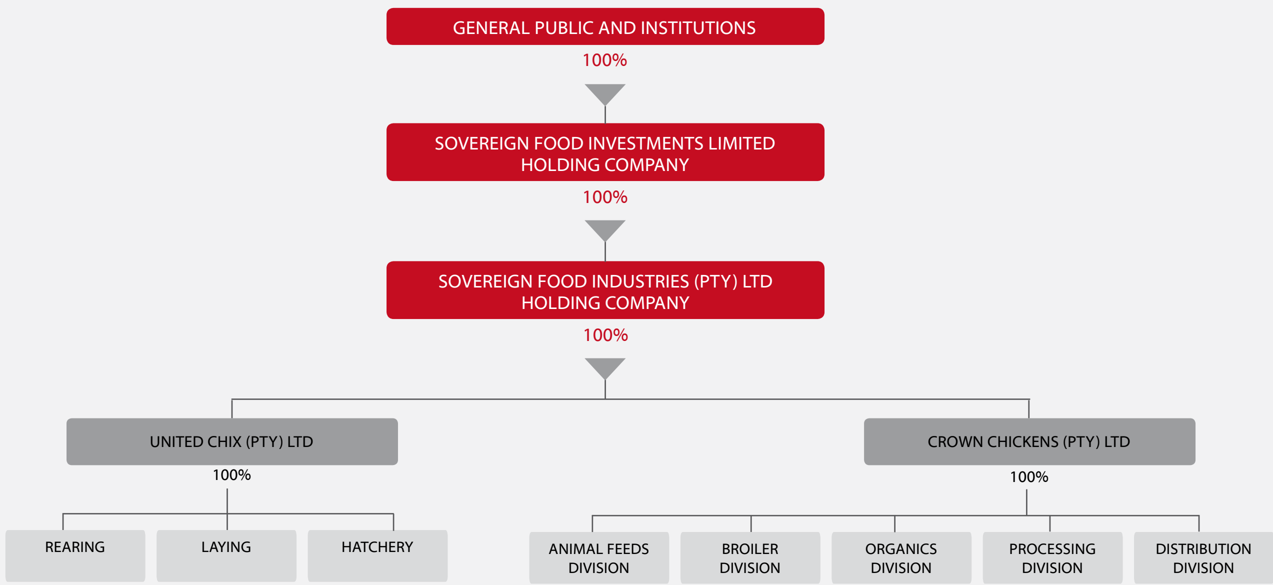
Farmer's Lane is a quality frozen chicken brand aimed at upper-income consumers. Containing zero seasoning solution, it allows the chef at home to prepare their chicken in their own unique way.

Farmer's LANE™ 100% chicken

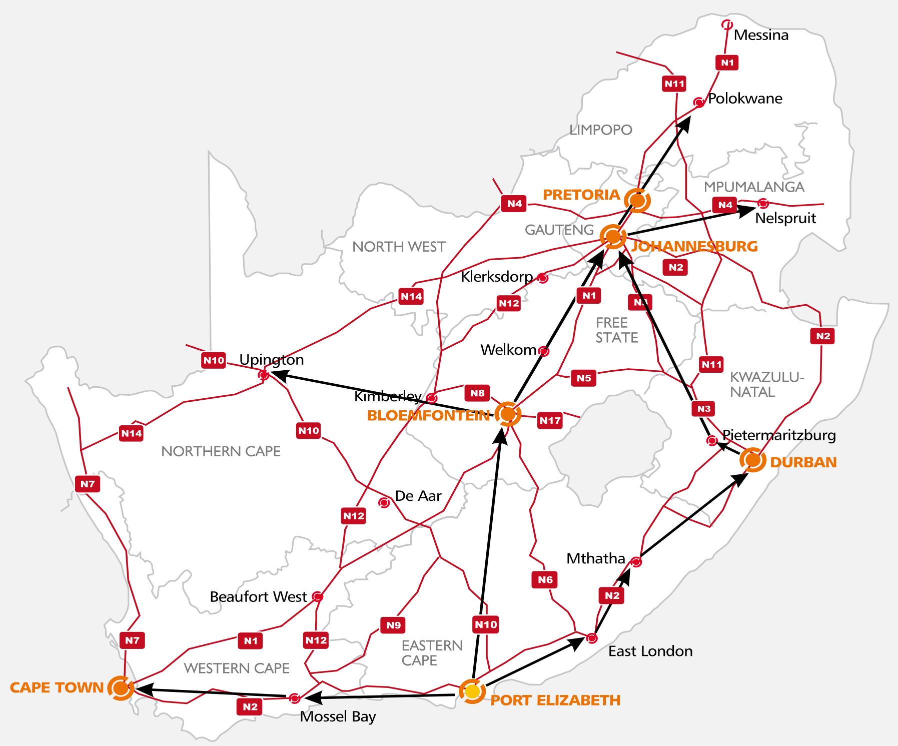
sovereignfood

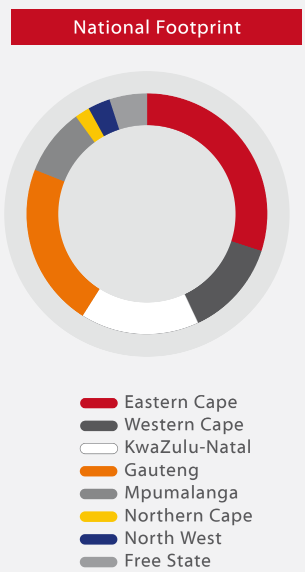
CATER CHICKEN™

COMPANY STRUCTURE

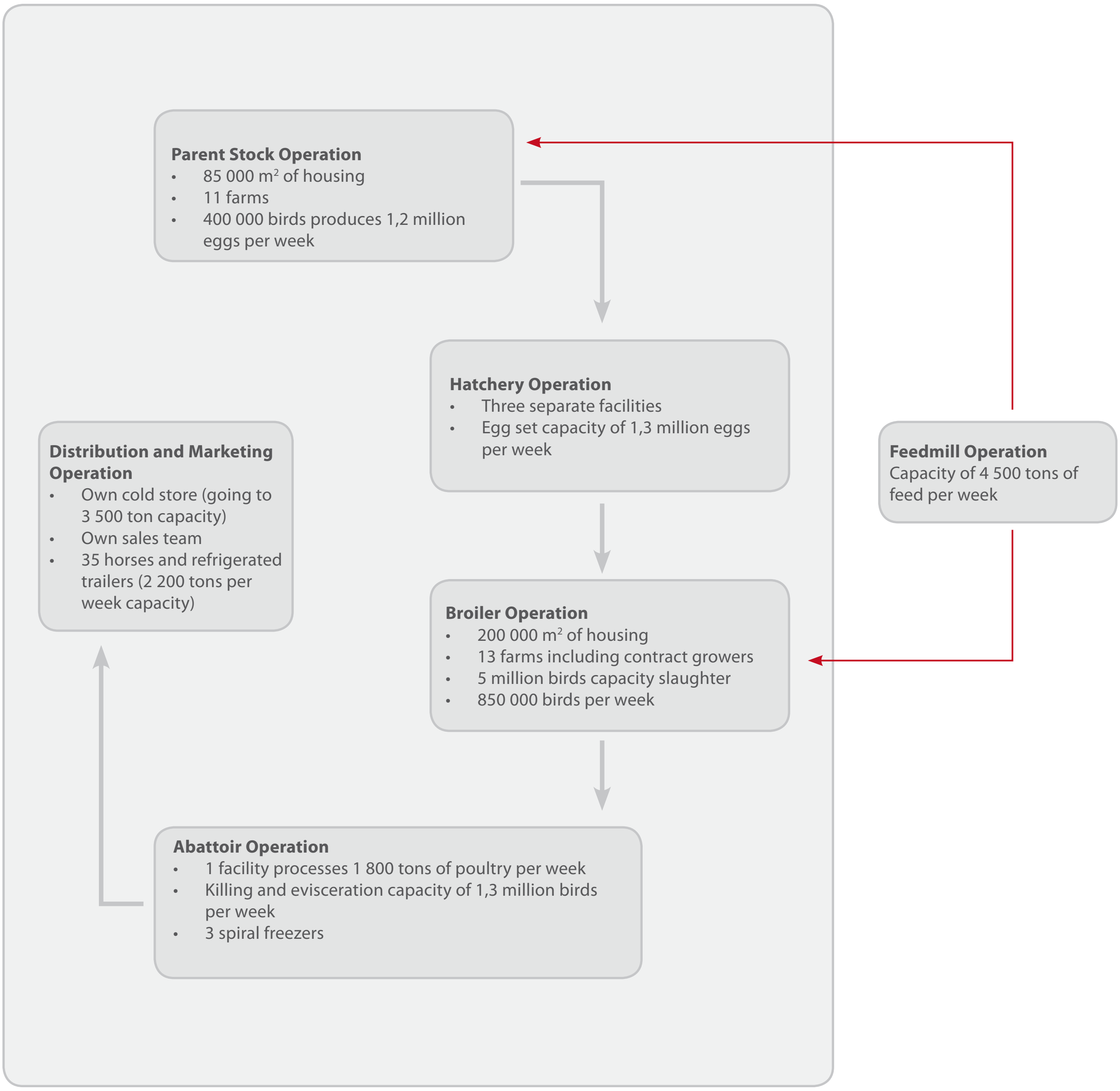


DISTRIBUTION MAP





BUSINESS PROCESS



CHAIRMAN'S REPORT

Charles Davies

STRATEGIC OBJECTIVES

- A people-orientated culture focused on competency and empowerment.
- A customer-driven operation focused on consumer friendly brands.
- The lowest cost producer.

We have emerged from one of the most challenging years experienced to date. The 2009 financial year proved to be very difficult, not only locally but globally as well. The period saw nominal poultry growth in the US, whilst the global economic crunch caused consumer spending to drop to record lows. In South Africa the poultry industry was the victim of soaring raw material costs with a weakened Rand and a lower than expected selling price in the first half of the year.

The first half of the year presented a number of operational setbacks which led to an increase in overheads as well as an increase in raw material costs. The team showed strong commitment in resolving these setbacks successfully and in record time.

The third quarter saw the successful completion of a large portion of the three-year expansion programme ahead of time. These additional farming and processing assets will now enable the company to produce approximately 8 000 tons of poultry per month, a 100% increase from two years ago. The third quarter also saw the start of a drop in international maize and soya prices – a prospect expected to continue in 2009 on the back of an oversupply in the US market. The selling price of poultry also showed a significant recovery in the latter part of the financial year, resulting in the highest selling price in the history of the company for the third quarter.

Despite these conditions the group navigated a tough financial year with record volumes and a record selling price. These achievements in the latter part of the year saw the company close its financial year with minimum losses – a satisfactory performance in view of industry conditions.

"...Sovereign Food Investments Ltd navigated a tough financial year with record volumes and a record selling price in the third quarter."

The outlook for the 2010 financial year is more promising. The business has reached its volume targets which will lead to a reduction in the cost per unit and drive the recovery to previously healthy margins. Management consultants have aided in implementing operational management procedures across the business, which have shown a significant increase in production efficiencies. These systems will assist the business in "sweating" the assets whilst minimising wastage across the operation. Furthermore, the newly updated business strategy, which is linked to the performance management system, will improve individual performance in support of the overall business goals. The record sales achieved in the third quarter of the 2009 financial year are expected to continue with an already strong sales price seen at the start of the 2010 year.

Poultry remains the most sought-after animal protein in the world and, in tougher economic times, continues to be the preferred alternative to traditional beef, pork and lamb. With this growing demand in South Africa and Sovereign's increasing market share, the company is well positioned for a better performance in the 2010 financial year.

During the year, Gerald Walter was appointed to the board as Director of Sales and Marketing. Mark Manley was released to focus on his role as Director of Procurement for Crown Chickens (Pty) Limited. The board wishes to thank Mark for his valuable work.

In closing, I would like to thank my fellow directors for their contribution and support, and particularly extend our thanks to the CEO and his dedicated team for their focus and commitment to the success of the group in laying the foundation for a world-class business that will generate wealth and confidence for its stakeholders.

CP Davies
Non-executive Chairman

	DESIGNATION	COMMITTEE REPRESENTATION
CP Davies	Non-executive Chairman	HR and Remuneration – Chairman Audit and Risk
MJB Davis	Chief Executive Officer	HR and Remuneration
C Coombes	Chief Financial Officer	HR and Remuneration
MJ Hankinson	Non-executive Director	Audit and Risk
KT Kweyama	Non-executive Director	HR and Remuneration
Prof PM Madi	Non-executive Director	HR and Remuneration
LM Nyhonyha	Non-executive Director	Audit and Risk – Chairman
BJ van Rensburg	Chief Operating Officer	
GG Walter	Sales and Marketing Director	

CEO'S REPORT

Q & A with the CEO: Mike Davis

Mike Davis, the leader of Sovereign's executive team, was appointed as Director in 2001 and subsequently appointed as CEO in 2005 and has been with the group for 14 years. Below he answers questions on Sovereign and its future.

Q1: The global economic recession in 2008 had a significant impact on the international poultry market. How did Sovereign Foods measure up against other poultry companies?

2008 was a very difficult year for the poultry industry globally. Apart from the global economic crisis which significantly depressed demand for poultry products, producers experienced dramatic input cost pressures as a result of record commodity prices, most noticeably for maize and soya. Feed ingredients make up over 50% of the cost of production. The adverse economic conditions have been extremely difficult for the producers based in the US, the world's biggest producers of poultry. As a consequence, profitability in the US remained marginal during the last financial year. Russia, which is a major importer of poultry products, caused severe disruptions to the international poultry market by cutting back dramatically on import volumes. As a consequence, Brazil was forced to cut back production substantially.

Similarly, the group experienced very difficult trading conditions in the first and second quarters. This was as a consequence of a weaker selling price as well as high input costs. The operations of the group were also not running optimally as a result of the group's major expansion programme and due to a collapse of a silo at the feedmill complex. The group traded profitably through the second half of the year as a result of improved brand positioning and an emergency feedmill recovery plan. The latter part of the year also saw a recovery in the local selling price which put us in a favourable position compared to our international counterparts.

"We were very satisfied with our sales performance in the third quarter and felt it was an excellent achievement amidst the challenging economic conditions."

Q2: Why did the impact on Sovereign seem so much greater than on other SA producers?

We experienced a very difficult first half of the financial year. Whilst the rest of the food basket was being subjected to severe inflationary pressures, domestic poultry prices remained very weak. This all proved to be a precursor to the difficult times that were coming in the second half of the year. Our cost of production came under severe pressure as a result of increasing raw material prices and production difficulties from our expansion programme.

Apart from other difficulties expected in expanding a vertically integrated business, we experienced a significant reduction in feed production capacity when one of the silos at our feedmill collapsed. This forced us to buy feed in from external suppliers. Despite our project team doing a remarkable job in rebuilding the feedmill facilities, this setback resulted in a substantial increase in input costs. The pressures of the expansion programme resulted in the additional volumes being disposed of at less than optimal prices as we adjusted to the new volume levels.

Q3: What is the progress on the company's expansion programme and what is the current impact on the bottomline?

We have successfully completed the bulk of our expansion programme started three years ago. Most of the new assets were completed ahead of schedule and have already had a major impact on our bottomline. The additional farming space has resulted in a volume increase of 47% over that of last year. The additions and renovations at the feedmill were completed in April 2009 and will enable the business to be more than self-sufficient in terms of feed production. Additional work was also done on the processing plant, including a new high-capacity spiral freezer and two new production lines, and will enable the plant to effectively handle the additional volumes. The group has elected to shelve, for the short term, further substantial investments to allow the business to adjust to the higher volumes and to focus on normalising the gearing levels.

Q4: With maize being the single highest input cost, what is the forecast for raw material prices for the next financial year?

The price of maize has declined significantly and the group will take advantage of this from June 2009. The major concern remains with soya and other imported feedstuffs. Despite a substantial decline in the international prices, this has not to date translated into reduced pricing domestically. The group is in the process of a very aggressive procurement drive to secure substantially reduced input costs.

It is always difficult to give an accurate forecast of raw material prices. Various factors influence the price of maize and soya. As a result of the emergence of the ethanol and biodiesel industries, soya and maize have become closely linked to international oil prices. Industry experts, however, have indicated that we will see a notable drop in maize and soya prices by the second quarter of this year and again towards the third quarter. This drop in pricing is mainly due to an anticipated oversupply in the US caused by a reduced demand due to declining protein production and a struggling ethanol industry.

Q5: During the second half, Sovereign achieved a substantially higher net sales value. What were the reasons for this and is this performance sustainable?

The group was able to achieve very satisfactory sales volumes during the last quarter. A number of factors combined to cause this. Firstly, our expansion programme began to deliver substantial volume increases which started to dilute marginal cost increases that had occurred as a result of the run-up through the process. The substantially increased volumes allowed us to market a bird which was far more acceptable to the domestic market and caused the demand for our brands to grow, resulting in a selling price more in line with the rest of the market.

During the year, we undertook a substantial refocusing of each of our brands and launched a powerful new presence in the food services sector. All of the above combined to give a strong sales and volume performance. We intend to sustain this improved sales performance by continuing to place a greater emphasis on our high-demand and high-margin products. This will allow us to trade in markets that command a premium for our products. Also, the reducing interest rates should see consumer spending remain stable for the balance of the year.

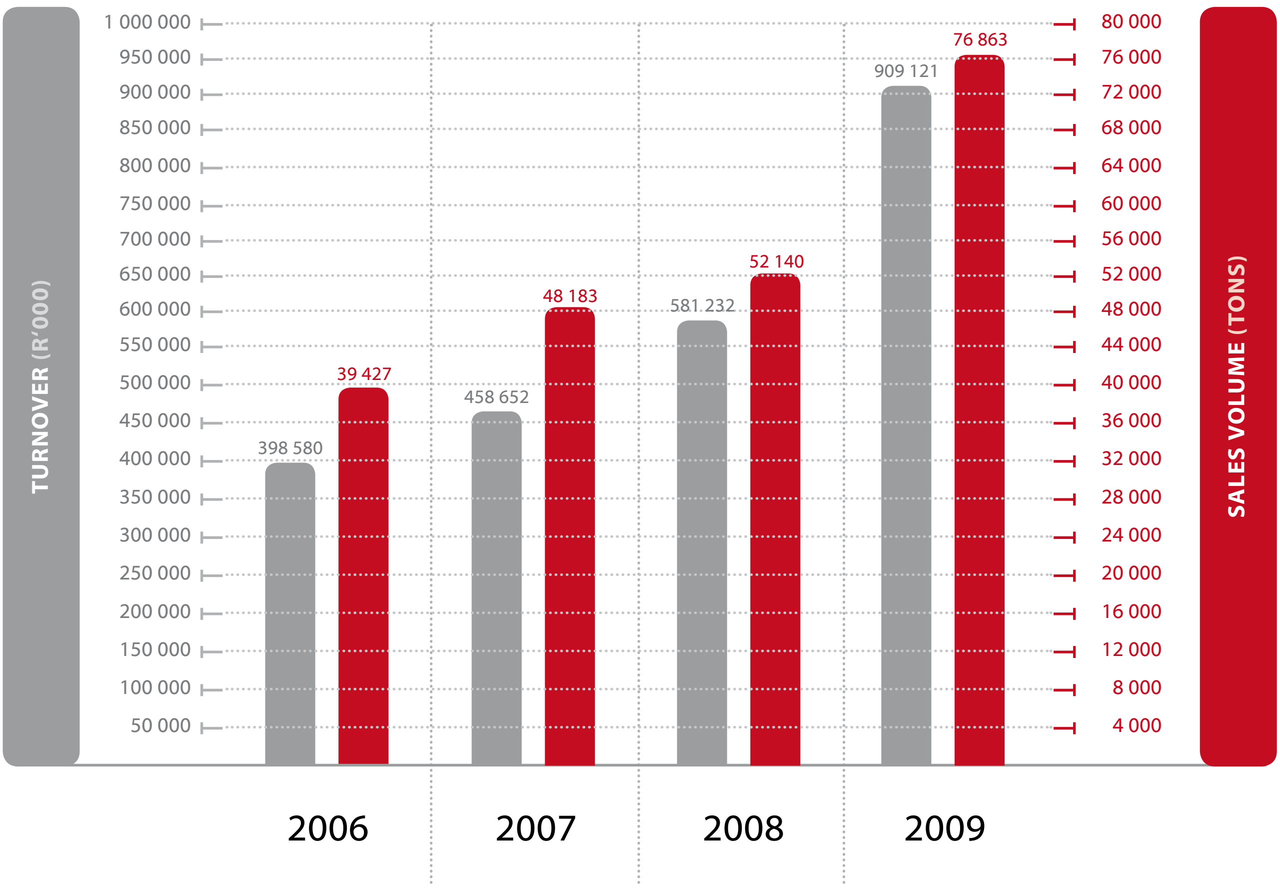
Q6: What is your outlook for 2009 and what is Sovereign's strategy for restoring margins to previous highs?

We expect this year to be a difficult year. The group's balance sheet is highly geared and we will need to manage our resources carefully. We have a highly skilled and strong management team and expect to perform well and make substantial progress in dropping our gearing to more acceptable levels. We will be adopting a conservative approach with minimum additional capex and with extremely tight controls over costs and operating performance. We are confident that these factors will contribute to a higher operating margin for the business as a whole. We do expect the demand for poultry to remain stronger than for alternative protein sources such as beef/pork/lamb. This is as a result of supply cycles that are longer than compared to poultry and as a result of higher input costs, making poultry relatively more affordable for embattled consumers.

We see the first and second quarters of the 2010 financial year as a period of consolidation during which operational efficiencies will be further enhanced, operating costs cut and assets made to work. During the latter part of the year, we expect a strong performance on the back of the larger volumes, a strong selling price and a bigger market share in our targeted geographic regions. We will continue to focus on growing the low-income retail and wholesale markets through key distribution partners, as well as increase our market share in the food services market.

We estimate turnover for the 2010 financial year to be in the order of R1,2 billion and are hopeful that margins will exceed those achieved in the second half of 2009. That should play a significant role in reducing our debt: equity ratio and in providing investors with a healthy EPS for 2010.

MJB Davis
Chief Executive Officer



The group will be able to utilise its expanded facilities for the full year ahead and accordingly expects to increase volumes significantly over the period under review. We estimate turnover for the year to be in the order of R1,2 billion and are hopeful that margins will exceed those achieved in the second half of 2009.

SEVEN-YEAR FINANCIAL REVIEW

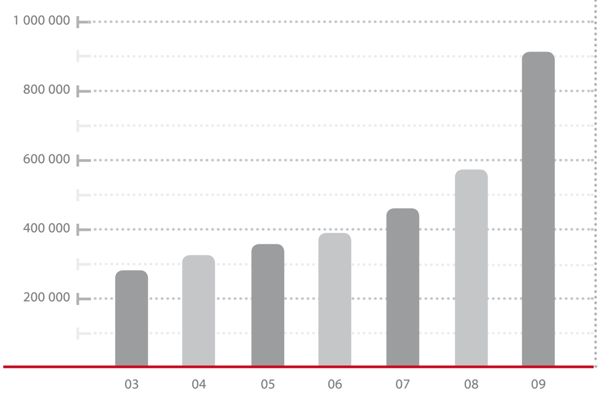
Sovereign started as Rocklands Poultry in 1948 when the founding farmers first started growing chickens in the Rocklands valley in the Eastern Cape. The company has become one of South Africa's largest producers of frozen poultry and is a vertically-integrated operation. On the back of strong performance, the company was elected as one of SA's Top 20 companies for 2007 by the Financial Mail.

	2009 R'000	2008 R'000	2007 R'000	2006 R'000	2005 R'000	2004 R'000	2003 R'000
CONSOLIDATED RESULTS							
Turnover	**909 121**	581 232	458 652	398 580	367 380	331 138	286 216
Group operating profit	**50 647**	74 339	99 153	85 989	55 474	17 132	15 878
Attributable income/(loss)	**(492)**	46 716	67 385	56 655	34 745	6 107	10 343
Total assets employed	**1 100 557**	811 686	479 550	411 919	274 745	221 785	207 110
Net current assets	**61 406**	79 680	135 303	157 205	69 278	51 375	49 352
ORDINARY SHARE PERFORMANCE							
Earnings/(loss) per share (cents)	**(1,5)**	142	207	182	119	21	36
Net worth per share (cents)	**869**	869	702	568	387	283	311
Market price at year-end (cents)	**451**	1 250	1 245	1 050	700	150	180
Net cash flow per share (cents)	**(81)**	279	277	301	174	67	2
LIQUIDITY							
Interest cover (times)	**0,9**	6,8	22,5	13,4	6,2	2,0	2,8
Gearing (%)	**163**	6,7	1,7	(14,9)	26,0	48,8	42,1
Current ratio	**1,2**	1,4	3,1	3,3	2,2	2,1	1,9
PROFITABILITY							
Operating profit margin (%)	**5,6**	12,8	21,6	23,5	17,2	6,9	7,4
Return on net assets (%)	**17,7**	25,9	23,2	23,9	24,0	9,2	9,6
Net asset turnover	**3,2**	2,0	1,1	1,1	1,6	1,8	1,7
Return on shareholder equity (%)	**(0,9)**	18,1	29,1	30,8	31,4	7,4	11,4
VALUE ADDED							
To remunerate employees (%)	**52**	43	26	25	34	57	65
To reward providers of capital (%)	**–**	–	–	–	–	–	5
To providers of finance (%)	**32**	10	7	8	1	15	11
To the government (%)	**7**	16	23	22	17	11	4
To replace assets (%)	**9**	7	5	5	7	8	6
To expand the group (%)	**(0)**	24	40	40	31	9	9
Total value added (%)	**100**	100	100	100	100	100	100

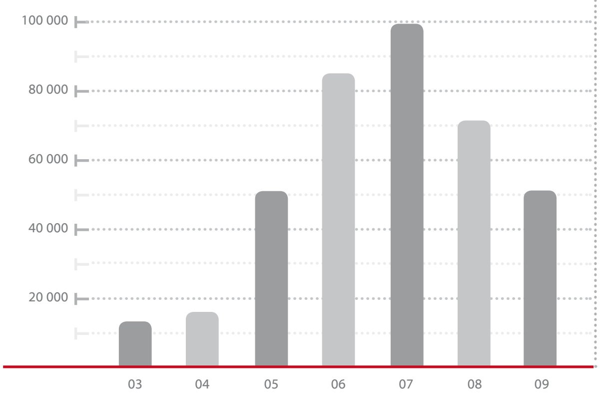
DEFINITIONS OF RATIOS AND TERMS

Net worth per share	Ordinary shareholders' funds divided by the number of ordinary shares in issue at year-end
Cash flow per share	Available operating cash flow before dividends divided by the weighted average number of shares in issue during the year
Interest cover	Profit before interest divided by net interest paid
Net borrowings	Net interest-bearing debt less cash reserves
Gearing	Net borrowings as a percentage of capital employed
Current ratio	Current assets to current liabilities
Return on net assets	Profit before interest as a percentage of net assets
Net asset turnover	Turnover divided by net assets
Return on shareholders' equity	Earnings attributable to ordinary shareholders as a percentage of ordinary shareholders' funds

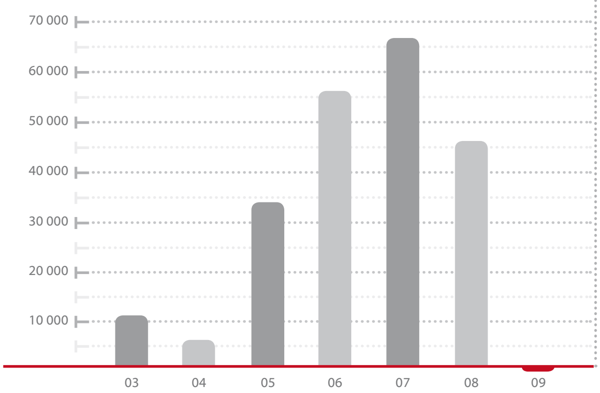
TURNOVER (R'000)



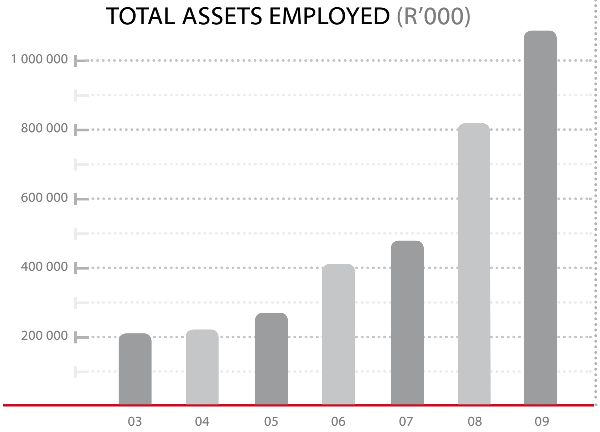
GROUP OPERATING PROFIT (R'000)



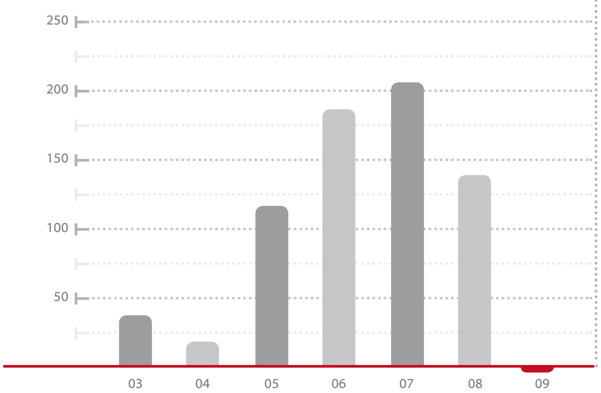
ATTRIBUTABLE (LOSS)/INCOME (R'000)



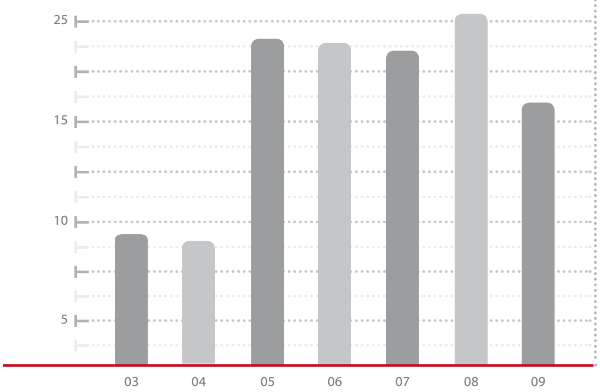
TOTAL ASSETS EMPLOYED (R'000)



EARNINGS/(LOSS) PER SHARE (CENTS)



RETURN ON NET ASSETS (%)



EMPOWERMENT INITIATIVES

As a corporate citizen, Sovereign fully supports the aims of the Broad-Based Black Economic Empowerment Act and advances its objectives wherever possible. In particular, the group:

- applies the provisions of the Act through its policies of employment equity in appointing and managing its human resources; and
- benefits the communities in the Eastern Cape province where it conducts its business by supporting and funding the development of emerging farmers.

The group's BBBEE recognition level is 50% which indicates the group's progress in terms of the support of the BBBEE Act.

The extent of black ownership of Sovereign cannot be accurately determined because it is a listed company, but independent consultants calculate the black shareholding at approximately 14,5%. Of the five non-executive directors of Sovereign, three are black. The three-year expansion programme, recently completed, will further increase the number of BEE farms. The first BEE unit to be developed has been operational at Loerie since August 2007.

The second BEE farming partnership was launched early in 2009 in partnership with the Simile Farmers' Trust. Simile may take occupation of a state-of-the-art broiler farm once certain grant and funding conditions have been met, and will manage the operation in accordance with a service level agreement and with Sovereign as its exclusive customer. The total investment in these projects is substantial and will be funded by a state grant, a grant by the group and a bank loan.

As part of its employment equity programme, the group has embarked on a programme to develop staff from within and has geared its recruitment programme to select staff on their potential for development. To achieve the objective, the group has established a training centre that is placing a strong emphasis on computer training, driver development and operational training. An apprenticeship programme has been started to provide for the group's future artisan requirements.

In addition to empowerment business partnerships, the group currently invests nearly R1 million a year in various trusts and charitable organisations that focus on meeting the needs of the disadvantaged.

Broiler Farms: Accurate

MEC's visit to Simile Farmers' Trust

GROUP FINANCIAL AND EMPLOYMENT REVIEW

OPERATING RESULTS

Turnover increased by 56% compared to the prior year to R909 million with EBITDA decreasing to R71 million and EBITDA margins decreasing by 56%.

DIVIDEND

No dividend is to be declared.

WORKING CAPITAL MANAGEMENT

Working capital per R1 000 turnover decreased by 26% as per the following table due mainly to higher trade payables:

Working capital category	**2009**	**2008**
Inventories	**124**	153
Trade and other receivables	**113**	76
Trade and other payables	**(168)**	(136)
Total	**69**	93

FINANCING

Gearing increased from 67% to 163%. The approach of the group to the management of financial instrument risk is outlined on pages 52 and 53. The debt maturity profile of long-term borrowings requires repayment of R91 million (2008: R70 million) in the coming financial year and the balance of R458 million over the following nine years (2008: R246 million) thereafter.

INFLATION

The effect of inflation is monitored and taken into account when considering the group objective of creating wealth in real terms. Inflation is considered when preparing and reviewing cash flows, long-term budgets and new projects. Due to the diverse nature of the factors affecting inflation amongst the group's divisions, including climatic conditions, geographical locations and business cycles, meaningful inflation-adjusted financial statements could not be prepared using a standardised procedure and therefore no inflation-adjusted statements are presented.

CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet.

The gearing ratios at 28 February 2009 and 29 February 2008 were as follows:

	2009 R'000	2008 R'000
Total borrowings (note 7)	**548 966**	316 740
Less: cash and cash equivalents (note 15)	**(82 679)**	(125 154)
Net debt	**466 287**	191 586
Total equity	**286 493**	286 941
Gearing ratio (%)	**163**	67

EMPLOYMENT REVIEW

Number of employees

As at 28 February 2009, the group had 571 (2008: 432) employees.

Training

In-house training is provided for the majority of employees. In addition, external training is provided for specific employees. Cognisance has been taken of the requirements of the Skills Development Act in the implementation of employee training.

Housing benefits

Housing facilities are provided for some employees at no or nominal cost.

Other benefits

Other benefits provided include contributions to provident and medical aid schemes and the provision of several sporting facilities.

Family benefits

Three months' paid maternity leave is provided for female employees.

BOARD OF DIRECTORS

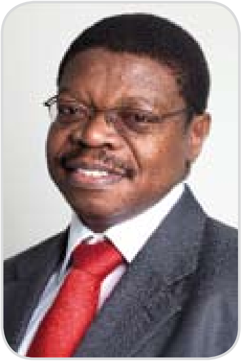
1. CP Davies
Chairman
Appointed:
19 February 2007
Age: 62
Director of Basil Read Holdings Ltd, Deputy Chairman of Amadlelo Agri (Pty) Ltd. Director of Eastern Produce Cape (Pty) Ltd, Director of East Cape Farmers Trading Company, Director of Profert Eastern Cape (Pty) Ltd.

2. MJB Davis
Chief Executive Officer
BCom
Appointed: 9 April 2001
Age: 47

3. C Coombes
Chief Financial Officer
CA(SA), BSc (Eng)
Appointed: 1 March 1999
Age: 42

4. MJ Hankinson
Non-executive Director
BCom, CA(SA)
Appointed:
21 September 2007
Age: 60
Chairman of The Spar Group Limited and directorships include Illovo Sugar Ltd, Transnet Ltd, Apollo Tyres Ltd (Delhi) and Dunlop Tyres International (Pty) Ltd.

5. KT Kweyama
Non-executive Director
B Business Admin, PDM, Masters of Management
Appointed:
1 October 2007
Age: 44
Director of Barlow World SA (Pty) Ltd, Barlow World Siyahhula, Barloworld Logistics, Barlow World Trust and IAC.



6. Prof PM Madi

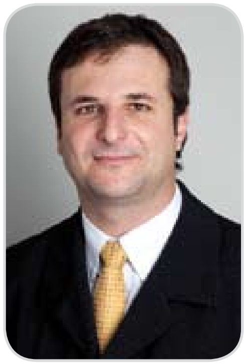
Non-executive Director
BProc, EDP (Northwestern University, Chicago), MDP (HEC Business School, Paris)
Appointed:
8 October 2007
Age: 45
Executive Chairman of Allcare Administrators (Pty) Limited. Non-Executive Director of Illovo Sugar Limited, The Spar Group Limited, Siyafika Recruitment, Madi Investments and M-Power Health. Ad Hominem Professor, Rhodes University Business School, lecturing MBA students on Business Leadership.

7. LM Nyhonyha

Non-executive Director
BCom, CA(SA)
Appointed:
21 September 2007
Age: 50
Executive Chair and Founder Member: Regiments Capital (Pty) Ltd. Non-executive Director of AECI and Worldwide African Investments and Chairman of Plessey Telecoms.

8. BJ van Rensburg

Chief Operations Officer
Appointed:
22 June 2006
Age: 37



9. GG Walter

Sales and Marketing Director
Appointed:
28 September 2008
Age: 36

CORPORATE GOVERNANCE

Sovereign Food Investments Ltd prizes its reputation on fair dealing, accountability and openness in conducting its business affairs. The group carries out its business within an ethical framework that gives effect to these principles. At the same time, the group strives to benefit the community in which it operates, whilst minimising any possible damaging effects that its operations may have on the environment. The board 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.

GOVERNANCE STRUCTURES

Board of directors

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

Audit Committee

The Audit Committee whose purpose is to bring influence to bear on accounting, auditing and financial reporting matters meets on a periodic basis. The Audit Committee comprises non-executive directors LM Nyhonyha (chairman), MJ Hankinson and CP Davies. The group's external auditors have unrestricted access to the members and workings of the Audit Committee. The committee monitors proposed changes in accounting policies, reviews the internal audit functions, advises the board on the accounting implications of major transactions and recommends the appointment of the group external auditors for approval by shareholders.

Committee members reviewed the qualifications, experience and performance of the group's Chief Financial Officer and confirmed that the appointee had sufficient knowledge of IFRS and JSE reporting requirements.

HR and Remuneration Committee

The HR and Remuneration Committee meets as and when required throughout the year to ensure that remuneration policies within the group are equitable. The committee comprises non-executive directors, CP Davies (chairman), Prof PM 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	Directors					Audit Committee			Remuneration Committee		
	2 Jul 2008	24 Apr 2008	2 Jul 2008	18 Aug 2008	23 Sep 2008	29 Jan 2009	23 Apr 2008	19 Sep 2008	29 Jan 2009	16 Jul 2008	14 Oct 2008	21 Jan 2009
CP Davies	★	★	★	★	★	★	★	★	★	★	★	★
MJ Hankinson	★	★	★	★	★	★	★	★	★	n/a	n/a	n/a
KT Kweyama	—	—	★	★	—	—	n/a	n/a	n/a	★	★	★
Prof PM Madi	★	★	★	★	—	★	n/a	n/a	n/a	★	★	★
LM Nyhonyha	★	★	★	★**	★	★	★	★	★	n/a	n/a	n/a
MJB Davis	★	★	★	★	★	★	★	★	★	★	★	★
C Coombes	★	★	★	★	★	—	★	★	—	★	—	—
BJ van Rensburg	★	★	★	★	★	★	n/a	n/a	n/a	n/a	n/a	n/a
GG Walter	n/a	n/a	n/a	n/a	n/a	★	n/a	n/a	n/a	n/a	n/a	n/a
MP Manley	—	★	—	★	—	n/a	n/a	n/a	n/a	n/a	n/a	n/a

*** Attendance via conference*

VALUE ADDED STATEMENT

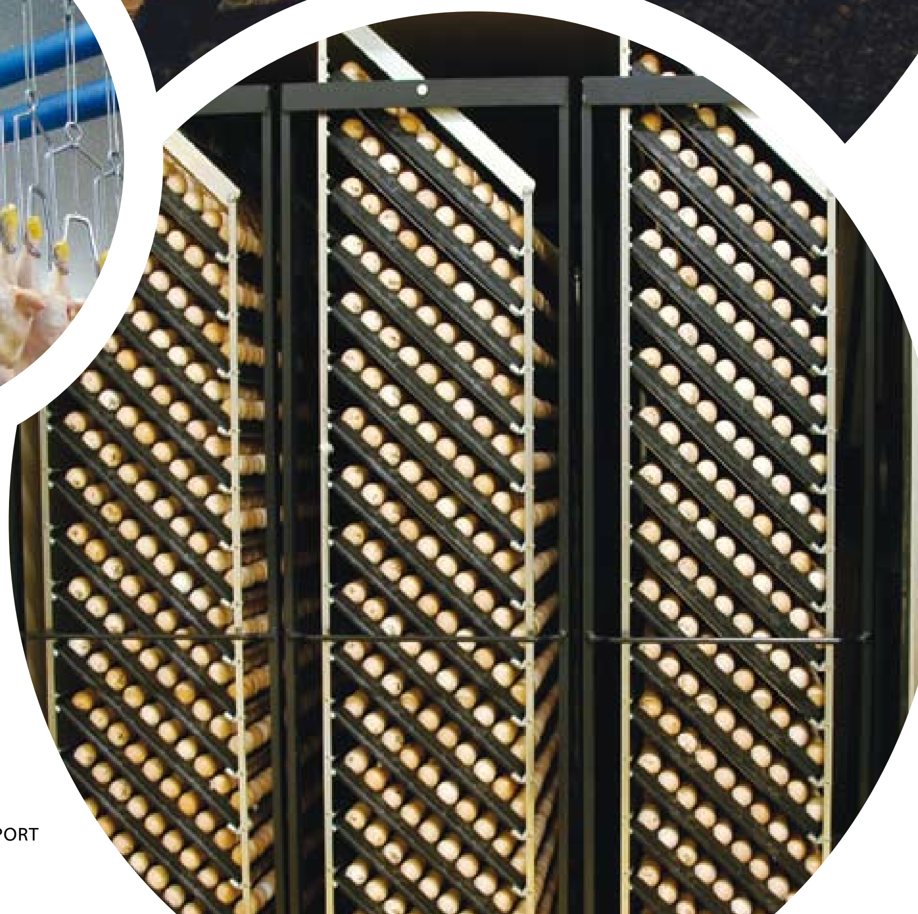
Value added is the measure of the wealth the group has been able to create. This concept has been used within the group's operations for several years, primarily as a tool to measure productivity, but also as a mechanism for reporting to employees. The following is a statement of how this wealth has been distributed:

	2009		2008	
	R'000	%	R'000	%
Revenue	**909 121**		581 232	
Cost of goods and services	**701 687**		397 420	
VALUE ADDED	**207 434**		183 812	
Non-operating income	**5 630**		7 592	
Total value added	**213 064**	**100**	191 404	100
DISTRIBUTED AS FOLLOWS:				
To remunerate employees				
Salaries, wages and related benefits	**110 488**	**52**	82 175	43
To providers of finance				
Interest on borrowings	**67 714**	**32**	18 504	10
To the government	**14 990**	**7**	30 802	16
Company and deferred taxation	**(5 034)**		16 711	
Employees' taxation	**20 024**		14 091	
To replace assets				
Depreciation	**20 364**	**9**	13 207	7
To expand operations				
Attributable income/(loss)	**(492)**	**(0)**	46 716	24
Total wealth created	**213 064**	**100**	191 404	100

The payments to government shown above exclude value-added tax of R43 855 797 (2008: R15 754 527).

Value added 2009

Value added 2008



ANNUAL FINANCIAL STATEMENTS

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 28 February 2009 set out on pages 28 to 58 have been approved by the board of directors and are signed on its behalf by:

CP Davies
Non-executive Chairman

MJB Davis
Chief Executive Officer

Port Elizabeth
15 May 2009

DECLARATION BY COMPANY SECRETARY

The Secretary certifies that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act of 1973, as amended, and that all such returns are true, correct and up to date.

C Coombes
Secretary

Port Elizabeth
15 May 2009

REPORT OF THE INDEPENDENT AUDITORS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Sovereign Food Investments Limited, which comprise the directors' report, the balance sheet as at 28 February 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 28 to 58.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the group and company at 28 February 2009 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

PKF (PE) Inc

PKF (PE) Inc
Registered Auditors
Chartered Accountants (SA)
Reg No 2002/004678/21

Per MC Daverin RA CA(SA)

Port Elizabeth
15 May 2009

DIRECTORS' REPORT

for the year ended 28 February 2009

NATURE OF BUSINESS

Sovereign Food Investments Limited is the holding company of five principal operations within the broiler industry which cover breeding activities, broiler farming, food processing, animal feed milling and value-added poultry processing and trading. Further details are given in the group structure on page 6 and in the Chairman's and Chief Executives Officer's reports on pages 8 to 12, as well as below.

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The directors are responsible for monitoring the preparation and integrity of the financial statements and related information included in this report.

In order for the board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The board has ultimate responsibility for the system of internal control and reviews its operation.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide a reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework. The external auditors are responsible for reporting on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa and are based on appropriate policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors believe that the company and the group will be going concerns in the year ahead. For this reason they continue to adopt the going-concern basis in preparing the annual financial statements.

INCORPORATION OF THE GROUP

Sovereign Food Investments Limited was incorporated in South Africa on 8 May 1995 with the acquisition by the group of 100% of the share capital of Crown Chickens (Pty) Limited and its operating subsidiaries, and 100% of the share capital of United Chix (Pty) Limited. At this time, the interest of minorities of 30% of the share capital in Country Range Farms Products (Pty) Limited was also acquired.

DIVIDEND DECLARED

The board has not proposed a dividend for the year ended 28 February 2009 (2008: nil).

HOLDING COMPANY

Sovereign Food Investments Limited does not have a holding company. Refer to page 59 for a breakdown of the company's shareholders.

PERIOD UNDER REVIEW

The group performed satisfactorily during the period under review with a net loss after taxation of R492 081 (2008: profit of R46 716 034) on revenue of R909,1 million (2008: R581,2 million).

Further details on the performance of the group can be found in the Chairman's and Chief Executive Officer's reports on pages 8 to 12 respectively.

SUBSIDIARIES' INCOME

The attributable interest of the company in the aggregate net profit after taxation of its subsidiaries was R5 338 919 (2008: R46 923 706). The group's interest in subsidiaries as set out on page 42 forms part of this report.

DIRECTORS AND SECRETARY

The names of the directors and secretary of the company at the date of this report are listed on pages 18 and 19. In terms of the Articles of Association, MJ Hankinson, KT Kweyama and BJ van Rensburg retire by rotation and offer themselves for re-election. GG Walter was appointed to the board during the year under review. His appointment is to be ratified at the AGM on 1 July 2009.

DIRECTORS' SHAREHOLDING

At the year-end, the directors in aggregate held direct beneficial interests in 169 952 (2008: 2 251) ordinary shares in the company.

DIRECTORS' INTEREST AT 28 FEBRUARY 2009

Director	Direct	Indirect
CP Davies	**5 000**	–
PM Madi	**49 952**	–
MJB Davis	**100 000**	–
C Coombes	**15 000**	–
Total shares	**169 952**	–

DIRECTORS' INTEREST AT 29 FEBRUARY 2008

Director	Direct	Indirect
BR Cape	127	–
MJB Davis	2 124	–
Total shares	2 251	–

There have been no further changes in the direct and indirect interests of the directors in the share capital of the company, between the end of the financial year and 15 May 2009.

ACCOUNTING POLICIES

for the year ended 28 February 2009

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:

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

STANDARDS AND INTERPRETATIONS ADOPTED EARLY

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

IAS 23	Capitalisation of Borrowing Costs	Annual periods beginning on/after 1 January 2009

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 13	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.

BALANCE SHEET
as at 28 February 2009

		Group		Company	
	Notes	2009 R'000	2008 R'000	2009 R'000	2008 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	1	**780 130**	552 446	**–**	–
Loans to subsidiaries	2	**–**	–	**9 114**	8 713
Investment in subsidiaries	2	**–**	–	**29 746**	29 746
		780 130	552 446	**38 860**	38 459
Current assets		**320 427**	259 240	**7**	308
Inventories	3	**39 081**	26 260	**–**	–
Biological assets	3	**85 342**	63 198	**–**	–
Trade and other receivables	4	**113 325**	44 628	**–**	241
Cash and cash equivalents	15	**82 679**	125 154	**7**	67
Total assets		**1 100 557**	811 686	**38 867**	38 767
EQUITY AND LIABILITIES					
Share capital	5	**330**	330	**330**	330
Share premium	6	**14 305**	14 305	**14 305**	14 305
Non-distributable reserve		**28 848**	28 848	**–**	–
Share options	5, 28	**301**	257	**301**	257
Retained earnings/(loss)		**242 709**	243 201	**(11 114)**	(5 283)
Equity		**286 493**	286 941	**3 822**	9 609
Non-current liabilities					
Interest-bearing borrowings	7	**457 981**	246 566	**–**	–
Loans from subsidiaries	2	**–**	–	**30 641**	25 499
Deferred taxation	8	**97 062**	98 619	**–**	–
Current liabilities		**259 021**	179 560	**4 404**	3 659
Trade and other payables	9	**160 752**	104 274	**4 039**	3 119
Provisions	26	**7 284**	5 112	**365**	290
Current portion of interest-bearing borrowings	7	**90 985**	70 174	**–**	250
Total equity and liabilities		**1 100 557**	811 686	**38 867**	38 767

INCOME STATEMENT

for the year ended 28 February 2009

		Group		Company	
	Notes	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Revenue		**909 121**	581 232	**12 274**	15 455
Cost of sales		**596 586**	277 838	**–**	–
Gross profit		**312 535**	303 394	**12 274**	15 455
Operating expenses		**261 888**	229 055	**18 100**	15 451
Profit/(loss) before finance costs	10	**50 647**	74 339	**(5 826)**	4
Interest paid	11	**61 803**	18 504	**7**	201
Interest received	11	**(5 630)**	(7 592)	**(2)**	(70)
(Loss)/profit before taxation		**(5 526)**	63 427	**(5 831)**	(127)
Taxation	12	**(5 034)**	16 711	**–**	80
Net (loss)/profit for the year		**(492)**	46 716	**(5 831)**	(207)
(Loss)/earnings per ordinary share (cents)	17	**(1,5)**	141,6	**–**	–
Diluted (loss)/earnings per ordinary share (cents)	17	**(1,5)**	140,0	**–**	–
Dividend paid per ordinary share (cents)		**–**	–	**–**	–

CASH FLOW STATEMENT

for the year ended 28 February 2009

	Notes	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Cash generated from operations before working capital changes		**71 056**	87 546	**(5 782)**	4
Changes in working capital		**(45 012)**	23 508	**5 977**	21 494
Cash generated from operating activities	14	**26 044**	111 054	**195**	21 498
Net interest paid		**(56 173)**	(10 912)	**(5)**	(131)
Taxation received/(paid)		**3 476**	(8 131)	**–**	(81)
Net cash flow from operating activities		**(26 653)**	92 011	**190**	21 286
Dividend paid		**–**	(20 297)	**–**	(20 297)
Net cash flow from operating activities after dividend paid		**(26 653)**	71 714	**190**	989
Net cash flow from investing in property, plant and equipment		**(248 048)**	(265 552)	**–**	–
Net cash flow from debt raised/(repaid)		**232 226**	201 434	**(250)**	(1 000)
Net (decrease)/increase in cash and cash equivalents		**(42 475)**	7 596	**(60)**	(11)
Cash and cash equivalents at beginning of year	15	**125 154**	117 558	**67**	78
Cash and cash equivalents at end of year	15	**82 679**	125 154	**7**	67

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2009

GROUP

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

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

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

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

COMPANY

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

R'000	Share capital	Share premium	Share options	Retained earnings	Total
Balance at beginning of year	**330**	**14 305**	**257**	**(5 283)**	**9 609**
Net loss for the year	**–**	**–**	**–**	**(5 831)**	**(5 831)**
Total recognised income and expense	**–**	**–**	**–**	**(5 831)**	**(5 831)**
Share options movement	**–**	**–**	**44**	**–**	**44**
Balance at end of year	**330**	**14 305**	**301**	**(11 114)**	**3 822**

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

R'000	Share capital	Share premium	Share options	Retained earnings	Total
Balance at beginning of year	330	34 602	199	(5 076)	30 055
Net loss for the year	–	–	–	(207)	(207)
Total recognised income and expense	–	–	–	(207)	(207)
Dividend paid	–	(20 297)	–	–	(20 297)
Share options movement	–	–	58	–	58
Balance at end of year	330	14 305	257	(5 283)	9 609

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2009

	Group		Company	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
1. PROPERTY, PLANT AND EQUIPMENT				
Cost/valuation				
Land	**58 415**	39 359	**–**	–
Buildings	**323 758**	240 046	**–**	–
Assets in the course of construction	**130 138**	151 357	**–**	–
Plant	**315 036**	162 574	**–**	–
Vehicles	**16 109**	11 202	**–**	–
Office equipment, furniture and fittings	**2 124**	1 953	**–**	–
Computer equipment	**9 924**	8 159	**–**	–
	855 504	614 650	**–**	–
Accumulated depreciation				
Land	**–**	–	**–**	–
Buildings	**21 565**	16 289	**–**	–
Assets in the course of construction	**–**	–	**–**	–
Plant	**39 226**	33 463	**–**	–
Vehicles	**7 207**	6 235	**–**	–
Office equipment, furniture and fittings	**1 209**	1 060	**–**	–
Computer equipment	**6 167**	5 157	**–**	–
	75 374	62 204	**–**	–
Net carrying value				
Land	**58 415**	39 359	**–**	–
Buildings	**302 193**	223 757	**–**	–
Assets in the course of construction	**130 138**	151 357	**–**	–
Plant	**275 810**	129 111	**–**	–
Vehicles	**8 902**	4 967	**–**	–
Office equipment, furniture and fittings	**915**	893	**–**	–
Computer equipment	**3 757**	3 002	**–**	–
	780 130	552 446	**–**	–

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

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

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

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

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

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

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

	2009 R'000	2008 R'000
Cost	**338 301**	235 532
Accumulated depreciation	**(21 905)**	(16 289)
Net carrying amount	**316 396**	219 243

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

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

A capitalisation rate of 14,4% (2008: 11,0%) 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: Investment at cost		Book value of holding company's interest: Loans to/(from) subsidiaries	
	2009 R'000	2008 R'000	**2009 %**	2008 %	**2009 R'000**	2008 R'000	**2009 R'000**	2008 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
Indirectly owned								
Crown Chickens (Pty) Limited	**5 005**	5 005	**100**	100	**–**	–	**(30 003)**	(24 861)
United Chix (Pty) Limited	**1 000**	1 000	**100**	100	**–**	–	**3 520**	3 119
Country Range Farm Products (Pty) Limited	**1 000**	1 000	**100**	100	**–**	–	**(638)**	(638)
Rocklands Fine Foods (Pty) Limited	**100**	100	**100**	100	**–**	–	**–**	–
Rocklands Processed Foods (Pty) Limited	**100**	100	**100**	100	**–**	–	**–**	–
Rocklands Organics (Pty) Limited	**100**	100	**100**	100	**–**	–	**–**	–
Chelsea Poultry Farm (Pty) Limited	**100**	100	**100**	100	**–**	–	**–**	–
Rocklands By-Products (Pty) Limited	**100**	100	**100**	100	**–**	–	**–**	–
Jeffreys Bay Poultry Farm (Pty) Limited	**100**	100	**100**	100	**–**	–	**–**	–
Gedults Farm (Pty) Limited	**100**	100	**100**	100	**–**	–	**–**	–
Pashia Farm (Pty) Limited	**100**	100	**100**	100	**–**	–	**–**	–
Chicken Barn Holdings (Pty) Limited	**100**	100	**100**	100	**–**	–	**54**	54
Chicken Barn Korsten (Pty) Limited	**100**	100	**100**	100	**–**	–	**5**	5
Chicken Barn Kwadwesi (Pty) Limited	**100**	100	**100**	100	**–**	–	**–**	–
Chicken Barn Uitenhage (Pty) Limited	**100**	100	**100**	100	**–**	–	**40**	40
Chicken Barn Walmer (Pty) Limited	**100**	100	**100**	100	**–**	–	**44**	44
					29 746	29 746	**(21 527)**	(16 786)

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

	Group		Company	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
3. INVENTORIES AND BIOLOGICAL ASSETS				
Inventories				
Raw materials and consumables	**31 880**	20 843	**–**	–
Finished products	**7 201**	5 417	**–**	–
	39 081	26 260	**–**	–
Biological assets				
Balance at beginning of year	**63 198**	32 687	**–**	–
Purchases	**81 430**	63 098	**–**	–
Increase due to biological growth	**384 636**	309 448	**–**	–
Decrease due to slaughter	**(443 922)**	(342 035)	**–**	–
Balance at end of year	**85 342**	63 198	**–**	–

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

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

	Group		Company	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
4. TRADE AND OTHER RECEIVABLES				
Trade receivables	**112 976**	43 253	**–**	241
Less: provision for impairment of trade receivables	**(2 475)**	(1 281)	**–**	–
Trade receivables – net	**110 501**	41 972	**–**	241
Prepayments	**1 919**	1 316	**–**	–
Sundry receivables	**905**	1 340	**–**	–
	113 325	44 628	**–**	241
The fair values of trade and other receivables are as follows:				
Trade receivables	**110 501**	41 972	**–**	241
Prepayments	**1 919**	1 316	**–**	–
Sundry receivables	**905**	1 340	**–**	–
	113 325	44 628	**–**	241
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	**1 281**	500	**–**	–
Provision for receivables impairment	**1 980**	1 029	**–**	–
Receivables written off during the year as uncollectable	**(786)**	(248)	**–**	–
Balance at end of year	**2 475**	1 281	**–**	–
The creation and release of provision for impaired receivables have been included in operating expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the gross value of each class of receivable mentioned above. The group does not hold any collateral as security. As at 28 February 2009, trade receivables of R7 711 086 (2008: R2 136 114) were potentially impaired. The amount of the provision was R2 475 181 (2008: R1 281 370). The potentially impaired receivables mainly relate to wholesalers. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:				
Three to six months	**2 366**	1 268	**–**	–
Over six months	**5 345**	868	**–**	–
	7 711	2 136	**–**	–

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

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
5. SHARE CAPITAL				
Authorised				
50 000 000 ordinary shares of one cent each	**500**	500	**500**	500
Issued				
33 002 930 ordinary shares of one cent each (2008: 33 002 930 shares)	**330**	330	**330**	330
Number of shares ('000)				
Balance at beginning of year	**33 003**	33 003	**33 003**	33 003
Issued during the year	**–**	–	**–**	–
Balance at end of year	**33 003**	33 003	**33 003**	33 003

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

Reconciliation of share options ('000)	**Number of shares**	Number of shares	**Number of shares**	Number of shares
Share options in issue at beginning of year	**412**	417	**412**	417
Options exercised during the year	**–**	(5)	**–**	(5)
Share options in issue at end of year	**412**	412	**412**	412

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

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
6. SHARE PREMIUM				
Balance at beginning of year	**14 305**	34 602	**14 305**	34 602
Dividend paid	**–**	(20 297)	**–**	(20 297)
Balance at end of year	**14 305**	14 305	**14 305**	14 305
7. INTEREST-BEARING BORROWINGS				
Secured				
Secured loan repayable in monthly instalments of R596 000 (2008: nil). Interest is charged at rates that fluctuate with prime rates less 0,75%. Secured by first mortgage bond over certain land with a cost of R70 000 000 (2008: R70 000 000).	**34 844**	40 148	**–**	–
Secured cash credit facility to the value of R30 000 000 (2008: R30 000 000) with no fixed terms of repayment. Interest is charged at rates that fluctuate with prime rates less 1%. Trade receivables of R102 781 307 (2008: R32 672 319) and inventory of R7 200 681 (2008: R5 145 934) of a subsidiary of the group have been ceded as security for this facility.	**30 000**	30 000	**–**	–
Secured loan repayable in monthly instalments of R715 448 (2008: R608 333) and bearing interest at the prime lending rate. Secured by first mortgage bond over certain land and buildings with a cost of R114 870 713 (2008: R114 870 713).	**65 134**	71 783	**–**	–
Secured loan repayable in monthly instalments of R315 967 (2008: R306 449) and bearing interest at the prime rate less 0,75%. Secured by first mortgage bond over certain land and buildings with a cost of R50 000 000 (2008: R50 000 000).	**24 827**	25 000	**–**	–
Secured loan repayable in quarterly instalments of R450 883 (2008: R450 883) and bearing interest at a fixed rate of 13,16% per annum. Secured by first mortgage bond over certain land and buildings with a cost of R6 339 467 (2008: R6 339 467).	**6 411**	7 324	**–**	–
Secured loan repayable in monthly instalments of nil (2008: R173 893) and bearing interest at nil percent (2008: 13,25%) per annum. Secured by first mortgage bond over certain land and buildings with a cost of nil (2008: R19 096 043).	**–**	1 960	**–**	–
Secured loan repayable in bimonthly instalments of R53 333 (2008: R53 333) and bearing interest at the prime lending rate less 1,75%. Secured by first mortgage bond over certain land and buildings with a cost of R2 719 203 (2008: R2 719 203).	**1 119**	1 439	**–**	–
Secured loan repayable in bimonthly instalments of R100 000 (2008: R100 000) and bearing interest at the prime lending rate less 1,25%. Secured by first mortgage bond over certain land and buildings with a cost of R6 000 000 (2008: R6 000 000).	**2 600**	3 200	**–**	–
Instalment sale creditors payable in monthly instalments totalling R2 930 276 (2008: R2 045 663). These liabilities are secured by instalment sale agreements over assets with a carrying value of R113 994 309 (2008: R93 249 547). Interest rates are charged at rates that fluctuate with prime rates on these agreements.	**102 480**	87 196	**–**	–

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
7. INTEREST-BEARING BORROWINGS continued				
Secured loan repayable in monthly instalments of R83 333 (2008: R83 333) and bearing interest at 13,05% (2008:13,05%) per annum. Secured by first mortgage bond over certain land and buildings with a cost of R114 870 713 (2008: R114 870 713).	**7 957**	8 833	**–**	–
Secured loans with no fixed terms of repayment. Interest is charged at the prime lending rate. Secured by first mortgage bond over certain land with a cost of R137 026 454 (2008: nil). This is a bridging finance facility that must be converted into a term loan in the new financial year.	**86 770**	–	**–**	–
Secured loans with no fixed terms of repayment. Interest is charged at the prime lending rate. Secured by first mortgage bond over certain land and buildings with a cost of R53 510 385 (2008: nil) and a revisionary cession of trade receivables with a carrying value of R102 781 307 (2008: nil). Interest rates are charged at rates that fluctuate with prime rates on these agreements.	**49 885**	–	**–**	–
Secured loan repayable in monthly instalments of R789 559. Interest is charged at the prime lending rate. Secured by first mortgage bond over certain land and buildings with a cost of R114 870 713 (2008: R114 870 713).	**57 344**	–	**–**	–
Secured loan repayable in montly instalments of R565 328 (2008: nil) of repayment. Interest is charged at rates that fluctuate with the prime rates. Secured by first mortgage bond over certain land and buildings with a cost of R114 870 713 (2008: R114 870 713).	**30 358**	–	**–**	–
Secured loan repayable in monthly instalments of R570 305 (2008: R416 666) and bearing interest at 10,9% (2008: 10,9%) per annum. Secured by first mortgage bond over certain land and buildings with a cost of R114 870 713 (2008: R114 870 713).	**44 237**	39 607	**–**	–
	543 966	316 490	**–**	–
Unsecured				
Unsecured cash credit facility to the value of R5 000 000 (2008: nil) with no fixed terms of repayment. Interest is charged at prime less 3%.	**5 000**	–	**–**	–
Unsecured loan repayable in quarterly instalments of R250 000 (2008: R250 000) and bearing interest at a fixed rate of nil per annum (2008: 15,79%).	**–**	250	**–**	250
	5 000	250	**–**	250
Total liabilities	**548 966**	316 740	**–**	250
Less current portion included in current liabilities	**90 985**	70 174	**–**	250
	457 981	246 566	**–**	–

Details of land and building mortgages are contained in a register, setting out the information required by P16(6) of the Fourth Schedule of 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 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
7. INTEREST-BEARING BORROWINGS continued				
Group instalment sale liabilities – minimum lease payments:				
Less than one year	**34 860**	27 910	**–**	–
Later than one year and no later than five years	**86 632**	83 134	**–**	–
Later than five years	**–**	3 446	**–**	–
	121 492	114 490	**–**	–
Future finance charges on instalment sales	**19 012**	27 294	**–**	–
Present value of instalment sale liabilities	**102 480**	87 196	**–**	–
The present value of instalment sale liabilities is as follows:				
Less than one year	**24 361**	17 808	**–**	–
Later than one year and no later than five years	**78 119**	66 366	**–**	–
Later than five years	**–**	3 022	**–**	–
	102 480	87 196	**–**	–
8. DEFERRED TAXATION				
Deferred taxation comprises:				
Capital allowances	**72 815**	73 585	**–**	–
Revaluation	**7 454**	7 454	**–**	–
Livestock	**28 465**	21 097	**–**	–
Provisions and other temporary differences	**(1 241)**	(579)	**–**	–
Tax losses	**(10 431)**	(2 938)	**–**	–
	97 062	98 619	**–**	–
The movement in deferred taxation was as follows:				
Balance at beginning of year	**98 619**	75 115	**–**	–
Current (reversal)/charge	**(1 557)**	23 504	**–**	–
Temporary differences	**5 936**	31 129	**–**	–
Rate change	**–**	(2 591)	**–**	–
Increase in tax loss	**(7 493)**	(5 034)	**–**	–
Balance at end of year	**97 062**	98 619	**–**	–
Deferred tax assets amounting to R3 112 560 (2008: R57 960) relating to certain subsidiaries have not been raised as it is not probable that these subsidiaries will make future profits.				
9. TRADE AND OTHER PAYABLES				
Trade payables	**133 720**	101 074	**138**	618
Accruals	**27 032**	3 200	**3 901**	2 501
Payroll and government levies	**8 086**	(15)	**984**	1 928
Discounts	**3 933**	496	**–**	–
Interest	**3 916**	610	**–**	7
Other	**11 097**	2 109	**2 917**	566
	160 752	104 274	**4 039**	3 119

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
10. INCOME BEFORE FINANCE COSTS				
Income before finance costs is arrived at after taking into account:				
Expense items				
Auditors' remuneration				
Audit fees	**286**	212	**11**	14
Share-based payments	**44**	57	**44**	57
Depreciation of property, plant and equipment	**20 364**	13 207	**–**	–
Property rentals	**623**	1 164	**120**	121
Operating leases of office and other equipment	**5 632**	7 942	**–**	–
Staff costs	**114 043**	111 827	**10 874**	12 536
Loss on disposal of property, plant and equipment and commercial vehicles	**–**	6 187	**–**	–
Loss on derivative instruments	**63**	11 857	**–**	–
11. NET FINANCE COSTS				
Interest on debt (bank borrowings)	**61 803**	18 504	**7**	201
Interest received (short-term bank deposit)	**(5 630)**	(7 592)	**(2)**	(70)
	56 173	10 912	**5**	131
12. TAXATION				
Current taxation				
SA normal taxation	**(3 477)**	(6 793)	**–**	80
– current year	**–**	(7 452)	**–**	80
– prior year under/(over) provision	**(3 477)**	659	**–**	–
Deferred taxation	**(1 557)**	23 504	**–**	–
– current year	**(1 557)**	26 095	**–**	–
– change in rate	**–**	(2 591)	**–**	–
Taxation (credit)/charge	**(5 034)**	16 711	**–**	80
The estimated taxation losses of certain subsidiaries available for set-off against future taxable income amounts to R123 602 784 (2008: 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 R220 440 227 (2008: R216 992 495).				
Reconciliation of taxation rate	**%**	%	**%**	%
Normal rate of company taxation	**28,0**	29,0	**28,0**	29,0
Overprovision from prior year	**63,1**	–	**–**	–
Tax loss utilised	**–**	(2,7)	**(28,0)**	(29,0)
Effective taxation rate	**91,1**	26,3	**–**	–

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

13. RETIREMENT BENEFIT INFORMATION

The company provides, through a defined contribution provident plan, retirement benefits for the majority of employees. These funds are subject to the Pension Funds Act, 1956, as amended. All new members pay their own contributions to the funds. Contributions are at the rate of 15,5% of pensionable emoluments of which members pay 6,5%.

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

	Group		Company	
	2009 R'000	**2008 R'000**	**2009 R'000**	**2008 R'000**
Total value of current service contributions to the schemes	**6 156**	4 367	**832**	709
Proportion of total employees covered	**86,5%**	97,1%	**100%**	100%
14. CASH GENERATED FROM OPERATIONS				
(Loss)/profit before taxation	**(5 526)**	63 427	**(5 831)**	(127)
Interest received	**(5 630)**	(7 592)	**(2)**	(70)
Interest paid	**61 803**	18 504	**7**	201
Depreciation	**20 365**	13 207	**–**	–
Movement on share option scheme	**44**	57	**44**	57
Operating profit/(loss) before working capital changes	**71 056**	87 546	**(5 782)**	4
Working capital changes				
Increase in inventories	**(12 821)**	(1 808)	**–**	–
Increase in biological assets	**(22 144)**	(30 511)	**–**	–
(Increase)/decrease in trade and other receivables	**(68 697)**	(9 761)	**241**	(224)
Increase in trade and other payables	**58 650**	65 588	**995**	2 504
Increase in amounts owing from subsidiaries	**–**	–	**(401)**	(6 344)
Increase in amounts owing to subsidiaries	**–**	–	**5 142**	25 558
	(45 012)	23 508	**5 977**	21 494
Cash generated from operating activities	**26 044**	111 054	**195**	21 498
15. CASH AND CASH EQUIVALENTS				
Bank balances and cash on hand	**82 679**	125 154	**7**	67
16. CAPITAL COMMITMENTS				
Authorised				
Contracted	**2 802**	65 941	**–**	–
Not contracted for	**56 241**	244 059	**–**	–
To be expended within one year	**59 043**	310 000	**–**	–
This capital expenditure will be financed as follows:				
Cash generated from current operations	**49 043**	51 025	**–**	–
Long-term finance	**10 000**	258 975	**–**	–
	59 043	310 000	**–**	–

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
17. (LOSS)/EARNINGS PER SHARE				
17.1 (Loss)/earnings per share				
The calculation of (loss)/earnings per ordinary share is based on earnings attributable to ordinary shareholders of (R492 081) (2008: R46 716 034) and a weighted average of 33 002 930 (2008: 33 002 930) ordinary shares in issue.				
(Loss)/earnings per share	**(1,5)**	141,6	**–**	–
17.2 Headline (loss)/earnings per share and diluted headline earnings per share				
The calculation of headline (loss)/earnings per share is based on net profit attributable to ordinary shareholders of (R492 081) (2008: R51 154 542) and a weighted average of 33 002 930 (2008: 33 002 930) ordinary shares in issue.				
Headline (loss)/earnings per share	**(1,5)**	155,0	**–**	–
The calculation of headline (loss)/earnings per share is based on net profit attributable to ordinary shareholders of (R492 081) (2008: R51 154 542) and a weighted average of 33 341 513 (2008: 33 373 729) ordinary shares in issue.				
Diluted headline (loss)/earnings per share	**(1,5)**	153,3	**–**	–

Reconciliation between earnings and headline earnings for the year ended 28 February 2009

	Loss from ordinary activities	Taxation	Net loss
As per annual financial statements	**(5 526)**	**5 034**	**(492)**
Reconciling items	**–**	**–**	**–**
Headline loss	**(5 526)**	**5 034**	**(492)**

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. (LOSS)/EARNINGS PER SHARE continued

17.3 Diluted earnings per share

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

18. RELATED PARTIES

18.1 Holding company

Sovereign Food Investments Limited does not have a holding company.

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

The subsidiaries of the group are identified in 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.

18.3 Types of related-party transactions

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

18.4 Related-party transactions

Material transactions with the company

Loans to and from related parties	Refer to note 2
Management fees from subsidiaries	R12 274 215 (2008: R15 455 235)
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 CP Davies is a director. At year-end nil (2008: nil) was outstanding.
- Goods and services to the value of R97 266 377 (2008: nil) were sold to The Spar Group of which MJ Hankinson is chairman of the board. At year-end R41 832 884 (2008: nil) was outstanding.
- Services to the value of R800 000 (2008: nil) were provided by Regiments Capital (Pty) Limited of which LM Nyhonyha is the chairman of the board. At year-end nil (2008: nil) was outstanding.

19. BORROWING POWERS

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

20. RISK MANAGEMENT

20.1 Capital risk management

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

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

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

20.2 Interest rate risk

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

20.3 Credit risk

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

20.4 Price risk

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

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

20.5 Commodity futures

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

20.6 Liquidity risk

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

Short-term flexibility is achieved by overdraft facilities.

	Within one year R'000	Between two to five years R'000	More than five years R'000	Total R'000
20. RISK MANAGEMENT continued				
20.6 Liquidity risk continued				
The maturity profile of the financial liabilities is analysed below:				
Group				
2009				
Borrowings	**90 985**	**260 531**	**197 450**	**548 966**
Trade and other payables	**160 752**	**–**	**–**	**160 752**
Total	**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
Total	174 448	174 920	71 646	421 014

	Within one year R'000	Between two to five years R'000	More than five years R'000	Total R'000
Company				
2009				
Trade and other payables	**4 039**	**–**	**–**	**4 039**
Loans from subsidiaries	**–**	**–**	**30 641**	**30 641**
Total	**4 039**	**–**	**30 641**	**34 680**
2008				
Borrowings	250	–	–	250
Trade and other payables	3 119	–	–	3 119
Loans from subsidiaries	–	–	25 499	25 499
Total	3 369	–	25 499	28 868

20.7 Fair values

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

20.8 Exchange rate risk

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

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

21. DIRECTORS' AND KEY MANAGEMENT'S REMUNERATION

	Salary R'000	Performance-related bonus R'000	Provident fund contributions R'000	Fringe benefits R'000	Medical benefits R'000	2009 Total R'000	2008 Total R'000
Executive directors							
MJB Davis	2 563	–	366	211	111	3 251	4 355
C Coombes	1 958	–	272	188	68	2 486	3 160
BJ van Rensburg	1 330	–	73	103	24	1 530	1 617
GG Walter	1 596	–	90	–	–	1 686	731
MP Manley	–	–	–	–	–	–	439
Total	7 447	–	801	502	203	8 953	10 302
Non-executive directors							
CP Davies	979	–	–	–	–	979	698
MJ Hankinson	263	–	–	–	–	263	88
KT Kweyama	218	–	–	–	–	218	105
PM Madi	248	–	–	–	–	248	105
LM Nyhonhya	336	–	–	–	–	336	118
BR Cape	–	–	–	–	–	–	38
BA Spanjaard	–	–	–	–	–	–	175
Total	2 044	–	–	–	–	2 044	1 327

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

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

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

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

22. OPERATING LEASES

Operating lease commitments

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

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

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

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

23. PURCHASING CONTRACTS

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

24. CONTINGENT ASSETS AND LIABILITIES

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

25. RESOLUTIONS PASSED

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

Group	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					
Leave pay	**3 248**	**1 392**	**(127)**	**–**	**4 513**
Provision for litigation	**838**	**–**	**(838)**	**–**	**–**
Provision for onerous contracts	**751**	**631**	**(623)**	**–**	**759**
Provision for water and electricity	**275**	**1 737**	**–**	**–**	**2 012**
	5 112	**3 760**	**(1 588)**	**–**	**7 284**

Analysis of total provisions	2009 R'000	2008 R'000
Non-current	**153**	751
Current	**7 131**	4 361
Total	**7 284**	5 112

Company	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 continued					
Leave pay	290	75	–	–	365
Total	**290**	**75**	**–**	**–**	**365**

Analysis of total provisions	2009 R'000	2008 R'000
Current	365	290

Leave pay

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

Onerous contracts

Certain subsidiaries of the group have entered into long-term lease contracts for the premises that they occupy. These subsidiaries have, however, reduced operations and therefore the contracts have become onerous as the benefits of having the contracts are exceeded by the obligation to pay the lease rentals, and as such a provision has been raised in the current year. The provision raised is the lesser of the cost to cancel/complete the contract and the present value of the payments still to be made.

Water and electricity

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

27. SUBSEQUENT EVENTS

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

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

28. SHARE-BASED PAYMENTS

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

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

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

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

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

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

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

28. SHARE-BASED PAYMENTS continued

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

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

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

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

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

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

28.3 The Sovereign Food Investments Share Incentive Scheme

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

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

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

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

	Group		Company	
	Loans and receivables at amortised cost R'000	Financial liabilities at amortised cost R'000	Loans and receivables at amortised cost R'000	Financial liabilities at amortised cost R'000
2009				
29. FINANCIAL INSTRUMENTS BY CATEGORY				
Assets per the balance sheet:				
Trade and other receivables	**113 325**	**–**	**–**	**–**
Cash and cash equivalents	**82 679**	**–**	**7**	**–**
Loans to subsidiaries	**–**	**–**	**9 114**	**–**
Total	**196 004**	**–**	**9 121**	**–**
Liabilities per the balance sheet:				
Trade and other payables	**–**	**160 752**	**–**	**4 039**
Borrowings	**–**	**548 966**	**–**	**–**
Loans from subsidiaries	**–**	**–**	**–**	**30 641**
Total	**–**	**709 718**	**–**	**34 680**
2008				
Assets per the balance sheet:				
Trade and other receivables	44 628	–	241	–
Cash and cash equivalents	125 154	–	67	–
Loans to subsidiary	–	–	8 713	–
Total	169 782	–	9 021	–
Liabilities per the balance sheet:				
Trade and other payables	–	104 274	–	3 119
Borrowings	–	316 740	–	250
Loans from subsidiaries	–	–	–	25 499
Total	–	421 014	–	28 868

SHAREHOLDERS' SPREAD ANALYSIS

	Number of shareholders	Number of shares	% of shares issued
Type of shareholders			
Public	776	20 423 381	61,9
Non-public	6	12 579 549	38,1
Total	782	33 002 930	100,0
Analysis of non-public shareholders			
1. Directors of the company or any of its subsidiaries (see page 54 for directors' individual shareholdings)	4	169 952	0,5
2. Any associate of the above	–	–	–
3. The trustee of any employee share scheme or pension fund established for the benefit of any director or employees of the company and its subsidiaries	–	–	–
4. Any person who, by virtue of any agreement, has a right to nominate a person to the board of directors of the applicant	–	–	–
5. Any person that is interested in 10% or more of the securities of the relevant class unless the JSE determines that, in all the circumstances, such person can be included in the public for the purposes of paragraphs 4.28 (e) and (f), 4.29 (d), (e), (f) (iv) and (v), 4.30 (c) (iv) and (v), and 4.31 (g) (iv) and (v). (See list of major shareholders below)	2	12 409 597	37,6
6. Employees of the issuer, where restrictions on trading in the issuer's listed securities, in any manner or form, are imposed by the issuer on such employee	–	–	–
Total	**6**	**12 579 549**	**38,1**
Major shareholders and/or fund managers			
Old Mutual Investment Group		8 038 305	24,4
Prudential Portfolio Management		4 371 292	13,2
Total		**12 409 597**	**37,6**

STATISTICS

	2009	2008	2007	2005	2004	2003
Share price (cents)						
High	**1 275**	2 100	1 500	1 200	740	175
Low	**380**	1 190	940	680	140	123
Average	**681**	1 645	1 179	881	371	145
Closing	**451**	1 250	1 245	1 050	700	150
Ordinary shares in issue at year-end	**33 002 930**	33 002 930	33 002 930	32 426 598	29 421 264	29 103 930
Number of shares traded	**14 607 147**	19 892 913	19 885 590	18 399 127	11 405 301	462 760
Value of shares traded (R'000)	**99 497**	311 371	242 702	162 061	69 798	636
Number of shares traded as a percentage of shares issued	**44,3%**	60,3%	60,3%	56,7%	38,8%	0,1%
Earnings yield	**(0,3)**	11,4	16,6	17,4	17,6	14,0

ANNUAL GENERAL MEETING

NOTICE OF THE TENTH ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY

SOVEREIGN FOOD INVESTMENTS LIMITED
Incorporated in the Republic of South Africa
Registration number 1995/003990/06
JSE code: SOV
ISIN: ZAE 000009221
(the company)

Notice is hereby given that the tenth annual general meeting of shareholders of the company will be held in the company's boardroom at Kruis River Road, Uitenhage, on Wednesday, 1 July 2009 at 09:00 for the purpose of considering and, if deemed fit, passing, with or without modification, the following resolutions:

ORDINARY RESOLUTIONS

Ordinary Resolution 1

To receive, approve and adopt the annual financial statements for the year ended 28 February 2009.

Ordinary Resolution 2

To re-elect MJ Hankinson who is due to retire as a director of the company by way of rotation of directors in terms of the company's Articles of Association. MJ Hankinson is currently a non-executive director of the company.

Ordinary Resolution 3

To re-elect KT Kweyama who is due to retire as a director of the company by way of rotation of directors in terms of the company's Articles of Association. KT Kweyama is currently a non-executive director of the company.

Ordinary Resolution 4

To re-elect BJ van Rensburg who is due to retire as a director of the company by way of rotation of directors in terms of the company's Articles of Association. BJ van Rensburg is currently an executive director of the company.

Ordinary Resolution 5

To elect GG Walter as an executive director of the company.

Ordinary Resolution 6

To confirm the appointment of PKF (PE) Inc to serve as the auditors of the company until the next annual general meeting.

Ordinary Resolution 7

To authorise the directors to establish their remuneration for the past year.

Ordinary Resolution 8

To resolve as an ordinary resolution that such number of the ordinary shares in the authorised but unissued capital of the company required for the purpose of satisfying the obligations of "The Sovereign Food Investments Share Incentive Scheme" and "The Sovereign Food Investment Ltd 2007 Share Plan" are hereby placed under the control of the directors, who are hereby, as a specific authority, authorised to allot and issue those shares in terms of the share plan deed.

The reason for, and the effect of, ordinary resolution number 8 will be to grant the directors a general authority to issue shares to share option holders as and when such option holders exercise their option rights.

LITIGATION STATEMENT

The directors of the company, whose names are given on page 18 of this annual report, are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had, in the 12 months preceding the date of this notice, a material effect on the group's financial position.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on page 18 of this annual report, 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 the annual report contains all the information required by law and the JSE Listings Requirements.

MATERIAL CHANGE

Other than the facts and developments reported on in this annual report, there have been no material changes in the affairs, financial or trading position of the group since the signature date of this annual report and the posting date hereof.

OTHER BUSINESS

To transact such other business as may be transacted at an annual general meeting.

Any shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and, on a poll, vote in his/her stead. The person so appointed need not be a shareholder. Forms of proxy must be completed and delivered to the company's transfer secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received not later than 09:00 on 29 June 2009.

Certificated shareholders and dematerialised shareholders with "own name" registration who are unable to attend the annual general meeting and wish to be represented thereat should complete and return the attached form of proxy.

Dematerialised shareholders other than dematerialised shareholders with "own name" registration who:

- are unable to attend the annual general meeting and wish to be represented thereat must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and within the time stipulated therein;
- wish to attend the annual general meeting must instruct their CSDP or broker to issue them with the necessary authority to attend; and
- must not complete forms of proxy.

By order of the board

C Coombes
Company Secretary

Port Elizabeth
15 May 2009

FORM OF PROXY

SOVEREIGN FOOD INVESTMENTS LIMITED
Incorporated in the Republic of South Africa
Registration number 1995/003990/06
JSE code: SOV
ISIN: ZAE 000009221
(the company)

For the sole use by the following holders of ordinary shares in the company at the tenth annual general meeting (the annual general meeting) of the company, to be held in the company's boardroom at Kruis River Road, Uitenhage, at 09:00 on Wednesday, 1 July 2009, namely:

- certificated shareholders; and
- CSDP nominee companies, brokers' nominee companies and dematerialised shareholders who have elected "own name" registration.

Forms of proxy must be completed and delivered to the company's transfer secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received not later than 09:00 on 29 June 2009.

I/We ____

being the holder/s of ___________________________ordinary shares in the company, hereby appoint (see note 1)

1. ____or, failing him/her

2. ____or, failing him/her

3. ____the chairman of the meeting,

as my/our proxy to attend and speak and vote for me/us on my/our behalf at the annual general meeting (and at any adjournment thereof) to be held at 09:00 on Wednesday, 1 July 2009, in the company's boardroom at Kruis River Road, Uitenhage, for the purpose of considering and, if deemed fit, passing, with or without modification, the following resolutions to be considered at that annual general meeting, in accordance with the following instructions (see note 2):

	Number of votes (one vote per share)		
As per notice of annual general meeting	For	Against	Abstain
Ordinary Resolution 1 To receive, approve and adopt the company's annual financial statements for the year ended 28 February 2009			
Ordinary Resolution 2 To re-elect MJ Hankinson as a director of the company			
Ordinary Resolution 3 To re-elect KT Kweyama as a director of the company			
Ordinary Resolution 4 To re-elect BJ van Rensburg as a director of the company			
Ordinary Resolution 5 To elect GG Walter as a director of the company			
Ordinary Resolution 6 To reappoint PKF (PE) Inc as the company's auditors			
Ordinary Resolution 7 To authorise the directors to establish their remuneration for the past year			
Ordinary Resolution 8 To grant the directors a general authority to issue shares			

If no indication is given, the proxy will vote as he/she deems fit.

Each shareholder entitled to attend and vote at the annual general meeting may appoint one or more proxies (who need not be a shareholder of the company) to attend, speak and, on a poll, vote in his/her stead.

Please read the notes on the reverse side hereof.

Signed at ________________________________on____2009

Signatures____

Assisted by me (where applicable)____

NOTES

1. Shareholders who have dematerialised their ordinary shares with a CSDP or broker, other than "own name" registrations, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the annual general meeting or the shareholders concerned must instruct them as to how they wish to vote. This must be done in terms of the agreement entered into between the shareholders and the CSDP or broker concerned.
2. A shareholder may insert the name of the proxy or the names of two alternative proxies of the shareholder's choice in the space provided with or without deleting "the chairman of the meeting", but any such deletion must be initialled by the shareholder. The person whose name appears first on the form of proxy and has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box/es provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by him/her, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
4. Where there are joint holders of shares and if more than one of such joint holders is present or represented, then the person whose name appears first in the register in respect of such shares or the proxy, as the case may be, shall alone be entitled to vote in respect thereof.
5. Proxies will only be valid for the purpose of the annual general meeting if lodged with or posted to the company's transfer secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received not later than 09:00 on 29 June 2009. Shareholders who are unable to attend any adjourned meeting may lodge their form of proxy for such adjourned meeting not less than 24 hours prior to the holding of the adjourned meeting.
6. Any alteration, deletion or correction made to this form or proxy must be signed and not merely initialled by the signatory/ies. The completion of any blank spaces need not be signed or initialled.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.
8. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
9. The chairman of the annual general meeting may reject or accept a proxy form which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
10. A minor must be assisted by a parent or guardian.

ADMINISTRATION

SOVEREIGN FOOD INVESTMENTS LIMITED
Registration number 1995/003990/06
Website: http://www.sovfoods.co.za
Email: info@sovfoods.co.za

REGISTERED OFFICE/POSTAL ADDRESS
Kruis River Road
Uitenhage, 6230
PO Box 1386
Uitenhage, 6230
Eastern Cape

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

COMPANY SECRETARY
C Coombes

AUDITORS
PKF (PE) Inc
Chartered Accountants and Registered Auditors

PRINCIPAL BANKERS
Nedbank Group Limited
Standard Bank of SA Limited

PRINCIPAL ATTORNEYS
Pagdens Inc

GRAPHICOR