sovereignfoods

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INTEGRATED REPORT 2015

Highlights

+19%

Revenue

2% improvement

EBITDA margin

+72%

Headline earnings per share

+11%

Net asset value

9% decrease

Net gearing

+127%

Dividends declared

Turnover per annum
R1,65 billion

Net asset value per share
942 cents

Net gearing
1%

Sales volume
98 800 tons

- 25 Farms
- 2 Hatcheries
- 1 Feedmill
- 1 Abattoir

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Vision

To achieve the **HIGHEST NET MARGIN** amongst SA poultry companies.

Values

1. We focus on cutting wastage and on finding a more efficient way of going about our work.
2. We measure our success by the satisfaction of our customers, internal and external.
3. We are passionate about what we do and believe we can be the best.
4. We always do the basics well.
5. We pride ourselves on team success and focus on results.
6. We speak with candour and respect and we value every team member regardless of position, age, gender or race.

Strategy

Phase 1 – Fix performance/build consistency (FY12 to FY13)

A short-term objective of restoring confidence in the Group (Group refers to Sovereign Food Investments Limited, its subsidiaries and its associate) by its shareholders, customers, employees and suppliers through simplifying the supply chain, improving operational results and production throughput, exercising frugality, rightsizing its headcount, reducing capital expenditure, good working capital management and conserving cash.

This objective was achieved with the Group maintaining profitability as set out in the 5-year review on page 6.

Implementing strategic partnerships at the customer, supplier and technology level, maintaining strong operational KPIs, change the Group's product mix by reducing IQF mixed portions to below 30% and moving that output to the Home Meal Replacement ("HMR"), Fully Cooked, Fresh and Weight-graded product channels.

A focus on the correct allocation of capital by allocating the bulk of capital expenditure and resources to changing the product mix with limited volume expansion.

Our critical success factors

- **BEAT OUR OWN RECORDS** inside the business.
- **CUSTOMER-CENTRIC** operations, internally and externally.
- **INCREASE YIELDS** from all operations.
- **STRINGENT QUALITY MEASURES** in place across the business.
- A team that is **ENGAGED, MOTIVATED, PASSIONATE AND PERFORMANCE DRIVEN.**

The Group is making significant progress towards these objectives as set out in the reduction of mixed portions sales and increase in value-added/fresh sales as set out in the Brands, products and markets overview on page 5 and the reduction in gross gearing as can be seen in the section “Our progress towards our targets” on page 3.

Phase 3 – Expansion (FY17 to FY19)

Acquisitions in the primary protein space, introducing additional revenue streams in market spaces related to primary protein production and expanding into markets outside the borders of South Africa via either a direct investment, through customer partnerships or through exports.

This phase will start in FY16 and concrete steps have been taken towards the achievement of this objective.

Company and divisional structure

"Sovereign Foods is an integrated poultry producer situated in the Eastern Cape producing approximately 100 000 tons of poultry per annum. From an agricultural aspect, it has breeder and broiler operations and a feedmill and, within processing and distribution, an abattoir and a warehouse. It has a national sales footprint with a concentration of sales in Gauteng and the Eastern Cape."

100%

General public and institutions

Sovereign Food Investments Limited

Sovereign Food Industries (Pty) Ltd

Crown Chickens (Pty) Ltd

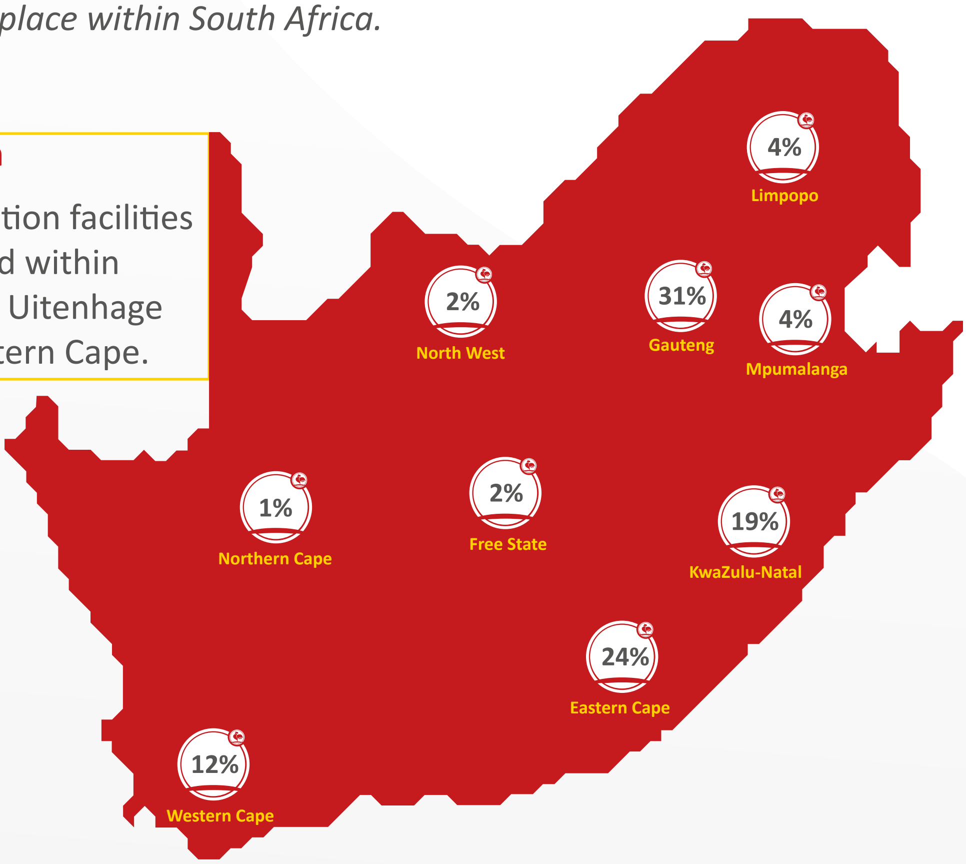
AGRICULTURE	PRODUCTS	SOVEREIGN MARKETING	GROUP SERVICES
Parent Stock Hatchery Feedmill Broilers	Abattoir Value-added Waste Recovery	Warehouse and Distribution Sales and Marketing	Finance and Procurement Information Technology Human Resources

Sales and operations map

Note: *Besides 1% of product that was exported, all other sales take place within South Africa.*

Operation

All production facilities are located within 100 km of Uitenhage in the Eastern Cape.



Our progress towards our targets

Area	Performance indicators	Target	Target date	Results 2015	Results 2014	Comments
Economic	Earnings before interest, taxation, depreciation and impairments	Between 12% and 14%	FY16	**8,8%**	7,2%	Previously, the Group had an EBITDA target of 16% to 18% but given the poor fundamentals in the SA poultry industry in the short term, the Group has reduced this target to between 12% and 14%.
	Return on shareholders' equity	Between 14% and 16%	FY16	**10,9%**	6,9%	Our return on shareholders' equity has in the past not met expectations. Capital allocation is an area of continuous focus.
	Return on net assets	Between 17% and 19%	FY16	**12,6%**	8,3%	Return on net assets has been below target with the returns on the newer assets not being in line with expectation as a result of poor trading conditions. We aim to achieve the target through increasing the throughput of high-margin products.
	Gross gearing	Less than 30%	FY12	**11,2%**	16,3%	We have achieved and maintained this target through strengthening our Statement of financial position.
Environmental	Environmental incidents	None	Continuous	**1**	Nil	There has been one incident of non-compliance which is in the process of being rectified.
Social	BEE	Level 4 contributor	FY18	**Level 5**	Level 6	We achieved a Level 5 contributor status and have adopted a more targeted approach to improving our preferential procurement and employment equity scores.
	Labour practices and decent work	DIFR of less than 0,9 incidents per 200 000 man-hours	Continuous	**0,44**	0,82	As much as we will always strive for nil, a target of less than 0,9 is realistic. The decrease in the current year is as a result of a strong focus by the divisional risk management teams.
		Zero fatalities	Continuous	**Nil**	Nil	No fatalities occurred during the year. We will always strive for zero and are happy to have achieved it.
		Five Star health and safety NOSA certification on major operations/ facilities	FY15	**Five Star (Abattoir) Five Star (Agriculture)**	Four Star (Abattoir) Four Star (Agriculture)	We are pleased to have achieved Five Star certification for the abattoir and the agricultural division. We are committed to a safe working environment and a Five Star health and safety NOSA certification is the target for our major operations and/or facilities.
	Product responsibility	Zero incidents of product safety defects	Continuous	**Nil**	Nil	As we are a food company we take product safety very seriously.
	Animal welfare	Zero incidents of animal welfare non-compliance	Continuous	**Nil**	Nil	We take animal welfare seriously and have stringent safeguards to ensure that our livestock is treated as per policy.

Brands, products and markets

Product and market strategy

In order to improve pricing and revenue stability, the Group has embarked upon the following product and market strategy.

Product strategy
To move away from commodity type IQF products into higher-margin, niche products where either:

- Further processing, that is traditionally done at the consumer sales point, can be transferred back to the abattoir in products that are either crumbed, coated, fully cooked, marinated, tumbled or a combination thereof; or
- Distribution and shelf life constraints mean that certain products such as fresh products need to be manufactured close to the customer; or
- Value can be added to the product at the abattoir to meet specific customer specifications such as weight-graded portions.

Market strategy
To adopt a "selected market spaces" strategy where service levels and product needs are matched to key customers' requirements.

Corporate brand

The Group's corporate brand is "sovereignfoods" and a conscious decision has been taken to separate its product brands from its corporate brand.

sovereignfoods™
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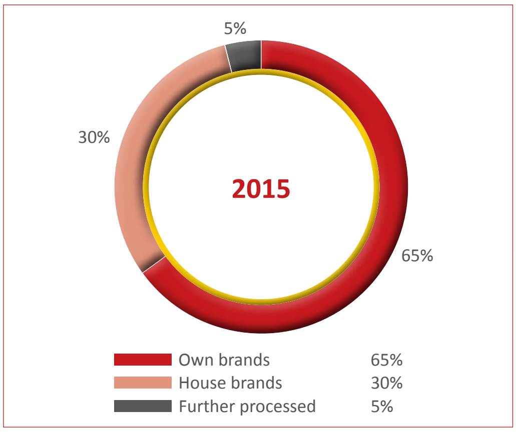
Product brands

For the Group to achieve the above, it undertook a brand consolidation exercise several years ago and consolidated its own "non-further processed" retail and wholesale brands under its flagship brand, **"Country Range"**. Within the Country Range brand, there are four ranges, each of which caters for a different customer, channel or route to market and a different consumer or LSM group. The **"Cater Chicken"** brand is used for products sold into the Food Services segment.

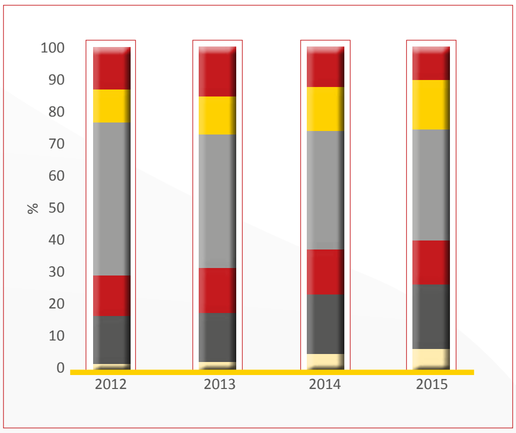
In order to meet its market strategy, the Group also packs several **"house"** brands for "non-further processed" products for key customers, and to meet its product strategy, the Group has developed a range of **"further processed"** brands that it either owns or co-owns along with selected customers.

Approximately two-thirds of the Group's products are sold in its own brands as can be seen below:



Product mix

As set out in the product strategy above, the Group is moving away from commodity IQF type products into higher-margin, niche products, and this can be seen in the chart below:



	2012	2013	2014	2015
Further processed/value-added/fresh	1%	2%	4%	6%
Fillet and soup pack	15%	15%	19%	20%
Primary products	13%	14%	14%	14%
IQF mixed portions	47%	41%	36%	34%
IQF single portions	11%	12%	14%	15%
Tray packs, wholebirds and small IQF portions	13%	16%	13%	11%

Brands, products and markets

Product category	Brand ownership	Brand	Range	Brand positioning	Domestic: Retail	Domestic: HMR	Domestic: Wholesale	Domestic: Food Services	Export	Consumer "LSM" groups
VALUE-ADDED RANGES	Co-owned by Sovereign and Customer	Chicka Chicken		Breaded and fully cooked products, developed with and for Spar, directed at the Home Meal Replacement ("HMR") and Quick Service Restaurant ("QSR") sectors.		○			○	LSM 4, 5, 6, 7, 8, 9, 10
	Co-owned by Sovereign and Customer	Southern Style Crispy Crumbed Chicken		Crumbed and fully cooked products, developed with and for SPAR, directed at the retail market.	○				○	LSM 4, 5, 6, 7, 8, 9, 10
	Owned by Sovereign			Breaded and fully cooked products, directed at the Food Services market and informal Quick Service Restaurant ("QSR") sectors.				○	○	LSM 6, 7, 8, 9, 10
	Owned by customer	PRIVATE LABELS: SPAR, Freshly Foods		House brands produced to each individual customer's needs and specifications.	○	○	○		○	
NON-FURTHER PROCESSED	Owned by Sovereign	Country Range	Meal Makers	"Family-sized" packs directed at the consumer with an average-sized family for home meal preparation.	○		○			LSM 4, 5, 6, 7, 8
	Owned by Sovereign	Country Range	Feast Favourites	5kg "bulk packs" directed at the consumer with at-home requirements, as well as the informal catering sector.	○		○			LSM 4, 5, 6, 7, 8
	Owned by Sovereign	Country Range	Braai 'n Grill	"Tray packs" directed at the single consumer and smaller families looking for a lower pricing pick-up point.	○		○			LSM 3, 4, 5, 6, 7, 8, 9
	Owned by Sovereign	Country Range	Extra Packs	Chicken downgrades (such as "Chunks", "Livers" and "Heads and Feet") and by products ("Soup Pack") directed primarily at the lower LSM groups as a source of affordable protein.	○		○			LSM 1, 2, 3, 4, 5, 6
	Owned by Sovereign	Country Range	Fresh Chicken	"Fresh" chicken directed at the middle to upper consumers who are less price conscious.	○					LSM 5, 6, 7, 8, 9, 10
	Owned by Sovereign	Cater Chicken	Chef's Choice MCP	Portion controlled "cater packs" directed at the Food Services market.				○		LSM 6, 7, 8, 9, 10
	Owned by Sovereign	Cater Chicken	(other)	Bulk "value" products for the Food Services industry.				○	○	LSM 6, 7, 8, 9, 10
	Owned by customer	PRIVATE LABELS: SPAR, Bidvest foodservice		House brands produced to each individual customer's needs and specifications.	○		○		○	

5-year review

	2015	2014	2013	2012	2011
Consolidated results (R'000)					
Turnover	**1 648 631**	1 391 224	1 267 968	1 258 694	1 113 110
Group operating profit (EBIT)	**110 896**	68 616	79 309	75 283	93 989
Attributable income	**77 596**	44 847	52 458	41 906	31 552
Total assets employed	**1 206 695**	1 073 572	1 031 980	1 008 950	1 046 341
Net current assets	**189 493**	139 417	160 014	106 894	43 445
Ordinary share performance					
Earnings per share (cents)	**101,9**	58,5	66,2	53,5	66,0
Headline earnings per share (cents)	**103,3**	60,2	74,5	67,5	70,0
Net worth per share (cents)	**942**	852	808	734	829
Market price at year-end (cents)	**900**	540	460	574	590
Net cash flow from operating activities per share (cents)	**163**	82	117	81	251
Liquidity					
Interest cover (times)	**39,7**	14,3	10,9	3,5	1,8
Gearing (%)	**1**	10	6	18	82
Current ratio	**1,7**	1,7	1,9	1,6	1,2
Profitability					
Operating profit margin (%) (EBIT)	**6,7**	4,9	6,3	6,0	8,4
Earnings before interest, taxation, depreciation and impairment (%) (EBITDA)	**8,8**	7,2	9,2	9,4	11,2
Return on net assets (%)	**12,6**	8,3	10,0	9,0	10,8
Net asset turnover	**1,8**	1,6	1,5	1,6	1,4
Return on shareholder equity (%)	**10,9**	6,9	8,4	7,2	8,0
Value added					
To remunerate employees (%)	**62**	64	55	59	48
To providers of finance (%)	**1**	3	4	7	19
To the government (%)	**14**	13	13	10	10
To replace assets (%)	**7**	8	11	12	11
To expand the Group (%)	**16**	12	17	12	12
Total value added (%)	**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.**
Net 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	**Interest-bearing debt less cash reserves.**
Gearing	**Net borrowings as a percentage of equity.**
Current ratio	**Current assets to current liabilities.**
Net assets	**Total assets less total liabilities, excluding cash and cash equivalents, borrowings, normal and deferred tax.**
Operating profit margin (EBIT)	**Profit before finance costs as a percentage of turnover.**
EBITDA	**Earnings before interest, taxation, depreciation and amortisation as a percentage of turnover.**
Return on net assets	**Operating profit before interest and income tax as a percentage of average net assets.**
Net asset turnover	**Revenue divided by average net assets.**
Return on shareholders' equity	**Earnings attributable to ordinary shareholders as a percentage of ordinary shareholder's funds.**

Integrated Report overview

We have pleasure in presenting the Integrated Report for Sovereign Food Investments Limited for the year ended 28 February 2015. This report follows the guidance contained in the King III Report, as well as the Integrated Reporting Framework discussion paper, as issued by the Integrated Reporting Committee. In accordance with the stated objectives of integrated reporting, this report focuses on those issues that have a material impact on our ability to create and sustain value, and outlines how these issues have been integrated within our business strategy.

AS PER THE PREVIOUS REPORT, WE HAVE IDENTIFIED AND REPORTED ON:	• Our material issues • Our stakeholders • Key performance indicators (KPIs)
AS PART OF THE PROCESS, WE STILL NEED TO:	• Obtain external assurance on the report

Boundaries and scope

The boundaries of this Integrated Report ("report") are identified as entities over which the Group exercises control ("organisational boundary") which is Sovereign Food Investments Limited and all its subsidiaries ("the Group") which are set out on page 2. All of the operational activities of the Group take place in South Africa, while a portion of sales consists of exports. The geographical sales breakdown is set out on page 2.

The Group does not consider there to be any entities over which it exercises influence but not control and which would therefore need to be included in this report. The Group does not have any joint ventures and has no material leased facilities that fall within the boundaries of this report. There are no customers, suppliers or service providers that the Group considers necessary to include in this report.

There were no limitations imposed on the scope or boundaries of this report.

Measurement

Data is measured according to specific indicators throughout the report. Tables and graphs are used where appropriate. In many instances, data measurement is implicit as set out in the unit of measurement. Where we have found the GRI G3 indicators not relevant, this has been set out in the GRI G3 Content Index and Standard Disclosures table which can be found on our website www.sovereignfoods.co.za. Data is evaluated and collected according to policies, procedures, practices and principles that the Group has implemented to meet best practice.

Reporting period, date of prior report and reporting cycle

This report covers the period 1 March 2014 to 28 February 2015. This period is either referred to as *"the financial period ended 28 February 2015"*, *"the year under review"* or *"the period under review"*. The previous annual report was for the period 1 March 2013 to 28 February 2014 which was dated 14 May 2014. The reporting cycle is on an annual basis.

External assurance and contact person

This Integrated Report has not been externally evaluated although the intention is to seek external assurance in the future. The contact person for this report is G Coley who can be contacted at gcoley@sovfoods.co.za.

Location of Standard Disclosures

The Standard Disclosures table can be found on our website www.sovereignfoods.co.za.

Board declaration

The board of directors ("board") acknowledges its responsibility to ensure the integrity of the Integrated Report. The board has accordingly applied its mind to the Integrated Report and in the opinion of the board the Integrated Report addresses all material issues and presents fairly the integrated performance of the organisation and its impacts. The Integrated Report has been prepared in line with best practice pursuant to the recommendations of the King III Code (Principle 9.1). The board authorised the Integrated Report for release on 14 May 2015.

Signed by the Independent Non-executive Chairman and an Independent Non-executive Director, who have been duly authorised thereto by the board.

Charles Peter Davies
Independent Non-executive Chairman

Litha Nyhonyha
Independent Non-executive Director

14 May 2015

What material issues face the Group?

What is our response to these issues?

Area	Issue	Stakeholder impacted
Financial/operational	Recovery of increases in feed, energy and labour costs through the selling price	• Shareholders • Employees • Customers • Suppliers • Consumers
	Saturation of the IQF sector of the poultry market	• Shareholders • Employees • Customers • Suppliers
	Disease breakout	• Shareholders • Customers
	Reduction of increase in non-feed costs to a level consistent with that of a commodity poultry business	• Shareholders • Employees • Customers • Suppliers
	Consumer perceptions around injection/brining could lead to legislative changes or a cap on the maximum brining levels allowed	• Shareholders • Employees • Customers • Consumers
	Failure in the supply of electricity or other essential services	• Shareholders • Employees • Customers • Suppliers • Community
People	Key staff/skills retention	• Shareholders • Employees
	An unsettled labour force	• Shareholders • Employees • Suppliers • Customers • Community

Impact	Mitigation/response/long-term goal
If increased feed, energy and labour costs (which are largely outside the Group's control) cannot be recovered through an increased selling price then gross margins will decline.	• Continue to achieve increases in selling prices that are above inflationary levels by changing product mix and improving customer interaction. • Interact with government to impose higher tariffs on imported poultry. • Improve feed conversion ratio through continuous development to minimise effect of feed cost increases. • Employ top-rated nutritionists so that feed can be formulated as effectively as possible. • Utilise the best feed raw material pricing advice available. • Implement a renewable energy strategy so as to mitigate increases in energy cost per unit produced.
The IQF mixed portion sector of the poultry market is becoming overtraded both through local producers and increasing imports.	• Minimise exposure to IQF mixed portion sector by reducing this to below 30% of sales volume and increasing value-added production. • Implement strategic partnerships with selected customers so as to increase brand loyalty and minimise pricing disruption.
If a disease broke out on the farms which could not be contained or stopped then this could lead to a material drop in production.	• Stringent biological risk controls on and around farms and associated facilities such as feedmill and hatcheries. • Vaccination programme to prevent diseases. • In-house veterinary staff.
The ongoing increases in inputs with administered prices (labour, electricity, fossil fuels) could increase our non-feed costs at a rate in excess of CPI and our increase in selling prices.	• Reduce increase in payroll expenditure to levels on par with or below competitors as measured against revenue. • Implement smooth, consistent and efficient supply chain and production process so as to minimise production "friction" and reduce cost. • Constantly review the level of expenditure on "discretionary" costs. • Allocate capital to make structural reductions to the cost base.
The industry has a duty to ensure that consumers are not sold products where the consumer is "ripped off" and therefore the red meat and poultry industry currently practise a system of industry self-regulation; if this is legislated due to consumer action then the business model of the meat and poultry industry and the Group would be impacted.	• Customers and consumers are informed through the industry body and other channels of the facts and advantages of injection such as taste, succulence and affordability. • Consumers are given the choice to purchase suitable priced products with varying levels of injection (fresh versus frozen). • Interact with government around the "brining" issue and, through this interaction, ensure that government makes a decision that is in the best interests of all roleplayers.
The long-term failure of electrical or water supplies to the abattoir, feedmill or hatchery could lead to a material decrease in production.	• Back-up generators at all facilities except the abattoir. • Ability to drive in water in tankers to certain facilities if needed. • Insurance cover.
If the Group loses key staff and skills then the long-term sustainability and success of the Group will be threatened.	• Grading system implemented for all permanent employees. • Workers (permanent and contract labour) treated with dignity and respect. • Employees understand clearly what is required of them so that "trust" relationship can be maintained. • Demonstrate secure employment with a secure company. • Performance Management System. • Career path available. • Competitive remuneration.
A disgruntled or disenfranchised workforce can cause lost production through strikes, other lost-time incidents, lower production levels and quality standards.	• Careful selection of contract labour service providers. • Implementation of a strategic long-term solution around the use of contract labour. • Establishment of workplace forums to resolve issues.

What material issues face the Group? (continued)

What is our response to these issues? (continued)

Area	Issue	Stakeholder impacted
Health and safety	Minimise and reduce the risk of injury to all stakeholders at all facilities	• Shareholders • Employees • Suppliers
	The Group produces food for human consumption and therefore must adopt a “zero tolerance” attitude to food safety issues	• Shareholders • Customers • Consumers • Employees • Suppliers • Government
	A major facilities disaster	• Shareholders • Customers • Employees • Suppliers • Government
Empowerment and transformation	BEE/scorecard/agricultural charter	• Shareholders • Government
	Skilled black employees’ development and retention	• Shareholders • Employees • Government
Environment and governance	The Group meets the necessary environmental legislation standards and practices in the communities and industries within which it operates	• Shareholders • Government • Communities
	Animal treatment and welfare standards are set and achieved	• Government • Communities

Impact	Mitigation/response/long-term goal
Injuries or deaths will impact the Group through a distrustful workforce and community, resolution of any incidents with government, lost time and reputational damage.	• Maintain DIFR accident injury rate at below 0,9 incidents per 200 000 man-hours and maintain number of deaths at zero. • Achieve health and safety NOSA Five Star ratings at the abattoir and agricultural operations. • Continuous training and monitoring. • Implementation of risk assessment and mitigation programmes and resources.
The Group has a moral and legal obligation to ensure that the people that consume its products are safe from any possible safety concerns; a food safety issue could pose a potential threat to consumer safety and lead to possible consumer and customer action, government sanction and reputational damage.	• The Group does not sell a material amount of animal feed or day-old chicks outside the Group and so the potential for a safety issue to arise here is minimal. • Stringent quality and laboratory checks and balances ensure control over food safety at the abattoir. • Training on and adherence to the Consumer Protection Act and Packaging Act.
A major facilities disaster at the abattoir, feedmill or hatchery could lead to death or severe injury and a material loss of production and loss of market share.	• Adequate fire prevention and protection systems at all major facilities. • Training for all loss control personnel to agreed levels. • Disaster recovery plans in place. • Insurance cover.
The Group has a moral and legal obligation to correct past inequitable practices; not meeting agreed transformation targets will impact the Group's ability to conduct business.	• Improve/maintain BEE rating on an ongoing basis.
The Group has a duty to equip black employees with the necessary skills and experience so that they can assume managerial positions.	• Internal skills development and promotion programme to ensure that suitably qualified and experienced black employees are promoted. • Employment practices implemented to ensure that appropriately qualified black candidates are given preference. • Improvement in EE score is a KPI for senior management.
The Group has a moral and legal obligation to protect the environment; if the Group does not meet the applicable legislative standards and practices then this may impact the Group's ability to utilise all its productive capability and capacity at all of its sites.	• Sufficient resources and capital are made available to address environmental issues where deemed necessary. • Environmental management practices implemented at all sites. • Implement a renewable energy strategy to reduce our carbon footprint. • Improve data collection systems to close feedback loop and enhance decision-making.
The Group has a moral and legal obligation to ensure that all livestock are handled in a considerate and humane manner; poor handling can lead to higher bird mortalities, quality issues and lower production and selling prices.	• Bird welfare policy implemented. • Bird treatment and handling is carried out as per the bird welfare policy. • Stocking density and other animal welfare related production standards and practices adhered to.

"THE PURPOSE OF OUR ANNUAL INTEGRATED REPORT REMAINS TO PROVIDE ALL STAKEHOLDERS WITH AN OVERVIEW OF OUR ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE"

SA poultry industry

It is important to understand the South African poultry industry in order to contextualise the Group's areas of operation.

Local poultry production

It is estimated by the South African Poultry Association ("SAPA") that the South African poultry industry slaughtered 958 million birds in 2014 which is a 2% increase in production over 2013. This slaughter figure translates into a production figure of approximately 1,5 million tons per annum of local production.

Poultry imports

In addition to the local production noted above, imports into South Africa (including Mechanically Deboned Meat) ("MDM") totalled 393 344 tons in 2014, which is an increase of 1% over 2013, and resulted in total poultry consumption in South Africa of 1,9 million tons per annum or 36,5 kg per capita based on an estimated population of 52 million. Imports, including MDM, therefore represent a significant 27% of local production.

On 4 July 2014, provisional anti-dumping duties were imposed on leg quarters imported from the UK, the Netherlands and Germany and final anti-dumping duties were imposed on 27 February 2015. These duties resulted in a reduction in leg quarter imports from the UK, the Netherlands and Germany but these leg quarters were largely substituted by imports from Belgium, France and Spain.

The table to the right shows the origin of leg quarter imports for the six months from 1 January 2015 to 30 June 2014 and from 1 July 2014 to 31 December 2014.

	Six months to 30 June 2014		Six months to 31 December 2014	
	Tons	% of total	Tons	% of total
UK, NL, DE	72 976	85%	34 535	48%
Other EU countries	6 241	7%	30 941	44%
Total EU	**79 217**	**92%**	**65 476**	**92%**
Countries outside EU	6 445	8%	5 772	8%
Total	**85 662**	**100%**	**71 248**	**100%**

Avian Influenza

Highly Pathogenic Avian Influenza ("HPAI") was reported in a number of countries in 2014 and 2015 and poultry imports were also affected by the outbreak of HPAI in the UK, Germany and the Netherlands which resulted in the import of all poultry from these countries being stopped from December 2014. This ban will be in place until the veterinary services in these countries satisfy the World Organization for Animal Health ("OIE") that the outbreak has been eradicated.

The HPAI outbreak could have a long-term effect on the SA poultry industry as the importation and supply of great grand-parent and grand-parent breeder stock could be affected.

African Growth and Opportunities Act ("AGOA")

AGOA has been prominent in the media recently and the Group agrees with the stance taken by SAPA that concessions be made by the SA poultry industry on the importation of bone-in portions from the US in the interests of all South Africans. It is, however, important to note that these concessions should

not be of such a nature and extent that irreparable harm is caused to the SA poultry industry.

Poultry exports
The ability of the SA poultry industry to export poultry is dependent on SA meeting international veterinary standards as regards, amongst others, disease prevention and food safety.

International veterinary standards are monitored by the OIE who recently conducted an evaluation of the SA Veterinary Services. In this evaluation, the OIE found that "*The Veterinary Services of South Africa, which are generally still of a very high standard, but they, are at the cross-roads between a bright future or a rapid decline*".

It is therefore in the interests of the SA poultry industry that it works closely with the Department of Agriculture, Forestry and Fisheries ("DAFF") in order to implement the necessary policies, processes, procedures and measures that would enable South Africa to build a thriving poultry export business.

Consumer demand
South African consumer demand continues to stagnate as the purchasing power of the local consumer is eroded by higher prices of basic necessities such as energy and transport, economic growth in South Africa and the availability of easily accessible credit is reduced.

Input costs
Corn prices declined by 24% in the US during 2014, and this, coupled with a large local maize crop in the 2014/2015 maize season, had the effect of reducing local maize prices with the average SAFEX spot white maize price declining by 15% in 2014. It is pleasing to note that South Africa is now able to import maize from South America as the ban on genetically modified maize has been lifted.

In addition, US soya bean prices declined by 14% in 2014 and this contributed towards the 2% reduction in SAFEX soya bean prices over the same period.

However, the severe drought experienced in the first quarter of 2015 has reduced the estimated size of the 2015/2016 maize crop to 9,6 million tons, which is 4,6 million tons lower than the 2014/2015 maize crop of 14,2 million tons. This has increased SAFEX prices going into 2015 with the average spot price for yellow maize for the three months to 31 March 2014 being 12,7% higher than the average spot price for yellow maize for the three months to 31 December 2014.

Administered costs comprise those costs whose price are set by a regulatory body and not by a free market system and include, *inter alia*, minimum wage rates, electricity, municipal charges and diesel. These costs have seen increases over the past several years far in excess of inflation and continue to impact all poultry companies.

The Group is fortunate that it has experienced minimal disruption as a result of Eskom's load shedding due to the location of the abattoir in an industrial area and the installation of generators on the rest of the Group's facilities.

Brine injection

Although the industry is currently self-regulated in terms of brining levels, the Department of Agriculture, Forestry and Fisheries ("DAFF") has proposed a maximum percentage for total pick-up for whole birds and portions.

Although this regulation is expected to lead to an increase in the retail and wholesale price of poultry as supply volumes are reduced, SAPA has been interacting on a positive basis with DAFF in this regard and it is anticipated that an outcome will be achieved that is in the best interests of all stakeholders.

Vision

The vision of the Group is "to achieve the highest net margin amongst SA poultry companies". Progress towards achieving this vision can be measured by using earnings before interest and tax ("EBIT") as a benchmark and we are happy to report that the Group's EBIT for the year under review compares favourably with our peers in the poultry industry.

Strategy overview

Given the dynamic nature of the environment and industry in which it operates, the Group has implemented a system of strategizing, planning and forecasting in three-year cycles with:

- the first shortened planning cycle running from the second half of FY12 to FY13 (Phase 1);
- the second cycle running from for the three years from FY14 to FY16 (Phase 2); and
- the third cycle running for the three years from FY17 to FY19 (Phase 3).

In the first two cycles, the Group has articulated a consistent strategy with this strategy being broken down into two phases, Phase 1 being to "Fix Performance" and "Build Consistency" and Phase 2 being to "Grow the Footprint".

Phase 1 – Fix Performance/Build Consistency
Phase 1A (Fix Performance) ran from the latter half of FY12 to the end of FY13 and in this phase the Group set out with the short-term objective of restoring confidence in the Group through its shareholders, customers, employees and suppliers. Phase 1B (Build Consistency) ran for FY13 and in this phase the Group continued to focus its efforts on bedding down the short-term gains made in Phase 1A and implementing them as part of the ongoing culture change within the business.

Phase 2 – Growing the Footprint
Phase 2 runs from FY14 to FY16 and the Group has progressed strongly in its strategy of implementing strategic partnerships at the customer, supplier and technology level. As previously outlined, this will entail changing the Group's product mix and reducing Individually Quick Frozen ("IQF") mixed portions production from 65% to below 30% by the end of FY16 with this production going into the Home Meal Replacement ("HMR"), Fully Cooked, Fresh and Weight-graded product channels. The Group remains confident that this change in strategy will insulate the Group to a large extent from the negative aspects of the issues affecting the poultry pricing in South Africa outlined above and the challenge that faces the industry in respect of the proposed maximum percentage. The Group continues to allocate a large proportion of its capital expenditure and resources to this issue to implement it successfully and in FY15 allocated capital of R40 million to product mix changes.

The Group had previously earmarked capital for allocation to projects aimed at improving production and cost efficiencies and during the year, the Group allocated R10 million in capital expenditure towards these projects.

Limited volume expansion is seen during this period with capital expenditure in this regard going mainly towards ensuring that some "head room" is created in the supply chain to allow for operational disruptions.

Although in this phase the Group is focused primarily on its operations based in Uitenhage in the Eastern Cape, given where the industry currently is in terms of the poultry cycle, the Group is willing to consider prudent, well-priced acquisitions that fit into the strategic direction of the Group and that meet the Group's financial criteria.

During this period, the Group has implemented "internal covenants" such that its gross gearing does not exceed certain limits. In order for the Group to meet these targets during difficult trading conditions capital expenditure may be delayed.

Phase 3 – Expansion and Strategic Resilience
Phase 3 runs from FY17 to FY19 and building on Phase 2, the main thrust of this phase is that of expansion and strategic resilience. The Group has therefore laid out the following aims for Phase 3:

- Significantly increase poultry volumes to meet growing demand from our customers.
- A material portion of the Group's revenue is to be derived from currencies other than the Rand.

To this end, the Group will undertake the following:

- Expand production at the Uitenhage plant to optimise the supply chain at that facility.
- Grow exports to selected destinations, either through current or new trading partners.
- Enter into prudent, well-priced acquisitions that fit into the strategic direction of the Group and that meet the Group's financial criteria.

Performance

The Group experienced good selling price increases during the year with marginal increases in feed costs and above inflation increases in non-feed costs. As a result, the Group showed an increase in headline earnings per share of 72% to 103,3 cents compared to 60,2 cents per share for the prior period.

The year-on-year changes in the major drivers of financial performance in the Group were as follows:

Driver	Year-on-year change
Sales volumes (tons)	5%
Selling price (R/kg sold)	13%
Broiler feed cost (R/ton)	2%
Feed cost (R/kg sold)	5%
Non-feed costs (R/kg sold)	16%

Sales volumes and operations
The Group showed good volume growth with sales volumes increasing by 5% as bird numbers slaughtered also increased by 5%, live mass per bird increased by 1% and abattoir yield declined by 1% year-on-year due to the changing product mix. On the efficiency side, abattoir throughput increased by 4% per shift and farming performance was down 2%.

Selling prices
Selling prices were affected by a reduction in local supply into certain product groups, as well as the slight reduction on import volumes. Average prices increased by 13% of which 1% can be attributed to the Group's strategy of changing its product mix and 12% can be attributed to price increases. This price increase must be compared to the increase in the national IQF poultry prices (as published by SAPA) of 11% for the 2014 calendar year.

Feed cost
The Group's cost of maize decreased by 9% and soya decreased by 2% during the year under review. Despite these reductions, the Group's broiler feed cost in Rand/ton terms increased by 2% year-on-year as a result of increases in the other feed raw materials. This 2% increase, together with an increase in the Group's feed conversion ratio of 1% and the 1% decrease in abattoir yield mentioned above resulted in the cost of feed per kg of sales increasing by 5%.

Non-feed costs
Non-feed costs are broken down into three components as set out below and in total, non-feed costs increased by 6% per kg sold. The Group continues to review its cost base on an ongoing basis and has consistently adopted a frugal, cost-awareness culture where discretionary expenditure is limited as much as possible. As noted above, it has also committed capital in order to reduce non-feed costs on a systemic basis.

Direct non-feed product costs
Direct non-feed product costs comprise abattoir packaging, crumb and coated materials and brine. This cost increased 21% year-on-year on a per unit basis driven largely by a 15% increase in the cost of plastics and cardboard and also the effect of our changing product mix.

Direct non-feed production costs
Direct non-feed production costs comprise the cost of agricultural transport, transporting frozen finished goods from our warehouse to customers and energy, utilities and labour costs at the abattoir. This cost increased 7% year-on-year on a per unit basis driven largely by an 8% increase in the cost of energy and electricity and a 9% increase in the cost of labour.

Indirect non-feed costs
Indirect non-feed costs comprise all non-feed costs not considered to be either direct non-feed product costs or direct non-feed production costs and these costs increased 18% year-on-year on a per unit basis. This was driven mainly by increases in repairs and maintenance costs and the depreciation charges, together with increases in the cost of energy and people costs not already included in direct non-feed production costs above.

Balance sheet
Total capital expenditure during the year as outlined above of R54 million was funded entirely from cash generated internally and as a result, the balance sheet of the Group remained strong at year-end with R70,9 million net cash on hand and a gross gearing of 11%.

Corporate governance and directorate

The Group strives to continuously improve its reputation for fair dealing, accountability and openness in conducting its business affairs and has a diverse, skilled and knowledgeable board which is well-suited to manage the affairs of the Group. The board has assessed its compliance with King III and will continue the process of assessing compliance on an ongoing basis.

Sustainability

As set out in this Integrated Report, the Group subscribes to the long-term sustainable success of the business, as well as that of its surroundings, including the environment, suppliers, employees and the local community.

Transformation

The Group is pleased to note that it has achieved a Level 5 (2014: Level 6) BBBEE rating and is working hard towards improving our rating although this will be impacted by the imposition of the new generic scorecard from 1 May 2015.

Risk management

During the year under review, the Group achieved "NOSA Integrated Five Star" compliance across all its facilities, which is an excellent achievement.

Dividend

The Group's practice is to declare one dividend per year. The board has approved and declared a final dividend with a cover of three times headline earnings in respect of the year ended 28 February 2015, declaring a dividend of 34 cents per share (2014: 15 cents per share).

Prospects

The slight reduction in local supply volumes together with anti-dumping tariffs imposed during 2014 and 2015 have brought a normalisation of supply and demand and this brought some relief to the industry during the year. However, the proposed implementation of the maximum brining legislation will result in increased retail prices which will put an already embattled consumer under more pressure. In addition, the recent drought and above-inflation increases in labour, diesel, plastics, energy and other regulated costs continue to impact upon the cost base of the Group.

As a result, the Group continues to focus on improving its revenue through changing its product mix away from low-margin IQF type products towards higher margin niche products while at the same time focusing on reducing the impact of higher costs on its cost base by improving efficiencies and maintaining a frugal, low-cost culture.

Notwithstanding the above mitigations, the Group's operating margins are expected to remain constrained in the coming year.

Acknowledgements

It has been a challenging trading period for the industry and the Group and we would like to thank our customers, shareholders and suppliers who continue to show their support. We would also like to thank our employees, management, executive committee and board for their continued support over this period and into the coming year.

Charles Davies
Independent Non-executive Chairman

Chris Coombes
Chief Executive Officer

14 May 2015

Financial overview

"IMPROVED PRODUCTION RESULTS, TOGETHER WITH HIGHER REALISATIONS, RESULTED IN THE GROUP REPORTING AN INCREASE IN EARNINGS PER SHARE OF 71%"

Financial performance

	2015 Rm	2014 Rm	% change
Revenue	1 649	1 391	19%
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	145	100	45%
Depreciation and amortisation	34	31	9%
Earnings before interest and tax (EBIT)	111	69	61%
Net finance costs	3	5	(40%)
Profit before tax	108	64	69%
Tax	31	19	63%
Profit for the year	77	45	71%
EBIT margin	6,7%	5,0%	36%
Earnings per share (cents)	101,9	58,5	74%

Statement of financial position

	2015 Rm	2014 Rm
Non-current assets	754	737
Current assets (excluding cash)	382	296
Cash and cash equivalents	71	41
	1 207	1 074
Equity	712	650
Non-current liabilities (excluding borrowings)	178	147
Borrowings (long- and short-term)	79	106
Current liabilities (excluding borrowings)	238	171
	1 207	1 074

The Group's revenue for the year increased by 19% to R1,6 billion (2014: R1,4 billion). This was achieved as a result of an increase in sales volumes compared to the previous year as well as an increase in the net sales value per kg poultry sold ("NSV") from R14,74 in FY14 to R16,70 in FY15. This positive change in NSV was as a result of both price inflation and the change in the product mix.

The Group continues to sell to a diverse mix of customers and approximately 56% of revenue by value is sold to "blue chip" wholesalers and retailers such as SPAR, Masscash, Bidvest and Shoprite with the balance of revenue being derived from what would be called the "cash and carry" market.

Profit before interest and tax was up by 61% on the previous year at R111 million. This was despite increases in raw material input costs of 9% at a rand level and non-feed costs comprising all other costs excluding finance charges increasing by 16% per kg of poultry sold.

The increase in the raw materials in the feed price alone was 2% but the 6% increase in live mass volumes and 1% increase in feed conversion ratio (FCR) resulted in the 9% increase in feed costs. Contributors to the increase in non-feed costs were mainly increases in administered costs such as wages (9%), energy (electricity and coal both 8%), and utilities (12%), as well as increases in packaging and value added materials due to changes in the product mix, while other costs were contained.

Net finance costs decreased by R2 million as a result of the reduced debt levels during the 2015 financial year.

Profit for the year was up from R45 million in the previous year to R77 million, or 71%, while earnings per share were up 74% year-on-year.

Non-current assets are made up of property, plant and equipment. The Group incurred capital expenditure of R54 million during the year. This went towards increasing supply of value-added products, through the purchase of a carton freezer and former, as well as some risk mitigation projects, aimed at de-risking the supply chain. Depreciation and impairments for the year were R34 million in total, while R2 million worth of assets were disposed.

Current assets excluding cash increased by R86 million as a result of increases to both inventories and accounts receivable. These increases resulted from the increase in input prices during the year, while volumes of stock on hand were higher compared to the previous year. The increased sales realisations in the last two months of the year when compared with the previous year contributed to the increase in trade receivables. In addition to this, the financial year-end fell over a weekend, resulting in cash collections being received after the year-end cut-off.

Cash and cash equivalents increased by R30 million. Cash generated from operations increased by 87% to R127 million (2014: R68 million) demonstrating the Group's cash generating ability. This cash was applied to investment in capital equipment (R54 million), funds returned to shareholders in the form of dividends (R11 million) as well as normal debt repayments (R27 million). Sales of assets brought in R2 million cash.

Non-current liabilities, excluding borrowings, consists of the deferred tax liability. This increased by R31 million as a result of unutilised tax allowances on capital expenditure and the lower tax values of biological assets.

Borrowings decreased by R27 million as a result of normal debt repayments during the year, with no additional debt being raised.

Current liabilities increased by R67 million off the back of higher input costs, and an amount of R27 million which was included in trade and other payables in respect of a dispute with a local service provider.

Other financial information

The return on equity has increased from 6,9% in the prior year to 10,9% as a result of the increased profitability, while EBITDA has increased from 7,2% to 8,8%. The Group's net gearing has improved from 10% at the end of the previous year to 1%, mainly due to the stronger cash position at the end of February 2015.

The Group has declared a dividend of 34 cents per share which equates to a cover of 3,0 times on headline earnings of 103,3 cents per share.

As the Group continues to execute on its strategy to move into high-margin products, realisations are expected to increase at rates above those of normal food inflation. However, the continued flow of imports into the country and increase in administered costs, together with increases in raw material prices, are expected to place pressure on profitability in the coming year.

Grant Coley
Chief Financial Officer

14 May 2015

Board of directors

1. Charles Peter Davies (68)

Independent Non-executive Chairman

Appointed to the Sovereign Foods board: 19 February 2007

Charles was appointed as Managing Director of Norwich Life in March 1989. He was then appointed as Chief Executive Officer of Norwich Holdings Ltd at its incorporation in 1995. He held this post until his retirement in 1999.

He is currently involved in dairy farming and serves on various boards in a non-executive capacity.

2. Christopher (Chris) Coombes (48)

Chief Executive Officer

Qualifications: CA(SA), BCompt (Hons), BSc (Eng) (UCT)

Appointed to the Sovereign Foods board: 1 March 1999

Chris started his career in the civil engineering field, where he was employed as a designer and site engineer with several civil engineering companies from 1989 to 1993.

He then moved into the accounting profession as an articled clerk with PKF from 1994 to 1997.

Chris joined Sovereign Foods in May 1997 as Group Financial Manager. He was appointed as Chief Financial Officer in March 1999 and as Chief Executive Officer in 2012.

3. Litha Mveliso Nyhonyha (55)

Independent Non-executive Director

Qualifications: CA(SA), BCom (UCT)

Appointed to the Sovereign Foods board: 21 September 2007

Appointed to the AECI board in 2006, Litha is a member of the Audit, Nominations, Remuneration and Financial Review and Risk Committees. Litha is Executive Chairman and a founding member of Regiments Capital, a black-controlled and managed financial services group. He is also a director of several listed and unlisted companies, including Kumba Iron Ore and Pembani Investment Holding company (formerly Worldwide Africa Investments).

4. Thomas (Tom) Pritchard (60)

Independent Non-executive Director

Qualifications: CA(SA), BCom (Hons) (UP)

Appointed to the Sovereign Foods board: 1 November 2010

Tom operated within the listed ICS group for over 15 years, the last six years before the Tiger Brands takeover of ICS as Group Financial Director. He joined Tiger Brands in 1998 as Financial Director of its Branded Consumer Division. Upon the unbundling of Tiger Brands agri-poultry business, Tom was appointed Financial Director of Astral Foods, a position he held until 2007. Tom joined Famous Brands as Financial Director in 2008.

In 2009 Tom co-founded Lodestone Brands (Pty) Ltd, a private equity company in consortium with Standard Chartered Bank.

5. Prof Mziwakhe Phinda Madi (51)

Independent Non-executive Director

Qualifications: BProc, EDP (Northwestern University, Chicago), MDP (HEC Business School, Paris)

Appointed to the Sovereign Foods board: 8 October 2007

Prof Madi is a corporate lawyer by training and has been an entrepreneur over the past 20 years. He has also been an Ad Hominem Professor, Rhodes University Business School, lecturing MBA students on Business Leadership. He is also a founder member and commissioner of the Black Economic Empowerment Commission.

Prof Madi has written three books and also serves as a director on the boards of a number of companies, which includes The SPAR Group, Illovo Sugar Limited, the Automobile Association of Southern Africa and Nampak.

6. John Andrew Bester (68)

Independent Non-executive Director

Qualifications: CA(SA), BCom (Hons), (UCT) CMS (Oxon)

Appointed to the Sovereign Foods board: 1 November 2010

John has been involved in the accounting profession for 16 years and in commerce and industry for 34 years.

John serves as a Non-executive Director on the boards of a number of companies, which includes Clicks Holdings Limited, Homechoice Holdings Limited, Tower Properties Limited, Ascendis Health Limited, Business Connexion Group Limited, Personal Trust International (Pty) Ltd, Western Province Rugby (Pty) Ltd and is a trustee of Children's Hospital Trust in Cape Town. He chairs several audit committees.

7. Blaine Justin van Rensburg (43)

Executive Director Products

Qualifications: NDip Labour Law

Appointed to the Sovereign Foods board: 22 June 2006

Blaine joined Sovereign Foods in January 1997 and has held a number of positions with the Group since then, including General Manager Processing, General Manager Logistics, Chief Operating Officer and Chief Risk Officer.

He took over his current role in September 2011.

8. Gerald Godfrey Walter (42)

Executive Director Group Marketing

Qualifications: Sales Diploma, completed Executive Development Programme through the Graduate School of Business (UCT) in 2014

Appointed to the Sovereign Foods board: 28 September 2008

Gerald started his career in retail as Branch Manager, Western Province Cellars, in 1992 and managed his own restaurant business for a year. From 1996 to 1998 he held the position of Area Sales Manager at the Cold Chain.

He then joined Heinz and later McCain Frozen Foods as Key Accounts Manager and left them to become the Inland Key Accounts Manager at County Fair Foods in 2001. In 2002, he was appointed National Sales and Marketing Manager.

Gerald joined Sovereign Foods in August 2007 as Sales and Marketing Manager and on 28 September 2008 he was appointed to the position of Sales and Marketing Director.

9. Grant Lawrence Coley (37)

Chief Financial Officer

Qualifications: CA(SA), BCom (Hons)

Appointed to the Sovereign Foods board: 1 July 2013

Before joining Sovereign Foods, Grant was employed by PricewaterhouseCoopers as a manager in the Assurance Division, where he had completed his articles.

He joined Sovereign Foods in May 2008 to set up the Internal Audit Division and then held a number of positions within the Group, being appointed to Chief Financial Officer in July 2013.

Executive Committee and Company Secretary

1. **Christopher (Chris) Coombes**
   Chief Executive Officer

2. **Max Ernest Hoppe**
   Company Secretary
   Qualifications: BA (Hons)

3. **Grant Lawrence Coley**
   Chief Financial Officer

4. **Thuto Shongwe**
   Group Executive Human Resources
   Qualifications: BA Law; LLB, MSc Leadership & CM

5. **Gerald Godfrey Walter**
   Executive Director Group Marketing

6. **Blaine Justin van Rensburg**
   Executive Director Products

7. **Ettienne du Preez**
   Group Executive Agriculture

Governance, ethics and compliance report

Corporate governance

Sovereign Food Investments Limited is proud of its reputation on fair dealing, accountability and openness in conducting its business affairs. The Group conducts its business within an ethical framework to achieve these principles. At the same time, the Group strives to benefit the community in which it operates and to minimise any possible damaging effects 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 III Report, especially the need to conduct the enterprise with integrity and accountability and also subscribes to the Global Reporting Initiative. The Group has assessed compliance against the King III Report as detailed below:

King III Implementation Programme Score

	Governance element	Status	Explanation
1	**Ethical leadership and corporate**	Compliant	n/a
2	**Boards and directors**	Compliant	n/a
3	**Audit committees**	Compliant	n/a
4	**Governance of risk**	Compliant	n/a
5	**The governance of information technology**	Explain	The CFO is currently managing the IT process, as the CIO position is vacant. The IT function is closely monitored by the Audit and Risk Committee and the possible appointment of a CIO has been considered. However, it has been decided that the company does not functionally require a CIO at this stage and the matter will be reviewed annually.
6	**Compliance with laws, rules, codes and standards**	Compliant	n/a
7	**Internal audit**	Compliant	n/a
8	**Governance stakeholders' relationship**	Compliant	n/a
9	**Integrated reporting and disclosure**	Explain	The requirement of the King III Report which states that an independent assurance over sustainability issues be done was considered. This was not regarded as a priority due to the fact that the sustainability issues were reviewed by the non-executive directors, the auditors and internal audit.

The Group is materially compliant with the King III Report as demonstrated in the table above. Where the Group is not compliant, an explanation has been provided.

A detailed review of the Group's compliance with all the King III principles can be viewed on the Group's website at www.sovereignfoods.co.za.

The Group complies with the JSE Listings Requirements for which it completes an annual compliance checklist to verify its compliance. The annual compliance certificate will now be submitted to the JSE in terms of the amended Listings Requirements with the annual financial statements.

The Group also complies with the requirements of the Companies Act of 2008 and maintains a Companies Act compliance checklist.

The JSE Listings Requirements checklist is reviewed by the board annually and the Companies Act compliance checklist is reviewed at all board meetings.

Governance structures

The information below sets out:

- the procedures of the board of directors for overseeing the Group's identification and management of economic, environmental, and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles; and
- the processes in place for evaluating the board's own performance, particularly with respect to economic, environmental and social performance.

Board of directors

The board of directors is the highest governing authority within the Group and is ultimately responsible for governance. The Group operates a unitary board which 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 board and its committees and sub-committees operate under approved charters which are reviewed annually. The key principles of the board charter are detailed below:

- Assume accountability and responsibility for the performance and affairs of the Group.
- Retain full and effective control, by ensuring strategies are in place to achieve the goals and objectives of the Group.
- Protect the Group's financial position and sustainability of the business.
- Ensure that non-financial aspects relevant to the business are identified and monitored.

- Ensure there is a communication policy that is used to communicate with its shareholders and all relevant stakeholders openly and promptly, with substance prevailing over form.
- Ensure that the business is managed on strong leadership and ethical standards.

There is no overlap between the roles and functions of the Independent Non-executive Chairman and the Chief Executive Officer. The Independent Non-executive Chairman, Charles Davies, leads the board, while the leadership of the Executive Committee of the Group is the responsibility of the Chief Executive Officer, Chris Coombes. This ensures a balance of authority and power so that no individual has unrestricted decision-making powers. At the same time, the board and Executive Committee members work closely together in determining the strategic objectives of the Group.

The independent non-executive directors bring an analytical and outside view of performance, strategy and resource planning. They take responsibility for ensuring that the Chairman encourages proper deliberation on all matters requiring board attention.

Executive directors have overall responsibility for implementing the Group's strategy. 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. The board is satisfied that in accordance with King III, it has a working understanding of the effect of applicable standards, codes, rules and legislation on the Group and its activities.

The board is also satisfied that the board members are suitably qualified and experienced to give the Group guidance not only on economic but also environmental and social issues.

All stakeholders have access to the directors electronically and can provide recommendations and direction as they see fit. The Group provides a toll-free number for consumers to call and these calls are reviewed by the Executive Director: Group Marketing. The Group also provides a "whistle blowers" hotline and any calls to this line are reported at the Audit and Risk Committee and Social and Ethics Committee meetings.

In terms of the Group's Memorandum of Incorporation, one-third of all directors retire by rotation and can offer themselves for re-election. There is no formal succession plan in place for the position of Chairman of the board, as it is deemed unnecessary.

The board reviews the external chairmanships of the directors annually, as proposed in the King III Report and it is of the view that the external chairmanships do not conflict with the performance of any director on the Sovereign Foods board.

Independence and conflict of interest

Directors are required to disclose all interests in material contracts and any possible conflict of interest as soon as they are aware of them, and directors disclose to the board and review each other's interests, shareholdings and directorships in other companies and bodies at every board meeting.

Directors will recuse themselves from board meetings where conflicts may exist.

Prof Phinda Madi is a non-executive director of SPAR, which is a customer of the company. This has been considered by the board and is not seen as a conflict of interest.

Evaluation of the effectiveness of the board

Directors undergo a formal evaluation every second year.

An external directors' evaluation was conducted in March 2014. The outcome of the evaluation was satisfactory and no issues requiring rectification were reported.

Board sub-committees

The board has established three principal committees to assist in discharging its responsibilities, namely the Audit and Risk Committee, the Human Resources and Remuneration Committee and the Social and Ethics Committee. Specific responsibilities have been delegated to these committees. The meeting frequency in the 2015 financial year is the following:
- Six board meetings.
- Four Audit and Risk Committee meetings.
- Three Human Resources and Remuneration Committee meetings.
- Three Social and Ethics Committee meetings.

Two of the six board meetings have been set aside to focus on the budget and strategy respectively and one of the Audit and Risk Committee meetings is to review the Group's risks.

Attendance at scheduled board and committee meetings in the year under review were as follows:

	AGM	Board	Audit and Risk Committee	Human Resources and Remuneration Committee	Social and Ethics Committee	Strategy
CP Davies	1/1	6/6	4/4	3/3	3/3	1/1
Prof PM Madi	1/1	5/6†	3/4†**	2/3†	2/3†	1/1
LM Nyhonyha	1/1	6/6	4/4	n/a	n/a	1/1
JA Bester	1/1	6/6	4/4	3/3	3/3	1/1
T Pritchard	1/1	6/6	4/4	n/a	n/a	1/1
C Coombes	1/1	6/6	4/4**	3/3**	3/3**	1/1
GL Coley	1/1	6/6	4/4**	3/3**	3/3**	1/1
BJ van Rensburg	1/1	6/6	n/a	n/a	n/a	1/1
GG Walter	1/1	6/6	n/a	n/a	n/a	1/1

† *Apology* ** *Observer* *n/a Not applicable*

Audit and Risk Committee

The Audit and Risk Committee, whose purpose is to bring influence to bear on accounting, auditing, internal controls, business risk, compliance and financial reporting matters, meets four times per annum. The Audit and Risk Committee comprises independent non-executive directors LM Nyhonyha (Chairman), T Pritchard, JA Bester and CP Davies. The Group's external auditors have unrestricted access to the members and workings of the Audit and Risk 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.

The Audit and Risk Committee meets at least once per annum with the external and internal auditors without the executive directors being present and also meets with the executive directors without the external auditors being present.

During the year under review, the Audit and Risk Committee reviewed, confirmed and approved the following as required by the Companies Act of South Africa and also by the King III Report:

- The Integrated Report for the year ended 28 February 2015.
- 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.
- The independence of the external audit function.

Deloitte is the incumbent auditors for the Group. The Audit and Risk Committee continually monitors the independence and objectivity of the external auditors. The policy of the Group is that non-audit services provided by the incumbent auditors may not exceed 33% of the audit fee in any financial period. During the year, Deloitte provided certain non-audit services. Total non-audit fees incurred or accrued for during the 2015 financial year for Deliotte were R140 000 (22% of the audit fee). These were related to non-audit services, which the Audit and Risk Committee concluded that there were no areas of conflict and that these fees were in line with the approved policy.

The Audit and Risk Committee operates under a charter which is reviewed annually in July.

As the Audit and Risk Committee has become a statutory body in terms of the Companies Act of South Africa, shareholders are required to appoint the members of the Audit and Risk Committee at the annual general meeting to be held on 12 August 2015.

Refer to the Audit and Risk Committee's report on pages 47 to 48 for more information regarding the activities of the Audit and Risk Committee.

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee meets at least three times a year to ensure that remuneration policies within the Group are equitable. The Committee comprises independent non-executive directors Prof MP Madi (Chairman), CP Davies and JA Bester. A special interest is applied to training and opportunities for empowerment.

The Human Resources and Remuneration Committee is currently lead by Prof Phinda Madi.

The Human Resources and Remuneration Committee operates under a charter which is reviewed annually in July. In addition, the Human Resources and Remuneration Committee performs the functions of the Nominations Committee, as provided for by the King III Report and the JSE Listings Requirements and set out in the Sovereign Food Investments Limited Independent Non-executive Directors' Policy. The Chairman of the board leads the Nominations Committee.

A more detailed review of the governance and other issues pertaining to the sphere of Human Resources and Remuneration is contained in the Human Resources and Remuneration report on pages 37 to 44.

Risk management

Material risks are reviewed at each Audit and Risk Committee meeting and progress against agreed targets is reviewed and evaluated. The Audit and Risk Committee meeting held in August is dedicated to a full review of all matters pertaining to risk and risk management and mitigation. Although responsibility for sound risk management practices is delegated to divisional management, risks are evaluated, monitored and reported on at an enterprise level.

In addition, the executive management reviews risks every quarter and conducts bi-annual company-wide risk assessment.

The Group makes use of external consultants where deemed necessary to review the Group's risk management philosophy and implementation of risk management practices.

The table below sets out the top risks to the Group and the measures in place to mitigate these risks:

Risk category	Item	Risk	Mitigation in place to manage this risk
Facilities	Feedmill silo explosion or collapse	A feedmill silo could collapse or explode	Managed through application of the standard operating procedures to manage dust levels within the silos and to manage activities around the silos when there is a situation that could lend itself to a possible explosion; regular emergency drills and evacuations are also held.
	Abattoir ammonia leak	An ammonia leak at the abattoir leading to serious injury and/or neighbourhood evacuation	Managed through application of the standard operating procedures to manage the facility, including regular and preventative maintenance, regular MHI drills, an annual MHI inspection and an annual NOSA audit.
	Hatchery or value-added plant fire	A fire at the hatchery or value-added plant damages the facility	Managed through application of the standard operating procedures to manage the potential for a fire; regular emergency and evacuation drills are conducted; there is adequate fire fighting and emergency equipment at these facilities.
	Abattoir sabotage	Sabotage of key equipment at the abattoir	The key target for any sabotage would be the plant room and compressors/refrigeration system. Access to the plant room is limited by means of a biometric system to only authorised personnel and is further monitored by means of cameras.
Disease	Avian diseases	Diseased layer birds generating diseased eggs, diseased eggs/chicks supplied or the introduction of diseases by vehicles and people	Managed through a carefully controlled medication and vaccination programme and also through the imposition of strict bio-security protocols throughout the business.
Products and markets	Currency strength/ import volumes	A strong Rand makes the importation of poultry more attractive	SAPA has applied for tariffs to mitigate and reduce the level of imports into SA. The Group is moving into "defensive" products that will be hard to import such as Fresh, Weight-graded portions and Fully Cooked products.
	Injection limits	The implementation of legislation enforcing maximum injection limits in poultry that are unprofitable	The Group's product mix strategy will move the Group away from mixed portions which is the most vulnerable product to brining legislation. However, the Group will always have a certain % of injected products in our product mix, so we will never be able to mitigate this risk completely. Through SAPA, the Group has also engaged with government on the brining issue.
	Loss of market spaces	Competitors launch competitive product lines in the most profitable trading spaces	Mitigated through a proactive programme of engaging with our key customers and gathering market intelligence, as well as developing new products and packaging solutions on an ongoing basis.
	Product food safety	Contaminated product causes death of consumer; food-borne illness outbreak	Mitigated through a comprehensive set of SOPs and quality systems. The Group also undergoes annual and bi-annual food safety and HACCP audits from a number of regulatory and industry bodies.
	Loss of key customer	Loss of sales and/or markets	The Group's strategy of partnering with selected customers either on a product or geographic basis is intended to counter this risk.

Risk category	Item	Risk	Mitigation in place to manage this risk
Human Resources	Key management protection	Loss of key management staff due to competitor poaching	The Group has a long-term incentive plan in place for senior management and succession plans are in place for the majority of our top 70 managers.
	Scarce skills, i.e. artisans	The loss of technical skills at artisan and semi-skilled labour levels	The Group has instituted a remuneration system to attract and retain technical/artisan skills.
	Minimum wage increases	Minimum wage costs increase to levels that render the business unprofitable	The Group could mechanise some current manual positions to reduce our dependency on unskilled labour.
	Labour instability	General country-wide labour instability affects local operations and business is interrupted	Implementing market-related wage increases, improving communications through workplace forum and formal recognition agreements will mitigate this risk in the short term.
Supply interruption	Electrical supply failure/load shedding	The risks of electrical interruption in supply or transformer failure for longer than 24 hours at the abattoir	The local municipality is constructing a new sub-station near to the abattoir which should improve the quality of the electrical supply at the abattoir and reduce the Group's risk. All other facilities have standby generators and the Group has insurance cover for electrical outages longer than 72 hours.
Finance and legislation	Low-cost culture	Lack of a low-cost culture	The executive lead by example with a conscious application of the "low-cost" culture. Cost issues are monitored and discussed at Executive Committee and Divisional Executive Committee level. Senior managers' bonuses are tied into Group profitability.
	Funding	Funding for acquisition or expansion is not available	Keep an ongoing relationship and dialogue with providers of finance at both a debt and equity level. Review business progress and financials with them on an ongoing basis to provide them with insight and understanding of the business and the industry.
	Land restitution legislation	Land claims against our farms and loss of productive assets	Management is not aware of any possible land claims and will address the issue of claims should any arise.
	50% land expropriation	Loss of productive assets	The company is working with the Agbiz working group on objecting to the proposed legislation.
	Maximum land holding	Loss of productive assets	The company currently hold less than 12 000 ha of land.
Environmental	Environmental compliance	Environmental compliance is not achieved and facilities must be closed	Managed through the application of the standard operating procedures around health, safety and environmental issues. The Group assesses ongoing compliance with environmental laws and regulations.

Internal audit

The Group has a full-time internal audit function and the internal audit plan and progress against this plan is reviewed and where necessary, approved by the Audit and Risk Committee. The results and findings of the internal audits conducted, as well as steps taken to correct any internal control weaknesses are reviewed by the Audit and Risk Committee at every meeting. The internal audit function operates under a charter which is reviewed and approved in August each year. The independence of the internal audit function has been reviewed by the Audit and Risk Committee, and the Committee is satisfied that its independence has not been restricted in any way.

The Group Internal Auditor is accountable to the Audit and Risk Committee and reports functionally to the Chairman of the Audit Committee and administratively to the Chief Financial Officer.

Internal controls

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.

A one-day budget review at board level is held in February each year at which the board approves the budget for the following financial year.

Governance, ethics and compliance report (continued)

Strategic planning

The strategic focus of the Group is reviewed on a regular basis at board, exco and divisional levels and the long-term strategy is reduced to near-term operational plans and responsibilities.

A one-day strategic review at board level is conducted in September each year.

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.

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.

Company Secretary

The Company Secretary works to ensure that board procedures and relevant legislation and regulations are observed, and is responsible for preparing the meeting agendas and recording minutes.

The board has formally assessed the competence, qualifications and experience of the Company Secretary and is of the opinion that he has the requisite competence, knowledge and experience to carry out the duties of Company Secretary for Sovereign Foods.

The Company Secretary's relationship with the board has been assessed and it has been determined that he is suitably independent of the directors to maintain an arm's length relationship with the board, as recommended by the King III Code and the JSE Listings Requirements.

The services and advice of the Company Secretary is available to all directors and they are also allowed to seek independent and professional advice about the affairs of the Group, at the Group's expense.

Society

All new farms and sites were evaluated for their impact on the environment (see Environment section on page 30) and also their impact on the surrounding communities in terms of employment opportunities, crime, traffic, noise, odour, dust and other potential "nuisance" factors.

The Group does not participate in any public policy development and lobbying unless through the auspices of the South African Poultry Association, the Animal Feed Manufacturing Association and the Agricultural Business Chamber who have entered into discussions with government and consumer groups on a number of issues pertaining to the poultry industry, such as brine injection, import tariffs and the importation of certain poultry vaccinations.

The Group does not contribute financially to any political party, politicians or related institutions.

The poultry industry was under investigation by the Competition Board, as a result of a complaint laid by the Association of Meat Importers and Exporters. During the year, this complaint was dropped.

The Group has no knowledge of any other legal actions against the Group for anti-competitive behaviour, anti-trust or monopoly practices.

No non-compliance notices were issued by the Department of Labour and no legal action has been taken against the Group or its contract labour broker service providers during the period under review in respect of non-compliance of labour legislation.

Social and Ethics Committee

The Social and Ethics Committee was established in terms of section 72 of the Companies Act and the Committee is comprised of three independent non-executive directors, Prof PM Madi (Chairman), CP Davies and JA Bester. The Chief Executive Officer, Chief Financial Officer and the Group Executive Human Resources attend the meetings as ex officio members of the Committee.

The Committee meets at least three times a year to fulfil the functions set out in section 43(5) of the Companies Regulations and to review the issues under the following broad headings:

- Social and Economic Development as set out in the United Nations Global Compact.
- Good Corporate Citizenship.
- Environment, Health and Public Safety.
- Consumer Relationships.
- Labour and Employment.
- Anti-corruption.
- Broad-Based Black Economic Empowerment.

The Social and Ethics Committee operates under a charter which is reviewed annually in July. The Committee's primary role is to monitor the key issues falling within its terms of reference and to ensure that these are being addressed within the company where applicable and to report its findings to the board.

In order to determine the company's level of compliance with these issues, a compliance model and scorecard was developed and a desktop survey was done of the issues set out in the Companies Regulations and the UN Global Compact 10 Principles. The Group's internal assessment of its current level of compliance with the Global Compact and Regulations is 97,9%.

This document serves to maintain an ongoing monitoring "checklist" for the Committee to measure compliance and to provide a definitive assessment of where the company stands. The ratings are continually verified.

The company endorses the principles outlined in the UN Global Compact and its intention to respect its provisions, including those on fundamental workers' rights.

Ethics

At Sovereign Foods, we believe that ethical business is good business. After all, there is no right way to do the wrong thing. We strive to conduct our business in an ethical, honest manner and in full compliance with all applicable laws and regulations. We believe integrity is a fundamental element in our relationships with our many stakeholders. Our commitment to operating with respect, trust, accountability and honour is modelled daily by our employees and underwritten by the *Value #6: "We speak with candour and respect and value every team member regardless of position, age, gender or race"*.

Our values are fundamental to our company. They shape and direct our strategy, inspire us daily and are integral to the way we do business. Our values guide our relationships with all stakeholders. Based on the foundation of our values, the Group has a Code of Ethics that applies to the board of directors and all employees. The Code of Ethics provides direction on how we conduct ourselves with respect to key business requirements such as food safety, animal welfare, regulatory compliance, environmental management, health and safety, and conflicts of interest.

All employees in the Group up to and including executive director level are required to sign a declaration annually certifying that they have not engaged in any anti-competitive behaviour in the marketplace and to declare their business and other interests, which may impact Sovereign Foods. In addition, all employees are given a copy of our Code of Conduct and Ethics Policy upon joining the Group and sign that they will abide by these documents. Apart from these initiatives, no operations have been analysed for risks relating to corruption.

Any allegations of corruption and/or fraud are investigated by the Internal Audit Department utilising any external resources as the board may deem fit. These investigations are monitored directly by the Chairman of the board and in these instances the Internal Audit Department would report back directly to the Chairman.

The Group has complied with the requirements of the Promotion of Access to Information Act, Act No 2 of 2000, and the Group's Manual of Information is lodged with the Human Sciences Research Council as prescribed. No requests for access to the Manual of Information were received during the year under review.

The Group has a Share Trading Policy to ensure that all directors and senior level employees in the Task grade T13 category and above comply with the JSE Listings Requirements relating to the trading of the Group shares and to ensure that the risks against insider trading as provided for in the Financial Markets Act are mitigated.

The Supplier Code of Practice was adopted by the company, to ensure that our procurement is conducted under strict ethical and business practices, both locally and internationally. This code is circulated to all suppliers annually with the request that they acknowledge that they support and abide by the principles contained therein.

Sustainability report

Introduction

Overview

As the Group has grown, so have its responsibilities. We understand our actions and decisions have an impact on the community and on the environment. We recognise that the community we serve faces daunting economic, environmental, and social issues such as increased unemployment rates, resource scarcity and increasing hunger and poverty. Understanding and addressing our impact on these issues is consistent with the core values of our company.

We believe our triple bottom-line success, including social progress, environmental excellence and economic growth, will continue as we strive to do the right thing with respect to people, the planet and profit.

Sustainability touches every aspect of our company and our operations. Accordingly, we define sustainability in a way that brings responsibility and accountability into every business activity and process. Our core values focus on sustainability and guide our actions on important issues such as food safety, environmental and resource conservation, animal welfare, ethical business practices, health and safety of our team members and returning a profit to our shareholders.

We are committed to conducting business in a manner that builds financial success, respects the environment and supports those in need.

Our approach to sustainability

We are fully committed to maintaining our sustainability direction and to ensuring that economic, environmental and social issues remain a key consideration of our business decisions. This report is intended to cover the issues we believe are most material to the Group.

We define these issues as those with the potential to positively and negatively influence, both now and in the future:

- progress and growth of our society;
- protection of the environment and conservation of natural resources; and
- the company's finances or operations.

We also consider those issues that are of concern to stakeholders or that can substantially influence the assessments and decisions of stakeholders, to be material.

Building and retaining an exceptional team

Our employees are our most valued resource. We are committed to attracting, developing and retaining a diverse group of talented individuals and to providing a workplace that allows each one to contribute to the overall success of our team. Individually we all contribute, but only collectively can we all succeed. Accordingly, we promote a culture of teamwork which has its foundation in *Value #5: "We pride ourselves on team success and focus on results"*. Our initiatives relating to equity, engagement, personal and professional development and motivation are key elements to fulfilling this commitment, especially in today's challenging economic climate.

We value and promote diversity and human rights inside the business and seek to redress past inequalities; this is espoused in *Value #6: "We speak with candour and respect and value every team member regardless of position, age, gender or race"*.

Providing a safe work environment

We regard health and safety as a core indicator of our business success and are committed to maintaining a safe and healthy environment that allows our employees to work free from occupational injury and illness.

Reducing our environmental impact

Value #1: "We focus on cutting wastage and on finding a more efficient way of going about our work", calls upon us to be responsible stewards of the animals, land and environment entrusted to us. We are committed to aggressively and responsibly minimising our environmental footprint and to conserving natural resources through efficient use, careful planning and continual improvement.

Providing safe, nutritious food products

Successful companies know their future depends on providing the safe, quality products their customers and consumers expect and deserve and which is consistent with *Value #2: "We measure our success by the satisfaction of our customers, internal and external"*. Nothing is more important to our business than maintaining confidence in the Sovereign Foods brand. We are committed to maintaining and continually improving the systems and practices that allow us to provide safe, nutritious food products and uphold an outstanding food safety record.

Ensuring the profitability of our company

Although we have faced difficult poultry market conditions and demand challenges we are committed to maintaining a "sense of urgency" in returning our company to a sustained rate of return for shareholders and this is carried in *Value #3: "We are passionate about what we do and believe we can be the best"*. We remain focused on conducting our business activities in an ethical manner while creating innovative food solutions, optimising commodity business models, building an integrated enterprise and converting raw materials and by-products into high-margin initiatives. No one is bigger than the business. It exists because of its stakeholders.

Protecting the wellbeing of our animals

Producing a high-quality food product begins with ensuring the health and wellbeing of the animals we grow, purchase and process. We have a long-standing commitment to the wellbeing and proper handling of the animals used in our food products. This is not only the right thing to do; it is also an important moral and ethical obligation. *Value #4: "We always do the basics well"*, requires of us to have a standard of excellence always when it comes to our care for animals.

Being supportive of local communities

Our community consists of many people we interact with on a regular basis, including our customers, consumers and neighbours. We understand we have a responsibility to support the communities surrounding our operations as well as those in need.

Stakeholder engagement

Stakeholder engagement is an important part of Sovereign Food Investments Limited ("Sovereign") sustainability activities and our overall business success. We recognise that internal and external stakeholder engagement can help better define our business strategy; sharpen our decision-making; and enhance our company's economic, environmental and social performance. Accordingly, we seek to understand the perspectives and needs of our stakeholders, set expectations for areas of mutual concern, act upon these expectations and ensure our stakeholders remain informed of our progress.

Every facet of our company and its operations has potential to affect, or be affected, by stakeholders. To better align our business practices with stakeholder expectations, we maintain an open dialogue and foster collaborative relationships with those individuals and groups who have an interest in, or are affected by, our company and its operations.

Stakeholder engagement activities occur in virtually every aspect of Sovereign's operations and business transactions. These occur in a primarily decentralised manner as a part of normal business.

Sovereign also engages with its stakeholders in formal settings through community forum involvement and outreaches. At a corporate level, the Group engages with representatives from government, academia and industry on emerging issues.

We have identified the following individuals and groups as our key stakeholders and have provided examples of how we engage with them in the table below:

KEY STAKEHOLDERS

	Stakeholder concerns	Mitigation measures	Communication channels
Shareholders and potential investors	• Competitive returns • Management accountability • Regulatory compliance • Sound governance • Proactive risk management • Accurate financial reporting	• Return to profitability • Enhanced governance and oversight at the most senior level within the Group	• Integrated reports • Annual shareholder meeting • Investor roadshows • Bi-annual results releases • Bi-annual results booklet • Trading updates • SENS announcements • Website updates • Site visits
Customers and consumers	• Safe quality food products • Nutritious options • Competitive and affordable prices • Innovative products • Product information • Ingredient statements	• Rigorous quality checks and balances • Continuous product development • Adherence to legislation concerning ingredient statements and packaging	• Food safety programmes and procedures • Regular meetings and key accounts contact • Email • Telephonic contact • Customer events • Customer care hotline • Consumer surveys • Consumer sensory panels • Sovereign website
Local communities	• Economic development • Environmental protection • Employment opportunities • Accurate farm	• Financial prosperity • Compliance with relevant legislation • Diverse employment initiatives	• Regular interactions with local municipal representatives • Community area forums • Corporate Social Responsibility ("CSR") initiatives
Government and regulators	• Regulatory compliance • Transparent reporting • Job creation • Brining • Poultry tariffs	• Compliance with relevant legislation • Reporting excellence • In-house legal counsel • Launching BEE initiatives	• Face-to-face meetings • Open days and workshops • Consistent, timeous and relevant reporting
Industry	• Animal disease control • National demand and supply balance • Training and development	• Interaction with government on animal health issues through SAPA • Training initiatives with academic agricultural institutions	• Southern African Poultry Association ("SAPA") • Department of Agriculture sanctioned protocols • Consumer Goods Council of South Africa ("CGCSA") • Agricultural Business Chamber ("Agbiz") • Animal Feed Manufacturers Association ("AFMA")
Staff	• Fair treatment • Engagement and inclusion • Safe workplace • Competitive remuneration • Professional development • Regular communication • Trade unions	• The development, implementation and monitoring of human resources policies and procedures • Regular audits both internally and externally • Training	• Code of Ethics • Environmental protection • Engagement activities • People development plans • Safety policy, procedures and programmes • Incentive programmes • Internal communications programmes • Tip-offs Anonymous line • Exco roadshows
Suppliers	• Timely payment • Ethical business practices • Growth opportunities	• Supplier audits	• Face-to-face meetings • Code of Conduct • Supplier events • Strategic sourcing tenders

Affiliations and memberships

The Group is involved in a number of bodies and associations or has employees that belong to these bodies and associations:

- Specific industry associations:
  - The South African Poultry Association ("SAPA") which has a Code of Good Practice, endorsed by government, to which members are bound to comply.
  - Consumer Goods Council of South Africa.
  - Animal Feed Manufacturers Association ("AFMA").
  - Agri Business Chamber ("Agbiz").
- General business and professional associations:
  - Institute of Directors.
  - South African Institute of Chartered Accountants.
  - South African Institute of Professional Engineers.
  - Institute of Internal Auditors.
  - Instutute of People Management.
- Local business associations:
  - Nelson Mandela Bay Business Chamber.

Awards and recognition

The Group has received a number of awards and recognition over the past several years:

- HACCP-certified abattoir (2014).
- NOSA Integrated Five Star Rating (Abattoir) audited 2014.
- NOSA Integrated Five Star Rating (Agriculture) audited 2015.
- Export Accreditation 2012.
- Top Eastern Cape Abattoir.
- Cobb Award for broiler performance.

Black economic empowerment

The Group has fully embraced the principles embodied in the BBBEE Act of 2003 and has initiated a programme to ensure that we make progress in achieving our black economic empowerment targets.

The Group achieved a Level 5 (2014: Level 6) BBBEE rating at its annual audit in April 2015. The BBBEE audit was carried out by BEE-BIZ, an accredited BEE verification agency, using the AGRIBEE scorecard.

Though our internal employment equity scores show that black managers are 39% (2014: 36%) of the total management complement, this is not mirrored in the BBBEE score as the BBBEE scoring method reduces the score with the adjusted recognition for gender factor if the number of females are less than 50% and where a 0 is scored if any element is below the 40% subminimum score.

The Group is assessing the impact the new generic scorecard will have on our BBBEE score, as all sectoral scorecards must be harmonised from 1 May 2015.

BBBEE scorecard

	2015		2014	
Element	**Weighting**	**Score**	Weighting	Score
Ownership	**20**	**10,25**	20	9,12
Management control	**10**	**5,25**	10	4,17
Employment equity	**15**	**1,63**	15	0,53
Skills development	**15**	**8,76**	15	6,69
Procurement	**20**	**13,67**	20	10,68
Enterprise development	**10**	**10**	10	10,00
Socio-economic development	**10**	**7,28**	10	11,00
Total score	**100**	**56,84**	100	52,19
Recognition level	**Level 5 – 80% contributor**		**Level 6 – 60% contributor**	

Environment, health and safety

Introduction

The Group is committed to develop, implement and maintain the best possible strategies to minimise our risks and to ensure the growth of the Group for the benefit of all stakeholders.

The Group has an objective to develop and provide products and services that have no undue environmental impact and are safe in their intended use; efficient in their consumption of energy and natural resources; and can be recycled, reused or disposed of safely. The Group always considers the environmental, health and safety impact on activities associated with our business. The Group makes a conscious effort in research and development to investigate opportunities to continually move toward products that have fewer environmental, health and safety impacts, and provide solutions to its customers' business needs. The Group's culture emphasises the role of the individual contributor in risk management and, as a result, it supports and promotes the precautionary principle.

To achieve this we are committed to creating safe and healthy working conditions to minimise the risk of injury or disease to our employees, to prevent the loss of property and to maintain our environment. We believe that such an approach will generate and sustain significant environmental, social and financial benefits contributing to our objective of long-term sustainability.

In terms of the Group's action plans it is committed to:

1. conduct its business in compliance with environmental, health and safety laws and all relevant legislation as well as codes of good practice pertaining to the poultry industry;
2. regard its staff members as its most important asset and therefore provide a safe and healthy environment for all employees, contractors and visitors to its facilities;
3. train, develop and engage its employees to understand their safety, health and environmental responsibilities and ensure accountability across all levels of the organisation;

4. maintain all plant, machinery and equipment to the highest possible standards to prevent pollution and minimise the impact of its operations on the environment;
5. strive to minimise the impact of its operations and therefore continuously assesses the environmental impacts and health and safety risks of its operations and implements risk mitigation measures to eliminate or control these risks to an acceptable level;
6. set clear standards for continual improvements through setting of environmental, health and safety targets for each operating division and constantly reviewing performance against these targets;
7. maintain and continuously improve its risk management systems, including conducting external assessments of such systems; and
8. engage in open communications with employees, shareholders, customers and other stakeholders and regularly report to these parties on its risk performance.

This policy is reviewed annually.

Environmental performance

For the Group, protecting the environment is about more than maintaining compliance with the environmental laws and regulations applicable to its operations. It is about embracing a process of continual improvement aimed at protecting the environment for future generations. This includes, but is not limited to:

- tracking key environmental performance indicators;
- identifying and implementing opportunities to reduce the amount of water used in our production processes without compromising product safety and integrity;
- properly operating and maintaining our wastewater treatment facilities;
- reducing the amount of landfill waste through recycling efforts;
- relating our carbon footprint to our business strategy and identifying opportunities and possible initiatives to reduce our greenhouse gas emissions; and
- evaluating new technologies that offer alternative fuels, reduce packaging waste, reduce the number of trucks on the road and conserve energy.

Environmental performance indicators	2015	2014	Change
Products consumed			
Water consumption (kℓ)	**1 177 566**	1 064 885	11%
From boreholes (kℓ)	**78 643**	29 078	170%
From municipal sources (kℓ)	**1 098 923**	1 035 807	6%
Water discharged (kℓ)	**501 173**	487 992	3%
Electricity (kWh'000)	**61 162 129**	58 470 420	5%
Coal (tons)	**7 733**	7 976	(3%)
Gas (kℓ)	**145**	112	30%
Diesel (kℓ)	**482**	511	(6%)
HFO (kℓ)	**2 711**	2 256	20%
Cardboard (tons)	**3 292**	3 916	(16%)
Plastic (tons)	**865**	828	5%
Waste products			
Cardboard waste (tons)	**84**	74	13%
Plastic waste (tons)	**9**	17	(49%)
Renewable energy and other savings			
Energy saved due to conservation and efficiency improvements (kWh)	**–**	–	–
Recycled waste products			
Cardboard waste (tons)	**84**	74	13%
Litter (cubic metres)	**83 870**	78 995	6%
Plastic waste (tons)	**9**	16	(38%)
Treated water (kℓ)	**501 173**	487 992	3%
Treated water as a percentage of total water	**43%**	46%	(7%)
Other			
Number and volume of significant spills	**–**	–	–
Environmental non-compliance, prosecution and fines	**–**	–	–

Renewable energy, waste, waste reduction and recycling and water usage

Although the Group has trialled a number of energy-efficient renewable energy programmes, no significant progress has been made in implementing sustainable renewable energy sources.

The Group is continuously evaluating various alternatives in this regard.

No water sources have been significantly affected by the withdrawal and usage of water. Treated water at the abattoir is used for sanitation and cooling. Abattoir waste water is discharged into an approved municipal sewerage system where it is treated. The water is treated before discharge to meet minimum municipal standards. Feedmill, hatchery and farming waste water is discharged into approved storm water catchment systems. The quality of this water is such that no pre-treatment is required before discharge. The Group has not identified any water bodies and related habitats significantly affected by the Group's water discharge.

The main types of physical waste and disposal methods are set out below and the quantities of each type are set out in the table above:

- **Mortalities:** this is as a result of birds dying before being slaughtered; disposed of at a registered landfill site operated by the local municipality.
- **Chicken manure:** this is a by-product of the farming operation; sold as a fertiliser to pasture farmers in the surrounding areas.
- **Plastic and polypropylene bags and cardboard boxes:** this is as a result of the abattoir operation; disposed of at a registered landfill site operated by the local municipality.

The Group does not transport, import, export or treat any waste deemed hazardous under the terms of the Basel Convention Annexures I, II, III and VIII.

The Group has implemented an odour control system at a farm belonging to a BEE broiler contract grower. Apart from this, the Group has no formal initiatives to mitigate the environmental impact of its products and services apart from the recycling of poultry manure.

The impact of the transport of approximately 160 000 tons of feed materials, plastics, cardboard boxes, diesel, coal and other materials to the Group's operations, the transport of approximately 84 000 tons of chicken manure and approximately 100 000 tons of processed poultry away from the Group's operations and the transport of approximately 2 650 employees and contract workers to and from the Group's operations would be in the emission of greenhouse gases by the transport vehicles.

During the year under review, the Group did not incur any material expenditure in respect of environmental protection systems.

The Group is in the process of conducting a carbon footprint assessment.

Biodiversity and habitats

The Group has received positive environmental impact assessment authorisations ("EIAs") for all sites that require them in terms of current environmental legislation. The Group will continue to ensure that all current and future sites are compliant with environmental legislation and that the impact on biodiversity is within acceptable norms.

The Group owns no land in protected areas (Code PA1) and 3 211 ha of land on 41 properties in areas of high biodiversity value outside protected areas (Codes CBA1, CBA2, ONA T3). This land is all within 100 km of Port Elizabeth in the Eastern Cape. The Group does not manage or lease any land in protected areas and areas of high biodiversity value outside protected areas. All the activity on this land is poultry farming and associated activities such as storm water runoff and the impact of these activities is managed and mitigated in terms of submitted Environmental Management Plans ("EMPs"). No significant habitats are protected or were restored. Although IUCN Red List species exist on land owned by the Group, the Group is not aware of any IUCN Red List species and national conservation list species with habitats in areas affected by the Group's operations.

Health and safety performance

Striving every day to provide a safe work environment for its employees and serve as responsible stewards of the environment are integral components to how the Group plans its days, does its work, monitors its performance and continuously improves.

The focus applied to health and safety over the past three years has been to work towards a reduction in the Disabling Injury Frequency Rate ("DIFR") that is the number of incidents per 200 000 man-hours worked:

	2015		2014	
Division	**DIFR**	**Lost-time incidents**	DIFR	Lost-time incidents
Abattoir	**0,30**	**9**	0,71	21
Agriculture	**0,76**	**10**	1,15	12
Weighted average	**0,44**	**19**	0,82	33

Employees and contract workers are represented in formal joint management-worker health and safety committees. Health and safety committees are established in every operation across the business and comprise representatives from within each department within the divisional operation. These committees include both management and workforce representatives.

Health and safety is implemented across the Group through the appointment of sections 16(1) and 16(2) of the Occupational Health and Safety Act, No 85 of 1993. Appointments then delegate their responsibilities to divisional management who hold health and safety meetings on a regular basis and conduct regular internal health and safety compliance audits.

No provision is made for discussing health and safety topics with trade unions as there are no collective bargaining agreements in place.

Over the past several years the Group has implemented the NOSA Integrated Five Star audit system. This system provides for the management of safety, health and the environment ("SHE") in an integrated manner, based on the risk profile of any particular site, with an emphasis on effectiveness at an operational level.

At the heart of the NOSA Integrated Five Star system standard audit guidelines lies a thorough, detailed evaluation of the principles and practices that keep an organisation safe, healthy and environmentally sustainable. Clients are graded at least once a year to determine the status of their safety, health and environmental performance and experience. The results of the audits are then displayed as star ratings. Overall, audit results will indicate possible performance weaknesses in the areas of risk assessment, human behaviour control, visible leadership, continuous improvement and safety, health and environmental standards integration.

NOSA rating	2015		2014	
	Status	Score	Status	Score
Agriculture	**Integrated Five Star**	**92%**	Integrated Four Star	79%
Abattoir	**Integrated Five Star**	**92%**	Integrated Four Star	89%

Product responsibility

Quality and safety

Every employee of the Group has an obligation to safeguard each other, their customers and the environment by aspiring to operate a safe, injury-free and healthy workplace producing food that is always safe to eat and to minimise our impact on the environment.

The Group's primary concern is that the food it produces is prepared to the appropriate standards using quality products and ingredients and as the very minimum it will comply with all statutory legislation, regulatory requirements and approved codes of practice.

To ensure best practice, the Group has developed a minimum operating standard and set of behaviours which will be practised at every location at which the Group operates. These are based on sound science, regulatory requirements, industry best practice and the requirements of SANS 10330:2007.

The Group will regularly measure compliance against these standards and implement performance objectives to assure its clients and customers that it is providing food which is safe to eat while meeting their quality expectations.

Specifically, the Group will require that:

- products are always prepared under sanitary conditions that do not expose them to the risk of contamination;
- all employees are provided with the information, training and tools necessary to do their job in a hygienic and compliant manner;
- employees comply with all Group food safety policies and procedures; and
- management assume the role of supervision of our employees for compliance and conformance with these standards.

The Group will also expect similarly high standards from its suppliers and contractors.

It is the responsibility of executive management to ensure that the appropriate resources, including human and financial ones, are committed towards implementing this policy across all the Group's operations and communicating these policies and standards to all its employees. In addition, the Group will ensure that:

1. it continuously strives to improve the effectiveness of its Food Safety and Quality Management System. This is achieved by monitoring its performance against our established objectives, instituting appropriate corrective actions and through leadership that promotes employee involvement.

   This illustrates its commitment to provide safe food products and to continually improve in order to better serve its growing and demanding customer base;

2. its philosophy is applicable to the entire value chain, including the farming and feed-milling operations. The application of Supplier Quality Assurance principles, integration of processes and procedures throughout the supply chain, and the implementation of a comprehensive product traceability system, form part of the drive towards continuous improvement throughout the organisation; and

3. to empower and develop our employees so that they accept the accountability to ensure that the quality and food safety criteria described in the company policies and procedures are strictly adhered to at all times.

Our food safety and quality performance is considered at key senior management meetings at Sovereign Foods and the board will review the Food Safety and Quality Policy annually to ensure that it continues to reflect the aims and aspirations of the company and keeps up to date with legislative requirements. We will continue to seek appropriate external accreditations that validate the efficacy of our Food Safety and Quality Management System and conduct these assessments as frequently as required to ensure that we are progressing.

The abattoir renewed its HACCP certification in June 2014 as certified by the SABS in June 2013, and this HACCP certification covers approximately 80% of all products sold to customers.

As the Group produces one type of product, i.e. poultry products in various cuts and packaging variations, the product life cycle is continuous. During the year under review, the Group received 213 complaints (2014: 147) regarding the Group's products. These were dealt with according to the Group's internal complaints policies and procedures. The Group does not produce any products that are lowered in saturated fats, trans-fats, sodium and sugars. Altogether 77% of the Group's products as measured by final sales volume are produced containing brine which includes phosphate, dextrose, salt and stabiliser. No other products are produced that contain increased fibre, vitamins, minerals, phytochemicals or functional food additives.

All packaging is compliant with the requirements of the Consumer Protection Act, No 68 of 2008, and of Regulation 146 of the Foodstuffs Cosmetics and Disinfectants Act, No 54 of 1972. Labelling and product information on packaging includes, *inter alia*, information as to safe use, recycling implications and procedures, product declaration and ingredient specifications.

The Group's policy is to ensure that the information contained on its packaging exceeds the minimum legal requirements, and the Group believes that it has met the aim of this policy. During the period under review, the Group is not aware of any incidents of non-compliance with regard to its labelling and packaging specifications.

The abattoir received export accreditation from the Department of Agriculture in October 2012, which has resulted in our products being exported regionally and further opportunities are being explored.

The Group conducted a number of customer satisfaction surveys during the year and measured customer satisfaction on a regular basis. All marketing communications, including advertising, promotion and sponsorships, met the applicable legislation, standards and voluntary codes such as the Consumer Protection Act. During the period under review, the Group was not aware of any incidents of non-compliance with regard to its marketing communications nor in respect of breaches of customer privacy and loss of customer data and there were no fines levied on the Group for non-compliance with legislation, standards and voluntary codes concerning the provision and use of its products.

Research and development and design
Research and development will be the driving force behind increased profitability through improving production technologies and identifying market-leading product innovation opportunities.

The Group's research and development is firstly focused on optimising the quality and consumer value of its current product range and on increasing the production and yield efficiency of all products. Innovation is used across all production processes to ensure these objectives are met.

Secondly, it seeks to optimise its range of products offered to the consumer by creating products that have the potential to become category leaders through meeting unique consumer needs. These needs are identified across various protein categories and amalgamated to form detailed product innovation briefs. Markets are identified by monitoring trends and consumer needs through market intelligence obtained from research agencies such as Skuworks. In addition, trade data from the Group's sales and marketing team is used to identify these innovation opportunities and, in addition with competitive product analysis, is used to compile detailed production development specifications.

All product development is followed up with a detailed viability analysis. Only products that prove to be sustainable and add a significant margin to the bottom line are considered for production. Thorough in-house product testing is done before new products move to the production phase. A period of trial production, combined with rigorous quality checks, also ensures that the final product only reaches the market once approved to the highest standards. Packaging for new products is developed against the highest international standards and are fully compliable with the latest packaging legislation.

Consumers are informed of ingredients and nutritional information of the Group's products through the product packaging and labelling.

Community support

Donations, scholarships and sponsorships
The Group provides land for two schools which are run by the Department of Basic Education and a mission group.

The Group has also re-evaluated its social responsibility programme and has started contributing toward this in 2015.

Human rights

The protection of human rights is woven into the fabric of the Group's activities and is not allocated to one department per se. The following items and actions concern the sphere of the protection of human rights:

- The Group seeks to redress the historical practices of inequality through preferential employment and procurement practices.
- Cognisance of human rights issues underlies Human Resources training material.
- The Group espouses the protection of human rights through its *Value #6: "We speak with candour and respect and value every team member regardless of position, age, gender or race"*.

Reporting on our activities concerning the protection of human rights can be broken down into the following areas:

- Investments
  - Although the issues of human rights protection is not dealt with explicitly in our contract grower contracts, all contract growers are made aware through ongoing communication of the importance of the protection of human rights and contract grower sites are monitored for human rights violations as part of the Group's overall monitoring programme.
  - The Group's permanent employees and workers employed via contract brokers are free to join a union as they so wish and employee forums have been established in all operations to facilitate communication.
- Human Resources and training
  - The time spent on human rights training that is included in training on policies and procedures is not monitored and captured separately. The Group is therefore unable to report on the total hours spent on human rights training.
  - During the year under review, no incidents of possible discrimination were brought to the attention of the board. The board is not aware of any other incidents of discrimination for the period under review.
  - All loss control personnel are trained in the Group's policies and procedures concerning aspects of human rights that are relevant to the Group's operations.
- Child, forced and compulsory labour
  - No operations are identified as having a significant risk for child, forced or compulsory labour and the matter of child, forced or compulsory labour is addressed in the Group's recruitment policies and Code of Ethics.
  - No additional steps have been taken apart from those outlined above to contribute to the elimination of child, forced or compulsory labour.
- Freedom of association
  - The Group operates a total of 29 facilities split into four internal divisions/operations. None of these sites or divisions/operations have been identified as having a risk that the right to exercise freedom of association and collective bargaining may be at significant risk.
  - The Group's permanent employees and workers employed via contract brokers are free to join a union as they so wish and employee forums have been established in all operations to facilitate communication.
- Procurement
  - Our top 10 suppliers by value make up 70% of our procurement of goods and services. The company has a Supplier Code of Practice that sets out its standards for conducting business and each year suppliers are asked to verify that they are not complicit in human rights abuses.
  - No human rights abuses have been brought to the attention of the Group concerning any of the Group's suppliers and service providers for the year under review.
- Indigenous people
  - No incidents of violations concerning the rights of indigenous people have been brought to the board's attention.

Economic impact

Economic value generated and distributed

The table below sets out some of the material economic figures relating the Group's activities:

Economic performance indicators	2015 Rm	2014 Rm	Change Rm
Impact on suppliers			
Total paid to suppliers and service providers	**1 180**	1 025	155
Total contracted spend with contract farmers	**15**	14	1
Major sources of suppliers			
Grain	**259**	262	(3)
Proteins	**347**	307	40
Utilities	**73**	64	9
Packaging and ingredients	**116**	84	32
Transport and diesel	**95**	95	–
Impact on community			
Corporate social responsibility spend	**–**	–	–

The table below sets out the economic value generated and distributed by the Group for the period under review. Additional information relating to employee benefits is included in the Human Resources and Remuneration report on pages 37 to 44 , and additional information relating to voluntary donations and community investments is included on page 34.

Economic value-added statement	2015 Rm	2015 %	2014 Rm	2014 %
Revenue	**1 649**		1 391	
Cost of goods and services	**1 180**		1 025	
Value added	**469**		366	
Non-operating income	**5**		5	
Total value added	**474**		371	100%
Distributed as follows:				
To remunerate workers, employees and contract workers				
Salaries, wages and related benefits	**293**	**62%**	238	64%
To providers of finance				
Interest on borrowings	**7**	**1%**	10	3%
To the government	**62**	**14%**	47	13%
Deferred taxation	**31**	**7%**	19	5%
Employees' taxation	**31**	**7%**	28	8%
To replace assets				
Depreciation and impairments	**34**	**7%**	31	8%
To expand operations				
Attributable income	**78**	**16%**	45	12%
Total wealth created	**474**	**100%**	371	100%

The payments to government shown above exclude value-added tax of R81,8 million (2014: R66,9 million).

Climate change

The Group is exposed to climate change in the following manner:

Risks

- Adverse weather and temperature changes can lead to a reduced supply of maize, soya and other feed materials and therefore an increased cost of these items.
- Adverse weather and temperature changes can lead to a disruption in the supply of oil to global markets and this will have an effect of causing increased volatility in international maize and soya markets.
- Adverse weather and temperature changes could lead to a change in protein consumption patterns which could lead to a disruption in the Group's markets.

Opportunities

- Adverse weather and temperature changes can lead to a reduction in the supply of poultry and protein products and therefore an increased demand for the Group's products.

Assistance received from government

During the period under review, the Group has not received any assistance directly from government.

Indirect economic impacts

It is difficult to quantify in monetary terms the indirect economic impact of the Group's activities with employees, contract workers, suppliers and customers. The indirect economic benefits would include support for extended families in impoverished areas from which the Group draws the majority of its contract labour.

Procurement and sourcing

The Group has put an enterprise-wide procurement and sourcing policy in place. This policy will cover, *inter alia*, preferential procurement, quality of the products sourced and the sustainability aspects of the suppliers and service providers used. Although questionnaires have been sent to all suppliers to assess their compliance with the Group's policy, some of these questionnaires are still outstanding and, as such, it is not possible at this stage to state what percentage of purchased volume from suppliers are compliant with the Group's sourcing policy.

All products and services are sourced according to recognised local and international quality standards such as ISO, HACCP and SANS where required by the Group's production and procurement requirements. Currently, however, this data is not collated and therefore we cannot state what percentage of purchased volume is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard. The Group is not aware of any human rights violations at any of its suppliers during the period under review.

The Group attempts to procure as much materials and services as possible from local suppliers and at a minimum from within South Africa. The Group achieved a score of 13,67 (2014: 10,68) in the procurement section of its 2015 BBBEE rating. In addition, as an organisation operating in the agricultural sector, the Group attempts to procure materials and services from suppliers in rural and/or impoverished areas wherever possible.

However, some materials and services are not economically viable to procure from South African suppliers. The split in the Group's procurement between materials and services purchased directly from South African sources and from sources outside South Africa (including capital equipment) is as follows:

	2015		2014	
	Rm	**%**	Rm	%
South African	**1 136**	**96%**	990	96%
Non-South African	**44**	**4%**	36	4%
Total	**1 180**	**100%**	1 026	100%

In addition, during the period under review, significant purchases by the Group of materials and services that originated outside South Africa but were procured from South African agents amounted to R230 million (2014: R208 million).

Animal welfare

As a poultry group, animal welfare is key to our long-term sustainability. The Group has an animal welfare policy and all employees who have contact with poultry are required to be cognisant of the policy and the correct practices associated with this policy.

Breeding and genetics

All animals raised are of the species gallus dosmesticus. At the end of the year under review, approximately 69% were Cobb, 22% were Ross and the balance of 9% were Arbor Acres.

Animal husbandry

No physical alterations such as beak or toe clipping are carried out by the Group. When the birds are slaughtered they are stunned in a humane and controlled manner through the use of an industry standard electric stunner. Anaesthetic is not used.

As determined by the number of houses, including the parent stock operation and the broiler operation, 91% of birds are raised in environmentally controlled houses and 9% are raised in open-sided houses.

Only industry standard accelerated growth promoters ("AGPs") are used in feed manufacture and these are withdrawn from the bird prior to slaughter. Medication is administered according to a carefully laid-out vaccination policy which is designed and monitored by the Group's in-house veterinarian. The Group does not use any anti-inflammatories or hormones.

Transportation, handling and slaughter

The Group adheres to a draft industry code of conduct on animal welfare which includes standards on transportation, handling and slaughter practices. The Group is not aware of any incidents of non-compliance with animal welfare laws and regulations during the period under review.

Human Resources and Remuneration report

Introduction

This report is consistent in its format and structure with previous years and seeks to provide stakeholders with insight into and an understanding of the Human Resources and remuneration philosophy and policies that are adopted and applied across the Group. Remuneration comprises a cash component, car allowance or company vehicle, where applicable, company contributions to a provident fund, bonuses and incentives paid to employees and executive directors and fees paid to non-executive directors.

Human capital is one of the most important assets required to add value to the Group's business. The attraction and retention of appropriate skills is an area that requires continuous focus at the highest level of the organisation. In this regard, remuneration is one of the key drivers of aligning behaviour of human capital to the strategic intent of the Group.

Remuneration is determined and structured to compensate, attract and retain appropriately skilled staff while being aligned to the interests of the stakeholders.

This report must be read in conjunction with the executive remuneration policy on page 87.

Staff development

The Group strives to combat a skills shortage and to secure a competent and loyal workforce through the constant development of our employees. Various development initiatives have been implemented such as the Apprentice Training Programme and a recently introduced Internship Programme.

The Group is continuously assessing this programme in order to ensure that it fulfils primary objectives and continuously identifies potential for development. The majority of staff have written development plans and job descriptions.

Grading system

During 2012, a grading system ("TASK") system was implemented for all permanent employees. This system has brought a great deal of stability and clarity to the Group's remuneration practices and policies.

Communication

Creating an engaged workforce is key to achieving sustainable returns. A culture of engagement is dependent on good communication and to this end daily, weekly and quarterly meetings with the workforce on various levels are conducted. Workplace forums have been established in order to enhance this communication.

HIV/AIDS

A formal policy is in place to give employees and contract workers education, training and counselling on the prevention and risk-control aspects of serious diseases and in particular HIV/AIDS. Our on-site clinic has been accredited by the Eastern Cape Department of Health as a Voluntary Counselling and Testing ("VCT") site.

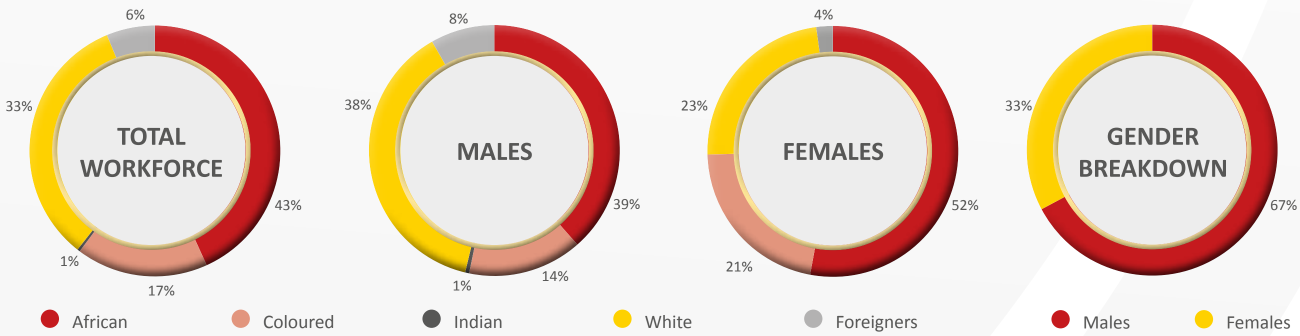
Diversity and employment equity

The Group subscribes fully to the principles of addressing historical inequalities through employing a diverse workforce. The tables below set out the diverse nature of our employees. These tables exclude non-executive directors and workers employed by contract labour brokers.

Employment equity statistics at 28 February 2015

	African		Coloured		Indian		White		Foreigners		
Occupational levels	M	F	M	F	M	F	M	F	M	F	Total
Top management	0	1	0	0	0	0	5	0	0	0	6
Senior management	2	2	1	1	1	0	31	9	0	0	47
Professionally qualified, experienced specialists and mid-management	8	4	5	5	1	0	33	5	3	0	64
Skilled technical and qualified workers, junior management, supervisors, foremen, superintendents	22	12	19	5	0	0	41	15	8	1	123
Semi-skilled and discretionary decision-making	102	73	28	28	0	0	31	12	20	3	297
Unskilled and defined decision-making	12	5	3	2	0	0	0	0	1	0	23
Non-permanent employees	3	3	1	0	0	0	6	3	0	0	16
Total	149	100	57	41	2	0	147	44	32	4	576

Employment equity statistics at 28 February 2015



Human Resources and Remuneration report (continued)

Employment equity statistics at 28 February 2014

Occupational levels	African M	African F	Coloured M	Coloured F	Indian M	Indian F	White M	White F	Foreigners M	Foreigners F	Total
Top management	0	1	0	0	0	0	5	0	0	0	6
Senior management	1	2	1	1	0	0	33	9	0	0	47
Professionally qualified, experienced specialists and mid-management	6	5	5	4	1	0	36	8	1	0	66
Skilled technical and qualified workers, junior management, supervisors, foremen, superintendents	18	13	15	5	0	0	45	14	8	0	118
Semi-skilled and discretionary decision-making	92	63	24	31	0	0	34	13	21	4	282
Unskilled and defined decision-making	17	5	5	2	0	0	2	0	1	0	32
Total permanent	134	89	50	43	1	0	155	44	31	4	551
Non-permanent employees	3	1	2	1	0	0	5	0	3	0	15
Total	137	90	52	44	1	0	160	44	34	4	566

From the above tables, the impact of the programmes previously introduced by the Group to address the imbalances can clearly be seen. We actively recruit and promote talent based on merit and will proactively try to recruit and promote African, Indian and Coloured, as well as candidates with disabilities as the budget allows. All employees are based in South Africa.

The Group's annual economic empowerment ("EE") review was carried out by the Department of Labour ("DoL") in date and the Group received a "clean" review report. No EE audit will be done this year as the DoL was satisfied with the Group's EE Plan and implementation process.

The ratio of the cash component of male to female employees by employee category is set out below. Cash component excludes car allowances, incentives, bonuses, company contribution to provident fund and statutory costs.

Level	Headcount as at 28 February 2015 Males	Headcount as at 28 February 2015 Females	Ratio of male to female cash component As at 28 February 2015	Ratio of male to female cash component As at 28 February 2014
Top management	5	1	1,3	1,3
Senior management	35	12	1,4	1,4
Middle management	50	14	1,0	1,0
Junior management	90	33	1,0	1,0
Not in management	207	129	1,0	0,9

Employee turnover and lost time

The table below sets out "controllable" employee turnover figures which include dismissals and resignations by age group and gender for permanent employees. Not included in the table below is "uncontrollable" turnover which includes retrenchments, termination of temporary contracts, retirements and deaths. All employee turnover occurred within South Africa.

Age group (%)	For the 12 months ended 28 February 2015 Males	For the 12 months ended 28 February 2015 Females	For the 12 months ended 28 February 2014 Males	For the 12 months ended 28 February 2014 Females
18 – 25	1,2%	0,0%	1,1%	0,0%
26 – 35	3,5%	1,6%	3,4%	2,3%
36 – 45	1,4%	1,4%	2,3%	0,2%
46 – 55	0,5%	0,7%	0,9%	0,9%
56 – 65	0,2%	0,0%	0,4%	0,0%

An illegal industrial action which resulted in work stoppages of 87 hours was experienced in the abattoir over July and August 2014. Apart from this incident, no other time was lost in any of the Group's operations due to illegal work stoppages during the period under review.

Social performance indicators

The table below sets out various social performance indicators.

Social performance Indicators	2015	2014	Change
Full-time employees as at year-end	**576**	566	10
Net full-time employment creation	**10**	25	(15)
Training expenditure (R'000)	**1 906**	1 427	479
Disabling injury frequency rate	**0,44**	0,82	(0,38)

A total of 9 169 hours (2014: 15 275 hours) of training was undertaken during the 2015 financial year which equates to 16 hours (2014: 27 hours) per permanent employee as at 28 February 2015.

Remuneration governance

The board has a sub-committee, the Human Resources and Remuneration Committee, which comprises three independent non-executive directors, tasked with assisting the board in formulating and monitoring the implementation of the Group's transformation and remuneration policies. The Group's policies are applicable to all the subsidiaries.

Where appropriate, the Group utilises the services of independent consulting companies that specialise in remuneration and compensation, to assist with benchmarking of staff and directors' remuneration.

The composition of the sub-committee and the meetings attended are set out on page 23 of this report.

Remuneration philosophy

The Group is acutely aware of its dependence on appropriately qualified, trained and experienced personnel to achieve its goals. Furthermore, the demand, both locally and internationally, for scarce skills is ever-increasing.

As a result, the Group's remuneration philosophy needs to ensure that it:

- retains, develops and continues to attract people with the required skills necessary to enable the business to meet its current and future demands;
- develops a collaborative and single focused spirit among different business units that is directed towards attaining the Group's objectives and strategy rather than just individual or departmental success;
- clearly differentiates and rewards performance excellence while discouraging and dealing with below-par performance;
- achieves the appropriate balance between short- and long-term rewards;
- enables the payment of rewards and incentives out of a portion of the shareholder value created during any given period; and
- creates a sustainable leadership structure with the succession pool necessary for continuity, growth and one that in future becomes more representative of the demographics of South Africa.

The Group continues to strive for sustainable long-term growth and to this end a greater portion of management and executive remuneration is put "at risk" against the delivery of key long-term objectives and is linked to the performance of the Group over a rolling three-year period rather than being dependent on a single year's results or performance.

The Group's remuneration philosophy, policies and structures have been developed around these core principles and conform to the best practice guidelines contained in the King III Report on Corporate Governance for South Africa.

Remuneration policies and structures

The remuneration process and structure is reviewed annually in February for non-executive directors and contract workers and in September for other employees.

During the year under review, cost of living ("COL") adjustments were granted to non-executive directors effective 1 March 2014 and executive directors and staff effective 1 September 2014. Contract workers' rates were increased to comply with the agricultural sector's mimimum wage requirements effective 1 March 2014, and were then increased in excess of the minimum wage requirements in August 2014.

Formal letters of appointment have been signed with non-executive directors. Formal service contracts have been signed with executive directors and members of the Executive Committee and notice periods in terms of these contracts are 90 days.

Appointment of directors

Procedures for appointment to the board are formal and transparent and are a matter for the board via the nominations committee. 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.

Non-executive directors

The board applies principles of good corporate governance relating to directors' remuneration and also keeps abreast of changing trends.

Non-executive directors' fees are recommended by the Human Resources and Remuneration Committee to the board who in turn proposes them to the company at a general meeting where they can be approved by the company's shareholders.

The Committee takes cognisance of market norms and practices, as well as the additional responsibilities placed on board members by new legislation and corporate governance principles.

Fees for the 2015 financial year were reviewed by the Human Resources and Remuneration Committee and board in February 2014 and approved by shareholders at the annual general meeting in August 2014.

The Group's policy on fees for non-executive directors is that they should be fee-based and market-related, but not linked to share performance. No bonuses or share incentives are awarded as these can create a potential conflict of interest.

All travel, accommodation and subsistence expenses incurred by directors to attend board and committee meetings are paid for by the Group.

The proposed fees payable to the board and committee members for the 2016 year and authorised fees paid to the board and committee members for the 2015 year are shown in the tables below:

Year ended 29 February 2016	Members	Meetings per annum	Chairman Annual retainer	Chairman Per meeting	Member Annual retainer	Member Per meeting	Total (assuming all meetings are attended)
Board	5	6	525 000	36 500	158 000	19 500	1 844 000
Audit and Risk Committee	4/1*	4	170 000	17 000	85 000	9 000	601 000
Human Resources and Remuneration Committee	3	3	110 000	13 000	74 000	7 500	342 000
Social and Ethics Committee	3	3	66 000	9 000	33 000	4 000	183 000
Total (assuming all meetings are attended)		16	871 000	353 000	1 101 000	645 000	2 970 000

Note: A daily fee will be paid for special and ad hoc meetings, e.g. SAPA and shareholder presentations.

* *Attended by invitation, no retainer paid. The cost of this has not been included in this table.*

Year ended 28 February 2015	Members	Meetings per annum	Chairman Annual retainer	Chairman Per meeting	Member Annual retainer	Member Per meeting	Total (assuming all meetings are attended)
Board	**5**	**6**	**500 000**	**35 000**	**150 000**	**18 500**	**1 754 000**
Audit and Risk Committee	**4/1***	**4**	**160 000**	**16 000**	**76 000**	**8 500**	**588 000**
Human Resources and Remuneration Committee and Social and Ethics Committee	**3**	**3**	**100 000**	**12 000**	**70 000**	**7 000**	**318 000**
Social and Ethics Committee	**3**	**3**	**60 000**	**8 000**	**30 000**	**3 000**	**162 000**
Total (assuming all meetings are attended)		**16**	**820 000**	**334 000**	**1 028 000**	**640 000**	**2 822 000**

* *Attended by invitation, no retainer paid. The cost of this has not been included in this table.*

Provident fund

All employees, apart from temporary and short-term contract employees, belong to the provident fund. The Group does not have its own provident fund but belongs to the NMG Umbrella Fund. The total percentage contributed to the fund is between 15,5% and 18,5% and is adjusted based on length of service. Of this, employees contribute 6,5% and the Group contributes between 9,0% and 12,0%. The value of contributions for each executive director appears in the summary of directors' emoluments on page 42 and the value contributed to the provident fund in respect of all employees by the Group in respect of the year under review appears on page 72 of this report.

The performance of the funds invested in the umbrella fund is assessed at regular intervals by the Human Resources and Remuneration Committee.

Remuneration components

The Group determines remuneration along the following significant components:

Basic remuneration and employee benefits

For permanent employees, the Group uses a cost-to-company approach which includes a fixed monthly component, car allowance (where applicable) and contribution to provident fund. The Group does not subscribe to a medical aid scheme on behalf of employees but employees are encouraged to belong to a medical aid scheme.

For contract workers, the Group applies a fixed hourly wage rate adjusted for allowances where appropriate. A minimum hourly wage rate for farm workers is promulgated by government with effect from 1 March each year and the Group has adopted this as the minimum wage rate across the Group's operations.

No retirement benefits are provided for contract workers and this applies across the Group.

Company vehicles

A number of employees have the use of company vehicles although this has largely been phased out in favour of a car allowance scheme.

Severance packages

Severance packages are made to employees on early termination of contracts or employment either through retrenchment or mutual termination.

Annual bonuses

Permanent employees do not receive a guaranteed annual bonus. Contract workers are paid a bonus which can amount to a maximum of three weeks' wages in December each year.

Incentives

Incentive structures are used in the Group to encourage and reward superior performance at all levels of the organisation, but are more focused at the management and executive level.

Short-term incentives

Short-term incentives are recommended on an annual basis by the Human Resources and Remuneration Committee at its meeting in February each year for the following financial year. Currently, short-term incentives are not linked to social or environmental performance. Short-term incentives fall into two categories:

Paid monthly/quarterly

Incentives paid to key sales, production and other staff on a monthly/quarterly basis in arrears for achieving or exceeding agreed sales, Key Performance Indicators ("KPIs") and cost targets.

Paid annually

An incentive equal to a maximum of one month's salary is paid to permanent employees in December each year when certain Group financial targets are met. During the year, a total of R6,5 million (2014: R6,3 million) was paid out or accrued for in annual bonuses to all permanent staff. Senior management, members of the Group Executive Committee and executive directors are not eligible for this incentive.

Incentives paid to senior management, Executive Committee and executive directors are based on Group financial performance. These are paid in arrears in May each year based on the audited financial statements for the prior financial year. The incentive is based on the Group's financial performance at an EBIT margin percentage level relative to a peer group which comprises other listed poultry companies.

No bonuses were paid to executive directors and members of the Executive Committee and an amount of R0,8 million was paid to senior management in the year under review based on the performance of the Group in the 2014 financial year. These amounts were accrued for and expensed in the 2014 financial year.

As at year-end, an amount of R12,0 million has been accrued for executive directors and members of the Executive Committee and an amount of R9,3 million has been accrued for senior management in the year under review based on the performance of the Group in the 2015 financial year.

Long-term incentives

Long-term incentives are driven through three schemes of which two remain operational:

Scheme 1

The Sovereign Food Investments Share Incentive Scheme ("SFSIS") (which includes the Share Appreciation Right ("SAR") and Performance Share ("PS") components) has been "closed" and no new options have been issued since 1 March 2010. As of 28 February 2015, this scheme is now closed and will not be reported on again.

Scheme 2

An Employee Share Ownership Plan ("ESOP") was proposed to shareholders and was approved at a special general meeting on 22 March 2013.

Scheme 3

The Executive Committee Long-term Incentive Scheme ("LTIS") where long-term incentives are linked to financial performance through either an increase in the Group's share price and therefore enterprise value or through an increase in the Group's earnings per share and therefore by implication an increase in share price and enterprise value.

Scheme 2 – Employee Share Ownership Plan ("ESOP")

The ESOP was approved at a special general meeting on 22 March 2013 and the salient features of the plan are as follows:

- The plan has been implemented primarily as a retention mechanism for senior management. The Executive Committee, executive directors and non-executive directors are excluded from the plan.
- The duration of the scheme is seven years and employees are awarded an allocation of shares once at the initialisation of the plan. Shares awarded only vest if the share price of the Group at the end of the plan exceeds the share price at the date of the allocation of the shares.

As at 28 February 2015, 2 660 500 options have been allocated. A total of 575 000 shares have been purchased and a total of 2 085 500 shares are still to be purchased by the trust.

Scheme 3 – Executive Committee ("Exco") Long-term Incentive Scheme ("LTIS")

The Group operates an LTIS for executive directors and Executive Committee members wherein retention units are issued on an annual basis from 1 March each year and which vest after three years. The number of retention units is linked to the executive directors' and Executive Committee members' annual guaranteed pay relative to the Group's earnings per share at the time that the retention units are awarded.

Awards are calculated based on growth in earnings per share versus the earnings per share at which the retention units were awarded. At the end of the three-year vesting period, any awards must be used to purchase shares which must be held for one year.

Nothing was paid out in terms of this scheme during the year under review and R13,8 million has been accrued for at year-end in terms of this scheme.

Human Resources and Remuneration report (continued)

Directors' and prescribed officers' remuneration for the 12 months ended 28 February 2015

The tables below set out the remuneration paid to executive and non-executive directors and prescribed officers for the years ended 28 February 2015 and for the year ended 28 February 2014.

Executive directors

28 February 2015	Salary R'000	Performance-related bonus R'000	Provident fund contributions R'000	Travel, car and entertainment allowance R'000	Total R'000
C Coombes	**2 729**	–	**505**	**276**	**3 510**
GG Walter	**2 107**	–	**211**	–	**2 318**
BJ van Rensburg	**1 573**	–	**189**	**171**	**1 933**
GL Coley	**1 544**	–	**154**	–	**1 698**
Total	**7 953**	–	**1 059**	**447**	**9 459**
28 February 2014					
C Coombes	2 598	789	481	229	4 097
GG Walter	2 003	543	200	–	2 746
BJ van Rensburg	1 490	459	179	171	2 299
GL Goley	979	–	98	–	1 077
Total	7 070	1 791	958	400	10 219

Reconciliation between 2014 and 2015 remuneration	C Coombes R'000	GG Walter R'000	BJ van Rensburg R'000	GL Coley R'000	Total R'000
2014 total remuneration	**4 097**	**2 746**	**2 299**	**1 077**	**10 219**
Performance-related bonus	**(789)**	**(543)**	**(459)**	–	**(1 791)**
Change in basic salary	**202**	**115**	**93**	**621**	**1 031**
2015 total remuneration	**3 510**	**2 318**	**1 933**	**1 698**	**9 459**

Non-executive directors

Fees for the year ended 28 February 2015	For services rendered as a member of the board R'000	For services rendered as a member of the Audit and Risk Committee R'000	For services rendered as a member of the Human Resources and Remuneration Committee R'000	For services rendered as a member of the Social and Ethics Committee R'000	For other meetings attended	Total R'000
CP Davies	745	76	96	44	245	1 206
JA Bester	279	110	91	39	–	519
Prof MP Madi	261	–	124	76	26	487
LM Nyhonyha	279	224	–	–	–	503
T Pritchard	279	110	–	–	–	389
Total	1 843	520	311	159	271	3 104
28 February 2014						
CP Davies	960	15	121	–	14	1 110
JA Bester	248	92	81	–	7	428
Prof PM Madi	248	23	127	–	–	398
LM Nyhonyha	248	199	–	–	14	461
T Pritchard	248	92	–	–	7	347
Total	1 952	421	329	–	42	2 744

Prescribed officers are defined as members of the Executive Committee of the Group who are also not directors of the Group.

Prescribed officers

28 February 2015	Salary R'000	Performance-related bonus R'000	Provident fund contributions R'000	Travel, car and entertainment allowance R'000	Total R'000
E du Preez	2 083	–	208	18	2 309
T Shongwe	1 566	–	141	–	1 707
	3 649	–	349	18	4 016
28 February 2014					
E du Preez	1 761	543	176	218	2 698
T Shongwe	1 475	360	133	–	1 968
	3 236	903	309	218	4 666

The aggregate remuneration of the three highest paid employees who are not directors of the Group was R6 517 040 (2014: R6 452 006). One of these three employees is a prescribed officer. This remuneration included salary, performance-related bonuses, provident fund contributions and other benefits and allowances.

Directors' and prescribed officers' short-term and long-term incentives accrued

	2015			2014		
	Short-term incentive R'000	Long-term incentive R'000	Total R'000	Short-term incentive R'000	Long-term incentive R'000	Total R'000
Directors						
C Coombes	2 796	4 073	6 869	–	–	–
GG Walter	2 160	2 565	4 725	–	–	–
BJ van Rensburg	1 620	1 813	3 433	–	–	–
GL Coley	1 620	–	1 620	–	–	–
Prescribed officers						
E du Preez	2 160	2 237	4 397	–	–	–
T Shongwe	1 620	1 539	3 159	–	–	–
Total	11 976	12 227	24 203	–	–	–

The above amounts were not yet paid as at 28 February 2015, but have been fully accrued in the 2015 annual financial statements. An amount of R1,59 million will be paid out in the form of a long-term incentive to an employee who is not a director or a prescribed officer.

Human Resources and Remuneration report (continued)

Details of directors' and prescribed officers' long-term incentive awards

In terms of the LTIS, the following "rights" were granted to directors and prescribed officers effective 28 February 2015:

	Vesting on 1 March 2015	Vesting on 1 March 2016	Vesting on 1 March 2017
Directors			
C Coombes	1 209 958	1 380 633	1 849 473
GG Walter	761 905	745 556	950 790
BJ van Rensburg	538 484	554 393	707 005
GL Coley	–	–	590 219
Prescibed officers			
E du Preez	664 550	655 483	835 923
T Shongwe	457 143	548 875	699 969
Total	3 632 040	3 884 940	5 633 379

The rights vesting on 1 March 2015 have been reduced from the 4 234 244 reported in the 2014 Integrated Report to the 3 632 040 reflected above to take into account the restated profit numbers for 2012 as reflected in the 2013 Integrated Report.

Prof Mziwakhe Phinda Madi
Chairman – Human Resources and Remuneration Committee

14 May 2015

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Shareholders' information

Approval of the annual financial statements

The annual financial statements for the year ended 28 February 2015 set out on pages 52 to 82 have been prepared under the supervision of GL Coley CA(SA) and have been audited in compliance with section 30(2)(a) of the Companies Act, No 71 of 2008. These financial statements have been approved by the board of directors and are signed on its behalf by:

Charles Peter Davies
Independent Non-executive Chairman

Chris Coombes
Chief Executive Officer

Port Elizabeth
14 May 2015

Declaration by Company Secretary

The Company Secretary confirms 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 South Africa, 2008, as amended, and that all such returns are true, correct and up to date.

Max Ernest Hoppe
Company Secretary

Port Elizabeth
14 May 2015

Audit and Risk Committee's report

This report has been prepared by the Audit and Risk Committee ("the Committee") in respect of the Sovereign Food Investments Limited 2015 financial year in compliance with section 94(7)(f) of the Companies Act, No 71 of 2008 ("the Companies Act" or "the Act").

The Committee's operation is guided by a comprehensive charter that is based on the requirements of the Act and King III and is approved by the board.

Membership

The shareholders approved the appointment of the Committee at the annual general meeting on 12 August 2014 in respect of the 2015 financial year.

The Committee comprises solely of independent non-executive directors.

The current members are:
LM Nyhonyha (Chairman)
T Pritchard
JA Bester
CP Davies

Attendance by members at meetings in 2014/2015 is set out on page 23 of this Integrated Report.

Execution of functions

The Audit and Risk Committee has executed its duties and responsibilities during the financial year in accordance with the terms of its charter as they relate to the Group's accounting, internal auditing, internal control and financial reporting practices.

The Committee has complied with all applicable Companies Act provisions and the JSE Listings Requirements.

External auditor and external audit
During the year under review:

The Committee, among other matters:
- nominated Deloitte and Touche as the external auditor and designated auditor respectively to the shareholders for appointment as auditor for the financial year ended 28 February 2015, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor. The Committee confirms that the auditor and the designated auditor are accredited by the JSE Limited;
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- reviewed the audit, evaluated the effectiveness of the auditor and its independence and evaluated the external auditor's internal quality control procedures;
- obtained an annual written statement from the auditor that its independence was not impaired;
- determined the nature and extent of all non-audit services provided by the external auditor and pre-approved all non-audit services undertaken by way of a policy on the use of non-audit services by the Group's auditor;
- obtained the assurance that no member of the external audit team was hired by the company during the year;
- obtained assurances from the external auditor that adequate accounting records were being maintained; and
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No 26 of 2005, and determined that there were none.

Financial statements
The Committee, among other matters:
- confirmed the going concern as the basis of preparation of the interim and annual financial statements;
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate;
- examined and reviewed the interim and annual financial statements, as well as all financial information disclosed to the public prior to submission to and approval by the board;
- ensured that the annual financial statements fairly present the financial position of the company as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the Group was determined to be a going concern;
- considered treatments, significant unusual transactions and accounting judgements;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report;
- reviewed the representation letter relating to the Group financial statements which was signed by management;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
- met separately with management, external audit and internal audit.

Internal control and internal audit
The Committee, among other matters:
- reviewed and approved the Internal Audit Charter and annual audit plan and evaluated the independence, effectiveness and performance of the Internal Audit Department and compliance with its charter;
- considered the reports of the internal auditor and external auditor on the Group's systems of internal control, including financial controls, business risk management and maintenance of effective internal control systems;
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to significant internal audit findings;
- assessed the adequacy of the performance of the internal audit function and of the available internal audit resources and found them to be satisfactory; and
- based on the above, the Committee formed the opinion that there were no material breakdowns in internal control, including financial controls, business risk management and maintaining effective material control systems.

Audit and Risk Committee's report (continued)

Risk management and information technology

The Committee, insofar as relevant to its functions:

- reviewed the Group's policies on risk assessment and risk management, including fraud risks and information technology risks as they pertain to financial reporting and the going-concern assessment, and found them to be sound; and
- considered and reviewed the findings and recommendations of the Risk Committee.

Legal and regulatory requirements impacting the financial statements

The Committee:

- reviewed with management legal matters that could have a material impact on the Group;
- reviewed with the company's internal counsel the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities; and
- considered reports provided by management, the internal auditor and the external auditor regarding compliance with legal and regulatory requirements.

Coordination of assurance activities

The Committee reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.

Chief Financial Officer

The Committee considered the appropriateness and the experience and expertise of the Chief Financial Officer and concluded that these were appropriate.

Independence of the external auditor

The Audit and Risk Committee is satisfied that Deloitte and Touche is independent of Sovereign Food Investments Limited after taking the following factors into account:

- Representations made by Deloitte and Touche to the Audit and Risk Committee.
- The auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the company.
- The auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditor.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor.
- The criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

Annual financial statements

The Audit and Risk Committee reviewed the annual financial statements of Sovereign Food Investments Limited for the year ended 28 February 2015, and is of the view that they:

- comply with the relevant provisions of the Act and IFRS in all material respects; and
- fairly represent the consolidated and separate financial position at that date and the results of operations and cash flows for the year then ended.

The Committee has also satisfied itself of the integrity of the remainder of the Integrated Report.

The Committee has recommended the financial statements and Integrated Report for the year ended 28 February 2015 for approval to the Sovereign Food Investments Limited board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

On behalf of the Audit and Risk Committee

Litha Nyhonyha
Chairman

Port Elizabeth

14 May 2015

Independent auditors' report

To the shareholders of Sovereign Food Investments Limited

We have audited the consolidated and separate financial statements of Sovereign Food Investments Limited set out on pages 52 to 82, which comprise the statements of financial position as at 28 February 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sovereign Food Investments Limited as at 28 February 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2015 we have read the Directors' report, the Audit and Risk Committee's report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per: PJ Schneider
Partner
14 May 2015

Deloitte & Touche Place
Ascot Office Park, 1 Conyngham Street
Greenacres, Port Elizabeth

Directors' report

Nature of business

Sovereign Food Investments Limited is the holding company of one principal operation within the broiler industry which covers 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 2 and in the Chairman's and CEO's report and the Financial overview on pages 12 to 15, as well as below.

Statement of directors' responsibility and approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregations of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviours are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, not absolute, assurance against material misstatement or loss.

The directors have reviewed both the Group and the company's cash flow forecast for the year to 29 February 2016 and in light of this review and the current financial position, they are satisfied that both the Group and the company had or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's consolidated annual financial statements. The consolidated annual financial statements have been examined by the company's external auditors and their unqualified audit report is presented on page 49. The consolidated annual financial statements set out on pages 52 to 82, have been prepared on the going-concern basis.

Incorporation of the Group

Sovereign Food Investments Limited was incorporated on 8 May 1995 with the acquisition by the Group of 100% of the share capital of Crown Chickens Proprietary Limited and its operating subsidiaries and divisions, United Chix Proprietary Limited, Rocklands Animal Feeds Division, Rocklands Wholesaling, Rocklands Cold Distribution and Country Range Farm Products Proprietary Limited. At this time, the interest of minorities of 30% of the share capital in Country Range Farms Products Proprietary Limited was also acquired.

Dividend declared

The board has declared a dividend for the year ended 28 February 2015 of 34,0 cents per share (2014: 15,0 cents).

Holding company

Sovereign Food Investments Limited does not have a holding company. Refer to page 81 for a breakdown of the company's shareholders.

Year under review

The Group performed well during the year under review with a net profit after taxation of R77,6 million (2014: R44,8 million) on revenue of R1 648,6 million (2014: R1 391 million).

Further details on the performance of the Group can be found in the Chairman's and CEO's report and the Financial overview on pages 12 and 16 respectively.

Subsidiaries' income

The attributable interest of the company in the aggregate net profit after taxation of its subsidiaries was R62,3 million (2014: R44,6 million). The Group's interest in subsidiaries as set out on page 67 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 to 20. In terms of the Memorandum of Incorporation, Mr CP Davies and Prof MP Madi retire by rotation and, being eligible, offer themselves for re-election.

At the year-end, the directors and prescribed officers in aggregate held direct and indirect beneficial interests in the ordinary shares in the company as per the table below:

Directors' and prescribed officers' interest for the year ended 28 February 2015

Director/prescribed officer	**Direct**	**Indirect**
CP Davies	**7 575**	–
C Coombes	–	**269 895**
GG Walter	**96 700**	–
JA Bester	**63 237**	**19 788**
GL Coley	**21 700**	–
Total	**189 212**	**289 683**

Between the end of the financial year and the date of this report, there has been no change in the shareholding of directors or prescribed officers.

Directors' and prescribed officers' interest for the year ended 28 February 2014

Director/prescribed officer	Direct	Indirect
CP Davies	7 575	–
C Coombes	–	260 105
GG Walter	94 000	–
JA Bester	63 237	19 788
GL Coley	21 700	–
BJ van Rensburg	6 590	–
E du Preez	10 010	–
Total	203 112	279 893

Mr ME Hoppe is the Company Secretary. The board has considered and is satisfied that the Company Secretary is competent and has the requisite qualifications and experience to effectively execute his duties.

The board confirms that the Company Secretary maintains an arm's length relationship with the board and the directors, taking into account that the Company Secretary is not a director of the company and is not related to any of the directors.

Accounting policies

1. Presentation of annual financial statements

Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the JSE Listings Requirements and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

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 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 and 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.

Investment in subsidiaries

All subsidiaries are 100% owned. Acquisitions are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit and loss as incurred.

Investments in subsidiaries are recorded at cost in the company.

Associates

Associates are entities over which the Group has significant influence but not control.

Investments in associates are accounted for using the equity method of accounting whereby the carrying amount of the investment is increased or decreased to recognise the Group's share of profit and losses in the associate. Unrealised gains and losses on transactions between the Group and the associate are eliminated. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and loans and receivables

The Group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated, based on economic conditions and other indicators present at the reporting date that correlate with payment defaults.

Allowance for slow-moving, damaged and obsolete stock

An allowance is made to write inventory down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate taxation determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated taxation audit issues based on estimates of whether additional taxes will be due. Where the final taxation outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income taxation and deferred taxation provisions in the period in which such determination is made.

The Group recognises the net future taxation benefit related to deferred income taxation assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income taxation assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing taxation laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred taxation assets recorded at the end of the reporting period could be impacted.

Residual values and useful lives

Plant and machinery

Due to the specialised nature of the Group's plant and machinery the residual value attached to these assets has been estimated to be nil. The Group estimates that the useful life of the plant and machinery, being the period of time for which the assets can be utilised without significant modifications, replacements or improvements, is 20 years based on current levels of production and repairs and maintenance costs incurred.

Motor vehicles

The entity has a policy of utilising all motor vehicles for a period of 10 years. It is estimated that passenger vehicles have a residual value of between 10% and 15% of its initial purchase price.

1.2 Biological assets

Breeding stock, live broiler chickens 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 and other livestock.

The depreciation method used is to depreciate the breeding stock over the expected useful lives as 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 and parent stock layers. All broilers and parent stock are mature biological assets.

The nature of the Group's activities regarding the breeding 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.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Major spare parts and stand-by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand-by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Land is presumed to have an indefinite useful life. No depreciation is provided on assets under the course of construction.

Depreciation is provided to write down property, plant and equipment as follows:

Item	Average useful life
Buildings	50 years
Plant and machinery	20 years
Furniture and fixtures	10 years
Commercial vehicles	10 years
Motor vehicles	10 years
Office equipment	10 years
Computer equipment	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate in terms of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1. Presentation of annual financial statements (continued)

1.4 Financial instruments

Classification

The Group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss – held for trading.
- Loans and receivables.
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition.

Financial assets classified as at fair value through profit or loss which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- in rare circumstances; and
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through profit or loss category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are initially measured at cost, which includes directly attributable transaction costs.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income.

Net gains or losses on the financial instruments at fair value through profit or loss exclude dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the Group's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

At each reporting date the Group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to/(from) Group companies
These include loans to and from holding companies, fellow subsidiaries and are recognised initially at fair value plus direct transaction costs.

Loans to and from Group companies are classified as loans and receivables.

Loans to shareholders, directors, managers and employees
These financial assets are classified as loans and receivables.

Trade and other receivables
Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables
Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits that are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value, subject to set-off arrangements.

Bank overdraft and borrowings
Bank overdrafts and borrowings are initially measured at fair value net of transaction cost and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Derivatives
Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts, are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss – held for trading.

1.5 Taxation

Income taxation assets and liabilities
Income taxation for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Income taxation liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the taxation rates (and taxation laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation assets and liabilities
A deferred taxation liability is recognised for all taxable temporary differences, except to the extent that the deferred taxation liability arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit (taxation loss).

A deferred taxation asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred taxation asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit (taxation loss).

A deferred taxation asset is recognised for the carry forward of unused taxation losses and unused secondary taxation on companies credits to the extent that it is probable that future taxable profit will be available against which the unused taxation losses and unused secondary taxation on companies credits can be utilised.

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

Tax expenses
Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the taxation arises from:

- a transaction or event which is recognised, in the same or a different period, in other comprehensive income; or
- a business combination.

Current taxation and deferred taxes are charged or credited to other comprehensive income if the taxation relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Accounting policies (continued)

1. Presentation of annual financial statements (continued)

1.5 Taxation (continued)

Current taxation and deferred taxes are charged or credited directly to equity if the taxation relates to items that are credited or charged, in the same or a different period, directly to equity.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the effective interest rate.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised in the statement of comprehensive income.

Where the fixed rate escalation is not in line with the general expected inflation norms then operating leases are accounted for on a straight-line basis over the lease term.

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of assets

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- First, to reduce the carrying amount of any goodwill allocated to the cash-generating unit.
- Second, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset, other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation, other than goodwill, is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as wages, salaries, sick leave and annual leave), is recognised in the period in which the service is rendered and is not discounted.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.10 Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Contingent liabilities

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

1.11 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

1.12 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Group.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value-added taxation.

Interest is recognised, in profit or loss, using the effective interest method.

Dividends are recognised, in profit or loss, when the Group's right to receive payment has been established.

1.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Accounting policies (continued)

1. Presentation of annual financial statements (continued)

1.14 Translation of foreign currencies

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.15 Segmental reporting

The Group operates as one reporting segment. The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group is a producer of poultry products and only produces one product type. Revenue is primarily generated within the borders of South Africa. The internal reporting provided to the chief operating decision-maker is the same as that presented in the statement of comprehensive income and statement of financial position.

1.16 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 or Monte Carlo pricing models, depending on which is applicable. The expected life used in these modes has been adjusted for the effects of non-transferability, exercise restrictions and behavioural considerations.

1.17 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

If the company reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments is deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchases, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of taxation, from the proceeds.

1.18 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year. None of these standards had a material impact on the Group's annual financial statements.

Standard	Amendment	Effective date
IFRS 10: Consolidated Financial Statements	Amendments for investment entities	Annual periods beginning on or after 1 January 2014
IFRS 12: Disclosure of Interests in Other Entities	Amendments for investment entities	Annual periods beginning on or after 1 January 2014
IAS 27: Separate Financial Statements	Amendments for investment entities	Annual periods beginning on or after 1 January 2014
IAS 32: Financial Instruments: Presentation	Amendments to application guidance on the offsetting of financial assets and financial liabilities	Annual periods beginning on or after 1 January 2014
IAS 36: Impairment of Assets	Amendments resulting from Recoverable Amount Disclosures	Annual periods beginning on or after 1 January 2014
IAS 39: Financial Instruments: Recognition and Measurement	Amendments for novations of derivatives	Annual periods beginning on or after 1 January 2014

Interpretation	Amendment	Effective date
IFRIC 21: Levies	Original issue	Annual periods beginning on or after 1 January 2014

2.2 Standards and interpretations not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective.

The Group expects to adopt these standards for the first time in the 2016 and latter annual financial statements.

It is unlikely that these standards will have a material impact on the Group's annual financial statements.

Standard	Amendment	Effective date
IFRS 2: Share-based Payments	Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	Annual periods beginning on or after 1 July 2014
IFRS 3: Business Combinations	Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration)	Annual periods beginning on or after 1 July 2014
IFRS 3: Business Combinations	Amendments resulting from Annual Improvements 2011-2013 Cycle (scope exception for joint ventures)	Annual periods beginning on or after 1 July 2014
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Amendments resulting from September 2014 Annual Improvements to IFRS	Annual periods beginning on or after 1 January 2016
IFRS 7: Financial Instruments: Disclosures	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	Annual periods beginning on or after 1 January 2015
IFRS 7: Financial Instruments: Disclosures	Additional hedge accounting disclosures resulting from the introduction of the hedge accounting chapter in IFRS 9	Applies when IFRS 9 is applied
IFRS 7: Financial Instruments: Disclosures	Amendments resulting from September 2014 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2016
IFRS 8: Operating Segments	Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	Annual periods beginning on or after 1 July 2014

2. New standards and interpretations (continued)

2.2 Standards and interpretations not yet effective (continued)

Standard	Amendment	Effective date
IFRS 9: Financial Instruments	Original issue (classification and measurement of financial assets)	Effective for annual periods beginning on or after 1 January 2018
IFRS 9: Financial Instruments	Accounting for financial liabilities and derecognition	Effective for annual periods beginning on or after 1 January 2018
IFRS 9: Financial Instruments	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	Effective for annual periods beginning on or after 1 January 2018
IFRS 9: Financial Instruments	Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	Effective for annual periods beginning on or after 1 January 2018
IFRS 9: Financial Instruments	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	Effective for annual periods beginning on or after 1 January 2018
IFRS 10: Consolidated Financial Statements	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Annual periods beginning on or after 1 January 2016
IFRS 10: Consolidated Financial Statements	Amendments regarding the application of the consolidation exception	Annual periods beginning on or after 1 January 2016
IFRS 11: Joint Arrangements	Amendments regarding the accounting for acquisitions of an interest in a joint operation	Annual periods beginning on or after 1 January 2016
IFRS 12: Disclosure of Interests in Other Entities	Amendments regarding the application of the consolidation exception	Annual periods beginning on or after 1 January 2016
IFRS 13: Fair Value Measurement	Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	Annual periods beginning on or after 1 July 2014
IFRS 14: Regulatory Deferral Accounts	Original issue	Annual periods beginning on or after 1 January 2016
IFRS 15: Revenue from Contracts with Customers	Original issue	Annual periods beginning on or after 1 January 2017
IAS 1: Presentation of Financial Statements	Amendments resulting from the disclosure initiative	Annual periods beginning on or after 1 January 2016
IAS 16: Property, Plant and Equipment	Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	Annual periods beginning on or after 1 July 2014
IAS 16: Property, Plant and Equipment	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	Annual periods beginning on or after 1 January 2016
IAS 16: Property, Plant and Equipment	Amendments bringing bearer plants into the scope of IAS 16	Annual periods beginning on or after 1 January 2016

Standard	Amendment	Effective date
IAS 19: Employee Benefits	The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary	Annual periods beginning on or after 1 July 2014
IAS 19: Employee Benefits	Amendments resulting from September 2014 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2016
IAS 24: Related Party Disclosures	Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	Annual periods beginning on or after 1 July 2014
IAS 27: Separate Financial Statements	Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	Annual periods beginning on or after 1 January 2016
IAS 28: Investments in Associates and Joint Ventures	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Annual periods beginning on or after 1 January 2016
IAS 28: Investments in Associates and Joint Ventures	Amendments regarding the application of the consolidation exception	Annual periods beginning on or after 1 January 2016
IAS 34: Interim financial reporting	Amendments resulting from September 2014 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2016
IAS 38: Intangible Assets	Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	Annual periods beginning on or after 1 July 2014
IAS 38: Intangible Assets	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	Annual periods beginning on or after 1 January 2016
IAS 40: Investment Property	Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	Annual periods beginning on or after 1 July 2014
IAS 41: Agriculture	Amendments bringing bearer plants into the scope of IAS 16	Annual periods beginning on or after 1 January 2016

Statement of financial position

as at 28 February 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Assets					
Non-current assets		**754 136**	736 971	**260 728**	238 074
Property, plant and equipment	1	**754 136**	736 971	**–**	–
Loans to subsidiaries	2	**–**	–	**222 171**	206 950
Deferred taxation	7	**–**	–	**8 811**	1 378
Investment in subsidiaries	2	**–**	–	**29 746**	29 746
Current assets		**452 559**	336 601	**59**	49
Inventories	3	**71 873**	61 730	**–**	–
Biological assets	3	**111 881**	106 042	**–**	–
Trade and other receivables	4	**197 952**	127 458	**51**	48
Cash and cash equivalents	14	**70 853**	41 371	**8**	1
Total assets		**1 206 695**	1 073 572	**260 787**	238 123
Equity and liabilities					
Share capital and premium	5	**252 429**	257 435	**252 429**	257 435
Share-based payments	27	**1 459**	–	**–**	–
Retained earnings/(accumulated loss)		**458 335**	392 170	**(19 431)**	(21 571)
Equity		**712 223**	649 605	**232 998**	235 864
Non-current liabilities		**231 406**	226 783	**–**	–
Interest-bearing borrowings	6	**53 554**	79 438	**–**	–
Deferred taxation	7	**177 852**	147 345	**–**	–
Current liabilities		**263 066**	197 184	**27 789**	2 259
Trade and other payables	8	**191 111**	155 661	**1 377**	1 658
Provisions	25	**46 063**	15 341	**26 412**	601
Current portion of interest-bearing borrowings	6	**25 892**	26 182	**–**	–
Total equity and liabilities		**1 206 695**	1 073 572	**260 787**	238 123

Statement of comprehensive income

for the year ended 28 February 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Revenue		**1 648 631**	1 391 224	**13 200**	13 200
Cost of sales		**1 284 371**	1 129 993	**–**	–
Gross profit		**364 260**	261 231	**13 200**	13 200
Other income	9	**–**	–	**33 100**	–
Operating expenses		**253 364**	192 615	**40 164**	12 810
Profit before finance costs	9	**110 896**	68 616	**6 136**	390
Finance costs	10	**7 466**	9 836	**–**	–
Interest received	10	**(4 673)**	(5 025)	**(2)**	(8)
Profit before taxation		**108 103**	63 805	**6 138**	398
Taxation	11	**30 507**	18 958	**(7 433)**	112
Profit after taxation		**77 596**	44 847	**13 571**	286
Other comprehensive income for the year		**–**	–	**–**	–
Total comprehensive income for the year		**77 596**	44 847	**13 571**	286
Earnings per share					
Earnings per ordinary share (cents)	16	**101,9**	58,5		
Diluted earnings per ordinary share (cents)	16	**101,9**	58,5		
Headline earnings per ordinary share (cents)	16	**103,3**	60,2		
Diluted headline earnings per ordinary share (cents)	16	**103,3**	60,2		
Dividends per share					
Final dividend per share (cents)		**34,0**	15,0		

Statement of changes in equity

for the year ended 28 February 2015

2015 R'000	Notes	Group Share capital and premium	Share-based payments	Retained earnings	Total
Balance at beginning of year		**257 435**	**–**	**392 170**	**649 605**
Total comprehensive income for the year		**–**	**–**	**77 596**	**77 596**
Shares repurchased	5	**(16)**	**–**	**–**	**(16)**
Shares repurchased held by Employee Share Ownership Plan	5	**(4 990)**	**–**	**–**	**(4 990)**
Dividends paid to shareholders		**–**	**–**	**(11 431)**	**(11 431)**
Net value of employee services	27	**–**	**1 459**	**–**	**1 459**
Balance at end of year		**252 429**	**1 459**	**458 335**	**712 223**
2014					
Balance at beginning of year		263 163	109	362 001	625 273
Total comprehensive income for the year		–	–	44 847	44 847
Shares repurchased	5	(5 728)	–	–	(5 728)
Dividends paid to shareholders		–	–	(14 678)	(14 678)
Net value of employee services		–	(109)	–	(109)
Balance at end of year		257 435	–	392 170	649 605

2015 R'000	Notes	Company Share capital and premium	Share-based payments	Accumulated loss	Total
Balance at beginning of year		**257 435**	**–**	**(21 571)**	**235 864**
Total comprehensive income for the year		**–**	**–**	**13 571**	**13 571**
Shares repurchased	5	**(16)**	**–**	**–**	**(16)**
Shares repurchased held by Employee Share Ownership Plan	5	**(4 990)**	**–**	**–**	**(4 990)**
Dividends paid to shareholders		**–**	**–**	**(11 431)**	**(11 431)**
Balance at end of year		**252 429**	**–**	**(19 431)**	**232 998**
2014					
Balance at beginning of year		263 163	109	(7 179)	256 093
Total comprehensive income for the year		–	–	286	286
Shares repurchased	5	(5 728)	–	–	(5 728)
Dividends paid to shareholders		–	–	(14 678)	(14 678)
Net value of employee services		–	(109)	–	(109)
Balance at end of year		257 435	–	(21 571)	235 864

Statement of cash flows

for the year ended 28 February 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Cash flows from operating activities					
Cash generated from operations before working capital changes		**147 395**	99 798	**6 136**	281
Changes in working capital		**(20 304)**	(32 215)	**10 306**	20 114
Cash generated from operating activities	13	**127 091**	67 583	**16 442**	20 395
Net interest (paid)/received	10	**(2 793)**	(4 811)	**2**	8
Net cash flow from operating activities		**124 298**	62 772	**16 444**	20 403
Cash flows from investing activities					
Proceeds on the sale of property, plant and equipment		**1 637**	4 017	**–**	–
Net cash flow from investing in property, plant and equipment		**(53 842)**	(72 929)	**–**	–
Net cash flow from investing activities		**(52 205)**	(68 912)	**–**	–
Cash flows from financing activities					
Net cash flow from dividends paid to shareholders		**(11 431)**	(14 678)	**(11 431)**	(14 678)
Net cash flow from shares repurchased	5	**(16)**	(5 728)	**(16)**	(5 728)
Net cash flow from shares purchased for ESOP	5	**(4 990)**	–	**(4 990)**	–
Net cash flow from debt repaid		**(26 174)**	(28 925)	**–**	–
Net cash flow from financing activities		**(42 611)**	(49 331)	**(16 437)**	(20 406)
Net increase/(decrease) in cash and cash equivalents		**29 482**	(55 471)	**7**	(3)
Cash and cash equivalents at beginning of year		**41 371**	96 842	**1**	4
Net cash and cash equivalents at end of year	14	**70 853**	41 371	**8**	1

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
1. Property, plant and equipment				
Cost				
Land	**45 735**	46 895	**–**	–
Buildings	**405 680**	405 857	**–**	–
Assets not yet brought into production	**19 500**	–	**–**	–
Plant	**492 318**	459 984	**–**	–
Vehicles	**8 020**	9 295	**–**	–
Office equipment, furniture and fittings	**1 669**	1 669	**–**	–
Computer equipment	**7 029**	7 029	**–**	–
	979 951	930 729	**–**	–
Accumulated depreciation and impairment				
Land	**354**	354	**–**	–
Buildings	**68 842**	58 750	**–**	–
Plant	**142 512**	120 447	**–**	–
Vehicles	**5 657**	5 859	**–**	–
Office equipment, furniture and fittings	**1 421**	1 319	**–**	–
Computer equipment	**7 029**	7 029	**–**	–
	225 815	193 758	**–**	–
Net carrying value				
Land	**45 381**	46 541	**–**	–
Buildings	**336 838**	347 107	**–**	–
Assets not yet brought into production	**19 500**	–	**–**	–
Plant	**349 806**	339 537	**–**	–
Vehicles	**2 363**	3 436	**–**	–
Office equipment, furniture and fittings	**248**	350	**–**	–
Computer equipment	**–**	–	**–**	–
	754 136	736 971	**–**	–

	Land R'000	Buildings R'000	Assets not yet brought into production R'000	Plant R'000	Vehicles R'000	Office equipment, furniture and fittings R'000	Computer equipment R'000	Total R'000
Movement in property, plant and equipment								
2015								
Net carrying value at beginning of year	**46 541**	**347 107**	**–**	**339 537**	**3 436**	**350**	**–**	**736 971**
Additions	**–**	**–**	**53 842**	**–**	**–**	**–**	**–**	**53 842**
Reallocations	**–**	**–**	**(34 342)**	**34 342**	**–**	**–**	**–**	**–**
Disposals	**(1 160)**	**(152)**	**–**	**(523)**	**(534)**	**–**	**–**	**(2 369)**
Impairments	**–**	**–**	**–**	**(652)**	**(101)**	**–**	**–**	**(753)**
Depreciation	**–**	**(10 117)**	**–**	**(22 898)**	**(438)**	**(102)**	**–**	**(33 555)**
Net carrying value at end of year	**45 381**	**336 838**	**19 500**	**349 806**	**2 363**	**248**	**–**	**754 136**
2014								
Net carrying value at beginning of year	39 533	349 607	3 771	300 518	4 678	476	767	699 350
Additions	–	–	72 929	–	–	–	–	72 929
Reallocations	8 537	7 219	(76 700)	60 944	–	–	–	–
Disposals	(1 175)	(693)	–	(2 091)	(463)	–	–	(4 422)
Impairments	(354)	–	–	(964)	(111)	–	–	(1 429)
Depreciation	–	(9 026)	–	(18 870)	(668)	(126)	(767)	(29 457)
Net carrying value at end of year	46 541	347 107	–	339 537	3 436	350	–	736 971

Included in land, buildings and plant are assets with a net book value of R259 837 060 (2014: R242 588 670) that have been encumbered as per note 23.

	Issued share capital		Group's effective holding		Book value of holding company's interest: Investment at cost		Loans to subsidiaries	
	2015 R	2014 R	2015 %	2014 %	2015 R'000	2014 R'000	2015 R'000	2014 R'000
2. Interest in affiliates								
Subsidiary companies								
Directly owned								
Sovereign Food Industries (Pty) Ltd	**36**	36	**100**	100	**29 746**	29 746	**42 917**	9 817
Indirectly owned								
Active								
Crown Chickens (Pty) Ltd	**5 005**	5 005	**100**	100	**–**	–	**179 254**	197 133
Inactive or dormant and in the process of being deregistered								
Pashia Farm (Pty) Ltd	**100**	100	**100**	100	**–**	–	**–**	–
Chicken Barn Holdings (Pty) Ltd	**100**	100	**100**	100	**–**	–	**–**	–
United Chix (Pty) Ltd	**1 000**	1 000	**100**	100	**–**	–	**–**	–
					29 746	29 746	**222 171**	206 950

These loans are unsecured, have no fixed terms of repayment and bear nil (2014: nil) interest.

All subsidiaries of the Group were incorporated in South Africa.

Investment in associate

Sov Factory Shop (Pty) Ltd

During the 2015 financial year the Group entered into an agreement with a third party to develop a factory shop on the existing abattoir premises. Sovereign Food Investments Ltd owns 35% of this new entity, Sov Factory Shop (Pty) Ltd, and no consideration has been paid for this share. The company started trading towards the end of the financial year and no value has been attributed to this investment as at 28 February 2015. This investment has been accounted for as an investment in associate with a carrying value of nil.

Other

Employee Share Ownership Scheme

The Employee Share Ownership Scheme ("ESOP") is a trust that was established in 2014 as a retention scheme for employees in management positions. The trustees of the trust are three of Sovereign Food Investment Limited's non-executive directors and the beneficiaries are all employees of the Group. The sole business of the trust is to purchase shares in the holding company in order to award the relevant employees once their shares vest. The purchase of these shares is through a loan granted by the holding company. The ESOP has been consolidated into the the Group's accounts and all shares purchased by the ESOP accounted for as treasury shares.

Notes to the annual financial statements (continued)

for the year ended 28 February 2015

		Group		Company	
		2015	2014	**2015**	2014
		R'000	R'000	**R'000**	R'000
3.	**Inventories and biological assets**				
	Inventories				
	Raw materials and consumables	**51 668**	41 039	**–**	–
	Finished products	**20 205**	20 691	**–**	–
		71 873	61 730	**–**	–
	Biological assets				
	Balance at beginning of year	**106 042**	83 906	**–**	–
	Purchases	**24 552**	22 906	**–**	–
	Net decrease due to biological growth/slaughter/depreciation	**(18 713)**	(770)	**–**	–
	Balance at end of year	**111 881**	106 042	**–**	–
	As at 28 February 2015, the Group had approximately 4 377 008 (2014: 4 463 716) broilers on hand and approximately 537 336 (2014: 533 628) female laying stock on hand.				
	Certain items of inventory have been encumbered as stated in note 6.				
4.	**Trade and other receivables**				
	Trade receivables	**183 490**	116 418	**–**	–
	Less: Provision for impairment of trade receivables	**(1 207)**	(1 628)	**–**	–
	Trade receivables – net	**182 283**	114 790	**–**	–
	Prepayments	**3 105**	3 288	**51**	28
	Sundry receivables	**12 564**	9 380	**–**	20
		197 952	127 458	**51**	48
	The fair values of trade and other receivables are as follows:				
	Trade receivables	**182 283**	114 790	**–**	–
	Prepayments	**3 105**	3 288	**51**	28
	Sundry receivables	**12 564**	9 380	**–**	20
		197 952	127 458	**51**	48
	Movement on the provision for impairment of trade receivables is as follows:				
	Balance at beginning of year	**1 628**	2 483	**–**	–
	(Decrease)/increase in provision for receivables impairment	**(120)**	374	**–**	–
	Receivables written off during the year as uncollectable	**(301)**	(1 229)	**–**	–
	Balance at end of year	**1 207**	1 628	**–**	–

The creation and release of provision for impaired receivables has been included in operating expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the gross value of each class of receivable mentioned above.

The Group carries credit insurance against possible default. As at the reporting date, R70 744 312 (2014: R52 181 508) of trade receivables was covered under credit insurance.

In order to evaluate sales concentration risk, the Group reviews sales to customers who comprise more than 10% of total sales by value. The Group had sales by value to one customer of 38%, and to another customer of 12%; no other customers comprised more than 10% of total sales by value.

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
4. Trade and other receivables (continued)				
Ageing profile of trade receivables:				
Less than three months	**181 933**	115 048	**–**	–
Greater than three months	**1 557**	1 370	**–**	–
Total	**183 490**	116 418	**–**	–
Trade receivables that are less than three months past due are not considered impaired. As at 28 February 2015, R6 173 821 (2014: R600 133) were past due but not impaired. These relate to customers for whom no default is expected.				
As at 28 February 2015, trade receivables with a gross value of R183 490 000 (2014: R116 418 000) of a subsidiary were ceded as security to a financial institution for a loan (see note 6). Further to this, the same trade receivables are subject to a revisionary cession to another financial institution (see note 6).				
Credit quality of trade receivables				
The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.				
Group 1 – new customers (less than six months)	**10 864**	3 345	**–**	–
Group 2 – existing customers (more than six months, not in default)	**171 419**	111 445	**–**	–
Group 3 – exisiting customers (more than six months, with some defaults but where all defaults were fully recovered)	**–**	–	**–**	–
	182 283	114 790	**–**	–
5. Share capital and premium				
Authorised				
150 000 000 (2014: 150 000 000) ordinary shares with a par value of 1 cent each	**1 500**	1 500	**1 500**	1 500
Issued				
76 222 266 ordinary shares with a par value of 1 cent each (2014: 76 225 616 shares)	**762**	762	**762**	762
Reconciliation of issued share capital				
Balance at beginning of year	**257 435**	263 163	**257 435**	263 163
Shares repurchased and deregistered	**(16)**	(5 728)	**(16)**	(5 728)
Shares held as treasury shares	**(4 990)**	–	**(4 990)**	–
Balance at end of year	**252 429**	257 435	**252 429**	257 435

3 350 (2014: 1 153 335) shares were repurchased out of the market and deregistered at an average price of R4,70 (2014: R4,97) per share for a total cost of R15 750 (2014: R5 727 477).

575 000 (2014: nil) shares were purchased for the Employee Share Ownership Scheme ("ESOP") out of the market at an average price of R8,68 (2014: nil) per share for a total cost of R4 990 666 (2014: nil). Refer to note 27.

	Group 2015 Number of shares	Group 2014 Number of shares	Company 2015 Number of shares	Company 2014 Number of shares
Reconciliation of shares issued				
Balance at beginning of year	**76 225 616**	77 378 951	**76 225 616**	77 378 951
Repurchased during the year	**(3 350)**	(1 153 335)	**(3 350)**	(1 153 335)
Treasury shares	**(575 000)**	–	**–**	–
Balance at end of year	**75 647 266**	76 225 616	**76 222 266**	76 225 616
Number of shares effectively in issue				
Issued shares	**76 222 266**	76 225 616	**76 222 266**	76 225 616
Treasury shares	**(575 000)**	–	**–**	–
	75 647 266	76 225 616	**76 222 266**	76 225 616
Treasury shares				
Treasury shares are held by the ESOP.				
Reconciliation of issued to authorised shares				
Not under the control of the directors until the next annual general meeting	**73 777 734**	73 774 384	**73 777 734**	73 774 384
Ordinary shares in issue	**76 222 266**	76 225 616	**76 222 266**	76 225 616
Authorised ordinary shares	**150 000 000**	150 000 000	**150 000 000**	150 000 000

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
6. Interest-bearing borrowings				
Secured				
Loan 1				
Secured loan repayable in monthly capital instalments of R86 151 (2014: R86 151). Interest is charged at a rate that fluctuates with prime lending rates less 1,25% (2014: less 1,25%) per annum. Secured by first mortgage bond and specific notarial bond over certain land, buildings, equipment, inventory and trade debtors with a carrying value of R452 505 757 (2014: R354 621 415)	**1 895**	2 929	–	–
Loan 2				
Two secured loans repayable in monthly capital instalments of R426 733 (2014: R426 733). Interest is charged at a rate that fluctuates with prime lending rates less 1,25% (2014: less 1,25%) per annum. Secured by first mortgage bond and specific notarial bond over certain land, buildings, equipment, inventory and trade debtors with a carrying value of R452 505 757 (2014: R354 621 415)	**4 607**	9 728	–	–
Loan 3				
Three secured loans repayable in monthly capital instalments of R1 403 313 (2014: R1 403 313). Interest is charged at a rate that fluctuates with prime lending rates less 1,25% (2014: less 1,25%) per annum. Secured by first mortgage bond and specific notarial bond over certain land, buildings, equipment, inventory and trade debtors with a carrying value of R452 505 757 (2014: R354 621 415)	**53 007**	69 848	–	–
Loan 4				
Secured loan repayable in monthly instalments, including finance charges of R119 605 (2014: R118 835). Interest is charged at a rate that fluctuates with prime lending rates less 1,7% (2014: less 1,7%). Secured by first mortgage bond and specific notarial bond over certain land, buildings and equipment with a carrying value of R18 453 842 (2014: R19 591 270)	**5 963**	6 913	–	–
Loan 5				
Secured loan repayable in monthly instalments, including finance charges of R280 320 (2014: R278 516). Interest is charged at a rate that fluctuates with prime lending rates less 1,7% (2014: less 1,7%). Secured by first mortgage bond and specific notarial bond over certain land and buildings with a carrying value of R18 174 007 (2014: R19 209 051)	**13 974**	16 202	–	–
	79 446	105 620	–	–
Less: Current portion included in current liabilities	**25 892**	26 182	–	–
	53 554	79 438	–	–
Details of land and building mortgages are contained in a register, setting out the information required by Regulation 25(3) of the Companies Regulations, 2011, 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.				
Fair value of financial liabilities carried at amortised cost				
Secured loans	**79 446**	105 620	–	–
	79 446	105 620	–	–

The fair values of the financial liabilities were determined as follows:

Market-related interest rates are charged on secured loans and finance leases. These rates include a credit risk margin and the directors therefore consider the fair value to approximate the carrying value.

		Group		Company	
		2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
7.	**Deferred taxation**				
	Deferred taxation comprises:				
	Capital allowances	**182 999**	164 230	**–**	–
	Livestock	**45 780**	41 169	**–**	–
	Provisions and other temporary differences	**(13 151)**	(3 652)	**(7 279)**	(168)
	Tax losses	**(37 776)**	(54 402)	**(1 532)**	(1 210)
		177 852	147 345	**(8 811)**	(1 378)
	The movement in deferred taxation was as follows:				
	Balance at beginning of year	**147 345**	128 387	**(1 378)**	(1 490)
	Current charge/(reversal)	**30 507**	18 958	**(7 433)**	112
	Temporary differences	**13 881**	20 333	**(7 111)**	436
	Decrease/(increase) in tax loss	**16 626**	(1 375)	**(322)**	(324)
	Balance at end of year	**177 852**	147 345	**(8 811)**	(1 378)
	The Group has the following "tax shield" against future taxable income:				
	Assessed losses	**134 914**	194 293	**5 471**	4 321
	Unutilised schedule 1 section 12(1)(f) farming allowance	**–**	58 833	**–**	–
	Unutilised section 12(B) accelerated capital expenditure allowance	**29 293**	37 282	**–**	–
	Unutilised section 11(e) wear and tear allowance	**1 340**	2 013	**–**	–
		165 547	292 421	**5 471**	4 321
8.	**Trade and other payables**				
	Trade payables	**171 460**	144 485	**10**	500
	Accruals	**19 651**	11 176	**1 367**	1 158
	Payroll and other related costs	**17 560**	9 486	**847**	753
	Other	**2 091**	1 690	**520**	405
		191 111	155 661	**1 377**	1 658

The average credit period taken for trade purchases is 42 days (2014: 41 days). The directors consider that the carrying amount of trade and other payables approximate their fair value. Included in trade payables is an amount of R27,0 million (2014: R16,0 million) in respect of a dispute with a local service provider. Refer note 23.

		Group		Company	
		2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
9.	**Profit before finance costs**				
	Income before finance costs is arrived at after taking into account:				
	Expense items/(income)				
	Dividends received	**–**	–	**(33 100)**	–
	Share-based payments	**1 459**	(109)	**–**	(109)
	Impairment of plant and equipment	**753**	1 429	**–**	–
	Depreciation of property, plant and equipment	**33 555**	29 457	**–**	–
	Operating leases of property, vehicles, office and other equipment	**20 128**	17 584	**120**	120
	Staff costs and contract workers	**293 493**	238 219	**38 228**	11 198
	Unrealised profit on derivative instruments	**(10 569)**	(7 485)	**–**	–
	Loss on sale of property, plant and equipment	**732**	405	**–**	–
10.	**Net finance costs**				
	Interest on debt (bank borrowings)	**7 466**	9 836	**–**	–
	Interest received (short-term bank deposit)	**(4 673)**	(5 025)	**(2)**	(8)
		2 793	4 811	**(2)**	(8)

Notes to the annual financial statements (continued)

for the year ended 28 February 2015

		Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
11.	**Taxation**				
	Current taxation				
	SA normal taxation	–	–	–	–
	– current year	–	–	–	–
	– prior year under/(over) provision	–	–	–	–
	Deferred taxation	**30 507**	18 958	**(7 433)**	112
	– current year	**28 727**	18 008	**(7 433)**	112
	– prior year adjustment	**1 780**	950	–	–
	Taxation charge/(credit)	**30 507**	18 958	**(7 433)**	112
	The estimated taxation losses of certain subsidiaries available for set-off against future taxable income amounts to R135,3 million (2014: R194,3 million).				
	Reconciliation of taxation rate	%	%	%	%
	Normal rate of company taxation	**28,0**	28,0	**28,0**	28,0
	Permanent differences	**0,1**	0,3	**539,3**	–
	Tax loss raised/(utilised)	**0,1**	1,4	**(688,4)**	0,1
	Effective taxation rate	**28,2**	29,7	**(121,1)**	28,1
12.	**Retirement benefit information**				
	The company provides, through a Group-defined contribution provident fund scheme, retirement benefits for all permanent employees. These funds are subject to the Pension Funds Act, 1956, as amended. Contributions are at the rate of between 15,5% and 18,5% of pensionable emoluments of which members pay 6,5%.				
	Total value of current service contributions to the schemes	**10 900**	10 016	**1 059**	958
	Proportion of total permanent employees covered	**100%**	100%	**100%**	100%
13.	**Cash generated from operations**				
	Profit before taxation	**108 103**	63 805	**6 138**	398
	Interest received	**(4 673)**	(5 025)	**(2)**	(8)
	Finance costs	**7 466**	9 836	–	–
	Depreciation and impairment	**34 308**	30 886	–	–
	Loss on disposal of asset	**732**	405	–	–
	Movement on share option schemes	**1 459**	(109)	–	(109)
	Operating profit before working capital changes	**147 395**	99 798	**6 136**	281
	Working capital changes				
	Increase in inventories	**(10 143)**	(7 205)	–	–
	Increase in biological assets	**(5 839)**	(22 136)	–	–
	Increase in accounts receivable	**(70 494)**	(30 101)	**(3)**	(48)
	Increase/(decrease) in accounts payable and provisions	**66 172**	27 227	**25 530**	(960)
	(Increase)/decrease in amounts owing from subsidiaries	–	–	**(15 221)**	21 122
	Total working capital changes	**(20 304)**	(32 215)	**10 306**	20 114
	Cash generated from operating activities	**127 091**	67 583	**16 442**	20 395
14.	**Cash and cash equivalents**				
	Bank balances and cash on hand	**70 853**	41 371	**8**	1
	Net cash	**70 853**	41 371	**8**	1
	The credit quality of cash at bank and short-term deposits, excluding cash on hand, that are neither past due nor impaired can be assessed by reference to external credit ratings.				
	Credit rating				
	zaAAA	**66 233**	38 344	**8**	1
	zaAA	**4 510**	2 976	–	–
	Bank balances	**70 743**	41 320	**8**	1
	Cash on hand	**110**	51	–	–
	Net cash	**70 853**	41 371	**8**	1

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
15. Capital commitments				
Authorised				
Contracted	**49 600**	2 825	**–**	–
Not contracted for	**59 500**	35 533	**–**	–
To be expended within one year	**109 100**	38 358	**–**	–
This capital expenditure will be financed as follows:				
Cash generated from current operations	**85 100**	38 358	**–**	–
Long-term finance	**24 000**	–	**–**	–
	109 100	38 358	**–**	–
Refer to note 26.				
16. Earnings and dividends per share				
The calculation of earnings per ordinary share, diluted earnings per ordinary share, headline earnings per share and diluted headline earnings per share is based on the following:				
16.1 Earnings per ordinary share				
Earnings attributable to ordinary shareholders (R'000)	**77 596**	44 847	**–**	–
Weighted average ordinary shares in issue	**76 128 079**	76 651 423	**–**	–
Earnings per ordinary share (cents)	**101,9**	58,5	**–**	–
16.2 Diluted earnings per ordinary share				
Earnings attributable to ordinary shareholders (R'000)	**77 596**	44 847	**–**	–
Weighted average diluted ordinary shares in issue	**76 128 079**	76 651 423	**–**	–
Diluted earnings per ordinary share (cents)	**101,9**	58,5	**–**	–
16.3 Headline earnings per ordinary share				
Headline earnings attributable to ordinary shareholders (R'000)	**78 665**	46 167	**–**	–
Weighted average ordinary shares in issue	**76 128 079**	76 651 423	**–**	–
Headline earnings per ordinary share (cents)	**103,3**	60,2	**–**	–
16.4 Diluted headline earnings per ordinary share				
Headline earnings attributable to ordinary shareholders (R'000)	**78 665**	46 167	**–**	–
Weighted average diluted ordinary shares in issue	**76 128 079**	76 651 423	**–**	–
Diluted headline earnings per ordinary share (cents)	**103,3**	60,2	**–**	–

	Profit from ordinary activities R'000	Taxation R'000	Net profit R'000
16.5 Reconciliation between earnings and headline earnings			
For the year ended 28 February 2015			
As per annual financial statements	**108 103**	**(30 507)**	**77 596**
Disposal and impairment of property, plant and equipment	**1 485**	**(416)**	**1 069**
Headline profit	**109 588**	**(30 923)**	**78 665**
For the year ended 28 February 2014			
As per annual financial statements	63 805	(18 958)	44 847
Disposal and impairment of property, plant and equipment	1 834	(514)	1 320
Headline profit	65 639	(19 472)	46 167

16.6 Dividends per share

A dividend of 34,0 cents per share (2014: 15,0 cents per share) was declared by the board of directors on 14 May 2015. These annual financial statements do not reflect the dividend declared.

17. Related parties

17.1 Holding company

Sovereign Food Investments Limited does not have a holding company.

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

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

17.3 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.

17.4 Related-party transactions

Material transactions with the company

Loans to and from related parties	Refer to note 2
Management fees from subsidiaries	R13 200 000 (2014: R13 200 000)
Directors' and key management's remuneration	Refer to note 20

Material transactions with the Group

- Goods and services to the value of R18 054 010 (2014: nil) were sold to Sov Factory Shop (Pty) Ltd. Sovereign has a 35% interest in this entity. At year-end R6 309 551 (2014: nil) was outstanding. This balance is included in trade receivables. All sales are on commercial terms.
- Goods and services to the value of Rnil (2014: R177 525) were sold to Uplands Farming (Pty) Ltd of which CP Davies is a director. At year-end Rnil (2014: Rnil) was outstanding. All sales are on commercial terms.
- Goods and services to the value of R752 887 695 (2014: R510 765 832) were sold to The Spar Group Limited of which Prof PM Madi is a non-executive director. At year-end, R87 107 786 (2014: R43 941 821) was still outstanding. All sales are on commercial terms.
- Goods and services to the value of R72 871 were purchased from and R4 865 sold to Oasis Outdoor Adventure & Clay Target Club of which E du Preez is the Chairman. At year-end there were no outstanding balances between the parties. All sales are on commercial terms.

18. Borrowing powers

The Memorandum of Incorporation ("MOI") 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 effecting these borrowing powers and, as such, the directors have not exceeded their borrowing powers as authorised by the MOI.

19. Risk management

19.1 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 equity at reporting periods) and the level of dividends paid to shareholders.

The capital structure of the Group comprises equity attributable to equity holders of Sovereign Food Investments Limited consisting of issued ordinary share capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity, and cash and cash equivalents as disclosed in note 14, and borrowings as disclosed in note 6.

There were no changes to the Group's approach to capital management during the year.

Certain requirements in the form of covenants are imposed by the Group's bankers. At the year-end, the Group had met all stipulations required of them.

The Group's gross gearing ratio as at 28 February 2015 was 11% (2014: 16%).

19.2 Interest rate risk

The Group borrows at both fixed and floating rates of interest. The Group's policy is to keep sufficient borrowings at fixed rates of interest so as to mitigate interest rate risk. Based on simulations performed, the impact per annum on post-tax profit and equity of a 0,5% adjustment to the interest rate would be a maximum of R286 006 (2014: R380 228). The simulation has been run for all liabilities that represent major interest-bearing loans. These simulations are performed on a quarterly basis to verify that the maximum loss potential is within the thresholds set by senior management.

19.3 Credit risk

No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions are used for investing and cash-handling purposes. At statement of financial position date, there were two significant concentrations of credit risk, one which accounted for 48% (2014: 37%) and one which accounted for 12% (2014: 13%) of the outstanding trade receivables.

The Group has a policy of insuring specific trade receivables with reputable insurance companies. At statement of financial position date, R70 744 312 (2014: R52 181 508) was covered under such policies.

19. Risk management (continued)

19.4 Price risk

The Group is exposed to commodity price risk. To manage its price risk, the Group enters into commodity futures to hedge changes in the market prices of its inputs.

19.5 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 2015, the Group held a net long position of 7 148 tons (2014: 44 500 tons) of futures contracts in respect of white and yellow maize which carried an unrealised R11 053 818 (2014: R7 311 051) mark-to-market gain as at year-end and held a long position of 4 700 tons (2014: 2 075 tons) of futures contracts in respect of soya beans which carried an unrealised R484 700 (2014: R174 424 gain) mark-to-market loss as at year-end.

19.6 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, none (2014: 4,3%) of the Group's borrowings were due to mature in more than five years. Short-term flexibility is achieved by overdraft facilities. The Group has R117 million in unutilised overdraft facilities available.

	Within one year R'000	Between two to five years R'000	More than five years R'000	Total R'000
The maturity profile of the financial liabilities is analysed below:				
Group				
2015				
Borrowings	**25 892**	**53 554**	**–**	**79 446**
Trade and other payables	**181 241**	**–**	**–**	**181 241**
Total	**207 133**	**53 554**	**–**	**260 687**
2014				
Borrowings	26 182	74 852	4 586	105 620
Trade and other payables	152 783	–	–	152 783
Total	178 965	74 852	4 586	258 403
Company				
2015				
Trade and other payables	**1 254**	**–**	**–**	**1 254**
Total	**1 254**	**–**	**–**	**1 254**
2014				
Trade and other payables	1 540	–	–	1 540
Total	1 540	–	–	1 540

19.7 Biological asset risk

The Group is exposed to financial risks arising from changes in poultry prices. The Group does not anticipate that poultry prices will decline significantly in the foreseeable future. The Group has not entered into derivative contracts to manage the risk of a decline in poultry prices. The Group reviews its outlook for poultry prices on a regular basis in considering the need for active financial risk management.

The simulations are performed on a quarterly basis to determine the impact of a decline in poultry prices on Group consolidated results.

Based on simulations performed, the impact on post-tax profit and equity per annum of a 5% variation in poultry prices would be R59 350 716 (2014: R50 084 064).

19.8 Fair values

The fair values of loans and receivables and financial liabilities are substantially identical to the carrying values reflected in the statement of financial position, except for borrowings which are carried at amortised cost. Derivative instruments are designated financial assets/liabilities at fair value through profit or loss and are classified as Level 2 inputs based on the fair value hierarchy.

19. Risk management (continued)

19.9 Exchange rate risk

The Group is exposed to financial risks arising from changes in exchange rates relating to purchases directly from foreign suppliers. The Group enters into forward exchange contracts to manage the risk of a weakening in the exchange rate. The Group reviews its outlook on exchange rate risk on a regular basis in considering the need for active financial risk management. The simulations are performed on a quarterly basis to determine the impact of a weakening of the exchange rate on Group consolidated results.

Based on simulations performed, the impact on post-tax profit and equity per annum of a 5% variation in exchange rates would be R2 200 000 (2014: R1 800 000).

The Group limits exposure to fluctuations in exchange rates through the implementation of an effective hedging policy. The financial instruments most commonly utilised to limit exposure to exchange rate risk are forward exchange cover contracts. At year-end there were nine (2014: four) open forward exchange cover contracts with a total exposure of USD900 000 and Euro 2 000 000 (2014: USD224 000 and Euro nil) and which carried a mark-to-market loss of R517 607 (2014: R81 523 loss). The average exchange rate on these contracts was R11,69: USD1,00 and R13,20: Euro 1. The total value of foreign creditors at year-end was USD266 780 (2014: USD431 065).

20. Directors' and prescribed officers' remuneration

Refer to the Human Resources and Remuneration report on pages 37 to 44.

21. Property, rentals and operating leases

Operating lease commitments

The Group leases various 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, vehicles and computer equipment under cancellable operating lease agreements. The Group is required to give a six-month notice for the termination of these agreements. The lease expenditure charged to the statement of comprehensive income during the year is disclosed in note 9.

The future aggregate minimum lease payments under cancellable and 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 2015				
Future minimum lease payments	**14 778**	**18 872**	**6 622**	**40 272**
For the year ended 28 February 2014				
Future minimum lease payments	16 477	25 365	4 736	46 578

22. Material purchasing contracts

At 28 February 2015, the Group had entered into raw material supply contracts for the coming year. These contracts were for a minimum of 84 000 metric tons of maize and 6 000 metric tons of soya beans. The price at which these contracts will be effected is dependent on the market price of the commodity on the purchase date.

23. Contingent assets and liabilities and guarantees and securities held

Contingent assets and liabilities

The Group, together with number of other companies in the Nelson Mandela Bay Metropole ("NMBM") have raised a dispute around electricity tariffs with the relevant service provider. Negotiations with the NMBM are at an advanced stage. Although the Group believes we will be successful in this dispute, in order to be prudent the Group has provided for the amount in dispute in full. As at year-end, the group had provided R27,0 million (2014: R16,0 million) in relation to the dispute. This has been disclosed under trade and other payables. Refer to note 8.

Guarantees and securities held

Breeder farms

- First Continuous Covering Mortgage Bond for R7 000 000 and a Second Continuous Covering Mortgage Bond for R14 000 000 (Total R21 000 000) over the following properties:
  - Portion 158 of the farm Geduldtsrivier no 411 Uitenhage (18,0248 hectares).
  - Portion 5 of the farm Slipper no 467, Uitenhage (38,5616 hectares).
  - Remainder of portion 7 (portion of portion 1) of the farm Rietheuwel no 296, Uitenhage (12,848 hectares).

Unlimited suretyship by United Chix (Pty) Ltd, supported by:

- First Continuing Covering Mortgage Bond for R3 000 000 and a Second Continuing Covering Mortgage Bond for R6 000 000 over portion 35 of Farm Witteklip No.466 Uitenhage.

Abattoir (refer note 1 and note 6, loans 1, 2 and 3)

- Covering Bond B2606/2006 and Notarial Collateral Bond BN2607/2006 registered for the amount of R100 000 000, as well as Covering Bond B115614/2007 and Notarial Collateral Bond BN116009/2007 registered for the amount of R165 000 000 given by Crown Chickens (Pty) Ltd over all the company's immovable (Erf 12082 Uitenhage) and moveable assets.
- Deed of Cession dated 1 November 2007 whereby Crown Chickens (Pty) Ltd cedes all its rights, title and interest in their insurance policy(ies) in respect of the above interests to the Land Bank.
- In terms of section 30 of the Land Bank Act all agricultural produce and all products manufactured therefrom is subject to a pledge in favour of the Land Bank working capital overdraft and may be dealt with in the normal course of the business.

Jeffreys Bay Farm (refer to note 1 and note 6, loan 5)

- Bond over portion 1 of Farm 854 Jeffreys Bay for an amount of R43 000 000.
- Special Notarial Mortgage Bond with a general clause over all moveable assets at portion 1 of Farm 854 Jeffreys Bay for an amount of R43 000 000.
- First Continued Covering Mortgage.

Hillside Farm (refer to note 1 and note 6, loan 4)

- First Continued Covering Mortgage Bond over portion 173 (Portion of portion 29) of Farm Mauritzkraal no 501 – consolidated with portion 210 (portion of portion 29) to form portion 211 of Farm Mauritskraal 501 for an amount of R35 000 000.
- Special Notarial Mortgage Bond with a general clause over specified, unencumbered moveable assets at Hillside, Uitenhage for an amount of R35 000 000.

Debtors Cession (refer note 4 and note 6 (loans 1, 2 and 3))

- Deed of Cession whereby Crown Chickens (Pty) Ltd cedes "*in securitatem debiti*" all its rights, title and interest, as stipulated in the deed of Cession dated 1 December 2005 to the Land Bank.
- Cession of Reversionary Cession: All present and future debtors in respect of Crown Chickens (Pty) Ltd.

Sureties provided

- The Group is standing surety for two BEE contract grower commercial loans with the total outstanding capital value of these two loans being R24 881 188 (2014: R26 532 122) as at 28 February 2015. In the event that the Group is called upon to repay the loans, the Group has recourse to the farming assets of the BEE contract growers to recoup any potential losses. Refer to note 26.

24. Resolutions passed

No subsidiaries passed any special resolutions during the year relating to the capital structure, borrowing powers, the object clause in the Memorandum of Incorporation or any other material matter that may affect the understanding of the company and its subsidiaries.

The company passed special resolutions at its annual general meeting held on 12 August 2014 to:

- Allow the company to provide direct and indirect financial assistance as contemplated in section 45 of the Companies Act, 2008 to any one or more subsidiaries;
- Grant the directors a general authority to repurchase up to 10% of the company's issued shares in terms of section 48 of the Companies Act, 2008; and
- Approve the fees paid to non-executive directors.

The directors passed a resolution on 12 August 2014 to commence with the repurchase of shares, up to a maximum of R7 500 000 at a maximum of 600 cents per share. On 3 February 2015, the directors extended the programme for a further period of six months from 1 March 2015. The maximum amount to be spent over this period is R7 500 000 at a maximum of 700 cents per share.

25. Provisions

For the year ended 28 February 2015	Carrying amount at beginning of year R'000	Additional provisions R'000	Used/ reversed during the year R'000	Carrying amount at end of year R'000
Group				
Bonuses and incentives	6 792	36 981	(6 792)	36 981
Legal settlements	3 000	–	–	3 000
Leave pay	5 549	6 082	(5 549)	6 082
	15 341	43 063	(12 341)	46 063

Analysis of total provisions	2015 R'000	2014 R'000
Current	46 063	15 341

For the year ended 28 February 2015	Carrying amount at beginning of year R'000	Additional provisions R'000	Used/ reversed during the year R'000	Carrying amount at end of year R'000
Company				
Bonuses and incentives	–	25 790	–	25 790
Leave pay	601	622	(601)	622
	601	26 412	(601)	26 412

Analysis of total provisions	2015 R'000	2014 R'000
Current	26 412	601

Bonus and incentives

The Group provides for bonuses and incentives based on an analysis of incentive and bonus programmes in place for the year ended 28 February 2015. As at 28 February 2015, the Group had provided R36 981 230 (2014: R6 792 376) in respect of these programmes.

Legal settlements

The Group has provided R3 000 000 (2014: R3 000 000) for legal disputes.

Leave pay

The Group 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.

26. Events after the reporting date

On 6 March 2015, the Group entered into a purchase agreement for a farm belonging to a contract grower for R36,25 million, which will be financed through R24,0 million debt and R12,25 million cash. In terms of this transaction, the Group will be released from its surety, which at 28 February 2015 was R15,4 million. Refer to note 15 and note 23.

On 30 April 2015, the Group submitted a binding offer for the Quantum Foods Abattoir in Hartebeespoort at a price of R120 million. This offer was accepted on 7 May 2015 and the Group is expecting to take control of the plant in October 2015.

27. Share-based payments and long-term incentives

As at 28 February 2015, the Sovereign Food Investments Limited 2007 Share Plan was closed.

Employee Share Ownership Scheme ("ESOP")

The ESOP is classified as an equity-settled scheme.

	2015 R'000	2014 R'000
Share-based payment expenses recognised	**1 459**	–

Overview

Members of senior management, who are not members of the Executive Committee, have been awarded share options in terms of the ESOP. The shares are deemed to have been purchased on 16 October 2013 by the company on behalf of the employee at a price of R5,65. The cost of these shares to the employee will be offset through the 90% of the dividends paid out on those shares between the date of the options being awarded and the vesting date, whilst the remaining 10% is to be paid to the employees.

Vesting conditions

The options will start vesting at 30% at the end of year three, should the employee leave the employ of the Group at this stage. This percentage increases each year, until year seven when 100% of the options vest. The ESOP will purchase the shares over the seven-year period, at which point all options will vest.

As at 28 February 2015, 2 660 500 options have been allocated. A total of 575 000 shares have been purchased and a total of 2 085 500 shares are still to be purchased by the Trust.

Details of the awards outstanding are as follows:

Awards granted on 16 October 2013	2 950 000
Outstanding at 28 February 2014	2 737 500
Outstanding at 28 February 2015	2 660 500

The calculated fair values and significant inputs into the valuation models were as follows:

Award price	R5,65
Strike price	R5,65
Expected volitility	35%

Volatility was calculated based on historical volatility. The risk-free rate used in the model was sourced from the Bond Exchange of South Africa.

A dividend yield of 3,1% was used in the model. The scheme has a life of seven years.

The valuation of the shares was calculated using a Monte Carlo simulation, and this expense is being amortised over the vesting period of the shares.

Long-term Incentive Scheme ("LTIS")

The Group operates a Executive Committee LTIS under which members of the Executive Committee are granted "retention units" to purchase ordinary shares in the Group, which are exercisable three years after the date of grant. The vesting of the "retention units" is dependent on meeting an earnings-based target and any value derived from the retention units must be used to purchase shares in the Group and hold them for a period of one year. The "retention units" will be cash-settled.

	LTIS retention units	
	2015	2014
Outstanding at beginning of year	**8 668 934**	10 094 846
Granted during year	**5 633 379**	3 884 940
Reduction during the year	**(602 204)**	–
Expired during year	**(78 185)**	(5 310 852)
Outstanding at end of the year	**13 621 924**	8 668 934

A charge of R13 813 481 has been taken in the current year (2014: nil) in respect of the awards that vested on 28 February 2015. This is in respect of 3 632 040 retention units that were included in the opening balance of 8 668 934 as reflected above. No additional charge has been taken in the current year in respect of these options vesting from 29 February 2016 onwards as the vesting criteria as at 28 February 2015 cannot yet be determined with any finality.

Notes to the annual financial statements (continued)

for the year ended 28 February 2015

	Group			Company	
	Loans and receivables at amortised cost R'000	Financial liabilities at amortised cost R'000	Financial receivables/ liabilities at fair value through profit and loss R'000	Loans and receivables at amortised cost R'000	Financial liabilities at amortised cost R'000
28. Financial instruments by category					
2015					
Assets per the statement of financial position:					
Trade and other receivables	184 278	–	10 569	–	–
Cash and cash equivalents	70 853	–	–	8	–
Loans to subsidiary	–	–	–	222 171	–
Total	255 131	–	10 569	222 179	–
Liabilities per the statement of financial position:					
Trade and other payables	–	181 241	–	–	1 254
Borrowings	–	79 446	–	–	–
Loans from subsidiaries	–	–	–	–	–
Total	–	260 687	–	–	1 254
2014					
Assets per the statement of financial position:					
Trade and other receivables	116 685	–	7 485	20	–
Cash and cash equivalents	41 371	–	–	1	–
Loans to subsidiary	–	–	–	206 950	–
Total	158 056	–	7 485	206 971	–
Liabilities per the statement of financial position:					
Trade and other payables	–	152 783	–	–	1 540
Overdraft	–	–	–	–	–
Borrowings	–	105 620	–	–	–
Loans from subsidiaries	–	–	–	–	–
Total	–	258 403	–	–	1 540

Shareholders' spread analysis

Type of shareholders	Number of shareholders	Number of shares	% of shares issued
Public	1 141	38 174 372	50,08%
Non-public	10	38 047 894	49,92%
Total	1 151	76 222 266	100,00%
Analysis of non-public shareholders			
Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable inquiry, the spread of shareholders at 28 February 2015 is as follows:			
1. Directors of the company or any of its subsidiaries (see page 51 for directors' individual shareholdings)	4	189 212	0,25%
2. Any associate of the above	2	289 683	0,38%
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	1	575 000	0,75%
4. 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(f), (iv) and (v), 4.30(c)(iv) and (v). (See list of shareholders who hold more than 10% of the issued share capital below)	3	36 993 999	48,53%
5. 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	10	38 047 894	49,92%
Shareholders and/or fund managers who hold more than 10% of the issued share capital			
Prudential Portfolio Management	1	17 372 821	22,79%
Old Mutual PLC	1	10 975 154	14,40%
RECM and Calibre Limited	1	8 646 024	11,34%
Total	3	36 993 999	48,53%
Shareholders and/or fund managers who hold between 5% and 10% of the issued share capital (included in "Public" above)			
Sanlam Investment Management	1	5 850 732	7,68%
Total	1	5 850 732	7,68%

Share performance statistics

	2015	2014	2013	2012	2011
Share price (cents)					
High	**950**	580	600	600	900
Low	**500**	455	350	385	454
Average	**746**	526	485	515	627
Closing	**880**	540	460	574	590
Ordinary shares in issue at year-end	**76 222 266**	76 225 616	77 378 951	79 395 734	47 816 787
Number of shares traded	**20 095 807**	20 645 547	18 267 484	29 138 239	11 222 170
Value of shares traded (R'000)	**154 655**	106 274	88 099	140 220	67 923
Number of shares traded as a percentage of shares issued	**26,4%**	27,1%	23,6%	36,7%	23,5%
Earnings yield	**9,37%**	11,10%	13,6%	10,4%	11,2%

Shareholders' diary

Financial year-end	February
Annual general meeting	Wednesday, 12 August 2015
Announcement of interim results	October 2015
Announcement of final results	May 2016

Annual general meeting

Notice of the sixteenth 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
("Sovereign Foods" or "the Company")

A. Notice of meeting

Notice is hereby given that the sixteenth annual general meeting ("meeting") of shareholders of the company will be held in the company's boardroom, 9 Kruis River Road, Uitenhage at 10:00 on Wednesday, 12 August 2015.

This notice of meeting includes the attached proxy form.

B. Attendance and voting

The date on which a person must be registered as a shareholder in the company's register for purposes of being entitled to attend and vote at the meeting is the date of the meeting is Friday, 31 July 2015 ("record date"). The last day to trade, in order to be eligible to vote at the meeting is Friday, 24 July 2015.

If you are a registered shareholder as at the record date, you may attend the meeting in person. Alternatively, you may appoint a proxy (who need not be a shareholder of the company) to represent you at the meeting. Any appointment of a proxy may be effected by using the attached proxy form and, in order for the proxy to be effective and valid, must be completed and delivered in accordance with the instructions contained in the attached proxy form.

If you are a beneficial shareholder and not a registered shareholder as at the record date:

- and wish to attend the meeting, you must obtain the necessary letter of authority to represent the registered shareholder of your shares from your Central Securities Depository Participant ("CSDP") or broker;
- and do not wish to attend the meeting but would like your vote to be recorded at the meeting, you should contact the registered shareholder of your shares through your CSDP or broker and furnish them with your voting instructions; and
- you must not complete the attached proxy form.

Kindly note that, in terms of section 63(1) of the Companies Act, 71 of 2008 ("Companies Act"), meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

C. Electronic participation

Shareholders or their proxies may participate in (but not vote at) the meeting by way of telephone conference call. If they wish to do so they:

- must contact the Company Secretary (by email at the address mhoppe@sovfoods.co.za) by no later than Friday, 7 August 2015 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

Shareholders and their proxies will not be able to vote telephonically at the meeting and will still need to appoint a proxy or representative to vote on their behalf at the meeting.

D. Purpose of the meeting

The purpose of this meeting is to:

- present the Directors' report and the audited annual financial statements of the company and the Group for the year ended 28 February 2015;
- present the Audit Committee report;
- present the Social and Ethics Committee report;
- consider any matters raised by shareholders; and
- consider and if deemed fit to pass, with or without modification, the resolutions set out below:

1. Ordinary Resolution 1 – Adoption of the annual financial statements

To receive and adopt the company's financial statements for the year ended 28 February 2015, including the Directors' report and Audit Committee report contained therein.

Note: Copies of the complete annual financial statements for the year ended 28 February 2014 can be obtained from the Sovereign Foods website at http://www.sovereignfoods.co.za/investors/annual-reports.

In order for Ordinary Resolution 1 to be adopted, the support of more than 50% of the votes cast by shareholders present or represented by proxy at this meeting is required.

2. Ordinary Resolution 2 – Re-election of directors retiring by rotation

To re-elect the following non-executive directors who are due to retire as directors of the board ("board") of the company by way of rotation of directors in terms of the company's Memorandum of Incorporation:

2.1 CP Davies; and
2.2 Prof MP Madi.

Mr CP Davies is a member of the Audit and Risk Committee, the HR and Remuneration Committee and the Social and Ethics Committee and Prof MP Madi is Chairman of the HR and Remuneration Committee and the Social and Ethics Committee.

A brief curriculum vitae of Mr CP Davies and of Prof MP Madi is provided on page 18 of the Integrated Report 2015.

Each of Ordinary Resolutions 2.1 and 2.2 will be considered by way of a separate vote.

In order for Ordinary Resolutions 2.1 to 2.2 to be adopted, the support of more than 50% of the votes cast by shareholders present or represented by proxy at this meeting is required.

3. Ordinary Resolution 3 – Re-election of independent auditor and designated auditor

To confirm the appointment of Deloitte and Touche to serve as auditors of the company until the next meeting and to note that Paul Schneider will be the audit partner who will undertake the audit of the company for the ensuing year.

In order for Ordinary Resolution 3 to be adopted, the support of more than 50% of the votes cast by shareholders present or represented by proxy at this meeting is required.

4. Ordinary Resolutions 4.1 to 4.4 – Election of members of the Audit and Risk Committee

To appoint the following independent non-executive directors as members of the Audit and Risk Committee:

4.1 LM Nyhonyha *(Chairman);*
4.2 T Pritchard;
4.3 JA Bester; and
4.4 CP Davies.

Explanation:

In terms of the King III Report, the Audit Committee must comprise of at least three independent non-executive directors and further in terms of Regulation 42 of the Companies Act at least one-third of the members of a company's Audit Committee must have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or Human Resource management.

In terms of the guidance letter on Corporate Governance dated 31 January 2013 issued by the Issuer Regulation Division of the JSE Limited ("JSE") regarding the appointment of an Audit Committee, if a listed company has an independent non-executive Chairman of the board, he may be a member of the Audit Committee, subject to the following provisions:

- All the other members of the Audit Committee (at least two) are independent non-executive directors;
- He/she may not be the Chairman of the Audit Committee;
- The dual role (Chairman of the board and member of the Audit Committee) is specifically disclosed to shareholders at the meeting referred to in section 94(2) of the Act; and
- Shareholders approve the appointment of the Chairman to the Audit Committee at the meeting.

A brief curriculum vitae of the independent non-executive directors offering themselves for re-election as members of the Audit Committee are provided on page 18 of the Integrated Report 2015.

Each of ordinary resolutions 4.1 to 4.4 will be considered by way of a separate vote.

For each such resolution to be adopted, the support of more than 50% of the votes cast by shareholders present or represented by proxy at this meeting is required.

5. Ordinary Resolution 5 – Non-binding advisory vote on the company's Executive Remuneration Policy

To resolve as a non-binding ordinary resolution that the company's Executive Remuneration Policy (excluding the remuneration of the Non-executive directors for their services as directors and members of board committees) as set out in the Executive Remuneration Policy report on page 87 of the Integrated Report 2015 be and is hereby endorsed.

Explanation:

In terms of the principles contained in the King III Report, an advisory vote should be obtained from shareholders on the company's annual remuneration policy. This vote allows shareholders to express their views on the remuneration policies adopted and on their implementation, but will not be binding on the company.

In order for Ordinary Resolution 6 to be adopted, the support of more than 50% of the votes cast by shareholders present or represented by proxy at this meeting is required.

6. Special Resolution 1 – Approval of the fees paid to Non-executive directors

To approve that the annual fees payable to the Non-executive directors of the company with effect from 1 March 2015 as follows:

Type of fee	Annual retainer	Attendance fee per meeting
Board fees: Chairman	R525 000	R36 500
Board fees: Members	R158 000	R19 500
Audit Committee fees: Chairman	R170 000	R17 000
Audit Committee fees: Members	R85 000	R9 000
Human Resources and Remuneration Committee: Chairman	R110 000	R13 000
Human Resources and Remuneration Committee: Members	R74 000	R7 500
Social and Ethics Committee fees: Chairman	R66 000	R9 000
Social and Ethics Committee fees: Members	R33 000	R4 000

Explanation:

The reason for and effect of special resolution 1 is to grant the company the authority to pay fees to its non-executive directors.

For Special Resolution 1 to be adopted, the support of at least 75% of the total number of the votes which the shareholders present or represented by proxy at this meeting entitled to cast is required.

7. **Special Resolution 2 – General authority to repurchase shares**

Resolved that the directors be authorised by way of a general authority, to facilitate an acquisition by the company or any of its subsidiaries, from time to time, from any person of up to 10% of the company's ordinary issued share capital in terms of section 48 of the Companies Act and the JSE Limited Listings Requirements, provided that a subsidiary may not hold more than 10% of the company's issued share capital. Such general approval shall be valid until the next meeting of the company, provided that it shall not extend beyond 15 months from the date of the passing of this special resolution.

Explanation:

It is recorded that in terms of the JSE Listings Requirements, the company may only make a general repurchase of securities if:

- the company is enabled by its Memorandum of Incorporation to acquire such shares;
- the repurchase of shares is effected through the order book operated by the JSE's trading system and done without any prior understanding or arrangement between the company and the counterparty;
- acquisitions in the aggregate, in any one financial year, may not exceed 10% of the company's issued share capital as at the date of this authority (being 7 622 226);
- repurchases are not made at a price of more than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the repurchase;
- an announcement containing full details of the share repurchase is published in accordance with the JSE Listings Requirements, as soon as the company or subsidiary has acquired shares constituting, on a cumulative basis, 3% of the number of the ordinary shares in issue at the time the authority is granted and for each subsequent 3% purchase thereafter;
- at any point in time, the company may only appoint one agent to effect any repurchase on the company's behalf;
- there is a resolution by the board of directors which resolved that they authorised the repurchase and that the company and its subsidiaries passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group; and
- the company or subsidiary do not repurchase any shares during a prohibited period, as defined by the JSE Limited Listings Requirements, unless a repurchase programme is in place, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been provided to the JSE in writing, prior to the commencement of the prohibited period.

Statement of board's intent

Should Special Resolution 2 above be approved by shareholders, the directors contemplate continuing the share repurchase programme that was initially approved by shareholders on 7 August 2012 and renewed on 7 August 2013 and 12 August 2014. During the period of the share repurchase programme, the issued share capital reduced from 79 395 734 shares to 76 222 266 shares.

The percentage of voting rights that will be required for Special Resolution 2 to be adopted is 75% of the votes exercised on the resolution, by shareholders present or represented by proxy.

Additional disclosure required in terms of the JSE Limited Listings Requirements relating to Special Resolution 2

Solvency and liquidity statement

The directors of the company shall not make any repurchase under this general authority unless they are of the opinion, that after considering the effect of the repurchase of the maximum number of the company's shares in terms of the general authority to be provided in terms of Special Resolution 2 they are satisfied that the company has passed the solvency and liquidity test envisaged in the Companies Act for a period of the repurchase and that:

- the company and the Group will be able in the ordinary course of business to pay its debts;
- the assets of the company and the Group, recognised and measured in accordance with the accounting policies used in in the latest audited financial statements which comply with the Companies Act, will be in excess of the liabilities of the company and the Group;
- the share capital and reserves of the company and the Group will be adequate for ordinary business purposes; and
- the working capital of the company and the Group will be adequate for ordinary business purposes.

The company undertakes to advise its sponsor before embarking on a general repurchase, in order to enable the sponsor to discharge its duties.

Additional information

The following information, some of which may be found elsewhere in the Integrated Report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase the company's shares:

- Information relating to the directors and management of the company can be found on page/s 18 to 20 of Integrated Report 2015.
- Information relating to the major shareholders of the company can be found on page 81 of the Integrated Report 2015.
- Information relating to the company's share capital can be found on page 69 of the Integrated Report 2015.
- Information relating to the directors' interests in the company can be found on page 51 of the Integrated Report 2015.

Directors' responsibility statement

The directors whose names appear on pages 18 and 19 of the Integrated Report 2015, collectively and individually accept responsibility for the accuracy of the information pertaining to Special Resolution 2 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 inquiries to ascertain such facts have been made and that Special Resolution 2 contains all information required by the JSE Listings Requirements.

Material changes

Other than the facts and developments reported in the Integrated Report 2015, there have been no material changes in the affairs or the financial position of the company and its subsidiaries since the date of signature of the Audit report and up to the date of this notice.

Litigation statement

There are no legal or arbitration proceedings which may have, or have had, during the twelve month period preceding the date of this notice, a material effect on the financial position of the company and the company is not aware of any such pending or threatened proceedings.

E. Other business

To transact such other business as may be transacted at a meeting.

By order of the board

ME Hoppe
Company Secretary
Uitenhage

14 May 2015

Executive remuneration policy

1. Application of the policy

The policy applies to the Sovereign Foods executive management, which includes executive directors, Executive Committee members, prescribed officers and senior managers.

2. Guiding principles

Executive remuneration will be based on "Total cost-to-company", including salary, motor vehicle and contributions by the company to retirement and health schemes.

Provision will also be made for a Short-term Incentive Scheme ("STIS") and a Long-term Incentive Scheme ("LTIS").

3. Objectives

The objectives of the Sovereign Foods Executive Remuneration Policy are:

- to ensure Sovereign Foods is able to attract and retain highly qualified and motivated executive directors and senior managers;
- to motivate executive management to manage and lead the business successfully and to drive strong long-term organisational growth in line with the strategy and business objectives;
- to provide competitive and balanced, performance-related remuneration, consisting of both fixed and variable components;
- to drive successful organisational performance by incorporating both short-term and long-term incentives;
- to ensure that the interests of the executive management are aligned with those of shareholders by linking remuneration directly to company performance; and
- to ensure there is transparency and fairness in executive remuneration policy and practices, and at the same time recognise that remuneration is a living facet of Human Resource management.

4. Remuneration structure

4.1 Fixed remuneration

Remuneration will take into account market realities, having regard to the need for Sovereign Foods to attract, motivate and retain executives.

4.2 Short-term Incentive Scheme ("STIS")

For the FY15 and FY16 years, the payment of this incentive is based on the Group's financial performance at an EBIT margin percentage level relative to a peer group which comprises other listed poultry companies. As from FY17, short term incentives will be based on acceptable shareholder return.

The thresholds for the incentive bonus payments are proposed to the Human Resources and Remuneration Committee at the first meeting of the each year.

4.3 Employee Share Incentive Scheme ("SFSIS")

This scheme has been terminated with effect from 28 February 2015.

4.4 Employee Share Ownership Scheme ("ESOP")

Sovereign Foods launched an ESOP to replace the Employee Share Incentive Scheme.

The objectives of the scheme are to retain, motivate and reward existing eligible employees who will be able to influence the performance of the Sovereign Group, on a basis which aligns their interests with those of the shareholders.

No hurdle rate has been included in the plan, as the primary focus of the plan is on the retention of existing senior managers.

Participation in the plan will be confined to employees who are employed by the company at the commencement date of the plan and which fall within TASK grades T14 to T19 (i.e. this includes senior management in agriculture, production and marketing, who are key to the business) but will exclude members of the Executive Committee.

Except for employees who retire or who are retrenched, the benefits will vest after a period of seven years.

4.5 Long-term Incentive Scheme ("LTIS")

The Long-term Incentive Scheme is open to selected top executives.

At the end of each three-year cycle period, Sovereign Foods will pay to the participants a long-term incentive bonus based on the increase (if any) of the company's headline earnings per share, subject to the terms agreed to with the participant, as provided for by the Long-term Incentive Scheme. If the participant leaves the service of the company during the three-year cycle no benefit will be paid, provided that the participant will be entitled to a pro-rata share of any incentive bonus which has accrued to the participant, if the contract is terminated by the company, for operational reasons or as a result of a change in ownership.

At the end of the three-year vesting period, any awards must be used to purchase shares which must be held for one year.

4.6 Retirement funding

The company provides retirement benefits, through a defined contribution provident plan.

Contributions are at the rate of between 15,5% and 18,5% of pensionable emoluments of which members pay 6,5%.

4.7 Medical aid benefits

Medical aid benefits are provided at point of employment by negotiation.

4. Remuneration structure (continued)

4.8 Summary of eligibility for membership of the various incentive schemes

Level	Short-term incentives (STIS)	Long-term incentives (LTIS)	Employee share ownership scheme (ESOP)
Executive directors	Yes	Yes	No
Prescribed officers	Yes	Yes	No
Senior managers	Yes	No	Yes

5. Responsibilities

5.1 The board decides the remuneration of the Chief Executive Officer, and decides, on the recommendation of the Human Resources and Remuneration Committee, for general increases on an annual basis.

5.2 The Human Resources and Remuneration Committee is authorised:

5.2.1 to recommend to the board maximum performance and incentive payment levels; and

5.2.2 to undertake the Chief Executive Officer's annual performance review and recommend to the board the level of performance and incentive payments.

5.3 The Chief Executive Officer recommends to the Human Resources and Remuneration Committee, the remuneration of the senior executives based on their direct accountability and responsibility for the operational management, strategic direction and decision-making and demonstrated leadership.

5.4 The Chief Executive Officer is authorised to:

5.4.1 undertake the annual performance review of all other executives and to recommend the level of any performance and incentive payments to the Human Resources and Remuneration Committee;

5.4.2 make adjustments to the salaries of senior executives that may be required to retain their services, after conferring with the Chairman of the Human Resources and Remuneration Committee, provided that this will be confirmed by the Human Resources and Remuneration Committee; and

5.4.3 appoint executives who receive a cash component exceeding R75 000 per month, only after consultation with the Chairman of the Human Resources and Remuneration Committee. The R75 000 threshold is reviewed annually.

6. Annual salary adjustments

After receiving approval from the board via the Human Resources and Remuneration Committee and unless otherwise provided in this policy, all salary adjustments shall be implemented in September of each year.

7. Schedule of executive remuneration

7.1 A schedule of remuneration and bonuses paid to senior executives is maintained by the Group Human Resources Executive.

7.2 A current copy of the Executive Remuneration Schedule is made available to all members of the Human Resources and Remuneration Committee.

7.3 The schedule shall be amended and circulated to all members of the Human Resources and Remuneration Committee, in the event of there being any changes to the remuneration of any executives.

8. Benchmarking

Executive salaries are graded in accordance with the TASK job grading system and will be benchmarked with market rates on an ongoing basis.

9. Disclosure

The Remuneration Committee will issue a report annually:

- describing how the remuneration policy is structured and how it has been implemented; and
- providing full disclosure of directors' remuneration on an individual basis.

10. Policy review

The policy is reviewed each year by the Human Resources and Remuneration Committee. If necessary, the Committee will recommend amendments to the Sovereign Foods board for adoption.

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 sixteenth annual general meeting ("the annual general meeting") of the company, to be held in the company's boardroom, 9 Kruis River Road, Uitenhage at 10:00 on Wednesday, 12 August 2015, 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) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received not later than 10:00 on Friday, 7 August 2015.

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 for me and vote for me/ us on my/our behalf at the annual general meeting (and at any adjournment thereof) to be held at 10:00 on Wednesday, 12 August 2015 in the company's boardroom, 9 Kruis River Road, Uitenhage for the purpose of considering and, if deemed fit, passing, with or without notification, the following resolutions to be considered at that annual general meeting, in accordance with the following instructions (see note 3):

	Number of votes (one vote per share)		
As per notice of annual general meeting	For	Against	Abstain
Ordinary Resolution 1 To receive and adopt the company's financial statements for the year ended 28 February 2015			
Ordinary Resolution 2 To re-elect the following non-executive directors who are due to retire as directors of the board by rotation: 2.1 CP Davies			
2.2 Prof MP Madi			
Ordinary Resolution 3 To confirm the appointment of Deloitte & Touche to serve as auditors of the company			
Ordinary Resolution 4 To appoint the following independent non-executive directors as members of the Audit Committee: 4.1 LM Nyhonyha *(Chairman)*			
4.2 T Pritchard			
4.3 JA Bester			
4.4 CP Davies			
Ordinary Resolution 5 To pass a non-binding advisory vote on the company's Executive Remuneration Policy			
Special Resolution 1 To approve that the annual fees payable to the non-executive directors of the company			
Special Resolution 2 To grant the directors the general authority to repurchase up to 10% of the company's issued 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 poll, vote in his/her stead.

Please see the notes on the reverse side hereof

Signed at on 2015

Signature

Assisted by me (where applicable)

Please read the below summary of the rights contained in section 58 of the Companies Act and the below notes to this form of proxy.

Summary of rights contained in section 58 of the Companies Act

In terms of section 58 of the Companies Act:

- a shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
- a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy (see note 12 below);
- irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder (see note 6 below);
- any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
- if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company;
- a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise (see note 3 below);
- if the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Act or such company's Memorandum of Incorporation to be delivered to a shareholder must be delivered by such company to:
  - the relevant shareholder; or
  - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so;
- if a company issues an invitation to its shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of proxy instrument:
  - the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised;
  - the invitation or form of proxy instrument supplied by the company must:
- bear a reasonably prominent summary of the rights established in section 58 of the Act;
- contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name and, if desired, an alternative name of a proxy chosen by the shareholder; and
- provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting;
  - the company must not require that the proxy appointment be made irrevocable; and
  - the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to paragraph 7 above.

Notes

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 shareholder 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.

1. Each shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (none of whom need to be Sovereign shareholders) to participate, speak and vote in place of that shareholder at the annual general meeting.
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 holder 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. It is requested that for the purposes of the annual general meeting, forms of proxy be lodged with or posted to the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received not later than 10:00 on Friday, 7 August 2015. 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. Any form of proxy not received by the company's transfer secretaries in accordance with the above must be handed to the chairman at the annual general meeting before a proxy may exercise any voting rights of a shareholder at the annual general 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.
11. A proxy may delegate the authority received from the holder to a further person(s), subject to any restriction set out in this form of proxy.
12. If this form of proxy has been delivered to the company in accordance with paragraph 5, then, for as long as that appointment remains in effect, any notice that is required in terms of the Companies Act or the company's Memorandum of Incorporation to be delivered by the company to a shareholder, must be delivered by the company to the shareholder or alternatively, if a shareholder has directed the company to do so in writing and has paid any reasonable fees charged by the company for doing so, to such shareholder's proxy/ies.
13. Except if a shareholder provides in this form of proxy that a proxy appointment is irrevocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy/ies and to the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received before the replacement proxy/ies exercise(s) any rights of the holder at the annual general meeting or any adjournment thereof.
14. The revocation of a proxy appointment constitutes a complete and final cancellation of the authority of the proxy/ies to act on behalf of the shareholder as of the later of: (i) the date stated in the revocation instrument, if any; or (ii) the date on which the revocation instrument was delivered as required in paragraph 13 above.

Administration

Sovereign Food Investments Limited

Registration number 1995/003990/06
Website: http://www.sovereignfoods.co.za
Email: info@sovfoods.co.za

Registered office/postal address

9 Kruis River Road
Uitenhage, 6229
PO Box 124
Uitenhage, 6230
Eastern Cape

Sponsors

One Capital
PO Box 784573
Sandton, 2146
Gauteng

Transfer Secretaries

Computershare Investor Services Proprietary Limited
PO Box 61051
Marshalltown, 2107
Gauteng

Company Secretary

ME Hoppe

Auditors

Deloitte & Touche
Deloitte & Touche Park
Ascot Office Park
1 Conyngham Street
Greenacres
Port Elizabeth, 6000
Practice number 926973-0007

Principal Attorneys

Pagdens Inc
PO Box 132
Port Elizabeth, 6000
Registration number 1989/001124/21

MidnightSTAR

www.sovereignfoods.co.za