

Sovereign shrugs off court ruling to prevent shareholder meeting

By [Ann Crotty](#)

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Albie Cilliers, the Western Cape-based small shareholder who challenged the board of Sovereign Foods, welcomed the high court ruling preventing the company from going ahead with the shareholders' meeting scheduled for on Tuesday.



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But he said he would have to wait for the final court order to see whether or not he had reason to celebrate.

The board of Uitenhage-based Sovereign seemed not to be too discouraged by the latest setback. In a Sens announcement released on Tuesday afternoon the board referred to the "provisional nature of the court order" and noted that before Tuesday's meeting was adjourned (as required by the court order) the shareholders unanimously agreed to hold a new general meeting on 29 April.

The final court order would determine what resolutions could be put to a vote at that meeting and whether the dissenting shareholders, representing about 11% of the total, would be allowed to vote.

The Sovereign board used the Sens statement to attack efforts by Country Bird to "interfere with the legitimate business interests of Sovereign and, in so doing, cause damage to Sovereign and shareholder value". The board disputed allegations

the black economic empowerment transaction, at the centre of the corporate action, was designed to create a control block in the hands of the executive committee. The only issue on which the committee would exert control was in the event of an offer that would change control of the company.

Investors aligned to Country Bird, a competing chicken producer that has made known its desire to merge with Sovereign, hold almost 10% of Sovereign. Cilliers holds a large chunk of the remaining 1%.

As dissenting shareholders they applied for, and were granted, appraisal rights in terms of the scheme that was put to a shareholders' meeting on 14 January. That scheme was subsequently abandoned by the Sovereign board but the dissenting shareholders have not had their rights re-instated and not been paid out.

The high court action, initiated by the Country Bird-aligned shareholders and joined by Cilliers, was intended to resolve that unprecedented situation.

On Tuesday, Lucky Phakeng, executive director of the Takeover Regulation Panel, welcomed the high court intervention, which he said would help to establish how appraisal rights should be interpreted. "Appraisal rights are very new, it will take a number of precedents to determine how they should be exercised."

Vunani Securities analyst Anthony Clark slammed Sovereign management for the time and money it was spending defending "its own fiefdom and jobs" noting R200m had been wiped off the company's value.

In the year since hostilities broke out between Sovereign management and a group of shareholders, concerned about what they termed "unacceptable enrichment" by the members of the executive team, the Sovereign share price has slumped more than 20%. But despite prolonged share price weakness key institutional shareholders have remained loyal and seem determined to support whatever scheme is presented to them.

Source: Business Day

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