Clover

Way Better™

Way Better

Integrated Annual Report

For the year ended 30 June 2012

Nature of this Integrated Annual Report for the financial year ended 30 June 2012

This, the second Integrated Annual Report produced by the Clover Group, is a narrative of the Group's operational and financial performance in relation to the prevailing business climate and environment in which it operates. In establishing the continued sustainability of the Clover Group, it narrates the extent to which it has fulfilled its strategies, how it interacts with its many stakeholders, and, in particular, how it shapes corporate governance so as to ensure that the business and its staff continue to prosper and to contribute to the welfare of the broader community.

The Audit and Risk Committee has recommended the Integrated Annual Report for approval by the Board, satisfied that it addresses all material issues and fairly presents the performance of the Clover Group.

The Board authorised the Integrated Annual Report for release.

JAH Bredin
Chairman

JH Vorster
Chief Executive

6 September 2012

www.clover.co.za/content/41/clovers-history/
to learn about the Clover story

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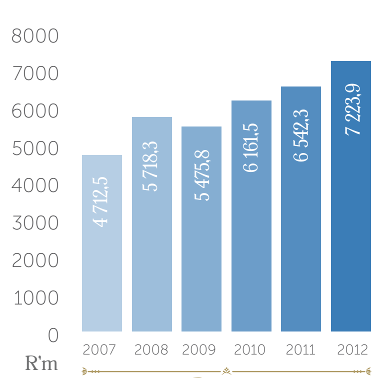
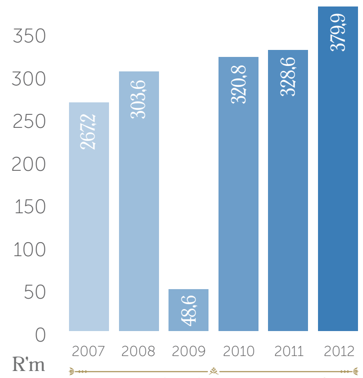
Inside Back Cover Administration/Administrasie

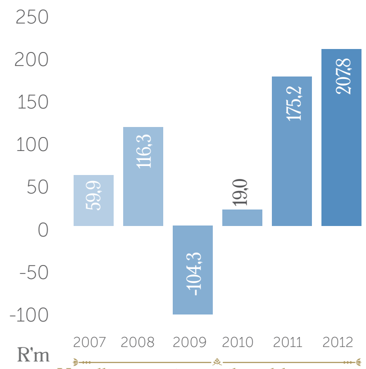
Financial highlights



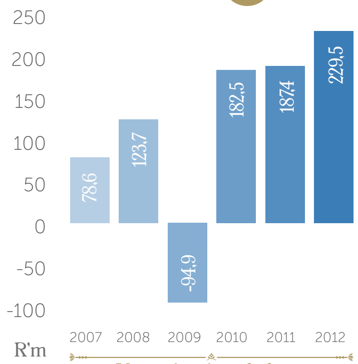
Revenue



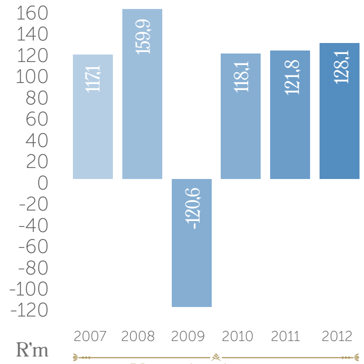
Normalised operating profit*



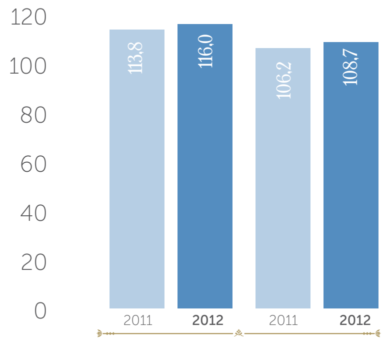
Headline earning atributable to equity holders of the parent



Normalised profit from continuing operations*

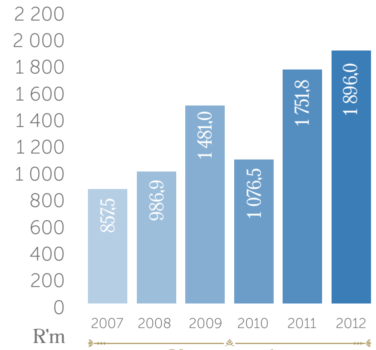


Normalised earnings per share (cents)*



Headline earnings per share (cents)

Diluted headline earnings per share (cents)



Net asset value

Group activities	2012 R'm	2011 R'm	Change %
Revenue	**7 223,9**	6 542,3	10,4
Normalised operating profit*	**379,9**	328,6	15,6
Headline earnings attributable to equity holders of the parent Company	**207,8**	175,2	18,6
Normalised profit attributable to equity holders of the parent Company*	**229,5**	187,4	22,5
Normalised earnings per share (cents)*	**128,1**	121,8	5,2
Headline earnings per share (cents)	**116,0**	113,8	1,9
Diluted headline earnings per share (cents)	**108,7**	106,2	2,4
Net assets	**1 896,0**	1 751,8	8,2
Ratios	**%**	**%**	**Change**
Gearing percentage	**(14,2)**	(12,4)	1,7
Return on shareholders' funds	**11,3**	12,9	(1,6)
Return on net assets	**14,9**	15,0	(0,1)

** See note 9 to the financial statements for the calculation of normalised profit.*

Our vision, mission, strategy and building blocks for the future

We have a strong vision and robust values for the business. We support these with simple value measures and key performance indicators that we track to give a clear indication of our progress. We do not expect to achieve every value measure every year, but by making our targets clear, we believe we have a framework that will help us deliver long-term improvements for the benefit of all our stakeholders

Our vision

To be a leading and competitive company in South Africa and selected African countries, reaching every consumer on a daily basis with its most admired branded and trusted products, delivering improved and sustainable shareholder value by being a responsible corporate citizen and preferred employer.

Strategic Pillars

- To optimise the brand portfolio.
- To simplify and reduce costs in the supply chain by changing the operational model to fit with the business model.
- To increase market share through sales and distribution by leveraging off Clover's strong distribution capabilities (Clover's aim is to constantly redesign service offerings to customers and principals in order to increase sales volumes and profitability of the route to market).
- To actively support the business in the most effective and efficient manner.
- To constantly adapt Clover's human resources capabilities in order to fit its business model.
- To successfully complete value-enhancing capital projects through proper planning, project management and the tracking of the business case benefits.
- To actively seek value-enhancing corporate activity.

Competitive strengths

- An iconic South African consumer brand with market recognition.
- Exposure to an attractive industry with favourable fundamentals.
- Access to one of the largest chilled and ambient distribution networks in South Africa.
- Value-enhancing optimisation and expansion projects (Project Cielo Blu).
- Strong and unique relationships with its milk producers.
- Attractive growth opportunities.
- Dynamic management team with significant experience in the dairy and fast moving consumer goods industry.

Our mission

Clover is a branded foods and beverages group with a strong emphasis on value-added products. Clover's South African dairy business is the perfect enabler to reach the Group's widely dispersed customers and consumers. Extraordinary care is taken to develop brands which will occupy the number one or two position in its chosen segments. It believes in the superior procurement, production, marketing, sales and distribution of these branded consumer goods to its loyal consumers.

Our strategy

Clover's corporate strategy is to build onto existing competencies within the Group and to establish a culture of exceptional performance with a view to set a platform for future market expansion. Different companies within the Group have different strategies, all receiving company-specific support to maximise their potential. Key to all its activities is the expansion of capacities to share in the strong growth in consumption in the segments which it dominates.

Group structure

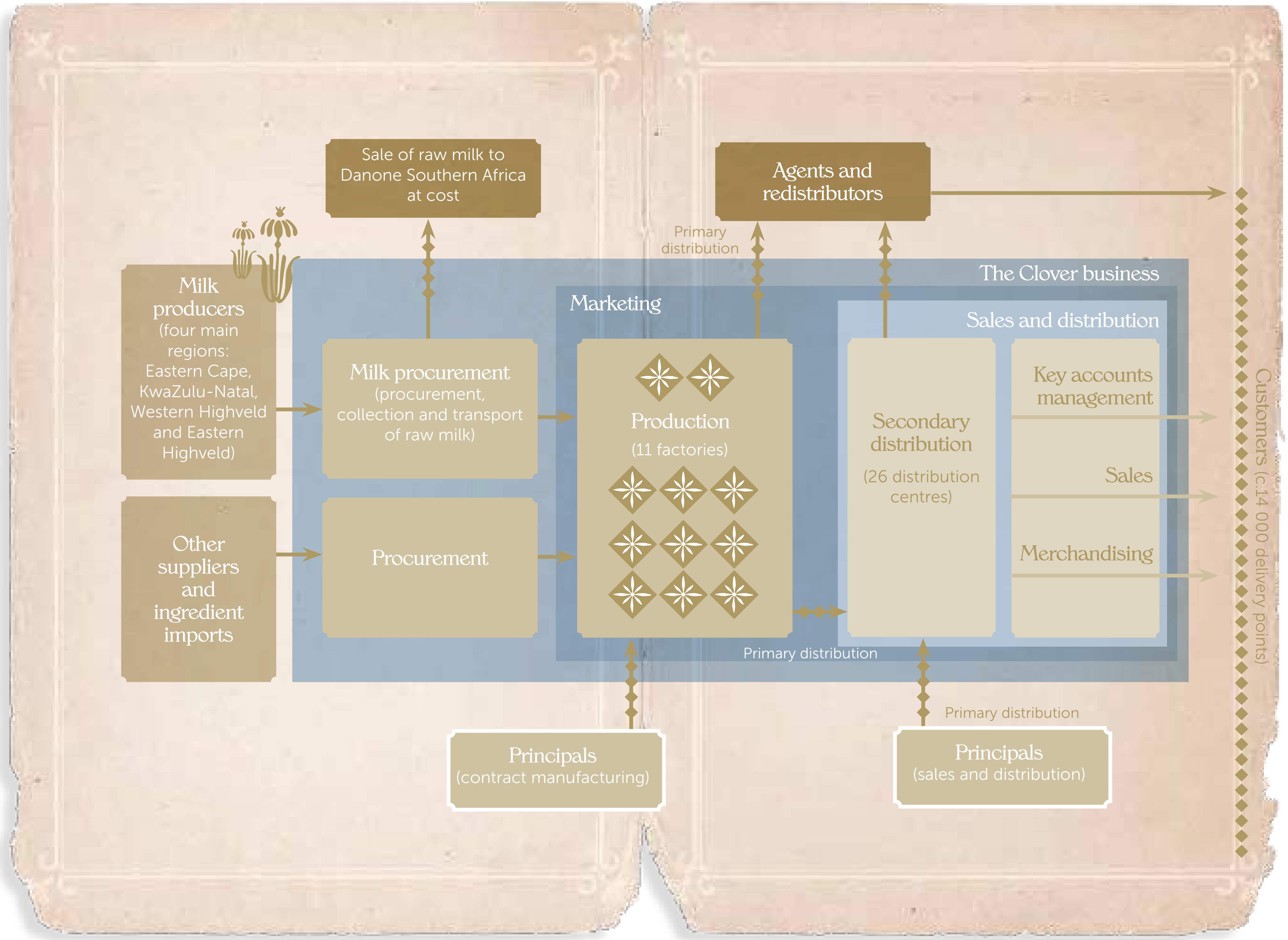
Over the 114 years since its establishment as Natal Creamery Limited in 1898, its transformation in 1934 into National Co-operative Dairies Limited operating in 32 centres countrywide, and its emergence in 2003 as Clover Industries Limited, the Company has evolved into the Clover Group of companies depicted in the organogram below.

Clover Industries Ltd

100%

Clover SA (Pty) Ltd

- 100% – Clover Dairy (Namibia) (Pty) Ltd
- 50,1% – Clover Manhattan (Pty) Ltd
- 52% – Lactolab (Pty) Ltd
- 100% – Clover West Africa Ltd
- Divisions: Milk Procurement, Production, Primary Distribution and Supply Chain Management, Marketing, Sales and Secondary Distribution
- 100% – Clover Swaziland (Pty) Ltd
- 100% – Clover Botswana (Pty) Ltd
- 51% – Clover Fonterra Ingredients (Pty) Ltd


Sale of raw milk to Danone Southern Africa at cost
Agents and redistributors
Primary distribution
The Clover business
Marketing
Sales and distribution
Milk producers (four main regions: Eastern Cape, KwaZulu-Natal, Western Highveld and Eastern Highveld)
Milk procurement (procurement, collection and transport of raw milk)
Production (11 factories)
Secondary distribution (26 distribution centres)
Key accounts management
Sales
Merchandising
Other suppliers and ingredient imports
Procurement
Primary distribution
Primary distribution
Principals (contract manufacturing)
Principals (sales and distribution)
Customers (c.14 000 delivery points)

JSE: Code: CLR
ISIN: ZAE 000152377

Shareholder analysis – Clover Industries Ltd – ordinary shares

Register date: 29 June 2012

Issued shares 179 111 867

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	674	35.74	328 720	0.18
1 001 – 5 000 shares	569	30.17	1 512 390	0.84
5 001 – 10 000 shares	108	5.73	858 138	0.48
10 001 – 50 000 shares	205	10.87	5 285 395	2.95
50 001 – 100 000 shares	79	4.19	5 757 724	3.21
100 001 shares and over	251	13.30	165 369 500	92.34
Totals	1 886	100.00	179 111 867	100.00

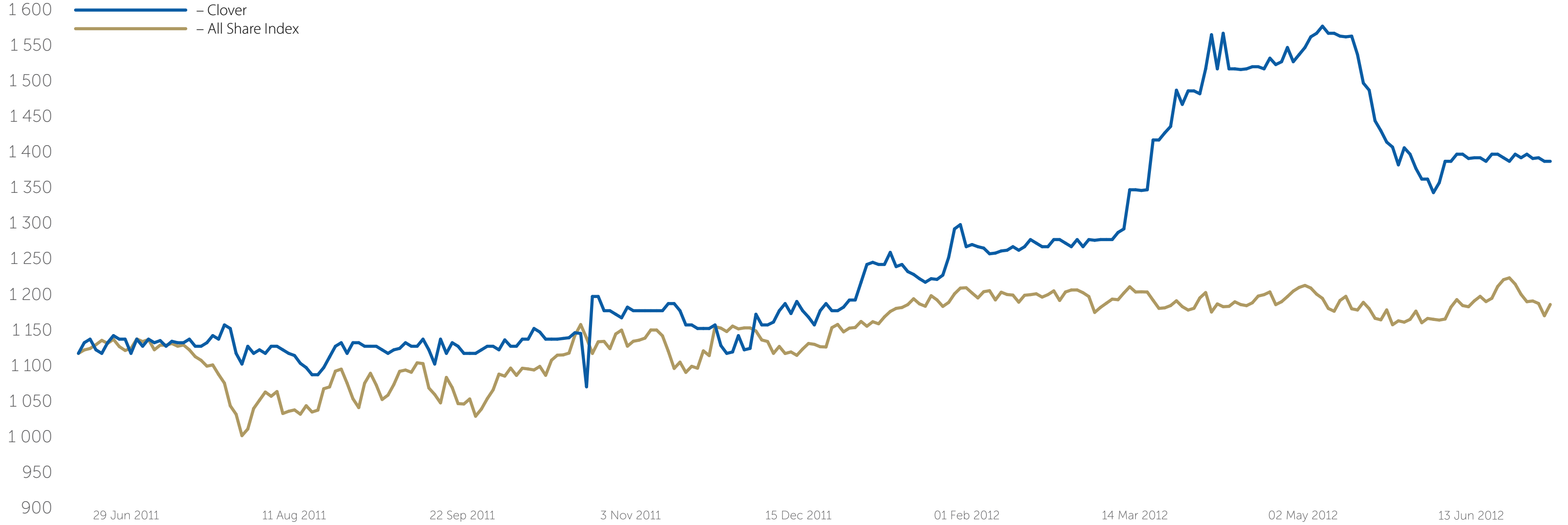
Distribution of shareholders	Number of shareholders	%	Number of shares	%
Banks	13	0.69	4 512 233	2.52
Close corporations	13	0.69	66 319	0.04
Endowment funds	19	1.01	665 300	0.37
Individuals	1 266	67.13	26 034 883	14.54
Insurance companies	25	1.33	6 841 043	3.82
Investment companies	8	0.42	3 069 872	1.71
Clover Milk Producers Trust	1	0.05	21 530 353	12.02
Mutual funds	95	5.04	46 650 551	26.05
Nominees and trusts	121	6.42	4 342 686	2.42
Other corporations	14	0.74	61 988	0.03
Private companies	26	1.38	748 801	0.42
Producers	149	7.90	34 967 638	19.52
Retirement funds	136	7.20	29 620 200	16.54
Totals	1 886	100.00	179 111 867	100.00

Public/Non-public shareholders	Number of shareholders	%	Number of shares	%
Non-public shareholders	**14**	**0.74**	**45 410 344**	**25.35**
Directors	11	0.58	22 808 562	12.73
Strategic holdings (more than 10%)	1	0.05	21 530 353	12.02
Other executives	2	0.11	1 071 429	0.60
Public shareholders	**1 872**	**99.26**	**133 701 523**	**74.65**
Totals	1 886	100.00	179 111 867	100.00

Beneficial shareholders holding 3% or more	Number of shares	%
Clover Milk Producers Trust	21 530 353	12.02
Coronation Fund Managers	11 458 190	6.40
JH Vorster	7 505 496	4.19
Government Employees Pension Fund	6 249 507	3.49
Sanlam	6 040 329	3.37
HB Roode	5 388 276	3.01
Totals	58 172 151	32.48

Clover Industries Ltd vs. Food Producers Index

Clover Industries Ltd vs. All Share Index



JSE: Code: CLRP
ISIN: ZAE 000152385

Shareholder analysis – Clover Industries Ltd – preference shares

Register date: 29 June 2012

Issued shares 89 442 022

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1,000 shares	105	18,39	49 821	0,06
1,001 – 5,000 shares	102	17,86	292 460	0,33
5,001 – 10,000 shares	79	13,84	607 159	0,68
10,001 – 50,000 shares	168	29,42	4 191 344	4,69
50,001 – 100,000 shares	58	10,16	4 344 581	4,86
100,001 shares and over	59	10,33	79 956 657	89,38
Totals	571	100,00	89 442 022	100,00

Distribution of shareholders	Number of shareholders	%	Number of shares	%
Close corporations	12	2,10	404 376	0,45
Empowerment	1	0,18	25 000 000	27,95
Individuals	431	75,48	19 752 480	22,08
Insurance company	2	0,35	14 100	0,02
Investment companies	3	0,53	1 318 722	1,47
Mutual funds	13	2,28	7 587 394	8,48
Nominees and trusts	43	7,53	4 299 432	4,81
Private companies	17	2,98	27 815 192	31,10
Producers	47	8,22	3 234 786	3,62
Retirement funds	2	0,35	15 540	0,02
Totals	571	100,00	89 442 022	100,00

Public/non-public shareholders	Number of shareholders	%	Number of shares	%
Non-public shareholders	**6**	**1,06**	**48 716 166**	**54,47**
Empowerment	1	0,18	25 000 000	27,95
Strategic Holdings (more than 10%)	1	0,18	16 285 387	18,21
Directors	4	0,70	7 430 779	8,31
Public shareholders	**565**	**98,94**	**40 725 856**	**45,53**
Totals	571	100,00	89 442 022	100,00

Beneficial shareholders holding 4% or more	Number of shareholders	%	Number of shares	%
HCI			25 000 000	27,95
Sanpref (Pty) Ltd			16 285 387	18,21
Move-On-Up 104 (Pty) Ltd			8 057 878	9,01
JH Vorster			3 696 232	4,13
Coronation Fund Managers			3 632 833	4,06
Totals			56 672 330	63,36

Executive Committee:

1. Johann Hendrik Vorster (48)
Chief Executive
Appointed to Exco 2000, and as CE 2006
BCompt (Hons), CA(SA), MBA

2. Hermanus Bernardus Roode (60)
Deputy Chief Executive and Managing Director Africa
Appointed to Exco 1998
BJuris, LLB

3. Louis Jacques Botha (50)
Chief Financial Officer and Milk Procurement
Appointed to Exco 2006
BCom (Hons), CA(SA), ACIS

4. Christiaan Philippus Lerm (Dr) (55)
Executive: Brands
Appointed to Exco 2002
DCom

5. Hendrikus Lubbe (42)
Executive: Supply Chain and Information Services
Appointed to Exco: 2006
MCom (Transport Economics) MBA

6. James Henry Ferreira Botes (Dr) (49)
Executive: Commercial
Appointed to Exco: 2009
DPhil

7. Elton Ronald Bosch (35)
Executive: Business Development, Risk and Africa
Appointed to Exco 2012
BCompt (Hons) CA(SA)

Directorate and management

Executive Directors:

1. Johann Hendrik Vorster (48)
Chief Executive
Appointed: 2004
BCompt (Hons), CA(SA), MBA

2. Hermanus Bernardus Roode (60)
Deputy Chief Executive and Managing Director Africa
Appointed: 2003
BJuris, LLB

3. Louis Jacques Botha (50)
Chief Financial Officer and Milk Procurement
Appointed: 2007
BCom (Hons), CA(SA), ACIS

4. Christiaan Philippus Lerm (Dr) (55)
Executive Brands
Appointed: 2007
DCom

Independent Non-executive Directors:

5. Thomas Alexander Wixley (72)
Lead Independent Non-executive Director
Appointed: 2007
BCom, CA(SA)

6. Nkateko Peter Mageza (57)
Independent Non-executive Director
Appointed: 2010
FCCA (UK)

7. Stefanes Francois Booysen (Dr) (49)
Independent Non-executive Director
Appointed: 2010
BCompt (Acc)(Hons), MCompt (Unisa); DCom (Acc), CA(SA)

For the full CVs :

Visit our website
www.clover.co.za/content/3182/management-profiles/

8. Johannes Nicolaas Stephanus Du Plessis (Adv) (62)
Independent Non-executive Director
Appointed: 2010
BCom, LLB

Non-executive Directors:

9. John Allan Hutchinson Bredin (64)
Non-executive Director – Chairman
Appointed: 2003
Agric Dip

10. Werner Ignatius Büchner (46)
Non-executive Director – Vice-chairman
Appointed: 2006
B Eng

11. Hercules Petrus Fredrik Du Preez (47)
Non-executive Director
Appointed: 2003
BSc Agric (Hons)

12. Martin Geoff Elliott (59)
Non-executive Director
Appointed: 2003
BSc

13. Jacobus Christoffel Hendriks (Dr) (63)
Non-executive Director
Appointed: 2003
BVSc

14. Nigel Athol Smith (56)
Non-executive Director
Appointed: 2011
Agric Dip

Clover Fresh Milk

Clover milk undergoes 55 quality tests, is hygienically treated throughout production and is kept below 4°C to ensure excellent quality and freshness. Our milk is sourced from 270 specially selected farms – from producers who have certified that they don't use rBST growth hormones to produce milk.

Clover is the market leader in fresh milk. In order to maintain our number one position and reinforce our leadership, Clover focuses on innovation – providing consumers with solutions that make their lives Way Better. This has been done through the introduction of The One (1% low fat milk) that gives consumers a healthy fresh milk option, with the same great taste as our 2% low fat milk. Clover is the only company to offer this milk to consumers. Clover has also invested heavily in technology that will enable us to extend the shelf life of our core range of fresh milk to 18 days in Inland and KZN regions. We have done this by using bactofugation technology – a process of spinning the milk to remove more pathogens than pasteurisation alone, maintaining the cold chain below 4°C and using clean-fill technology when packing our milk. Clover has also invested in steam injection technology in order to launch an additional extended shelf life milk range, which will last for 30 days, unopened and refrigerated, from when it's packed. Clover will also continue to drive positive growth of niche products, such as Mmmilk through tactical below the line activities, and to compete regionally in the marketplace.

Awards:

PMR Africa – Golden Arrow 2012:

National Survey of FMCG Manufacturers:
Clover first overall for milk

Icon Brands 2012:

Clover Fresh Milk –
second in the beverages category after Coca-Cola
One of only 29 brands out of 8 000 in the survey to achieve Icon Brand status

Clover UHT Milk

The quality and goodness of Clover UHT Milk is kept fresh for longer due to the UHT (ultra high temperature) process and special packaging that allows the product to be stored for a period of nine months without refrigeration.

Clover recognises the importance of driving innovation in this highly commoditised segment in order to differentiate our products and offer consumers unique benefits. In this regard, Clover has recently launched their new UHT milk packaging. Designed with improved functionality in mind, the new UHT milk pack will offer enhanced opening, pourability and resealability features making it Way Better to handle than the previous pack. The unique and elegant shape is simpler to hold and it weighs less than our current UHT milk packaging. The larger cap is more comfortable to grip, cuts an inner foil seal as you twist it and tucks the foil neatly under the lid, negating the need for a ring pull opening. The seal is also tamper proof and features a tamper proof evidence ring. With a 30% larger pouring area, less gulping occurs allowing for smoother product flow. In short, Clover's new packaging is easy to open, easy to pour and easy to store.

Awards:

PMR Africa – Golden Arrow 2012:

National Survey of FMCG Manufacturers:
First for milk

TGI Icon Brands 2012:

Clover Long Life Milk
achieved Gold status

Ultra Mel Milk

The quality and goodness of Ultra Mel UHT Milk is kept fresh for longer due to the UHT (ultra high temperature) process and special packaging that allows the product to be stored for a period of nine months without refrigeration.

Clover Mmmilk

Clover has added vanilla extracts to their full cream milk in order for consumers to indulge in its delicious smoothness while reaping all the benefits of milk.

The product strives to drive consumption of milk and can be used on its own, hot or cold, at any time of the day.

Awards:

PMR Africa – Golden Arrow 2012:

National Survey of FMCG Manufacturers:
Clover first overall for cheese

Icon Brands 2012:

Clover Cheese –
third in the dairy category

Qualite Awards 2012:

Clover Cheddar

Clover Feta Cheese

Clover Feta Cheese is the second largest player in the market on a 12 moving months' basis, and competes for the number one position on a month-by-month basis. Clover's aim is to become the number one player on the feta cheese market on a 12 moving months' basis.

In this extremely price sensitive market, Clover recognises that it is important to ensure pricing is right. Further to this, Clover promotes feta below the line to drive growth. Consumers perceive feta to be a product for summer salads and thus it is seasonal. In order to drive consumption on feta, Clover drives sales in winter by providing consumers with delicious winter recipes. In doing so, Clover also hopes to change the perception of feta being a summer salad product to rather being a product to use in cooking all year round.

Awards:

Agri Expo SA Dairy Championships 2012:

Plain Feta – top honours
Herb Feta – top honours

Qualité Awards 2012:

Clover Herb Feta

Clover Pre-packed Cheese

For over 100 years, Clover cheeses have been making mealtimes more delicious. This is because they are made according to the highest quality standards, with care and dedication. Clover is the market leader in the pre-packed cheese segment. We have done this by recognising that taste and quality is important to consumers when purchasing cheese. As a result, Clover has developed a reason-to-believe for our cheese, which will be communicated through the line: Clover uses 10 litres milk to make 1 kilogram cheese.

Larger pack sizes and value-for-money offerings have also become increasingly important to consumers. Following the highly successful launch of the Clover 450g family pack, Clover has recently launched an 800g pack, which is proving to add incremental sales and market share to the portfolio, while also adding to Clover's shelf space and shelf impression in store.

Elite cheese

Elite cheese is the third largest player in the pre-packed cheese market. Elite cheese undergoes a 30 point grading system and is the only pre-packed cheese in the market in resealable packaging. Elite Gouda is the only gouda in South Africa that is made in the traditional way. Clover will communicate these benefits using below the line communication to remind consumers of what makes Elite "elite".

Awards:

Agri Expo SA Dairy Championships 2012:

Elite Gouda – best gouda
Elite Cheddar – best cheddar

Qualite Awards 2012:

Elite Cheddar

Berg

Berg cheese is processed cheese that is manufactured using cheese and other essential ingredients by melting them together into a homogenous mass in a cooker. Offcuts from our pre-packed cheese are used in making Berg cheese.

Sacca

Sacca cheese enjoys great heritage as it has been available since 1914. It is ideal for everyday use on sandwiches, snacks and for cooking purposes. It is available in cheddar and gouda variants.

Clover Cream

Clover Cream is a force in the market with continued market leadership year-on-year.

Clover Cream is available in attractive and innovative packaging, giving it stand out presence on shelf.

In order to grow even more, we are now including recipes on our cream packs. This will inspire consumers to use cream in their everyday cooking and help differentiate Clover Cream.

Milk powder

Elite instant skimmed milk powder produced by Clover is manufactured by concentrating and spray drying skimmed bovine milk. We are currently supporting rhino charities with our skimmed milk powder where it is used as food for baby rhinos that have been orphaned due to poaching.

Clover Condensed Milk

Clover Condensed Milk continues to show strong growth.

Clover Condensed milk helps bring confectionary to life and is available in an easy to open tin.

Butter and butter spreads

Butter:

Clover is the largest manufacturer of butter in the country. We are the market leader, with such well-known brands as Clover Mooi River salted butter and Clover Springbok unsalted butter. Mooi River and Springbok will be creating an even stronger impression on shelf with a packaging upgrade to foil.

Butter spread:

Clover Butro is trusted by consumers countrywide for the quality and taste. We are continuing to improve the quality of Butro by relaunching it with improved spreadability (straight from the fridge) in exciting new packaging.

Awards:

Butro and Springbok won South African Champion in their respective categories at the Agri Expo SA Dairy Championships

Clover won a Diamond Arrow at the PMR Awards for Fresh Dairy

Awards for the Milky Way Way Better campaign

1. **Best animated TV in INFOCOM EME Awards 2011 (India)**
   - International Competition for Excellence in Media and Entertainment (EME Awards) to recognise the highest talent in Animation and VFX.
2. **First place (a golden statuette) in 2011 Mobius Awards**
   - Mobius Awards is one of the world's oldest independent international advertising competitions. It was established in 1971 in Chicago. Entries come from professionals in more than 25 countries and are judged throughout the world by international panels.
3. **Merit at the One Show awards**
   - The One Show, the premiere international advertising award show, sets the industry standard for creative advertising in print, television, radio, outdoor, innovative marketing, integrated branding and branded content. Each year, work is judged by an international jury of award-winning art directors, copywriters and creative directors.
4. **Finalist for CLIO**
   - CLIO Awards, one of the world's most recognised awards competitions honouring excellence in advertising, design and communications. The international competition received over 11 000 submissions from countries as far-reaching as Vietnam, Brazil and Saudi Arabia.

Tropika

- Launched new 200ml pouch successfully.
- Launched new 1,5lt take-home bottle successfully.
- Continued with successful Island of Treasure consumer campaign.

Awards:

Diamond Arrow PMR Award for Most Successful Campaign in the past 12 months

Bronze Apex award for Taking the Brand Performance to the Next Level

Other achievements

- Rated second in *Sunday Times* Top Brands survey in the Fruit-based category.
- Rated sixth in both the Favourite Dairy Drink and Favourite Cold Drink categories in the Generation Next survey.

Clover Krush

2lt Krush Elopak launch.

Awards:

Diamond Arrow PMR Award for the Most Successful Product Launch in the past 12 months.

Other achievements:

Rated first in the Fruit-based Drink in *Sunday Times* Top Brands 2012 survey.

Super M

- Launched new 200ml Super M mini and 1 lt Super M value pack successfully, resulting in achieving a record 35,3% annual market share.
- Year-on-year volume growth of 53,8%
- Implemented successful Parlotones consumer campaign.
- Achievements: Rated seventh favourite brand in the Generation Next survey in the Dairy drinks category.

Capri-Sun

- Implemented successful Oktoberfest sales incentive.
- Implemented Save-our-Planet campaign in schools.
- Relaunched new 8-pack successfully.

Aquartz

- Launched new Enjoy advertising campaign successfully, focusing on billboards.
- Launched new Mango flavour.
- Launched 1,5 lt take-home range successfully.

Manhattan Ice Tea

- Improved formulation and profitability with 5,6 % volume growth.

Case study:

Background

The market is defined as flavoured milk, long life UHT and fresh. The total flavoured milk market in South Africa is estimated at 22 144 000 lts in volume and R436 313 000 in value*. Currently the market is growing by approximately 7% in volume and 9% in value**. The Super M brand represents Clover in the flavoured milk category.

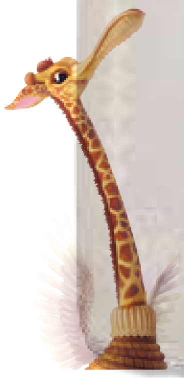
The Super M brand had experienced a decline in volume and market share since 2004, resulting in a competitor taking market leadership position.

In 2008 it was decided that drastic measures needed to be taken to ensure growth of the brand as well as the category, a relatively small category in the beverages market in South Africa.

**BMI September 2011*
***Synovate June 2012.*

Brand

- New design for Super M logo.
- Packaging design change from full printed shrink to transparent printed shrink design.
- New design to ensure consumer is able to see the product through the bottle.
- Create appetite appeal on-shelf.
- Change packaging to take-home 1lt bottle.



Price

- Price reset on 300 ml core range to ensure maximum 15% price premium/litre and parity/pack with competitor.

Product

- New Super M strategy initiated based on international trends whereby flavours are rationalised and reduced to accommodate variety in pack size.
- Chocolate and Strawberry flavours account for 82% of volume contribution.
- Top four flavours in 300 ml core range, all other flavours discontinued
- New Super M product strategy included offering a variety of pack sizes to increase sales of take-home consumption in a traditionally impulse category.
- Launch of 200 ml mini six packs and 1 lt family pack in top three flavours
- Super M Mini 200 ml, original 300 ml, 1 lt family sizes available in the range.
- Super M Maxi 500 ml to be launched 2013 together with 2 lts fresh product to further support the strategy.

Promotion

- Launch of Super M Live communication strategy.
- First Super M Live concerts with South African band "The Parlotones" 2012.
- Three Super M The Parlotones concerts in three major South African cities.
- 360° marketing campaign during promotional period March to May 2012.
- Gauteng school drive included to increase penetration in schools in the region.
- Top performing schools during the promotion period win exclusive concert.

Brand results

- Super M volume performance 2010/2011 vs. 2011/2012 resulted in 53,8% volume growth.
- Super M volume market share performance 2010 (23.7%) vs. 2012 (35.3%) resulted in a 49% market share growth.
- Super M Live promotional period vs. same period 2011 resulted in 61% volume growth.
- Take-home volume contribution in 2011 5% vs. 2012 39% with the 200 ml six pack and 1 lt bottle volume.

Once upon a year

Introduction

During recent years, Clover set out on a path of transforming from a supply-driven to a demand-driven company. This evolution continues as Clover has firmly established itself as one of the country's leading branded foods and beverages groups with a strong emphasis on value-added products.

In line with the Group's business strategy, most Clover brands continue to occupy the number one or two position in its chosen product segments.

Building on its impressive 114 year history, the year under review yielded a number of milestones and some challenges, as Clover progresses with Project Cielo Blu.

Operating environment

Given the persistent global financial turmoil, international economists and financial analysts are of the opinion that the status quo could continue for quite some time. While South Africa can take comfort from being partially insulated from the effects of global trends, the local economic conditions remain subdued with real GDP growth expected to remain around 2,5% in the near term.

Against the backdrop of difficult global and domestic conditions, local business in general remained subdued, households more frugal and bank credit providers cautious in their lending.

In the agricultural sector, a combination of severe weather conditions in some of the world's largest food producing regions and various pressures on input costs continued to impact on food inflation. Food security is increasingly becoming topical. The lead-and-lag factor will see food prices rise and impact on general inflation in the foreseeable future, with basic foodstuffs the hardest hit. For Clover, input costs which are subject to inflationary pressures such as maize and fertiliser will have a ripple effect throughout the chain.

Locally, substantial national on-farm cost increases placed severe pressure on milk production. This affected the first quarter of the financial year and lead to a short supply of milk, which was further exacerbated by a lackluster market as a result of national strike action.

Clover's unique milk procurement model mitigated milk shortages to some extent, although the Group did act prudently by entering into further supply contracts with new producers, and increased the price it pays to its producers by total of 60 cents per litre.

Although Clover was unable to recover all of the higher input costs due to the high milk flow season, it managed to absorb a part of the short fall through higher sales volumes, especially in branded and non-bulk products. Clover's brands performed well overall, which again underlines the importance of brand strength during difficult times.

The latter part of the year proved more stable and showed considerable improvement, especially as some of the earlier price increases could more readily be recovered. The Group also benefited from the margin enhancing effects of additional capacity for UHT milk and distribution that came on-stream. Please see the report by the Chief Financial Officer for a summary of the financial performance of the Group for the year under review.

Project Cielo Blu

Project Cielo Blu is part of Clover's supply chain optimisation and most of the R575 million proceeds from the capital raised is being used towards the repositioning and expansion of facilities, which will lead to improved efficiencies, increased production capacity and overall cost reductions.

Project Cielo Blu is progressing well, although the positive impact of additional capacity for UHT milk and distribution is only partially reflected in this review period. As highlighted, the Queensburgh distribution facility design was reconsidered and processes simplified to enhance long-term benefits. The revised commissioning date is now expected to be in September 2013. The balance of savings from Project Cielo Blu's capacity and efficiency improvements are on track and are expected to accrue to Clover during the next two years.

Governance and the Board

The Board is committed to the highest corporate governance standards as set out in the King Report on Corporate Governance in South Africa 2009 (King III).

The Board's mandate and how it discharges its detailed requirements in full alignment with the requirements of King III are fully explained in the Corporate governance report in pages 65 to 72 of this Integrated Annual Report. Among the issues the Board pays close attention to the economic viability of the Group, product responsibility and quality, ethics, stakeholder engagement and management, broad-based black economic empowerment, employment equity and transformation, training and development, Clover's environmental impact and strategy as well as its corporate social initiatives.

More information of the above is available in the Social and Ethics committee report and sustainability on pages 43 to 63 of this Integrated Annual Report.

Corporate responsibility

Since its inception in 2004, Clover's major Corporate Social Investment ("CSI") initiative has been Clover Mama Afrika which today have an impact on more than 14 000 children and more than 2 000 elderly through 35 dedicated "Mamas". Clover Mama Afrika continued to grow from strength to strength over the past year under the leadership of Prof Elain Vlok and this was recognised with the project winning the prestigious Proudly Homegrown – CSI Champion of the Year Award in 2011.

For further information:

Please see pages 65 to 72 or visit our website www.clover.co.za/content/390/the-clover-dairy-guide/

Reported in line with:

GRI and King III

Clover has been part of South Africans' lives for the past 114 years and aims to continue playing an important role in the development of the country's art and culture. The Group is now in its second year of a five-year sponsorship of the Clover Way Better™ Aardklop National Arts Festival. Apart from the commercial benefits, Clover's involvement allows for a number of productions to be performed across the country, exposing the performing arts to communities that would otherwise not have had the opportunity.

One of the contributing factors to Clover's success is its people. They are the driving force enabling us to be consistently more competitive in our chosen markets. We are convinced that our people will also be the single biggest contributor to Clover's future growth, profitability and excellence and the Company has a number of successful initiatives aimed specifically at ensuring that our employees are productive and rewarded through their work.

During the year under review, Clover further developed its environmental strategy with significant benefits expected from Project Cielo Blu in terms of a reduced carbon footprint. More details on the various initiatives can be found in Clover's Social and Ethics Committee report and sustainability on page 43 to 63 of this Integrated Annual Report.

Transformation

Clover is fully committed to achieving B-BBEE as outlined by the Department of Trade and Industry and received a Level 6 rating in a recent external audit by Empowerlogic. The Group views B-BBEE as an opportunity to increase economic activity, creating sustainable livelihoods for as many of the country's inhabitants as possible as well as developing a sustainable consumer market. Clover also practises preferential procurement in the supply chain and approximately 62% of the money spent by the Group in its non-milk procurement process is spent with suppliers who enjoy various levels of B-BBEE compliance status.

In the sphere of employment equity, Clover has made steady progress in increasing the number of people from designated Groups at management level and have completed detailed plans for a three-year employment equity process, which will ensure that Clover's workplace remain free of unfair discrimination and that reasonable progress is made towards employment equity in the workplace.

A key business strategy to support Clover's performance and growth and to position it as the industry's employer of choice, is focused employee training and development. The Group's training and development focuses on, firstly, building competence that will ensure effective execution of operational tasks, and, secondly, on generating capacity in human resources that will ensure sustainable performance and growth.

Clover's Competence Development Model, designed principally to increase the competence of previously disadvantaged individuals for advancement has been in operation for some time now and is yielding encouraging results.

Prospects

The global economy is set to remain uncertain in the year ahead and we are bracing ourselves for another difficult year economically in South Africa.

In spite of this, Clover is confident that the continued implementation of Project Cielo Blu, ongoing cost saving drives and other margin-enhancing projects approved by the Board will ensure Clover retains a healthy market share and strong balance sheet.

Land reform

A comprehensive program of land reform in South Africa is urgently needed as it is clear that current policies have been unsuccessful in rectifying the disastrous agricultural and land policies of the past. Food security is receiving high levels of unprecedented attention globally and in South Africa, as with other developing countries, must consider the crucial role that land plays in the development and sustainability of a thriving agricultural sector. This in turn plays an important part in alleviating poverty in rural communities. To achieve meaningful progress, a number of processes need to be addressed urgently, including:

- Developing the necessary level of skills required to run commercially viable farming operations.

- Encouraging and supporting family-owned and -run farming enterprises.
- Ensure productive use of communal and state-owned land for the establishment of commercial farms by way of long-term leases.
- Maintain the viability and sustainability of a region's existing agricultural infrastructure.

Recommendation and election of a new Chairman

It has been an honour and privilege to have been able to contribute to this remarkable Group as Chairman for the last seven years and as a Director for the last 22 years, during which time I have been closely associated with a great many of the excellent Clover people who drive its success.

The time has now come for me to step down, however, to devote myself fully once more to the relative tranquillity of dairy farming in KwaZulu-Natal and to look back with a great deal of pleasure on how Clover has developed and changed over the years that I have known it.

The Nomination Committee will make a recommendation to the Board with regard to a successor as Chairman whose appointment as Chairman will be voted on by the Board as soon as possible after the forthcoming Annual General Meeting.

Appreciation

In taking my leave of the company, I wish to thank my colleagues on the Board most sincerely for their personal friendship and for their wholehearted commitment towards Clover and its people. I have been associated with many of the incredible people who have served Clover so passionately and loyally over many years and I would like to thank all those who have contributed to the group's success and growth during good and difficult times.

It is difficult to single out individuals but during my tenure as Chairman the creative thinking and inspired leadership of CEO, Johann Vorster, ably supported by his Executive Committee has charted the ground breaking transformation of Clover and led to a new level of excellence of which we are justifiably extremely proud. Its effects will certainly remain an indelible part of the group's history. I consider myself fortunate to have had my term coinciding with the appointment of Johann as CEO and enjoyed a professional association and valued friendship with him. As company secretary Manie Roode has played a crucial role in advising and supporting the Board. My sincere appreciation Manie, for the invaluable support and advice you have given me and for the interesting and sometimes challenging times we have shared.

We have a very strong compliment of Independent Directors all of whom are making a valuable contribution in the best interests of Clover. I would like to make special mention of Desmond Smith, though no longer on the Board, who played a pioneering role for the group in this regard. Tom Wixley has been associated with Clover for many years and I would like to thank him personally for the wise counsel and great patience he has afforded me in so many ways and for the value he has brought to the Group.

It remains only for me to wish the new Chairman, the Board, and all stakeholders, everything of the very best for an exciting road ahead.

John Bredin

Chairman of the Board

In olden times

Performance overview

Clover is proud to announce another set of solid results for the year ending 30 June 2012. Revenue increased by 10,4% to R7 223,9 million from R6 542,3 million, operating profit by 16,4% to R371,2 million from R319,0 million and the operating margin for the year improved from 4,9% to 5,1%.

Clover continued its strategy of investing in and concentrating on branded and value-added products. In most categories Clover increased its market share except, notably, UHT (long life) milk – where there were new low priced entrants to the market.

As a result of continuous input cost pressures at farm level, milk prices were increased by 60 cents a litre during the months of January, February and March, which had the desired effect of stimulating milk flow. However, the milk price was subsequently reduced by 20 cents a litre from August 2012, ahead of the high milk flow producing season in order not to over stimulate milk flow. Cost pressures on farms have, however, not abated, and adjustments will be made when considered necessary.

Clover's major capital expansion and repositioning program – Project Cielo Blu – is still on track for completion towards the end of 2013. No major delays, other than the delay at the Queensburgh distribution facility due to a new network design, or material over-expenditure have occurred to date.
The continuous drive to lower operational costs by increasing efficiencies has had positive results, with cost savings being invested back into lower selling prices to achieve the desired volume growth.

Brand strength and performance

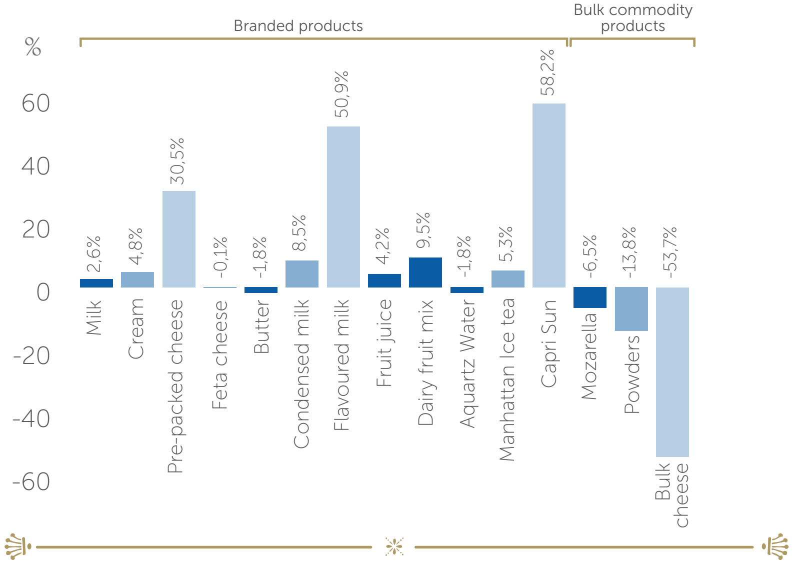
The strategy of focusing the product mix on branded products rather than bulk commodity products yielded further dividends with branded product volume growth of 5,5% for the year and bulk commodity product volumes shrinking by 16,6%. This resulted in an overall volume growth of 2,4% for the year.

Notable successes achieved during the year on important brands are:

- Super M, which recorded a 53,8% year-on-year increase in volume.
- Clover Krush 100% fruit-based juices, which performed well, building on last year's significant growth, with volumes up by 11,2% year-on-year.
- The Clover Krush 2lt Elopak carton launch won the Diamond Arrow Award of PMR Africa as the Most Successful Product Launch of the last 12 months in FMCG.

- Major marketing promotions were held during the year for Tropika, Capri-Sun, and Super M and as a result:
  - Tropika sales volumes grew by 5.8% from an already high base.
  - The Tropika Island of Treasure reality show screened on e.tv achieved higher audience ratings than Survivor SA and frequent mentions in social media.
  - At the 2012 Annual PMR Africa Awards, Tropika won the Diamond Arrow Award for the year's Most Successful Marketing Campaign in the entire FMCG sector.
  - Capri-Sun sales rose by 58% in volume year-on-year though from a relatively low base.
  - Super M volumes grew through innovative new brand extensions, a major promotion and restrained inflationary price increases.
  - The Danao relaunch resulted in volumes increasing by 155%.

Volume growth 2011/2012



The main marketing campaign, however, was the "Way Better™" project marking the implementation of the new Clover Master Brand Strategy covering a multitude of media types. The highlights included a spectacular launch event, a corporate video, a teaser campaign, packaging designs, industrial theatre at all branches and television commercials. The results both in South Africa and internationally were truly remarkable.

The television commercial alone achieved the following international awards and accolades:

- Best Animated TV in the INFOCOM EME Awards (India).
- First place in the 2011 MOBIUS Awards.
- Merit award at the ONE SHOW Awards (evaluating best TV advertisements in the world prestige competition).
- Finalist in the CLIO Awards.

Clover fresh dairy products received the Diamond Arrow from PMR Africa as the Best FMGC Producer of the last 12 months while Clover Milk and Cheese received a Gold Arrow as the Best Quality Products offered by an FMCG producer.

A summary of new products introduced is:

- UHT Prisma pack.
- Tropika pouch.
- Tropika 2 lt Elopak.
- Tropika 1.5 lt.
- Krush 2 lt Elopak.
- Elite cheese 450 g.
- Clover cheese jumbo pack 800 g.

Various major new product platforms, strategies and products are planned to support future growth and profitability.

New products to be launched in Nigeria are a full range of 500 ml Tropika and new Apple and Coco-Pine flavours, which tested favourably. Clover is also pursuing the launch of other products in Nigeria.

Operational environment

The year under review was again characterised by indifferent economic signals with conflicting consumer behaviour. After the industrial action activity experienced during July and August 2011, consumer spending needed time to normalise. October was the first "normal" month, but consumer spending never really picked up to the extent that manufacturers expected. The Christmas period was positive but Easter was again disappointing. Higher fuel and other energy charges had a significant effect on consumers in the latter part of the financial year. Fortunately, job creation and not industrial action topped the agenda of organised labour, which will help to smooth wage earnings and hence consumer spending. The high inflationary input cost environment is still having a negative impact on consumer spending, with consumers trading down on historically higher value items.

Strategic objectives

Clover's short-to-medium term objectives are clear, with the completion of Project Cielo Blu the main priority. The main strategic pillars, which underline the investment case are as follows:

1. Leveraging off its strong sales and distribution network.
2. Leveraging off its strong heritage brand.
3. Continuous brand extension.
4. Aggressive product platform extension.
5. Addressing supply chain cost inefficiencies.
6. Capitalising on its extensive route-to-market capability.
7. Seeking consolidation opportunities in the FMCG market.
8. Sensible Africa expansion.

Project Cielo Blu and subsequent Capex programs approved by the Board will address the following:

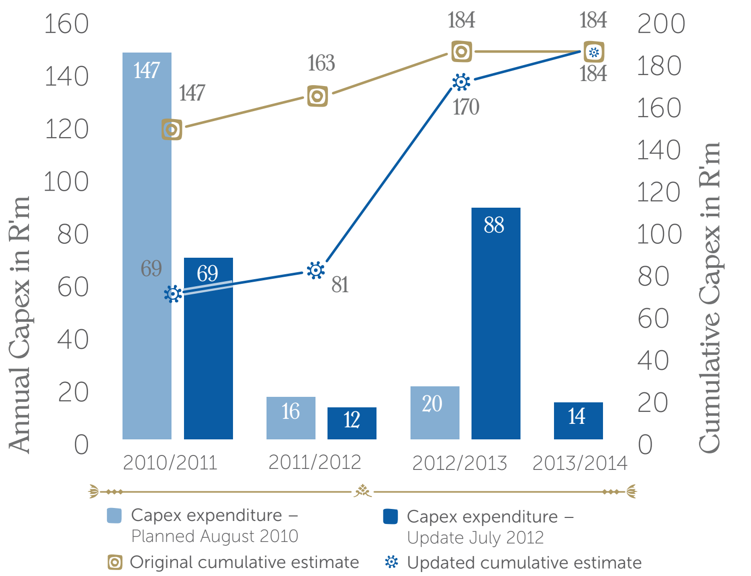
1. Capacity constraints in Production.
2. Capacity constraints in Distribution.
3. Inefficiencies in Milk Procurement.
4. Repositioning of Production facilities.
5. Inefficiencies in Distribution.
6. Investment in new technologies.

Other capital projects approved by the Board are:

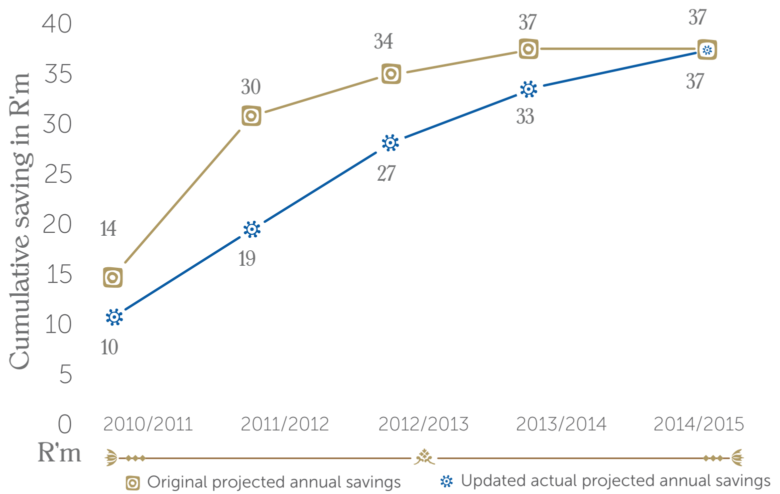
Project	Status
Expansion of Ixopo Milk Procurement Depot	To be completed during April 2013
UHT strategy	To be completed by November 2012
ESL milk strategy	To be completed by November 2012
Processed cheese strategy	To be completed by March 2013
Relocation of cheese factory	Investigation ongoing

To date Clover has spent R171 million of the earmarked R338 million. The past and planned spending on Project Cielo Blu is set out in the charts:

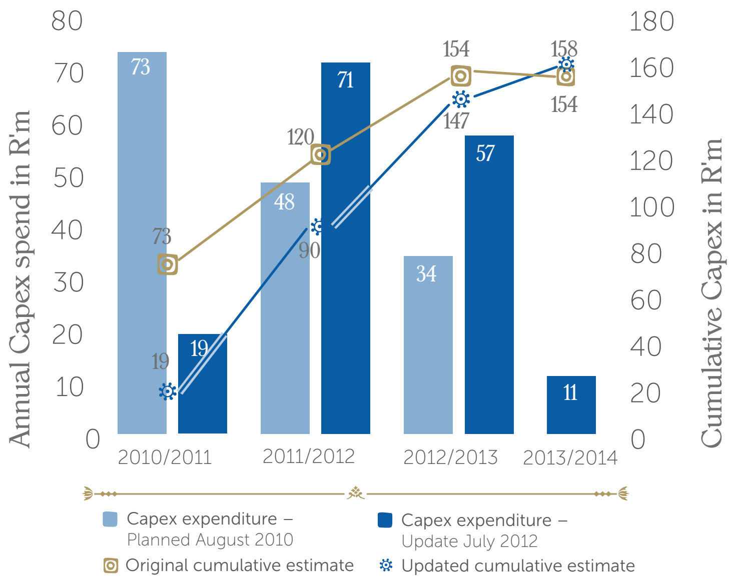
Project Cielo Blu – Distribution – Capital expenditure



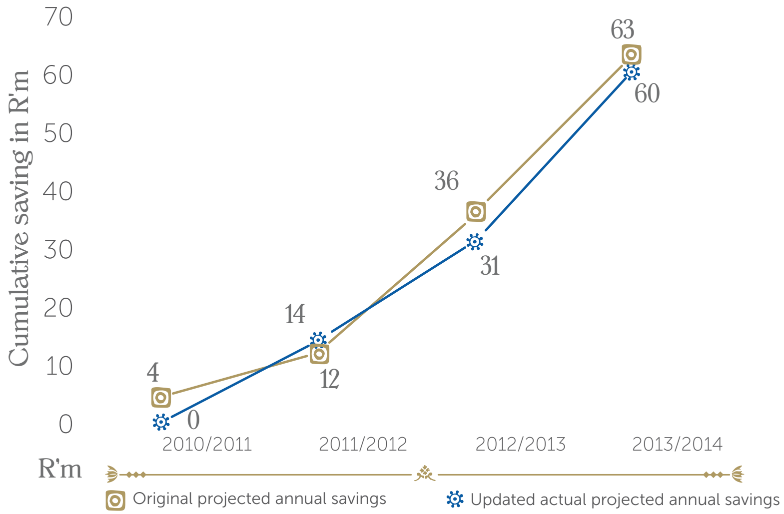
Project Cielo Blu – Distribution – Benefits/savings



Project Cielo Blu – Production – Capital expenditure



Project Cielo Blu – Production – Benefits/savings



Outlook

Major inflationary cost pressures have forced Clover to increase selling prices in order to recoup additional costs. As with all price increases, there is a lead-and-lag effect, which affects sales volumes. It is expected that input cost pressures will continue and further increases in selling prices cannot be ruled out. Although Clover can pass these cost increases on to the consumers, the focus will be on continuous improvements in efficiencies to counteract as many of the input cost increases as possible.

Clover will continue to:

1. Reposition and expand its infrastructure.
2. Invest and expand its brands.
3. Focus and improve its distribution capabilities.

Clover's main aim is to make available as many of its products as economically feasible to consumers who already cherish and admire its products. Market trading conditions are, however, unpredictable and despite planned cost savings, the exact effects of these initiatives remain uncertain. Clover is nevertheless confident that the actions it has taken during the year will yield positive results in future.

Subsidiaries and joint ventures

CFI has had an excellent financial year with profit for the year ending 87% higher than the previous year. This joint venture with Fonterra of New Zeeland focuses on the sub-Saharan Africa ingredients market. Further areas of growth have been identified for expansion.

Clover Botswana produced solid results and continued to improve. The production facilities are currently being expanded to allow for planned growth. This Company is now 100% owned by Clover SA.

The operations of Clover Namibia, Clover Swaziland and Clover West Africa are immaterial in the Group context at present. Clover West Africa operating in Nigeria, however, poses huge potential and the Namibian market also holds the promise of healthy growth in market share. We are actively pursuing the expansion of our businesses in these countries.

Mergers and acquisitions

During the period under review, Clover engaged in the following corporate actions:

- The successful acquisition of the 30% minority shareholding in Clover Botswana.
- The successful acquisition of the 45% minority shareholding in Clover West Africa.
- The acquisition of a 100% shareholding in The Real Juice Co. Holdings (Pty) Ltd from AVI Ltd, which was conditionally approved by competition authorities. The acquistion will come into effect on 1 October 2012.

Africa expansion

Clover's Africa expansion is based on three platforms:

- Exports into Africa: As the South African retailers expand into Africa, Clover's branded products follows. A healthy growth in exports is experienced.
- Growth in the sub-Saharan business through the activities of CFI. New ingredient business opportunities are constantly identified and serviced.
- Nigeria: Currently Clover's presence is limited to Tropika, but plans are being formulated to expand into the manufacturing, distribution and sales of UHT and other Clover products.

Sustainability

The Group's sustainability strategy is based on the acknowledgement of its responsibility to all stakeholders in order to ensure its long-term viability.

In pursuing this strategy, the Group has to continuously identify and consider the impact of its business on all its stakeholders.

Clover also recognises its responsibility to reduce, and as far as practicable, to eliminate the impacts of its business on the environment. This responsibility relates not only to operations within Clover's control, but also to Clover's supply chain partners, which are recognised to be responsible for significant environmental impacts in supplying Clover.

The detailed Social and Ethics Committee report and sustainability is set out on pages 43 to 63.

Human capital

"People are our most important assets" is a phrase that has been used for many years, but the ability to identify, understand, measure, monitor and enhance the impact of this factor remains elusive.

Clover knows that an experienced, trained and motivated management and workforce that is fully behind and aligned to the organisation's business vision and mission can create the greatest competitive advantage available to any company.

Human capital creates structural capital. It incorporates a broad range of capabilities that an organisation possesses through its day-to-day activities. It is the ability to develop "executional capacity" using high quality, low cost corporate systems and processes by which products and services are designed, developed and delivered.

For a more detailed narrative on Clover's human capital development please refer to the Social and Ethics Committee report and sustainability on page 58.

Appreciation

Clover's Chairman, Mr John Bredin, has decided to retire from the Board after 22 years of devoted service to Clover, its predecessor National Co-operative Dairies (NCD) and the Clover producers. John's family has served NCD for three generations with John's grandfather serving as Chairman of NCD. His wife Paulette's father was a Director of NCD.

During his time on the Board John saw NCD being converted from a co-operative into a company and later as Chairman steered the Company through the difficult capital restructuring of 2010 and the subsequent listing on the JSE at the end of 2010. Under his guidance the Company has progressed to where it is now finally in a position to realise its full potential and unleash the power of the Clover brand.

I want to thank John for the tremendous support that he has given me and my management team. Without his support we could never have achieved the radical restructuring and listing on the JSE of 2010.

I want to wish John a happy retirement and great fishing!

Our supplier partners have really showed their commitment in this year to help Clover to reduce the cost of the supply chain, invest in and pursue new technology. For that I thank them.

Mr Tom Wixley our Lead Independent Director deserves praise for his guidance and leadership on the important matters of sustainability and governance and also for his positive role and words of inspiration in difficult times.

Milk producers in South Africa are brave people that are exposed to fluctuating weather patterns, security concerns, land reforms and fluctuations in the milk price. This year saw its fair share of droughts, perfect conditions, floods, snow, spiralling feed costs, easing feed costs and then again spiralling feed costs. This created volatile farming conditions in many areas which was evident from the milk flow. I want to thank our producers who stood by Clover in these challenging times and never stopped supplying the quality milk without which Clover's products will be mediocre at best.

I want to thank the Board for their engagement in strategy setting in order to ensure that Clover is a company of choice for investors.

My executive team has worked selflessly to gain investors' confidence in our ability to execute and deliver on the promises made to them. Thank you.

Most importantly I want to thank the Cloverites who have become used to being trusted to do what they do "Way Better", every day.

Johann Vorster

Chief Executive

Long, long ago

Overview

The year was characterised by high cost inflation, volatile on-farm input costs and resultant erratic milk production.

The first half of the year was marked by lower than expected milk production due to sharp increases in feed and other input costs. Farm-gate milk prices were increased early in the second half of the year to counter this trend. This, together with a subsequent easing of feed and other input costs and favourable climatic conditions in the main milk production areas, resulted in milk production being over-stimulated and consequently increased milk supply steeply during the autumn. This flattened the usual seasonal milk intake trend to some extent. While such a trend would normally be welcomed, the higher than expected national autumn milk production made it difficult to pass on to consumers the high inflationary cost increases during the traditional autumn price increase "season".

Dairy volumes were somewhat constrained by the short supply of raw milk during the first quarter of the year, as explained in the Interim financial report. Clover's increased selling prices introduced at the end of the summer, together with the high national milk supply during autumn, eroded dairy fluid volumes during the last quarter – especially on UHT milk.

Additional distribution capacity created to date as part of Project Cielo Blu, enabled Clover to increase Principal distribution volumes and to take on additional Principals. Thus it secured the national sales, distribution and merchandising business of Epic Foods (Pty) Ltd with effect from 1 April 2012 on the following chilled brands:

- Blossom margarine and spreads.
- Canola spreads.
- Ole spreads.
- Cardin margarine.
- Maypole margarine.
- Spread and Bake margarine.

Subsequent to the year-end and with effect from 1 July 2012, Clover was awarded the sales, distribution and merchandising business of the Red Bull brand for the forecourt channel.

Financial highlights

	2012	2011	%
Revenue	**R7 223,9m**	R6 542,3m	10,4%
EBIT	**R371,2m**	R319,0m	16,4%
EBITDA	**R477,8m**	R419,0m	14,0%
Headline EBITDA	**R481,8m**	R415,0m	16,1%
Headline EBIT	**R375,1m**	R314,8m	19,2%
Normalised EBITDA	**R486,5m**	R428,7m	13,5%
Normalised EBIT	**R379,9m**	R328,6m	15,6%
Net finance cost	**R23,9m**	R37,4m	(36,1%)
Effective tax rate	**39,6%**	34,7%	14,1%
Headline earnings	**R207,8m**	R175,2m	18,6%
Headline earnings per share	**116,0c**	113,8c	1,9%
Diluted headline earnings per share	**108,7c**	106,2c	2,4%
Normalised earnings*	**R229,5m**	R187,4m	22,5%
Normalised earnings per share*	**128,1c**	121,8c	5,2%
Capital expenditure:			
• Project Cielo Blu	**R83,2m**	R79,8m	4,3%
• Recurring capital expenditure and other projects	**R190,5m**	R136,5m	39,6%
Return on equity	**11,3%**	12,9%	(10,9%)
Cash generated by operations	**R416,4m**	R256,9m	62,1%
Dividends relating to the financial year	**28,4c**	25,0c	13,6%

** See note 9 to the financial statements for the calculation of normalised earnings*

Comprehensive income

Headline earnings

Headline earnings improved by 18,6% to R207,8 million from R175,2 million in the prior year. A 16,4% increase in operating profit and a 36,3% reduction in net finance costs largely contributed to the increase in headline earnings. However, headline earnings per share only increased by 1,9% to 116,0c (2011: 113,8c) as a result of the greater number of shares in issue during the current year. Although the total number of shares at the end of both years was the same, on a weighted basis the shares issued in the JSE listing during the prior year were only in issue for a little more than six months.

Operating profit

Operating profit for the year under review increased by 16,4% to R371,2 million (2011: R319,0 million). This was achieved on revenue of R7 223,9 million (2011: R6 542,3 million), an increase of 10,4% over the comparative period. The gross margin increased to 27,6% from 26,6%, while the operating margin for the full year was 5,1% compared to 4,9% in the previous year.

Revenue from the sale of products increased by 10,9%, with 2,4% of this relating to volume growth and the rest being attributable to a combination of inflationary price increases and improved product mix. Revenue from rendering services increased by 18,9% or R121,6 million as a result of increased distribution capacity and consequent principal volume growth, together with the additional Epic Foods and Danone merchandising business. Revenue from the sale of raw milk to Danone Southern Africa (Pty) Ltd, which is made at cost, decreased by 10,3% due to greater direct raw milk purchases by Danone in the market.

Raw material costs increased by 10,2%, mostly as a result of the farm-gate milk price increases of more than 20% early in the second half of the year.

Packaging costs increased by 6,7%, slightly above inflation, because of the influence of higher oil prices on plastic packaging and to a lesser extent the effect of the weaker exchange rate on UHT packaging.

Despite the direct impact of higher fuel prices and staff costs on milk collection costs, the overall increase of only 5,3% was brought about by the increased UHT production capacity created in Port Elizabeth as part of Project Cielo Blu. Less raw milk was therefore transported to Gauteng, though the primary transport cost of finished product to Gauteng increased, albeit not to the same extent.

Higher staff costs and inflation in energy costs caused production costs to rise by 9,3%. Increased volumes put further upward pressure on overall production costs.

Primary distribution costs are heavily influenced by volume growth and fuel costs. The high volume growth in Principal distribution volumes and Clover's own volume growth and fuel cost increases, pushed the increase to 11,7% for the year. The move of UHT manufacturing capacity from Gauteng to the coastal areas also increased primary distribution volumes but this was more than offset by reduced raw milk transport volumes and milk collection costs.

High staff inflation, increased distribution volumes and higher fuel prices all contributed to the 14,4% increase in selling and distribution expenses. Clover's investment in the production of its Clover "Way Better™" advertising campaign, which was accounted for during this year also contributed to the increase in selling expenses. The benefits of this campaign will be experienced over the medium term.

Administrative expenses increased by 10,4% or R18,1 million. A departmental restructuring of a business unit from marketing to administration accounted for R4,9 million of this increase, with the remainder being attributable to inflation adjustments on annual staff costs.

The 2010/2011 restructuring expenses included a sum of R8,5 million associated with the listing on the JSE. This mainly accounted for the 43,4% decrease in restructuring expenses in the year under review.

Profit for the year

As is the case with headline earnings, the increase in operating profit and the reduced net interest charge increased profit for the year by 14,0% to R209,7 million (2011: R184,0 million). However, the effective tax rate of 39,6%, largely resulting from tax adjustments, eroded the earlier gains to some extent.

The effective tax rate is far higher than the official tax rate mainly for the following reasons:

Permanent differences:

- The preference dividends are not tax deductible, which increased the effective tax rate by 1,8%.
- The costs associated with the equity accounted share – based payments are not tax deductible, increasing the effective tax rate by 0,7%.
- A historical loan to Clover Zambia has been written off, increasing the effective tax rate by 0,4%.
- Depreciation on administrative buildings, non-deductible for tax purposes, which increased the effective tax rate by 0,5%.
- Deferred tax assets on losses in foreign subsidiaries not recognised, which increased the effective tax rate by 0,81%.

Other tax adjustments:

- 2009 tax deductions not allowed by SARS, which increased the effective tax rate by 0,3%.
- The reversal of a deferred tax asset raised in the prior year on the basis of a judgement handed down by the Supreme Court of Appeal (not related to Clover) during the current year, which increased the effective tax rate by 1,0%.
- The reversal of deferred tax assets on property plant and equipment raised in prior years, which increased the effective tax rate by 3,8%.

Return on equity weakened from 12,9% to 11,3% following from the equity raised halfway through the previous financial year with the listing on the JSE. This capital is earmarked for Project Cielo Blu that will only yield its full benefits during the next financial years. The increased equity without the immediate increase in returns caused the return on equity to weaken before it increases again.

Dividends

The Company declared and paid an interim dividend of 15 cents per share during April 2012. A final dividend of 13,4 cents was declared by the Board, which will bring the total annual dividend relating to the 2011/2012 financial year to 28,4 cents. This is 3,4 cents or 13,6% more than the dividend for the 2010/2011 financial year. Dividends are calculated in terms of the Company's dividend policy of 25% of total comprehensive income attributable to shareholders of the Company but excluding capital profits. In terms of the rules pertaining to the preference shares, this dividend policy may not be exceeded until after the redemption of the preference shares in June 2013. The Board will reconsider the dividend policy at the 2012/2013 year-end based on the Company's capital requirements.

Financial position

Significant movements from 30 June 2011 to 30 June 2012 on individual line items of the statement of financial position are explained below.

Non-current assets

The increase in property, plant and equipment stems mostly from the capital expenditure associated with Project Cielo Blu and other capital projects.

Intangible assets increased with R10,7 million, mainly as result of a new warehouse management system and a new call centre consumer line management system that were rolled out.

Current assets

Inventory levels increased sharply by 30,8%. This was the cumulative result of the farm-gate milk price increase of more than 20%, volume growth, imported UHT milk to facilitate the move of production facilities in terms of Project Cielo Blu and lower UHT sales volumes in the last quarter of the year after Clover's selling price increases.

Clover's volume growth and increased Principal volumes, together with the higher selling prices accounted for the 15,1% increase in trade and other receivables from 30 June 2011. Trade receivable days outstanding remained at very low levels. (Analysts should note that trade receivable days outstanding cannot be deduced from the financial statements as the full receivables of certain distribution Principals are included in trade receivables, while the revenue of such principals is not included in the statement of comprehensive income. Only fees earned from providing the services involved are included in revenue).

Cash decreased by R112,7 million to R711,5 million from R824,2 million at 30 June 2011. Spending on Project Cielo Blu and other capital projects together with the repayment of R155,0 million of long-term debt, utilised the cash as intended at the time of the listing on the JSE.

Non-controlling interests

The reduction of R7,7 million in non-controlling interests stems from the acquisition of the minority shareholdings in Clover Botswana and Clover West Africa.

Non-current liabilities

In terms of the Memorandum of Incorporation of the Company the preference shares will be redeemed during June 2013 and the full preference share debt of R259,4 million has accordingly been classified as a current liability in the 2012 statement of financial position. In addition, the last tranche of R150,0 million of the long-term debt securitised matures in March 2013 and has also been classified as a current liability. A decision on whether to renew this funding is pending, given the Group's current strong cash position. The senior funder of the debtors' securitisation transaction has already obtained credit approval and committed to renewing its funding, if required by Clover, at rates much lower than those currently applying.

Current liabilities

Trade and other payables increased by R248,0 million or 23,2%. Increased farm-gate milk prices, increased principal sales, creditors for capital projects and the year-end, which occurred over a weekend resulted in this above-normal increase. Principal sales are included in trade receivables, with a corresponding liability included in trade payables reflecting the amount payable to principals for their sales.

R155 million of the short-term portion of interest-bearing debt was repaid during December 2011. Together with the reclassification of the preference share debt of R259,4 million and the R150 million of long-term debt to short-term debt, as explained above, it increased the short-term portion of interest bearing debt by R247,6 million to R421,4 million.

Gearing

Gearing at 30 June 2012 was 23,4% (2011: 34,6%). Net of cash, the Group was negatively geared at 14,2% (2011: 12,4%). Group gearing is currently conservative and well within its ability to service interest and repayments.

Cash flow

The reclassification of the preference share debt and the last remaining tranche of the debtors securitisation funding as current liabilities reduced Group liquidity with net current assets decreasing from R927,9 million to R576,4 million. Excluding inventory, net current assets decreased from R467,7 million to a net current liability position of R25,6 million. Cash generation from operations over the next year is expected to be sufficient to maintain a healthy liquidity position.

Cash generated from operations, before working capital changes, is R444,6 million compared to R379,5 million reported in the prior year. During the year under review, working capital absorbed cash in the sum of R28,2 million. The reasons for the working capital changes are discussed under current assets and liabilities above.

Investment activities consumed R256,2 million in cash. Capital expenditure on project Cielo Blu amounted to R83,2 million and capital expenditure of a recurring nature and other capital projects amounted to R190,5 million. R27,2 million was utilised to acquire the minority interests and associated goodwill in Clover Botswana and Clover West Africa.

Finance costs, dividends and debt reduction absorbed cash of R273,0 million of which the bulk relates to the settlement of R155 million of long-term debt during December 2011.

The Group ended with a net decrease in its cash position for the year of R112,7 million.

Segmental performance

The segmental information is only disclosed to margin on materials ("MOM") level as the Group's assets and operations are largely integrated between segments making the allocation of overhead costs to the different segments impracticable. Overheads are managed at Group level. MOM refers revenue less raw material, ingredients and packaging costs.

Dairy Fluids' external revenue, excluding raw milk sales, increased by 4,5% on volume growth of 2,6%. The MOM % weakened from 41,5% to 39,6%. Selling price increases were insufficient to recover the increase in raw material costs, and in particular the increase in raw milk prices during the second half of the year, to maintain the MOM%. A higher than normal national autumn and early winter milk supply constrained attempts to increase selling prices further, which would have risked volume losses. MOM, as a result, decreased to R1 225,3 million or 0,2%.

The Concentrated Dairy Products segment consists of cheese, butter, condensed milk and retail powders. Volumes increased by 0,1% and external revenue by 10,7%. The volume of the bulk commodity product component further reduced by 19,5% in line with the Group's strategy. The branded component volume, however, increased by 15,6%. The improved mix and the higher selling prices increased the MOM% to 29,5% from 24,3%. MOM increased to R300,8 million or 34,2%.

International dairy ingredient prices weakened substantially during the second half of the year, affecting the volumes of milk powder sales due to the availability of cheaper imported product. Ingredient volumes consequently decreased by 13,1%, albeit from an already low base in line with the Group's strategy. A much higher butter component, however, caused revenue to increase by 29,0% and the MOM% to only reduce slightly from 21,5% to 19,6%. MOM increased by 17,5% to R83,9 million.

The Beverages segment performed very well, with sales volumes increasing by 8,6% and revenue by 21,0%. The MOM% increased to 51,7% from 51,0% and MOM by 22,7% to R805,6 million. This resulted from the higher selling prices and tight control over raw material costs.

Jacques Botha
Chief Financial Officer

Summarised results for the year	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Revenue	**7 223,9**	6 542,3	@ 6 161,5	+ 5 475,8	5 718,3	4 712,5
Revenue Danone Clover	**–**	–	–	–	682,7	521,6
Revenue Excluding Danone Clover	**7 223,9**	6 542,3	6 161,5	5 475,8	5 035,6	4 190,9
Operating profit	**371,2**	319,0	*** 559,0	** 664,3	297,2	* 357,0
Net financing cost						
Current and non–current liabilities	**(1,8)**	(16,1)	(41,2)	(103,5)	(90,7)	(53,7)
Debt portion of preference share capital	**(22,0)**	(21,4)	(22,3)	(32,2)	(30,4)	(22,0)
Profit/(loss) before tax from continuing operations	**347,4**	281,5	495,5	528,6	176,1	281,3
Taxes	**(137,7)**	(97,5)	(191,7)	(29,2)	(50,5)	(72,7)
Profit after tax from discontinued operations	**–**	–	32,1	39,6	–	–
Non–controlling interest	**(4,4)**	(4,4)	(5,1)	(11,7)	(5,7)	(41,5)
Profit/(loss) attributable to equity holders of the parent	**205,3**	179,6	*** 330,8	** 527,3	119,9	* 167,1
Headline earnings attributable to equity holders of the parent company	**207,8**	175,2	19,0	(104,3)	116,3	59,9
Normalised earnigs	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**
Operating profit	**371,2**	319,0	559,0	664,3	297,2	357,0
Adjusted for exceptional items:						
(Profit)/loss on sale and scrapping of property, plant and equipment	**(0,9)**	(7,3)	0,9	(3,8)	(5,1)	5,5
Profit on the sale of Boksburg factory	–	–	(50,8)	–	–	–
Profit on sale of Ultra Mel Custard business	–	–	–	–	–	(111,1)
Profit on deconsolidation of Danone Clover	–	–	–	(637,5)	–	–
Profit on sale of Danone Clover	–	–	(337,7)	–	–	–
Retrenchment costs	**3,6**	6,6	84,9	17,2	10,4	14,2
Option fee paid to HCI on capital restructuring	–	–	11,4	–	–	–
Legal and professional services costs associated with the listing	**–**	8,5	–	–	–	–
Legal and professional services costs associated with the capital restructuring	**–**	–	5,3	–	–	–
SAR bonuses paid to Executives on capital restructuring	**–**	–	37,1	–	–	–
Other restructuring cost	**6,0**	1,8	10,7	8,4	1,1	1,6
Normalised Operating Profit	**379,9**	328,6	320,8	48,6	303,6	267,2

@ During the first six months of the 2010 financial year raw milk sales to Danone Clover, an associated company at the time, were set off against cost of sales. To facilitate comparability to the current year that period's sales are now shown as revenue and the cost of sales and revenue figures were regrouped accordingly. It has no effect on profits.
+ Following the sale of the Group's interest in Danone Clover, the Group's share of Danone Clover's income was classified as income from discontinued operations. The 2009 comparative figures were restated accordingly.
** Includes R111 million profit (R103 million after tax) on sale of the Ultra Mel Custard business.*
*** Includes R637,5 million (R599,5 million after tax) profit on deconsolidiation of Danone Clover.*
**** Includes R337,7 million (R227,1 million after tax) profit on sale of Danone Clover.*

6-Year financial review

Normalised earnings	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Net financing cost	**(23,9)**	(37,4)	(63,5)	(135,7)	(121,1)	(75,8)
Tax expense						
Total tax expense	**(137,7)**	(97,5)	(191,7)	(29,2)	(50,5)	(72,7)
STC paid on capital restructuring			52,2	–	–	–
Taxation adjustment on exceptional items	**(2,6)**	(1,9)	69,8	33,1	(2,6)	1,4
Other non-recurring tax adjustments	**18,3**					
Non-controlling interest	**(4,4)**	(4,4)	(5,1)	(11,7)	(5,7)	(41,5)
Normalised profit attributable to equity holders of the parent	**229,5**	187,4	182,5	(94,9)	123,7	78,6
Dividends						
Equity dividends – ordinary shares	**53,7**	58,7	–	1,0	0,6	0,3
Equity dividends – preference shares	**–**	–	370,0	29,0	17,8	9,2
Preference dividends recognised as interest	**22,0**	21,4	22,3	32,2	30,4	22,0
Earnings and dividends per share	**Cents**	Cents	Cents	Cents	Cents	Cents
Equity dividends per ordinary share	**30,0**	43,0	–	1,1	0,7	0,4
Equity dividends per preference share	**–**	–	–	33,5	20,5	10,7
Special dividend on the buy–back of equity rights of preference shares per preference share	**–**	–	413,7	–	–	–
Preference dividend recognised as interest per preference share	**24,6**	23,9	24,9	37,3	35,2	25,5
Earnings per ordinary share	**114,6**	116,7	**214,0	***22,3	***5,2	***8,3
Diluted earnings per ordinary share	**107,4**	108,9	**214,0	***22,3	*** 5,2	***7,1
Headline earnings per ordinary share	**116,0**	113,8	**33,1	***(82,2)	***150,2	***89,2
Diluted headline earnings per ordinary share	**108,7**	106,2	**33,1	***(82,2)	***150,2	***89,2
Normalised earnings/(loss) per share, calculated by dividing the normalised profit/(loss) by the weighted average number of ordinary shares net of treasury shares	**128,1**	121,8	*118,1	*(120,6)	*159,9	*117,1
Summarised statement of financial position	**Rm**	Rm	Rm	Rm	Rm	Rm
Non–current assets	**1 526,3**	1 361,4	1 202,5	1 823,7	1 361,3	1 206,0
Deferred taxation asset	**0,5**	3,2	18,7	110,4	104,8	71,1
Current assets	**2 336,7**	2 180,9	1 710,9	1 651,4	1 908,1	1 249,4
Total assets	**3 863,5**	3 545,5	2 932,1	3 585,5	3 374,2	2 526,5
Shareholders' funds	**1 894,2**	1 742,4	1 048,4	1 440,1	938,6	829,0
Non–controlling Interest	**1,8**	9,4	28,1	40,9	48,3	28,5
Non–current portion of interest–bearing borrowings	**21,7**	432,8	592,5	761,4	657,0	566,9
Non–current portion of provisions	**61,6**	62,5	50,4	60,5	62,9	64,0
Non–current portion of other payables	**6,9**	13,4	6,3	–	–	–
Deferred taxation liability	**117,0**	32,0	6,4	6,3	28,6	15,4
Current portion of interest–bearing borrowings	**421,4**	173,8	66,9	234,8	517,6	135,4
Current liabilities	**1 338,9**	1 079,2	1 133,1	1 041,5	1 121,2	887,3
Total equity and liabilities	**3 863,5**	3 545,5	2 932,1	3 585,5	3 374,2	2 526,5

* *The earnings/(loss) per share from continuing operations adjusted for exceptional items for years 2007 to 2010 are presented for illustrative purposes only to indicate what the earnings per share would have been if ordinary shareholders had been entitled to all equity earnings and if the 2 for 1 share split (4 November 2010) is taken into consideration.*
** *Earnings per share for the 2010 financial year has been recalculated to account for the 2 for 1 share split.*
****Earnings per share has not been adjusted for the 2 for 1 share split as at 4 November 2010.*

A list of all definitions used in the above calculation is set out in note 3 on pages 132 and 133.

	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Net assets	**1 896,0**	1 751,8	1 076,5	1 481,0	986,9	857,5
Replacement value of property, plant and machinery@	**5 746,8**	5 445,7	5 112,8	4 927,0	4 521,6	4 383,2
Number of shares in issue	**'000**	'000	'000	'000	'000	'000
Number of ordinary shares in issue at year–end	**179 111,9**	179 111,9	#123 850,0	88 485,3	88 485,3	76 907,8
Weighted average number of ordinary shares net of treasury shares	**179 111,9**	153 882,4	#154 595,4	78 711,5	77 411,0	67 134,0
Number of preference shares in issue at year–end	**89 442,0**	89 442,0	89 442,0	86 492,6	86 492,6	86 492,6
Weighted average number of preference shares net of treasury shares	**89 442,0**	89 442,0	87 516,2	85 442,0	85 517,0	83 888,6
Weighted average number of ordinary shares for calculation of diluted earnings	**191 127,2**	164 890,5	#154 595,4	78 711,5	77 411,0	78 711,5
Cash flow	**Rm**	Rm	Rm	Rm	Rm	Rm
Cash flow from/(used in) operating activities	**416,4**	256,9	347,1	79,7	(113,5)	186,3
Cash flow (used in)/from investment activities	**(256,2)**	(253,3)	1 005,1	(186,4)	(213,1)	(311,9)
Net cash inflow/(outflow) before financing activities	**160,2**	3,6	1 352,2	(106,7)	(326,6)	(125,5)
Cash generated from/(utilised in) operating activities per share (cents)	**234.0**	167.0	#224,5	101,3	(146,6)	277,7
Ratios and returns	**%**	%	%	%	%	%
Operating profit to revenue	**5,1**	4,9	*** 9,1	** 12,1	5,2	* 7,6
Normalised operating profit	**5,3**	5,0	5,2	1,0	5,3	5,7
Return on net assets	**14,9**	15,0	*** 25,7	** 27,7	15,3	* 23,6
Return on net assets excluding exceptional items	**15,2**	15,4	14,8	2,0	15,6	17,7
Return on equity holders' funds	**11,3**	12,9	*** 26,6	** 44,3	13,6	* 22,9
Return on equity holders' funds excluding exceptional items	**12,6**	13,7	15,1	(7,0)	14,6	16,5
Gearing percentage	**(14,2)**	(12,4)	21,4	48,8	67,9	43,1
Effective tax rate	**39,6**	34,7	38,7	5,5	28,7	25,9
	Times	Times	Times	Times	Times	Times
Net asset turn	**6,8**	8,3	6,5	6,5	10,9	10,5
Current ratio	**1,3**	1,7	1,4	1,3	1,2	1,2
Employee statistics	**Number**	Number	Number	Number	Number	Number
Average number of permanent employees	**6 555**	6 353	6 362	6 579	6 662	6 776
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue per employee	**1 102,0**	1 029,8	*** 942,4	** 832,3	858,3	* 695,5
Operating profit per employee	**56,6**	50,2	*** 87,9	** 101,0	44,6	* 52,7
Normalised operating profit	**58,0**	51,7	50,4	7,4	45,6	39,4
Net assets per employee	**278,2**	222,6	201,0	187,6	138,4	114,1

@ *Replacement value of property, plant and machinery is determined by an external valuator.*
\# *The number of ordinary shares have been adjusted for the 2 for 1 share split (4 November 2010).*
* *Includes R111 million profit (R103 million after tax) on sale of the Ultra Mel Custard business.*
** *Includes R637,5 million (R599,5 million after tax) profit on deconsolidiation of Danone Clover.*
*** *Includes R337,7 million (R227,1 million after tax) profit on sale of associate Danone Clover.*

A list of all definitions used in the above calculation is set out in note 3 on page 132 and 133.

Social and Ethics Committee report and sustainabilty

The report of this new Board committee (previously the Sustainability Committee) incorporates both the requirements of the Companies Act, 71 of 2008 (the Act) in terms of regulation 43, as well as the King Report on Governance for South Africa (2009) (King III) regarding responsible corporate citizenship. This report also deals with sustainability matters deemed material by the Board as previously reported by the Sustainability Committee.

1. Introduction

In terms of regulation 43 of the Act, the Group subscribes to the "enlightened shareholder value approach" – this approach requires that directors are obliged to promote the success of Clover in the collective best interest of stakeholders, which includes, as the circumstances dictate, Clover's needs to take account of the relevant interests of among others, the community, employees, customers and suppliers. Clover is one of the few South African businesses that have been in existence for well over 100 years. It recognises that in order to survive and prosper, critical self-assessment and constant change are required. The Group's sustainability strategy is also based on the acknowledgement of its responsibility to all stakeholders in order to ensure its long-term viability.

The committee is chaired by the Lead Independent Director of the Board and consists of four members who meet on a regular basis. The committee is a sub-committee of the Board and will, through one of its members, report to the shareholders at the Company's Annual General Meeting on all matters within its mandate. It ensures open communication with other committees in order to ensure consistent behaviour from a social and ethics point of view. The committee has developed and adopted a formal work plan entailing the functions of the committee as set out in regulation 43 of the Companies Act in terms of which the committee prioritised the implementation of certain actions to enable the committee to fully discharge its statutory functions over a period of three years. This committee assumes the responsibility to ensure that the Board sets the appropriate tone, and that the behaviour and messages of the Board and the directors support and contribute to Clover's ethical corporate culture. This report sets out the achievement of the committee in the first year of its establishment.

Over and above the requirements of the Act, the scope of the report has also taken into consideration the Sustainability Reporting Guidelines of the Global Reporting Initiative. In short, it attempts to summarise the key aspects of Clover's business that are critical to its long-term future.

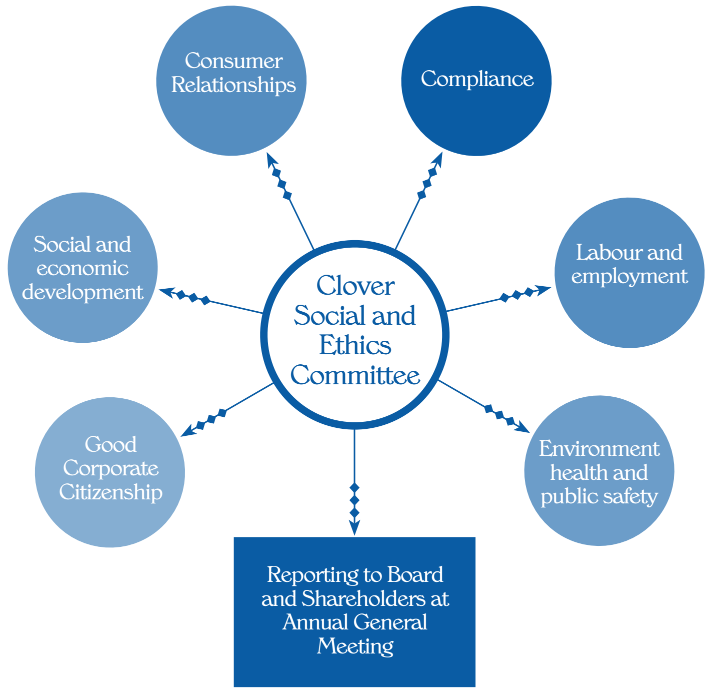
2. Scope

The scope of this review currently covers its South African operations and will over time be extended to its subsidiaries in other countries.

Assurance on this report

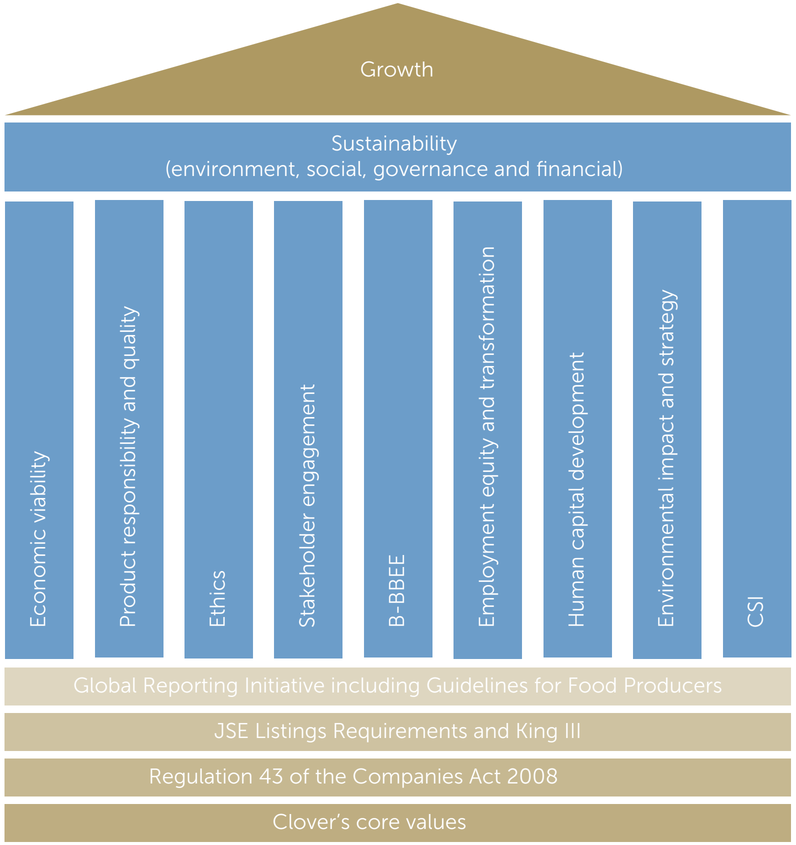
Whilst King III also requires that sustainability reporting should be independently assured, the committee is of the opinion that it would be premature to obtain external assurance until the Group's recording systems are mature. Clover has put in place processes to ensure compliance to all applicable legislation and/or legal requirements. It is, however, the Group's intention to expand on qualitative and quantitative information as systems are progressively bedded down. Major improvements in this regard were made during the year under review, specifically with regard to Clover's employment equity plan, employee training and development, the formalisation of the Group's social and ethics policy as well as its policy on environmental impact.

It is the Group's intention to further incorporate prevailing codes of best practice in terms of Regulation 43 (Regulations to the Companies Act). Whilst these processes are being matured, the Social and Ethics Committee has monitored Clover's activities with regard to matters relating to:



3. Clover's pillars of sustainability

Clover's sustainability hierarchy and drivers:



The sustainability issues considered material to the group and which are set out in this review are as follows:

3.1 Economic viability

The Group recognises that its continued existence and prosperity depends firstly on its economic viability. To this end in 2010 it approved a major expansion and optimisation project of its production and distribution facilities to be carried out over a four-year period. These changes will require a substantial investment and will position the Group well to improve its service offering to South African customers for several years ahead.

Economic indicators of sustainable development

Sustainable development indicator overview	2012	2011	2010	2009	2008
Revenue (R'm)	**7 223,9**	6 542,3	6 161,5	5 475,8	5 718,3
Operating profit (R'm)	**371,2**	319,0	559,0	664,3	297,2
Earnings per ordinary share (cent)	**114,6**	116,7	214,0	22,3	5,2
Equity dividends paid per ordinary share (cent)	**30,0**	43,0	–	1,1	0,7
Dividends paid per preference share (cent)	**24,6**	23,9	24,9	37,3	35,2
Headline earnings per share (cents)	**116,0**	113,8	33,1	(82,2)	150,2

3.2 Product responsibility and quality

Clover's commitment to quality starts on the farms of its producers. The Group has developed and introduced its own Best Farming Practices ("BFP") programme for its milk producers, based on the International Dairy Federation's ("IDF") directive.

Clover's BFP programme includes the following aspects:

- Animal health and herd management.
- Animal feed and water.
- Animal medication and agricultural chemicals.
- Milk hygiene and safety.
- Environmental management.
- Personnel and people.
- Treatment and hygiene registers.
- Required records and registers.
- Archives.

Since the end of June 2009, 100% of the Group's milk producers have participated in the BFP programme and all new producers sign up as they join Clover. Compliance is assured through regular audits and the producers who passed the audits with 80% or more, represented 98.81% of Clover's milk intake at the end of June 2012.

As mentioned previously, Clover has embarked on broadening the application of the BFP programme by integrating the most recent drivers as part of a global shift towards sustainable dairy farming. Being a relatively complex structure that requires a certain level of expertise, Clover postponed the implementation date to 1 January 2013 as it builds capacity to prudently phase in and manage the system. Globally, this is still a developing area of business and Clover will learn and grow with the rest of the world, as sustainable dairy farming evolves to maturity.

The preliminary focus areas for the Clover Sustainable Dairy Model ("CSDM") are:

- Herd management, including the management of greenhouse gas ("GHG") emissions.
- Animal feed, pasture and soil management, including GHG emissions and retention.
- Water management and treatment.
- Animal medication and agricultural chemicals.
- Dairy parlour and equipment (including infrastructure, hygiene and safety).
- Milk composition and quality.
- Environmental management, manure handling and bio-diversity, including GHG emissions and the reduction thereof.
- Energy management and utilisation of alternative energy resources for the reduction of GHG emissions.
- Bio-security, with the main focus on disease control.
- Personnel and people.

The required records, registers and archives will form an integral part of the above focus areas as this will no longer be in hard copy format, but electronically. The Group stays in close contact with international work groups and uses the IDF's directive as base and benchmark for this integration.

During the period under review, Clover introduced its Electronic Tanker Collection System ("ETCS") to all vehicles collecting raw milk.

In short, the ETCS system:

- Measures the milk volume with flow metre technology, as it is pumped from the bulk tank on the farm into the Clover tanker. This information will be transferred electronically via cell phone technology to Clover's milk system.
- Electronically takes a flow proportional, representative sample of the milk. These samples are then sent to Lactolab's fully-equipped laboratory to assess the composition and quality of the milk.
- Electronically monitors the temperature of the milk as it is pumped from the bulk tank into the Clover tanker. This information will also be transferred via cell phone technology to Clover's milk system.

This is a first for the dairy industry in South Africa and apart from its cost saving and productivity benefits, ensures that Clover and its producers have peace of mind that Clover is purchasing its raw milk according to world-class standards and with minimum human intervention. Although there are still a few issues to attend to, the Group is confident that this system holds great value for Clover and its producers in the long-term.

Product quality

Clover's business strategy as a branded foods and beverages group with a strong emphasis on value-added products is based largely on the quality of its products. Product quality relates directly to brand strength and indirectly leads to price elasticity.

The Clover Way Better™ initiative incorporates a consistent approach to ensure continuous quality that starts with the selection of its producers and continues throughout the production process. The salient features of the Way Better™ initiative are:

Producer selection	• Clover sources milk from 267 carefully selected producers
Ongoing quality assurance	• 55 quality checks on fresh milk that starts the second it is collected
Clover Way Better™ approach to work	• Clover's production systems are flushed every eight hours to ensure freshness
Clover Way Better™ supply chain and warehousing capabilities	• delivering to 14 000 points through 600 trucks to an average eight customers per day per truck

Some of the industry recognition listed below is demonstrative of Clover's commitment to the consistent quality of its products:

Product	Award
Fresh milk	
	PMR Africa – Golden Arrow 2012, National Survey of FMCG Manufacturers: first overall Icon Brands 2012: second in the Beverages category
	PMR Awards: Diamond Award for fresh dairy
Pre-packed cheese	
	PMR Africa – Golden Arrow 2012, National Survey of FMCG Manufacturers: first overall Icon Brands 2012: third in the Dairy category
	Qualité Awards 2012: Clover Cheddar
Feta cheese	
	Agri Expo SA Dairy Championships 2012: • Plain feta: top honours • Herb feta: top honours
	Qualité Awards 2012: Clover herb feta
Elite cheese	
	Agri Expo SA Dairy Championships 2012: • Elite Gouda: best gouda • Elite Cheddar: best cheddar
	Qualité Awards 2012: Elite Cheddar
Butter and butter spreads	
	Agri Expo SA Dairy Championships 2012: • Butro and Springbok: South African Champion
Tropika	
	PMR Awards: Diamond Award for Most Successful Campaign in past 12 Months Bronze Apex award for taking the brand performance to the next level
	Sunday Times "Top Brands" second in Fruit-based category
Krush	
	PMR Awards: Diamond Award for Most Successful Product Launch in Past 12 Months
	Sunday Times "Top Brands" first in Fruit-based category

3.3 Ethics

Clover is committed to achieving its business goals with integrity, high ethical standards and in compliance with the law. The Group's ethics policy sets out principles and expectations to help employees conduct business in a way that is honest, ethical, lawful and above reproach. The policy applies to all Clover employees, managers and directors. It also relates to Clover's conduct with its stakeholders and applies to relationships with subcontractors, suppliers, customers, shareholders, bankers, joint venture partners, etc.

Violations of the policy may be grounds for disciplinary action, including termination of employment or termination of Clover's relationship with a stakeholder.

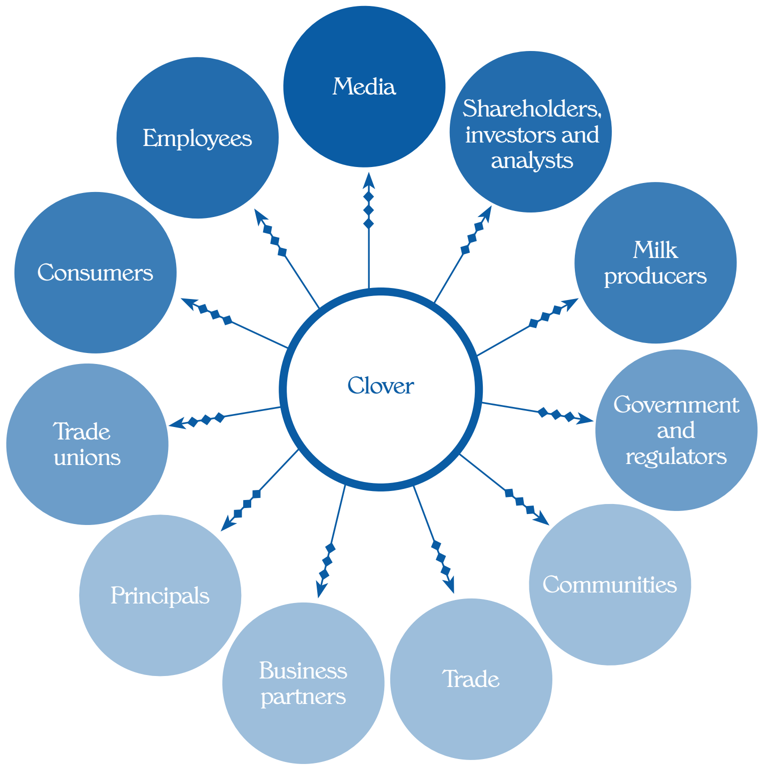
In instances where the employee wishes to remain anonymous, the employee may direct his/her concerns to Clover's Ethics Line "Tip-Offs Anonymous", which can be reached on a 24-hour basis. Allegations of unethical behaviour are then made available to executive management and to the Group Risk Manager, who would ensure that a diligent investigation process be followed to confirm or refute allegations.

A copy of Clover's ethics policy is available on the Group's website at www.clover.co.za.

3.4 Clover's stakeholders

Throughout the 2012 financial year the Group has actively engaged with all its key stakeholders. Management undertakes to identify all stakeholders as well as their legitimate interests in and expectations of the Group on a continuous basis as stakeholders' interests in the Group are dynamic and subject to change. Once stakeholders are identified, management decides through consultation with the various stakeholder groups how to further engage with each constituency.

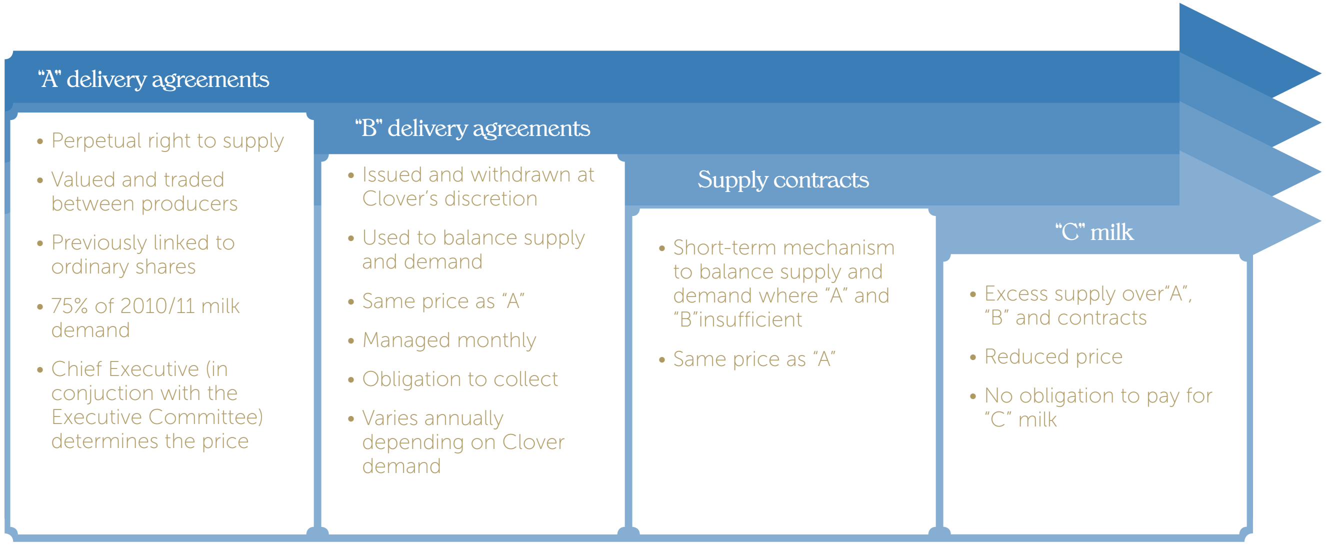
This process forms part of the Group's risk management framework.



	Stakeholder	Why engagement is important	Types of communication	Frequency
3.4.1	Milk producers	To ensure security of Clover's milk producers	Circulars, regional individual and group meetings with producers, media and the Clover producers forums	Ongoing
3.4.2	Employees	To ensure that staff are updated on business information and strategy to enhance individual contribution and Company objectives	Intranet, CE briefs, management briefs, general staff briefings, (*In Clover)* bi-monthly newletter, workshops and conferences, notice boards	Ongoing
3.4.3	Trade unions	To engage organised labour on matters affecting their members as well as matters of mutual interest	Regular union meetings and collective bargaining forums	Ongoing
3.4.4	Principals (Danone SA, Unilever, Foodcorp, Orley Foods and Epic Oil)	To ensure that there are clear channels of communication	Contract and service level agreements	Monthly and/or quarterly
3.4.5	Business partners	To ensure that Clover has the support of local industry suppliers	Meetings	Ongoing
3.4.6	Shareholders, investors and analysts	To ensure that Clover communicates delivery on strategy, financial performance and capital expansion plans	Presentations and meetings, circulars to shareholders, the Intregated Annual Report, the Annual General Meeting, SENS announcements, JSE show cases, the media	Ongoing, except in the closed periods. Formally twice a year as required by the JSE
3.4.7	Government and regulators	To ensure that Clover can provide input on policy changes in the agricultural sector, food security and general information	Meetings, written and verbal communication	Ongoing
3.4.8	Media	To ensure that there is interaction on strategy, capital expansion programmes, financial results, and to deal with issues that concern stakeholders at large	One-on-one and group interviews, site visits, media statements and general interaction	Ongoing
3.4.9	Communities, traditional and civic society	To ensure that Clover's environmental strategy is enabled through community empowerment	Direct interaction through various CSI and environmental campaigns in various communities	Ongoing
3.4.10	Trade	To ensure that there is regular interaction relating to promotional activities, performance reviews and annual trading terms negotiations	Meetings, conferences and workshops	Bi-monthly
3.4.11	Consumers	To ensure that Clover has direct consumer interaction and feedback	Promotions and community based initiatives	Ongoing

3.4.1 Milk producers

Clover's roots date back to 1898, when a group of milk producers in KwaZulu-Natal saw the need to market their milk collectively through products with a longer shelf life, such as butter. Through the years, the then National Cooperative Dairies and what later evolved to become Clover maintained a very close relationship with its milk producers which sustained a continuous supply of raw milk to the Group.



Clover's conversion from a cooperative to a commercially driven, viable entity necessitated a paradigm shift in the organisation's focus, from being a supply driven to a demand driven company. In order to establish some equilibrium between producer supply and market demand, Clover implemented its Unique Milk Procurement System ("CUMPS"). CUMPS offers producers certainty that the milk they contractually produce will be acquired by Clover at a predetermined price. At the same time it offers Clover the ability to match its raw milk intake with market demand for its product. Through CUMPS, Clover mitigates volume risk with regards to its raw milk supply. It also supports the company's strategy of being a brand driven organisation with a focus on value-added products as it is exiting the low margin bulk commodity market internationally used for balancing an oversupply of raw milk.

Despite significant volatility and market changes during the review period, Clover's aggregate raw milk supply exceeded its needs by only 1.82% for the review period (including a 1% provision for raw milk losses).

A direct benefit of CUMPS is assuring stable and economically viable rural communities, including a strong base of milk producers. This will significantly contribute to the sustainability of agriculture in general, and specifically sustain a continuous supply of raw milk to the Group and support food security within the country.

Clover is one of a few large dairy processors that have purchased milk from previously disadvantaged producers for many years. Economic factors and sustainable milk quality make it very challenging for these enterprises to survive. Likewise, a number of BEE initiatives failed as a result of lack in expertise, support and dedication at farm level. There are, however a number of very good examples of commercial producers partnering with communities and labourers. Most of these projects were initiated by Amadlelo Agri and are sustainable.

Clover assisted the Fort Hare project by purchasing the raw milk and subsidising the transport costs thereof by R588 000 from October 2007 to May 2010, when the project reached sustainability. Middeldrift followed and the transport cost in this instance was subsidised by R376 000 for the period November 2008 to May 2010. Similar projects were developed at Keiskammahoek and Shiloh. The milk from these four farms accounts for almost 11% of Clover's milk intake in the Eastern Cape region.

Description	2012	2011	2010	2009
Number of milk producers who supplied milk to Clover during the year	**267**	293	309	353
Estimated number of employees employed by above producers*	**3 738**	4 102	4 326	4 942
Estimated number of dependents reliant on income received from above employees**	**18 690**	20 510	21 630	24 710

* *The number of employees is based on previous production cost survey statistics.*
** *The number of dependents is based on feedback from producers.*

The downward trend in the Group's milk producer numbers is the result of continuous consolidation in the primary industry and should not be interpreted as a threat to the sustainability of milk supply in the short- to medium-term. It is, however, not in the best interest of rural development or job creation in South Africa and it's therefore important for the industry and government to find a way of ensuring a viable agricultural sector and dairy industry.

3.4.2 Employees

Recognising that its future success depends on the quality and loyalty of its people, the Clover Group strives to create a pleasant, healthy and motivating work environment where employees and are treated fairly and, through focused training and development programmes and are equipped with the skills they require to perform optimally. It supports the principles of employment equity and mobilises an effective social responsibility programme focusing on education, health and skills development.

To this effect, the Group actively promotes and supports various employee initiatives to foster a positive work climate across departments and divisions. A special effort is made to align individual and team contributions to Company.

Channels of communication to embed a common vision and ensure alignment include: The *In Clover* staff publication, the intranet, management briefing sessions, shop steward meetings, mission directed work teams and departmental meetings.

3.4.3 Trade unions

Approximately 55% of Clover's staff is unionised with membership of the Food and Allied Workers' Union ("FAWU") and the South African Commercial, Catering and Allied Workers Union ("SACCAWU"). Collective bargaining takes place at national level and the Group interacts across a range of labour forums to ensure sound employee relations and compliance with legislation and recognised labour practices.

Wage negotiations during the period under review ended in a dispute which remained unresolved despite numerous attempts to find a solution. Subsequent to the reporting date, FAWU served notice on the company of their members' intention to strike in pursuit of their wage demands, with the protected strike commencing on 18 July 2012. Clover obtained an interdict preventing members of FAWU to be involved in incidents of violence, intimidation and/or causing damage to property.

At the time of writing, the company successfully completed wage negotiations for the period to 30 June 2013, settling on a 8.5% wage increase and a minimum payroll increase of R360 (representing a 10.5% increase for the lowest paid worker).

3.4.4 Principals

Clover distributes products for various principals, namely Unilever, Eskort, Foodcorp, Danone SA, Orley Foods and Epic Oils. The principal business is strategically important to Clover and enables Clover to optimise the efficiency of the distribution network, increase the profitability of the distribution platform for Clover's own products and provides Clover with critical mass to service markets, which its competitors cannot economically service.

Given the increase in input costs such as fuel and fleet maintenance, workforce management and training as well as environmental impact considerations, the value proposition for principals to outsource the distribution and merchandising of their products to a supply chain specialist such as Clover is compelling. Clover's dairy business is the ideal enabler to reach a widely dispersed customer and consumer base.

In the financial year ended 30 June 2012, Clover handled approximately 328 000 tonnes of principal products for its principals, totalling approximately R6,01 billion in principal turnover. Clover is remunerated on a "cost plus" fee basis with fees tied to the volume of products distributed or on a percentage of turnover basis.

Clover has successfully renegotiated a further two year contract with Danone and five year contracts with Unilever, Foodcorp, Eskort and Orley Foods. The objective has always been for Clover to partner with principals that enhance and compliment the product and service offering of Clover to its customers.

These contracts are not only profitable for Clover, but offer extensive benefits to both principals and customers, offering a world-class distribution and sales service with the added benefit of economies of scale.

The table below sets out the products handled and services provided to Clover's principals:

	Products handled	Services rendered
Unilever	All refrigerated products, being margarine (Rama, Stork,Flora and Meadowlands)	Warehousing and distribution services, manufacturing of OLA ice cream, sales and merchandising services
Danone SA	Total product basket, being custard, yoghurt and maas	Supply chain planning, distribution and warehousing, raw material procurement, credit control and debtors admin, manufacturing and packaging of maas and custard, IT services, sales and merchandising services
Eskort	Total product basket, being processed pork products	Sales and merchandising services, distribution services, credit control and debtors admin
Foodcorp	Mageu, being fermented maize drink	Manufacturing, packaging and distribution, credit control and debtors admin, sales and merchandising services
Orley Foods	Orley Whip Cream	Sales and merchandising services, distribution services, credit control and debtors admin
Epic Oils	Margarine (Canola and Blossom)	Sales and merchandising services, distribution services, credit control and debtors admin

3.4.5 Business partners

Clover recognises that well-aligned partnerships are strategically important to build or springboard a business to heightened levels of success, or to inject the energy required to enter a new era of profitability. Clover is not oblivious to the contribution its various business partners have made to its success. A large number of these partnerships have been established in some of the most testing times in Clover's long history and are based on open and honest communications, based on the principles of fairness and mutual success.

3.4.6 Shareholders, investors and analysts

Clover was successfully listed on the JSE Limited on 14 December 2010, raising R575 million in a private placement that was oversubscribed. Shareholders include milk producers, staff, the directors of Clover, individuals and a number of South Africa's largest institutional investors. International institutions have also showed an increasing interest in Clover's investment case.

Clover engages with its shareholders on a regular basis through financial results presentations and road shows, media commentary, Stock Exchange News Service announcements, its annual report and other regulatory circulars to shareholders. In addition, Clover hosts investor site visits and open days to elaborate on its capital expansion programme and strategy.

3.4.7 Government and regulators

Competition Commission

Clover remains committed to fully co-operating with the Competition Commission and takes reasonable steps to ensure that management and employees do not engage in conduct that would constitute a prohibited practice. No instances of prohibited behaviour were investigated by the Competition authorities during the year under review.

The Group established a Competition Law Centre of Excellence ("CLCE") in conjunction with the KPMG Competition Law Advisory Practice early in 2012. In general, the CLCE is a critical management tool developed by the Group to ensure a high standard of ongoing competition law compliance within the Group. The CLCE allows for a seamless interaction between the members of the Group's legal department the members of the KPMG Competition Law Advisory Practice, which offer both competition law and competition economics support and advice. More information on CLCE is available in the Corporate Governance Section of this Integrated Report.

Consumer Protection Act (CPA)

The Group has taken proactive steps to ensure that it is fully prepared for the application of the Consumer Protection Act, which came into effect during the previous reporting period. High-level induction programmes to key individuals in the Group on the potential effect of the application of the new Consumer Protection Act are ongoing. The process of establishing a Consumer Protection Act Centre of Excellence, similar centre to the CLCE is in progress.

No material complaints or investigations were received during the review period.

3.4.8 Media

Clover views the media as an effective channel to communicate with external stakeholders and strives to maintain open, honest and effective communication. The Group regularly comments on the factors and developments that impact on Clover's business activities, as it believes that the public should have a balanced view of its industry.

Communication is generally pro-active in the form of one-on-one meetings, group presentations, media statements, voluntary releases through the JSE's Stock Exchange News Service, updates as well as site visits. Relevant information is continuously updated on the Group's website, www.clover.co.za.

3.4.9 Communities, traditional and civic society

Clover's engagement with and responsibilities to the communities in which it operates and on which its products impact are discussed in the corporate social investment and environmental strategy section.

3.4.10 Trade

Clover's aim is to cultivate strong growth with trading partners by being more than just a vendor. We understand shopping behaviour and try to add value by assisting the trade to effectively meet the consumers' expectations.

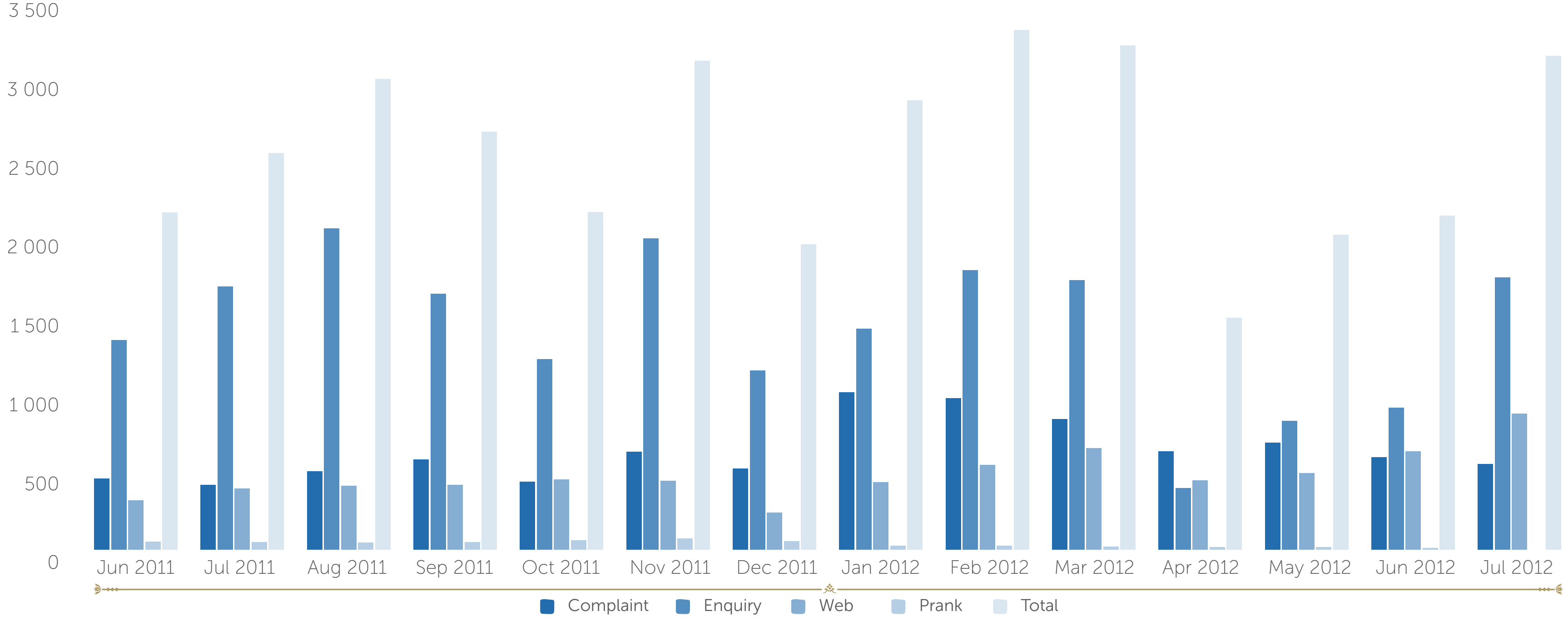
3.4.11 Consumers

The Group's strong and honest relationships with its consumers, principals, retail and wholesale businesses, agents and distributors, continued during the year under review. This ensures that the Group's products reach consumers throughout South Africa in good condition and at market related prices in a very competitive market. Clover's emphasis on quality products is strongly embedded in the quality raw milk which the Group procures from its producers.

The Clover Consumer Centre ("CCC") strives to consistently service our customers' expectations and needs by demonstrating the required respect for their needs and opinions. All complaints and enquiries are handled professionally by trained consultants to ensure that the image of Clover, Clover's brand names and services are protected while ensuring compliance with the Consumer Protection Act.

As per the Consumer Protection Act, a procedure is in place and will be applied in situations where a serious risk or threat exists for Clover in general, Clover's brand names or products, Clover's personnel or on possible environmental impact. From all the priority calls received in the period mentioned below, 0,1% were escalated to the Crisis Committee and/or the Executive Committee (priority 1 calls), 4,8% to management (priority 2 calls) and 95,4% were handled by the consumer consultants (priority 3 and 4 calls).

Total consumer calls period: June 2011 to July 2012



Priority calls: classification

Type of call	Description
Priority 1	**Critical calls** Compliant which can: • Damage the image of Clover or the Clover brand name. • Threaten the health or safety of the consumer and/or Clover personnel. • Hold a contamination threat to the environment. • Result in a consumer suffering damages as a result of a Clover product. • Possibly result in negative publication in the media. • Possibly result in legal action against Clover. • Possibly result in the consumer referring the matter to the Consumer Council.
Priority 2	**Client request feedback in writing** The complaint receives urgent attention and the consumer is kept informed by the head of the Consumer Centre until such time as the investigation is completed and complies with the requirements of the consumer.
Priority 3	**Client wants to speak with manager** Complaints, which are not satisfactorily dealt with by the consultant and where the consumer insists on communicating with the head of the Consumer Centre, the complaint must be escalated to her for her attention.
Priority 4	**Completed by consultants** Complaints are attended to by the consultant with the information at hand and no further escalation of the complaint/incident is necessary.

Consumer engagement and the Way Better philosophy

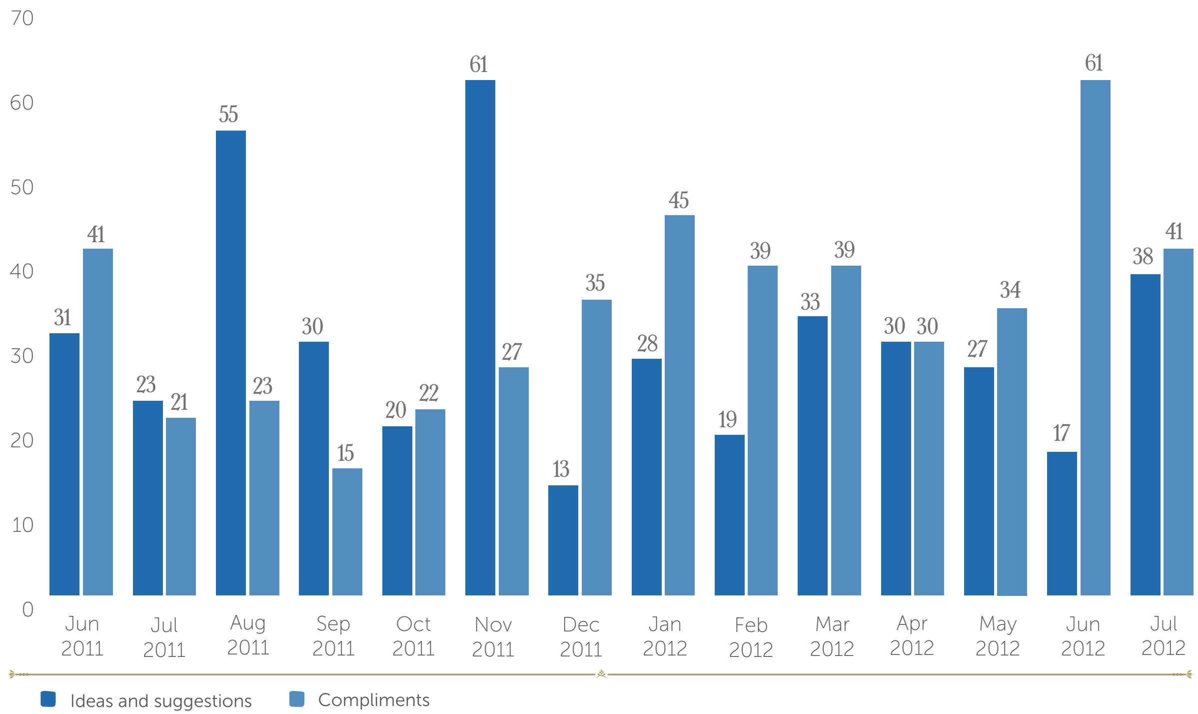
Clover's corporate strategy is to build onto existing competencies within the Group and to establish a culture of exceptional performance with a view to creating a platform for future market expansion. Key to all of Clover's activities is the expansion of capacities to share in the strong growth in consumption in the product segments in which it has a leading market share.

Clover has identified a unique set of strategic pillars as disclosed on page 6 on which the success of the business is founded. The philosophy behind the Way Better initiative is therefore more than a marketing campaign. It represents a cultural step-change in seeking optimal ways of delivering on the corporate strategy and is aimed at setting new standards in best practice and to attract the best in the industry to Clover.

The Way Better metaphor was created in order to engage and introduce Clover's consumers to this enhanced approach to doing business. Although primarily a marketing campaign, Clover Way Better™ draws on Clover's position as a market leader that innovatively adds value through convenience and quality as highlighted by the number of ideas and compliments that we received during the year.

Ideas and compliments: period June 2011 to July 2012

General information	Total: June 2011 to July 2012
Number of compliments received	473
Ideas and suggestions	425



4. Broad-based black economic empowerment (B-BBEE)

Through preferential procurement, the Group concentrates on social and environmental issues in the supply chain. Approximately 62% of the money spent by the Group in its non-milk procurement process is spent with suppliers who enjoy various levels of B-BBEE compliance status.

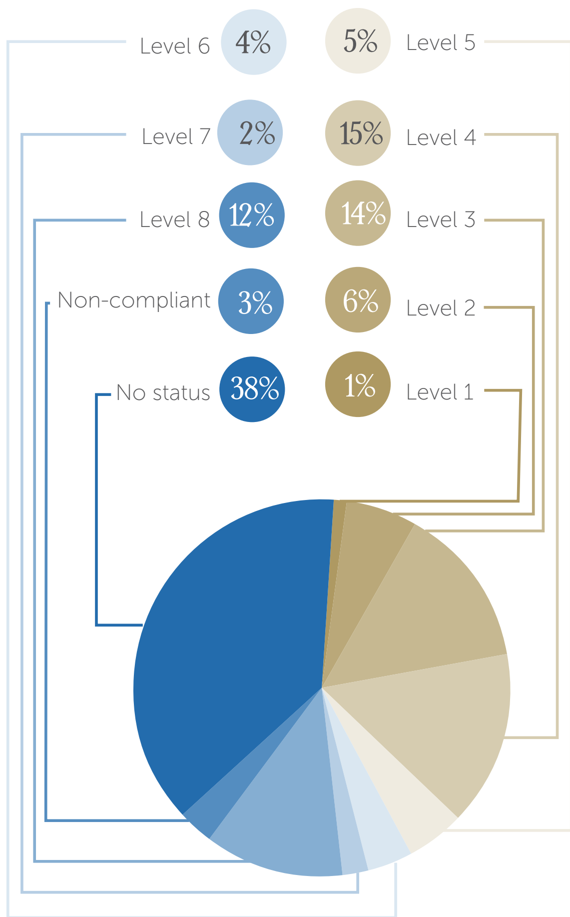
B-BBEE level	Value 2011/2012 R	Recognition %	Weighted BEE procurement (2011/2012) R	Total value spend 2011/2012 %
Level one	48 276 323	135%	74 387 682	1,3%
Level two	228 723 900	125%	325 276 211	6,1%
Level three	530 061 588	110%	614 123 220	14,1%
Level four	569 403 218	100%	604 829 949	15,2%
Level five	182 072 425	80%	180 328 210	4,9%
Level six	154 592 569	60%	94 912 735	4,1%
Level seven	63 685 013	50%	32 256 892	1,7%
Level eight	446 738 947	10%	51 550 520	11,9%
Sub total	2 223 553 983		1 977 665 419	59,3%
Non-compliant	114 694 119	0%	0	3,1%
No status	1 414 076 928	0%	0	37,7%
Sub total	1 528 771 047		0	40,7%
Total	**3 752 325 032**		**1 977 665 419**	**100,0%**

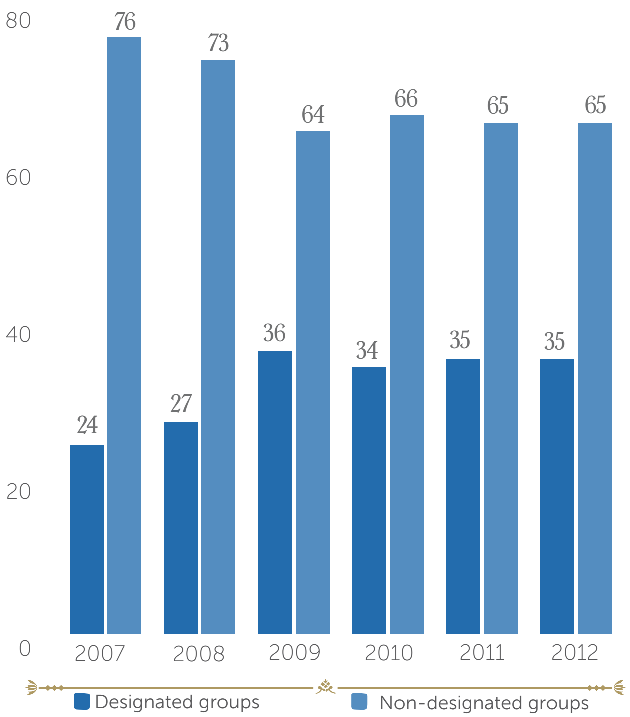
Clover views B-BBEE as an opportunity to increase economic activity, thereby creating:

- Sustainable livelihoods for as many of the country's inhabitants as possible.
- A growing and sustainable consumer market.

Clover remains committed to the B-BBEE process as outlined by the Department of Trade and Industry. During the recent external audit (conducted by SANAS-approved Empowerlogic), Clover received a Level 6 rating.

Preferential procurement spend with suppliers classified according to their BEE status:





Percentage of staff from designated groups as defined by the Department Labour

5. Employment equity and transformation

Clover submits employment equity reports and plans as required by legislation. Communication and consultation with relevant stakeholders takes place on a regular basis. Steady progress has been made to increase the number of people from designated groups (as defined by the Department of Labour) at management level.

5.1 Employment equity plan: 2012 to 2014

Subsequent to a review conducted by the Department of Labour in terms of section 43 of the Employment Equity Act, 1998 it was established that Clover complies procedurally with the act, but lacks in achieving numerical goals.

Clover has finalised its employment equity plan, which commenced on 1 July 2012 and will continue up to 30 June 2014. The objectives of the plan are to give effect to the company's employment equity policy in so far as it relates to employment equity goals. The employment equity plan will also ensure that Clover's workplace remains free of unfair discrimination and reasonable progress is made towards employment equity in the workplace.

The Executive Committee is responsible for the implementation and monitoring of Clover's employment equity plan. The committee, in execution of its duties, will assign specific responsibilities to individuals and managers in general. The responsibility to implement employment equity plans at the different Clover workplaces is delegated to site managers.

5.2 Affirmative action measures and strategies

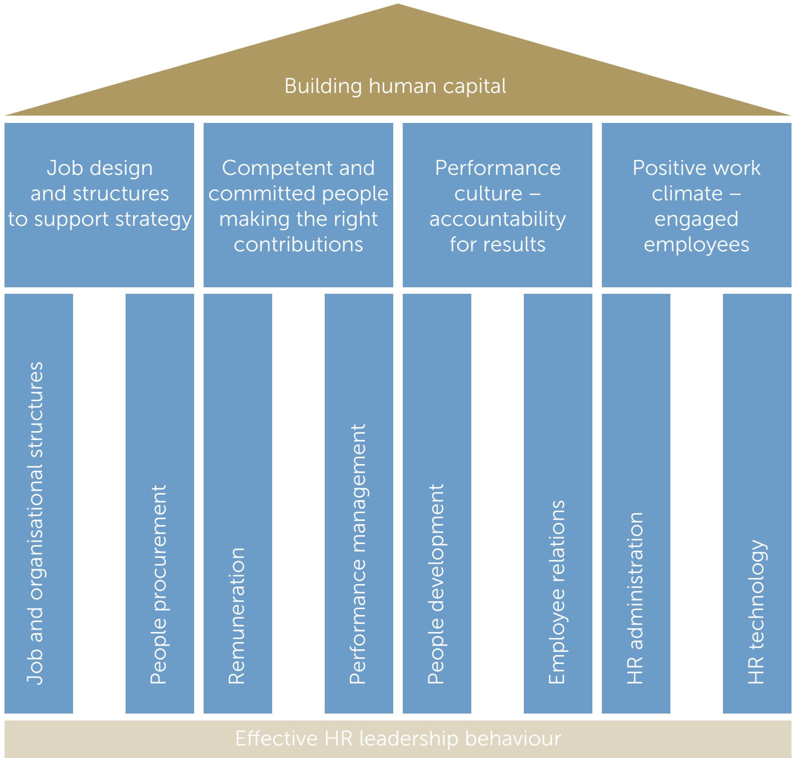
Numeric goals and targets

To improve diversity in the workplace, and specifically to address the levels of representation of people from designated groups, Clover has committed to achieving the goals set out below:

Objectives	Actual 31 May 2012	Target 30 June 2013	Target 30 June 2014
Black people on F Band	0%	14.2%	14.2%
Black people on E Band	5,5%	5,0%	9,5%
Black women on E Band	0%	0%	4,7%
Black people on C5 – D5	16%	17,9%	20%
Black women on C5 – D5	3,8%	4,8%	6,7%
Black people on C1 – C4	49,8%	51%	52,4%
Black women on C1 – C4	9%	9,9%	10,6%
Disabled people	0,77%	0,77%	0,85%

6. Human capital development

The contribution of the human resources function



To secure Clover's position as one of Southern Africa's leading fast moving consumer goods companies, the Company has adopted a proactive approach through its Clover Way Better™ initiative that extends all areas of its business such as procurement, production, marketing, sales and distribution and quality. At the basis of all these activities are people.

To be the 'best team' Clover recognises that its people will need to have higher levels of speed, passion and commitment. A company culture has to a large extent been created where employees commit to each other and to the Group's vision and objectives.

Through Project Modellare Clover initiated a process which had as its primary aim the re-alignment of the human resource in the business, enabling employees to play an even bigger role to the advantage of Clover's shareholders and to the community at large.

Project Modellare was conducted through extensive consultations with employees at management level with the following objectives in mind:

- Alignment of job content to strategy.
- Suggestions for improving alignment.
- Whether accountabilities are clear.
- Identify frustrations and stumbling blocks to achieving objectives and realising full potential.
- Personal career aspirations.
- Development needs.
- Personal circumstances affecting productivity and career plans.

Some of the outcomes from the engagement project that were identified include:

- The need to introduce a further retention mechanism for highly specialised and scarce skills (Category 'S' employees). Clover is in the process of identifying these positions and individuals.
- Roles have to be clarified.
- A further demonstration of openness and participation at senior management level is required.
- A social contract between the company and each employee exists and should be strengthened.

6.1 Training and development

To meet the business' current and future requirements it is important that it unlocks the potential of all of its people. Individual aspirations are supported by purposeful and focused training and development while attending to realistic and equitable career planning. Speed of execution, passion and commitment are encouraged at all levels, as Clover believes that these give the Company a competitive advantage, and make it an employer of choice.

To this end, Clover has embarked on a workforce modernisation programme with the purpose of meeting the current performance and future growth objectives of the business and by regarding Clover's human resources as an asset rather than expense. The key is to ensure that our people are a competitive advantage with an understanding of their role in ensuring the future sustainability of Clover's workforce by seeking to identify ways to continually improve the performance of the business.

The Modernisation Programme will be effected through talent development initiatives, the Employee Assistance Programme, management and leadership competence development as well as functional job and technical training. The programme supports the National Skills Development Strategy, allowing the opportunity to access the Food and Beverages Sector Education and Training Authority (Foodbev SETA) grant funding and also qualifies for tax incentive deductions. Qualifications are offered to employees through learnerships as part of the workforce Modernisation Programme.

Focused employee training and development, driven by powerful leadership, is a key business strategy to support Clover's performance and growth objectives and to position the Company as the industry's employer of choice.

Training and development focuses on firstly building competence that will ensure effective execution of operational tasks, and secondly on generating capacity in human resources that will ensure sustainable performance and growth.

These initiatives are supported by a well-structured formal approach to performance management.

Establishing a powerful and sustainable leadership pipeline of talented employees with the required competence and readiness to perform now and in the future is vital to Clover's success.

In the past year, 3 827 learning opportunities were provided to 2 224 Clover employees. 1 842 (82.8%) of the employees were historically disadvantaged South Africans of which 382 (20.7%) were women. The focus is on these categories of employees as Clover must significantly bolster its levels of skilled employees from these designated groups, especially black people and women.

Employee indicators	2012	2011	2010	2009	2008
Average number of employees	**6 555**	6 353	6 362	6 579	6 662
Employee turnover per year (%)	**8,21%**	10,9%	9,3%	10,3%	10,6%
Number of man days lost due to strikes*	**346**	112	334	415	0
Total training spend per year (R'000)	**4 879**	3 450	3 942	7 017	7 861
Training spend per employee per year (R)	**744**	565	665	1 066	1 180
Number of employees trained	**2 224**	2 058	1 550	3 133	5 928
Number of man days spent on training	**2 965**	2 744	2 067	4 177	7 904

**Man days lost due to the COSATU protest action on toll roads are not included in the above figure and totals 3 182 days.*

Clover's Competence Development Model ("CDM") was established to identify, develop and retain talented individuals to ensure a continuous pipeline of skills aligned with the business' critical requirements. The CDM follows an integrated and holistic approach including the development of existing talent and sourcing external skills where appropriate. The model recognises the importance of developing both job technical competence as well as management and leadership capabilities.

7. Health and safety

Employees can only operate efficiently and effectively in a safe and healthy working environment. Given the perishable nature of Clover's products, the Group closely monitors approaches to health and safety practices. Formal health and safety policies are in place as well as systems and processes to implement and monitor these. There is a standard health and safety procedure for every potentially dangerous substance or operation in the workplace.

All of the Group's production facilities falling within the ambit of this report were audited by an accredited external party for safety during the year under review. Measures complying with ISO14000 (Environmental Management) and the Occupational Health and Safety Act ("OHS") were used. Audits are conducted yearly to monitor continuous improvement.

The following results were achieved (as a percentage of compliance with OHS mentioned above):

Site	Safety %
Frankfort	85
Heilbron	86
Clayville	91
Lichtenburg	93
Queensburgh	94
Estcourt	89
Bethlehem	92
Parow	92
Port Elizabeth	89
Mayfair	92

Our aim is to achieve a 95% compliance rate over the next three years.

8. Environmental impact and strategy

Clover's green initiative started in the prior financial year with the aim of establishing a formal environmental sustainability ("green") strategy. As part of achieving this vision, Clover recognises its responsibility to reduce, and as far as practicable, to eliminate the impacts of its business on the environment. This responsibility relates not only to operations within Clover's control, but also to Clover's supply chain partners, which are recognised to be responsible for significant environmental impacts in supplying Clover.

In realisation of this responsibility, Clover is committed to the following objectives and outcomes:

Objective	Outcome
Continuously improve on environmental performance.	Implement and maintain an effective environmental management system ("EMS"). Provide a structured framework for continual improvement.
Reduce carbon footprint.	Quantify the carbon footprint associated with operations and key elements of the supply chain. Set annual targets for reducing Clover's overall climate impact.
Reduce water usage across operations.	Monitor water usage and set targets for reducing water consumption.
Limit the generation of solid and liquid wastes and the impact of their disposal.	Implement programme, monitor waste sent to landfill and set targets for reducing waste to landfill.
Minimise returns and damages and the impact thereof on the environment.	Implement programmes and monitor.
Reduce energy consumption and associated emissions.	Monitor energy usage and set targets for reducing consumption.
Manage impacts for on-site storage of fuels and chemicals, both during normal operation and in the event of spills and emergencies.	Implementation and monitoring of procedures.
Optimise the use of primary and secondary packaging.	Monitor wastage and implement improvement processes and targets.
Adhere to all applicable environmental legislation.	Continuously review and revise the ambit and effectiveness of the EMS.
Ensure continuous monitoring of and reduction in the impacts associated with milk supply.	Support and development of the Best Farming Practices Programme.
Inform supply chain partners on activities to reduce environmental impact and partner with them to reduce their own impact.	Formally engage with partners in the supply chain.
Inform staff on the EMS and policy and equip them with skills to achieve requirements of the policy.	Staff engagement, formal development and training.

Clover is committed to reviewing this environmental policy annually, as well as reviewing targets and progress towards achieving its environmental objectives. To enhance environmental awareness among staff, a Clover green section was introduced as a regular feature in the bi-monthly staff newspaper (*In Clover*), containing news on Clover's green initiatives, staff involvement and clean-up challenges across the Group and providing green tips.

Amongst numerous other indicators, Clover actively monitors the following aspects through its use of the dedicated Entropy risk management system and various checks and balances.

Working towards zero-waste operations	2012 kg	2011 kg
Total waste generated by operations that was recycled	**1 188 047**	829 377
Total of all waste generated by operations that could be reused (either reworked or repacked) or used by a third party	**52 836 000**	3 756 377
Total waste product generated by all operations that was disposed of as animal feed	**4 095 553**	2 927 073
Reducing the amount of water used to produce the products	**2012**	**2011**
Water consumed per kg of litre of product produced	**3,5 lt**	3,7 lt

Reducing the Group's energy consumption	2012	2011
Electricity consumed per kg/lt product produced	**0,1471 kWh/kg**	0,1567 kWh/kg
Fuel consumed for steam generation (coal, gas HFO) per kg product produced	**0,4067 lt**	0,3921 lt
Constantly improving the Group's occupational health and safety performance	**2012 lost time injury (man days)**	2011 lost time injury (man days)
Incidents and injury reports throughout the Group's operations	**574**	579

Subsequent to Clover's successful capital raising and listing on the Johannesburg Stock Exchange in December 2010, Clover commenced with the implementation of value-enhancing expansion and optimisation projects to increase the efficiency of the business platform and create capacity to support current and future growth of the business.

Clover's primary capital project is named Project Cielo Blu. The intention behind Project Cielo Blu is to invest in the production and distribution infrastructure of the business to, *inter alia*: redress historical inefficiencies in the supply chain network resulting from the pre-1994 regulatory environment.

This will see the relocating of Clover's production facilities to the milk source. Clover's tankers haul approximately 650 million litres of raw milk per annum from the source to its production facilities. An approximate 16 million kilometres are covered on an annual basis to transport milk. This is partially done by third party transport, but Clover's own vehicles are consuming more than six million litres of diesel, to fulfil this task.

Improved production and distribution efficiencies will have a marked impact on the transport of raw milk. Production at source implies that finished product will be distributed from the source area, which does not require the same specialised refrigeration technology and allows for better efficiency of the transport utilised, as an additional load can be scheduled for the return leg of the journey.

Project Cielo Blu will be phased in over a four-year period (commencing in 2011) and its associated benefits is expected to increasingly generate significant benefits and savings for the Group.

Clover is in the process of implementing measures to monitor its carbon footprint and anticipates Project Cielo Blu to gradually reduce the impact thereof. Full implementation is expected to be completed by November 2012.

9. Corporate social and community investment

Clover Mama Afrika is based on a simple concept. Clover empower community caregivers with viable skills, which they in turn pass on to others, in order to earn a sustainable income for the community. All of this is done whilst caring for society's most vulnerable members, like orphaned and abused children, HIV Aids victims and neglected senior citizens.

Clover Mama Afrika continues to be an exemplary corporate social development initiative. Its infrastructure and tangible results have attracted several blue chip financial partners enabling the project to assist with various self-help projects. Another highlight for the project was winning the prestigious Proudly SA Homegrown – CSI Champion of the Year Award in 2011.

Since its inception in 2004, Clover Mama Afrika has grown to assist 35 remarkable Mamas across the country. These Mamas collectively had a positive impact on well over 12 800 children and more than 3 500 elderly.

Clover Mama Afrika candidates are identified on the following criteria:

- They have already started a nurturing and protective environment for the people they care for.
- They have managed a care centre for between three and five years.
- They have an existing dwelling that accommodates their work.
- Their work receives the respect and endorsement of the community.
- They are positively committed to job creation.
- They are willing to receive training and are committed to passing their new-found skills to recreate new jobs.

Clover Mamas are trained in essential skills like cooking, baking, sewing, crocheting, business management, food gardening and bread baking. They also receive the necessary tools, skills, training equipment and infrastructure to create an income for their communities, using their newly acquired skills.

9.1 Skills selection

From the onset of signing up a Clover Mama Afrika, this corporate social investment ("CSI") initiative selected various skills training and development projects that ensure that the centres become self-sustainable. Great care goes into selecting the skills training that each Mama requires within their respective communities.

With all skills training offered, start-up equipment is given in order for them to implement their newfound skills straight away. It also gives the immediate opportunity to generate income and transfer the skills to other fellow community members.

9.2 Site improvement

In addition to the empowering projects, we assist with repairs and renovations of their premises. Even though property and building is not our main focus, we want to ensure that their physical environment is improved and has the basic facilities such as appropriate ablution facilities for health and hygiene purposes and that it is a safe haven for the members in their care. We also provide centres with the building of project houses where necessary. In the case of Mama Albertina of Alexandria, we secured a property for her to have a permanent centre for the disabled members she cares for.

9.3 Monitoring and evaluation

The hands on approach and close working relations with each of the Mamas ensure the regular monitoring and evaluation of each self-help project implemented. Through this evaluation process, we are able to identify the strengths and weaknesses/challenges on an individual basis. Immediate support and assistance is provided. The continued support from top management, Clover Branch personnel and external partners is also a positive attribute to the growing success of Clover Mama Afrika.

9.4 Sustainable impact as at 29 February 2012

Skills training	Clover Mamas/ members trained	Operating Clover Mama Afrika centres	Skills transferred to fellow community members	Employed members earning wages/ salaries
Sewing	102	28	364	70
Bread oven project	336	29	748	95
Cooking and baking	67	27	365	44
Food gardens	519	26	279	37
Quilting	18	12	113	14
Crochet	21	21	138	18
Pottery	1	1	20	2
Added value skills training				
Art	39	31	7	2
Flower arrangement	37	28	197	15
Mobile phones	78	30		
MKI health Information	18	18	Reach 20 000 +	
Save a Child	175	13		
Basic admin/finance	27	27		

** Food gardens feed up to 4680 members per day*

9.5 Sustainable skills and needs analysis for the period 2012 to 2014

Clover Mama Afrika has positioned itself as a successful award winning example of an honest, sustainable and effective CSI project, which is making a real difference in the lives of many South Africans.

10. Future

Clover is cognisant of the fact that integrated reporting is a phased approach, which only started in 2009 for the Group. It also recognises the importance of avoiding a tick-box mentality, but to incorporate integrated reporting as part of Clover's core. To this end, the committee can report that the Group has already started to see benefits from its integrated reporting process.

The Group has embarked on a process of collecting, collating and reporting key sustainability performance data, yet additional performance data – either for specific indicators, or for specific operations/locations – remain required to enhance the overall quality of Clover's sustainability reporting.

The Group remains committed to continuous improvement in all matters that affect the sustainability of the Group and its activities.

Tom Wixley

Chairman

6 September 2012