INTEGRATED REPORT

for the year ended 30 June

2013

Highlights

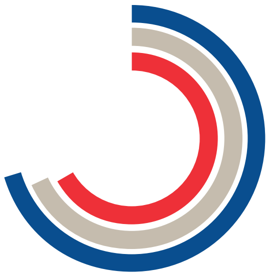
10,7% ▲ **REVENUE**
Increased to R8,0 billion

5,4% ▲ **OPERATING PROFIT**
Increased to R391,4 million

3,4% ▲ **HEADLINE EARNINGS**
Increased to R214,9 million

3,4% ▲ **HEPS**
Increased to 119,9 cents

12,7% ▲ **TOTAL DIVIDEND PER SHARE**
Increased to 32 cents



HEPS
for the year ended 30 June 2013

- 2013: 119,9 cents
- 2012: 116,0 cents
- 2011: 113,8 cents

Nature of this Integrated Annual Report for the financial year ended 30 June 2013

This 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 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.

Based on the recommendations of the Audit and Risk Committee the Board has approved the Integrated Annual Report

The Board authorised the Integrated Annual Report for release.

WI Büchner
Chairman

11 September 2013

JH Vorster
Chief Executive

CONTENTS

DAIRY PRODUCTS

Milk

Clover is the **market leader** in Fresh Milk. In order to maintain our number one position and reinforce our leadership, Clover focuses on **differentiation and innovation, underpinned by superior quality** – providing consumers with solutions that make their lives **Way Better.** Clover's latest innovation is the investment in technology that has **enabled us to extend the shelf life of our core range of fresh milk to 18 days**. 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 degrees Celsius and using clean-fill technology when packing our milk.

Clover milk undergoes **55 quality tests,** is **hygienically treated** throughout production and is kept **below 4 degrees Celsius** to ensure excellent quality and freshness. Our milk is sourced from **231 specially selected farms** – from producers with whom Clover has quality standard agreements.

Focus on, and support of, our innovations has **allowed Clover to grow its fresh milk faster than the market** and increase on market share to **31,9%** in June 2013 *(Aztec 12 monthly moving to June 2013).*

AWARDS

- PMR AFRICA ARROW AWARDS 2013 – NATIONAL SURVEY OF FMCG MANUFACTURERS: DIAMOND ARROW CLOVER MILK – FIRST OVERALL IN MILK CATEGORY
- ICON BRANDS 2013: CLOVER FRESH MILK – ICON BRAND STATUS CLOVER FRESH MILK – CATEGORY WINNER
- APEX AWARD – GOLD IN THE CHANGE CATEGORY FOR REINVENTING CLOVER BRAND

55
QUALITY TESTS ON EVERY LITRE OF OUR MILK

231
SPECIALLY SELECTED FARMS

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 **9 months** without refrigeration.

Clover is the largest manufacturer of butter in the country.

AWARDS
PMR DIAMOND ARROW AWARD

Butter and butter spreads

Clover is the largest manufacturer of butter in the country. Clover is the **market leader with 39,2% share** *(Aztec 12 monthly moving to June 2013)*, including such well-known brands as Clover Mooi River salted butter, Clover Springbok unsalted butter and Butro butter spread.

The butter category is valued at R443 million in the top-end retail *(Aztec 12 monthly moving to June 2013).*

Butter Packed
Clover butter is a natural product without any additives, artificial colouring or flavouring.

Butter Spread
Clover Butro contains sunflower oil to enable **an easy-spreading softness,** using less fat and gaining on taste and wholesomeness. **Butro is a leading butter brand in the top-end retail with 20,5% share** *(Aztec 12 monthly moving to June 2013).*

A large investment went into the upgrade of the machinery at the Clover butter factory, resulting in a new butter platform. This allows Clover to **improve the spreadability** as well as providing a platform for line extensions.

Combined with the launch of the improved spreadability, **a new, innovative tub has been launched to create a better shelf presence.** The tub is also a cost saving exercise, saving at least R1 million annually.

Improving the spreadability of Butro is part of the overall Clover butter strategy. The growth in the butter market **provides Clover with an opportunity to further grow the market** with the improved spreadability of butter as well as the extension of the butter portfolio.

Ghee
Real butterfat purified in its purest form – manufactured from butter which received heat treatment to separate the butterfat from the moisture, salt and curd and to develop flavour.

Cream

Clover Cream is ultra-pasteurised to ensure a superior quality product with an extended shelf life. The cream market is valued at R343 million *(Aztec 12 monthly moving to June 2013).* **Clover Cream is the market leader with 39,7% share** *(Aztec 12 monthly moving to June 2013).*

A strategy to increase consumption of Clover Cream has been put in place. This includes creating awareness and educating consumers on the multiple uses of cream. All forms of touch points with the consumer, including on pack, have been dedicated to recipes and communication on all areas of cooking and baking where cream can be used.

This strategy has been very successful and **Clover Cream had record sales in December 2012 as well as strong year-on-year growth.**

Sour Cream
Sour Cream is a fresh cultured cream. It has a smooth, thick texture and appearance.

UHT Cream
Clover Dairy Cream is UHT treated to make sure that all harmful organisms are killed, and the addition of high quality stabilising ingredients, ensure a longer shelf life and excellent whipping properties.

Aerosol Cream
Aerosol Dairy Whipped Cream is a long life whipped cream which is available in a 250g pressurised tin.

Amasi

Maas is a traditional fermented milk. It has a smooth texture and a slightly sour taste. Maas is regularly used in households and is consumed on its own or with other food like pap or bread.

The maas market has a **high consumption penetration and high frequency of usage,** with a loyal following. Clover recognised the opportunity to launch a maas product onto the market. Maas fits well with Clover's current product portfolio.

The maas category is a viable and lucrative one, that remains popular with its consumers. To this end Clover conducted extensive consumer research into the maas market in order to explore this opportunity further.

The results were conclusive as Clover has the correct credentials to launch a quality maas that still has the feelings of nostalgia and heritage – and it is the strength of the Clover name that would make this product a success.

The new Clover Amasi has been produced with a unique and stand-out formulation to make the taste rich, smooth and creamy.

AWARDS
PRODUCT OF THE YEAR 2013 IN THE MILK CATEGORY FOR 1LT PRISMA PACK

Clover UHT Milk

The quality and goodness of Clover UHT milk is kept for longer due to the UHT (Ultra High Temperature) process and special packaging that allows the product to be stored for a period of 9 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 offers unique UHT milk packaging.** Designed with improved functionality in mind, the UHT milk pack offers **enhanced opening, pourability and resealability,** making it way better for the consumer to handle. The unique and elegant shape is simpler to hold than other UHT milk packaging . The seal is also tamper proof and features a tamper proof evidence ring. In short, Clover's unique UHT milk packaging is **easy to open, easy to pour and easy to store.**

The **UHT milk market is growing significantly faster than the fresh milk market** (+8,0% UHT vs. -6,3% Fresh, *(Aztec 12 monthly moving to June 2013)*, **driven by new entrants and aggressive pricing.** As a result, Clover **has lost share in the UHT milk market** over the last 12 months 2,6 percentage points to 18,7%.

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.

Condensed Milk

Full-cream sweetened condensed milk manufactured by Clover is prepared from standardised bovine milk and pure refined sugar. The product does not contain any preservatives except sugar.

The condensed milk market is showing strong growth year-on-year. The market size is valued at R368 million (Data Monitor).

DAIRY PRODUCTS

AWARDS

- PMR AFRICA ARROW AWARDS 2013 – NATIONAL SURVEY OF FMCG MANUFACTURERS:
  GOLDEN ARROW CLOVER CHEESE – FIRST OVERALL FOR CHEESE
- PRODUCT OF THE YEAR 2013: CLOVER 800G CHEESE
- AGRI EXPO SA DAIRY CHAMPIONSHIPS 2013:
  VARIOUS 1ST, 2ND AND 3RD PRIZE AWARDS

Clover prepacked 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 with 38,2% volume share** *(Aztec 12 monthly moving to June 2013)* between Clover and Elite. 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 is communicated through the line: **Clover uses 10 litres of our milk to make 1 kilogram of our cheese.**

Larger pack sizes and value-for-money offerings have also become increasingly important to consumers. Clover now offers consumers a 450g family pack and an 800g value pack, which has now **provided incremental sales to the portfolio** since launch, while also adding to Clover's shelf space and shelf impression in store.

10:1

WE USE 10 LITRES OF OUR MILK TO MAKE ONE KILOGRAM OF OUR CHEESE

Clover Feta Cheese

Clover feta cheese is the second largest brand in the market on a *12 monthly moving* basis, and **competes for the number one position on a month by month basis.** Clover has **grown market share on feta by 3,7 percentage points to 36,6%** in the last 12 months *(Aztec 12 monthly moving to June 2013).* **Clover's aim is to become the number one player on the feta cheese market on a *12 monthly moving* basis.**

In this extremely price sensitive market, Clover recognises that it is important to ensure pricing and quality are right. Further to this, **Clover promotes feta below the line to drive growth and quality.** 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 2013:

  BLOEMFONTEIN
  - FETA WITHOUT ADDED INGREDIENTS: 1ST, 2ND, 3RD
  - FETA WITH ADDED INGREDIENTS: 1ST, 2ND

  CAPE TOWN
  - FETA WITHOUT ADDED INGREDIENTS: 1ST, 3RD
  - FETA WITH ADDED INGREDIENTS: 2ND

IWS cheese

Clover launched individually wrapped processed cheese slices in April 2013. The product has already **won a Qualite award** on the ("IWS") cheddar variant, which is especially impressive since this is the first Qualite award ever for a processed cheese **showing Clover's clear ambition to provide consumers with the highest quality, best tasting products.**

New Clover individually wrapped processed cheese slices (IWS) are **preservative free and made with great tasting, excellent quality ingredients.** Each slice individually wrapped means convenience and less wastage – which allows for portion control and value for money. Creamy with a smooth texture, a good strength of cheese flavour and balance between sweet and salty gives the product a delicious taste. Whether it's used on a sandwich, eaten on its own as a quick snack between meals or a treat for the kids, **Clover individually wrapped processed cheese slices are sure to make mealtimes** more convenient!

The total processed cheese slice market (top end) is valued at R516.6mil *(Aztec 12 monthly moving to June 2013).* **Clover's aim is to obtain 10% market share within the first year of launch.** The launch of Clover IWS will be supported with a 360 degree marketing campaign to drive awareness and trial across channels, including top end retail, wholesale and the informal market.

AWARDS

- AGRI EXPO SA DAIRY CHAMPIONSHIPS 2013:

  BLOEMFONTEIN
  - PROCESSED CHEESE SLICES – IWS (CLASS 7.5): 1ST

  CAPE TOWN
  - PROCESSED CHEESE SLICES – IWS (CLASS C/43): 1ST
- QUALITE AWARD:
  - IWS SLICES – CHEDDAR

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. It is a random weight 300g cheese.

Elite cheese

Elite cheese undergoes a 30 point grading system. Elite Gouda is the only gouda in South Africa that is made in the traditional way.

BEVERAGES

Tropika

Tropika is made from a combination of fruit juice and dairy, which results in **an unique smooth tasting beverage.**

Tropika is now achieving a **turnover of almost R1 billion.** After nearly 30 years in the South African market, **Tropika is still the market leader in the Dairy Fruit Mix ("DFM") category and the best-selling fruit juice beverage in South Africa.** It has a 62,1% market share in the DFM category and a 23,9% market share in the fresh fruit juices category.

Tropika have formed close-knit supplier relations to support the brand at a continuously innovating pace. **The Tropika Island of Treasure Campaign is now in its sixth year** – providing excitement in the category where consumers get the chance of winning an opportunity to become a reality star as well as motivating the Clover sales teams with an annual incentive scheme where island getaways and tropical dreams become a reality.

Always on the forefront – Tropika executed the first successful flash-mob mobile/youtube video in South Africa with **over a million views.**

Tropika's strategic vision is to:

- **Grow market share in regions of weak market shares** (Eastern and Western Cape).
- **Leveraging the brand into new product categories** for the same target market (new flavours and pack sizes).
- Stretching the brand into **new consumer markets** (line extensions under the Tropika umbrella).

AWARDS

- APEX BRONZE AWARD: SUSTAINABLE BRAND IN MARKETING AND BUSINESS
- PMR DIAMOND ARROW AWARD: BEST MARKETING CAMPAIGN
- SUNDAY TIMES TOP BRANDS: TOP 3

Clover beverages have an overwhelming 53,4% market share of the South African short-life fruit juice category, proving once again that we are "Way better!"

Clover Krush

Clover Krush is a premium, 100% fruit juice blend, available in 10 exciting flavours and caters for the entire family. Clover Krush will ensure not only a great healthy alternative, but the delicious tastes of nature with uncompromising everyday goodness. No sugar or sweeteners are added to the juice and it is enriched with Vitamins A, C and E.

Clover Krush has recently undergone a facelift, to keep up with the changing times. The pay off line of Clover Krush was changed to "As good as good can be". A new flavour was also introduced, to replace the granadilla flavour that was starting to decline in volume. True to innovation, Clover stayed on top of the juice trends and launched a red grape flavour. This flavour was launched in April 2013.

Clover Krush is the market leader in the pure juice, short life fruit juice market with a **36,9% market share** *(Aztec 12 monthly moving to June 2013)*. Clover beverages has an overwhelming 53,2% market share *(Aztec 12 monthly moving to June 2013)* of the South African short life fruit juice category, proving once again that we are "Way better!".

AWARDS

- SUNDAY TIMES TOP BRANDS 2012
  RATED FIRST IN THE FRUIT-BASED DRINK CATEGORY
- PMR AFRICA ARROW AWARDS 2012 – NATIONAL SURVEY OF FMCG MANUFACTURERS: DIAMOND ARROW CLOVER KRUSH – MOST SUCCESSFUL PRODUCT LAUNCH

100%

CLOVER KRUSH IS A 100% JUICE BLEND. THE PRODUCT IS ENRICHED WITH VITAMINS A, C AND E

Danao

Danao is a dairy fruit mix drink – containing real fruit juice and dairy with added vitamins A, B2, B12, C and Calcium. **Clover relaunched the brand in September 2012 with a new product formulation, flavours and packaging (type, design and sizes).** The brand was also re-positioned focussing on the inherent goodness of fruit juice and dairy – "Double the Happiness". The plan is to broaden the appeal from being a breakfast drink to an all-day, any time refreshment with an extended consumer target market.

As a result of the relaunch, **Danao showed a year-on-year volume growth of 26% in 2012/13. Market share increased with 3,3 percentage points since 2011 – from 3,4% to 6,7% share** *(Aztec 12 monthly moving to June 2013)*.

Danao is currently holding the 4th positioning in the DFM market – striving to be second in the market after Tropika.

AWARDS
THE PRODUCT OF THE YEAR AWARD 2013 IN THE DAIRY BEVERAGES CATEGORY, VOTED FOR BY 5 000 CONSUMERS.

Aquartz Mineral Water

Aquartz a natural mineral water that is **bottled directly at source,** to ensure the highest quality and purity and safety in a bottled water that can be trusted anywhere. **Aquartz is a naturally sweet mineral water because it is low in TDS** (Total Dissolved Solids). Aquartz Natural Mineral Water is available in the pure natural mineral water or flavoured water offerings.

Aquartz Active 750ml with the sport sipper cap was added to the range in October 2012 and has **added significantly to the growth** of the Aquartz brand.

Aquartz volumes grew by 35% after following a more price competitive strategy in the 2nd half of the last financial year. **Aquartz market share grew from 5,2% to 8,0%** in the total bottled water section *(Aztec 12 monthly moving to June 2013)* over the last financial year.

Manhattan Ice Tea

Manhattan Ice Tea is the 2nd biggest ready to drink ice tea in South Africa with a market share of 28,1% *(Aztec 12 monthly moving to June 2013)*.

Manhattan Ice tea is a non-carbonated beverage with a tea extract base and fruit flavour blends. Manhattan Ice Tea has three tea extract variants, black, green and white tea, which is then blended with a variety of fruit flavours or fruit blend combinations, to give a refreshing and tasty ready to go ice tea.

Manhattan Ice tea is available in either the 500ml ready-to-go option with the convenient sipper cap or the take home 1,5ltr pack. The product can be stored at ambient temperature but it is best enjoyed chilled.

Clover Life Nectar

Clover Life Nectar range offers consumers a **delicious, refreshing juice nectar** that is affordable enough to purchase regularly. Your family can now enjoy Clover Life Fruit Nectar at every occasion.

Clover Life has always been a favourite in South African homes and was recently relaunched under the brand name Clover Life Nectar, available in a 500ml and 2L pack size (250ml in KZN) in 5 flavours. The launch was supported by a Brand Power Television Commercial (TVC) on national television and below the line (BTL) activations, including coupons in store and tastings.

Clover nectars occupy the number one position in the Fruit drink/Nectar category after the acquisition of Real Juice Co. Holdings with a **market share of 33,5%** *(Aztec 12 monthly moving to June 2013)*.

Super M

Super M is the coolest teenage flavoured milk. It is **available in four great flavours:** Chocolate, Strawberry, Banana and Cream Soda and three pack sizes to choose from 200ml, 300ml and 1L.

Currently the market is growing by 0,1% in volume per annum *(Aztec 12 monthly moving to June 2013)*. Super M volume **market share is currently 33,7%,** a growth of 13% since 2011.

Prior to 2008 Super M was showing little to no growth in volume. It was therefore decided that a **new strategy is needed to be formulated to stimulate growth** of the brand in the market.

Where the competing market leading brand's strategy is based on flavour, offering a variety of flavours for each consumer, **Super M decided to follow global trends and offer variety in pack sizes** in the top 4 selling flavours. In addition to this, historically take-home volumes contributed less than 5% to the portfolio. An opportunity to grow these volumes in terms of offering take-home packs presented itself.

Clover decided **to launch the 200ml MINI 6 pack as well as the 1L family bottle to grow volume** for the brand as well as increase take-home consumption. The results of this strategy are a total of **58% growth in volume** for Super M from 2008 – 2013.

CLOVER AT A GLANCE

Clover Industries Limited ("Clover" and/or "Group") a branded foods and beverages Group listed on the main board of the Johannesburg Stock Exchange on 14 December 2010.

Operating in one form or another since 1898, the Group has enjoyed a long and successful history as part of the development of South Africa's dairy and fast moving consumer goods industry ("FMCG"). Today, Clover is a leading and competitive branded consumer goods and products group operating in South Africa and other selected African countries with core competencies in:

- The production of dairy and non-dairy beverage consumer products.
- The distribution of chilled and ambient consumer products.
- The sales and merchandising of consumer goods.

The Group produces and distributes (for itself and other FMCG companies) a diverse range of dairy and consumer products to consumers and customers through one of the largest and most extensive distribution networks in South Africa (more specifically the largest chilled distribution network). The business platform, created and sustained by the dairy business, provides the perfect platform for the Group to reach an extensive cross section of South African customers and consumers. The Group's business platform spans the breadth of the value chain from production to sales and integrates key value-added support services such as logistics, supply chain management, sales and merchandising. Clover's market penetration (Clover delivers to approximately 14 000 delivery points across South Africa) coupled with its value-added services offering and high frequency of delivery, positions the Group to exploit attractive opportunities for organic and acquisitive growth.

Clover was converted from a co-operative society into a public company in 2003. Subsequent to the conversion, the Clover Group has evolved into a dynamic demand-driven branded consumer products business with attractive growth prospects. As part of its evolutionary process, Clover implemented a capital restructuring on 31 May 2010, which was a milestone in its corporate development and resulted in both economic benefits and voting control vesting in the ordinary shares. In addition, the delinking of the ordinary shares from the milk delivery agreements enabled persons other than dairy producers to acquire ordinary shares, facilitating its ability to raise equity capital. Capital scarcity has historically been a key constraint for Clover's growth and development.

GROUP STRUCTURE

Over the 115 years since its establishment as Natal Creamery Limited in 1898, its transformation in 1934 into National Co-operative Dairies Limited (NCD) operating countrywide, and its emergence in 2003 as Clover Industries Ltd, the Company has evolved into the Clover Group of companies depicted in the organogram below.

Clover Industries Ltd

Clover S.A. (Pty) Ltd
100%

Divisions
Milk Procurement, Production, Primary Distribution and Supply Chain Management, Marketing, Sales and Secondary Distribution

Clover Manhattan (Pty) Ltd
100%*

Clover West Africa Ltd
100%

Clover Swaziland (Pty) Ltd
100%

Clover Fonterra Ingredients (Pty) Ltd
51%

Real Juice Co. Holdings (Pty) Ltd
100%**

Clover Dairy (Namibia) (Pty) Ltd
100%

Lactolab (Pty) Ltd
52%

Clover Botswana (Pty) Ltd
100%

* Acquired entire issued share capital from minority shareholder on 1 November 2012. The entire business was transferred to Clover S.A. (Pty) Ltd by way of a dividend in specie with effect from 1 January 2013.
** Clover acquired the Real Juice Co. from AVI with effect from 1 October 2012.

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 branded foods and beverages group in South Africa and selected African countries, providing accessible nutrition to all consumers.

Our mission

To reach the Group's widely dispersed customers on a daily basis, and to provide trusting consumers with quality products through its extensive network underpinned by its leading dairy business. Care is taken to develop or acquire brands which have the potential to occupy the number one or two position in its chosen segments. It focuses on way better operations across the supply chain including services to the trade, and to deliver sustainable shareholder value by being a responsible corporate citizen and preferred employer.

Corporate 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.

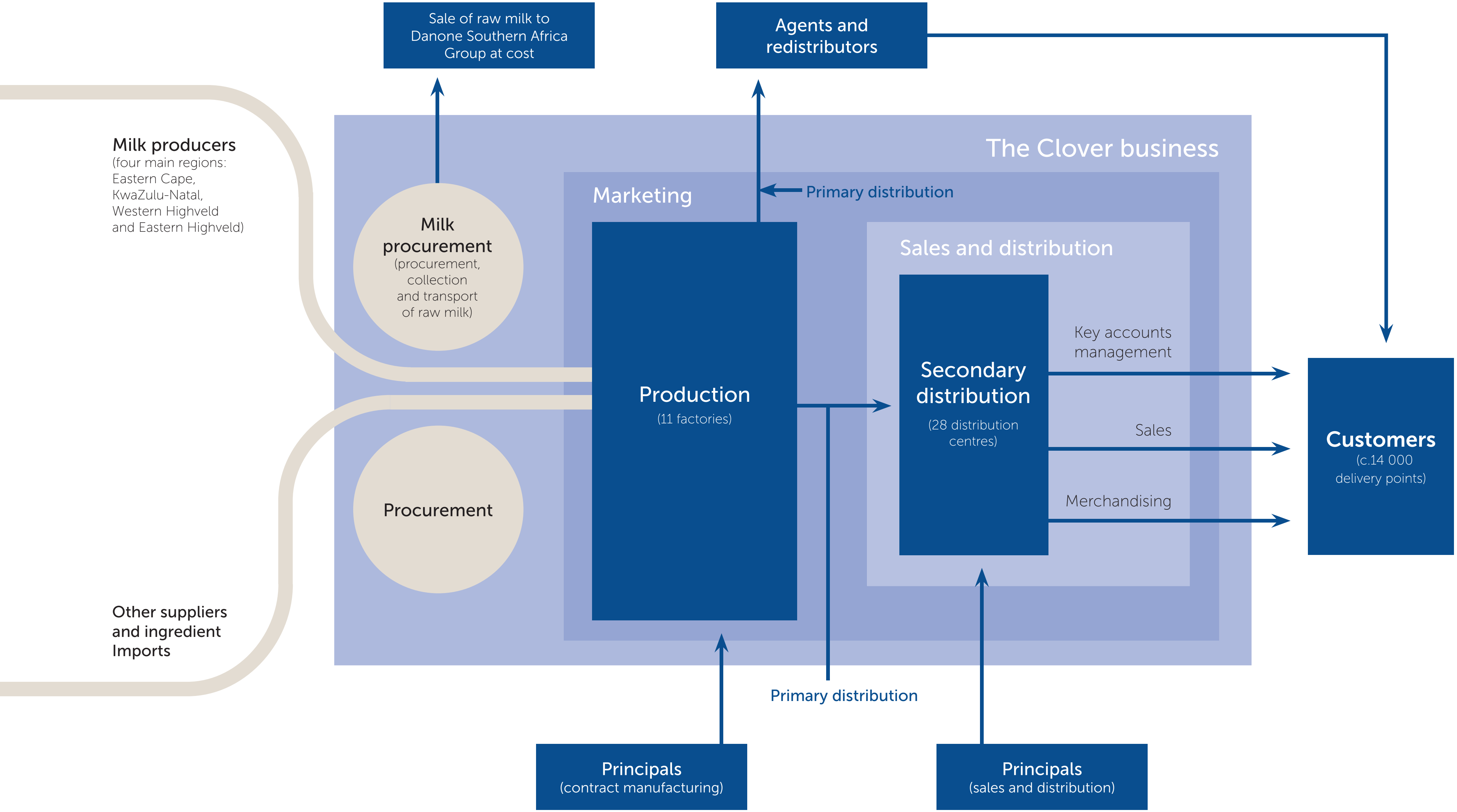
Competitive strengths

- An iconic South African consumer brand with market recognition.
- Exposure to an attractive industry with favourable fundamentals.
- The largest chilled and one of the largest 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.

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.

VALUE CHAIN

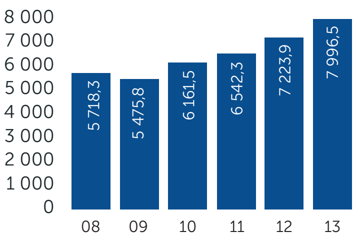


Sale of raw milk to Danone Southern Africa Group at cost
Agents and redistributors
Milk producers
(four main regions: Eastern Cape, KwaZulu-Natal, Western Highveld and Eastern Highveld)
The Clover business
Marketing
Primary distribution
Milk procurement
(procurement, collection and transport of raw milk)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

FINANCIAL HIGHLIGHTS

REVENUE

R'm



NORMALISED OPERATING PROFIT

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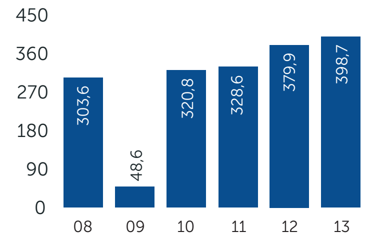

NET ASSET VALUE

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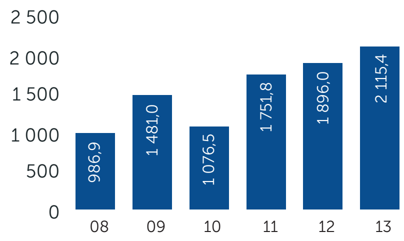

NORMALISED PROFIT FROM CONTINUING OPERATIONS

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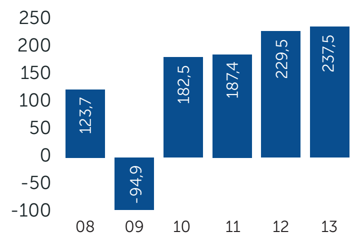

HEADLINE EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

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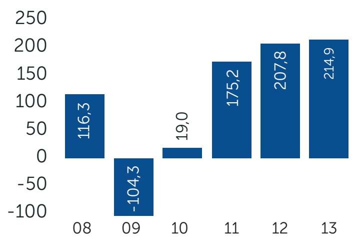
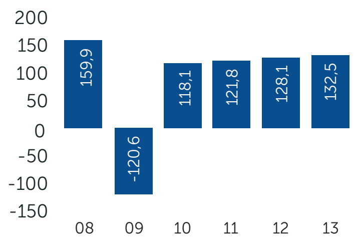


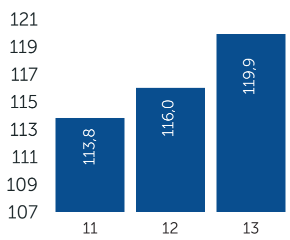
NORMALISED EARNINGS PER SHARE

Cents



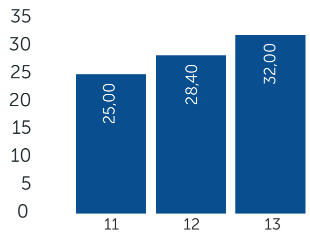
HEADLINE EARNINGS PER SHARE

Cents



DIVIDENDS PER SHARE DECLARED RELATING TO EACH FINANCIAL YEAR

Cents



For more detail refer to the six-year financial review on pages 38 to 40

OUR SHARES AND SHAREHOLDER INFORMATION

Company: Clover Industries Limited
JSE: Code: CLR
ISIN: ZAE 000152377
Register date: 28 June 2013
Issued Share Capital: 181 218 149

Shareholder analysis – Clover Industries Ltd – ordinary shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	948	36,87	459 580	0,25
1 001 – 5 000 shares	882	34,29	2 304 365	1,27
5 001 – 10 000 shares	185	7,19	1 439 315	0,79
10 001 – 50 000 shares	251	9,76	6 064 587	3,35
50 001 – 100 000 shares	77	2,99	5 525 667	3,05
100 001 shares and over	229	8,90	165 424 635	91,29
Totals	**2 572**	**100,00**	**181 218 149**	**100,00**

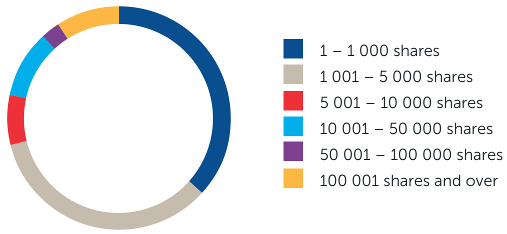
Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks	20	0,78	8 664 852	4,78
Close Corporations	21	0,82	725 182	0,40
Endowment Funds	25	0,97	591 701	0,33
Individuals	1 812	70,44	29 296 424	16,17
Insurance Companies	24	0,93	5 209 450	2,87
Investment Companies	10	0,39	508 778	0,28
Medical Scheme	1	0,04	150 000	0,08
Clover Milk Producers Trust	1	0,04	21 932 000	12,10
Mutual Funds	96	3,73	55 321 062	30,52
Nominees & Trusts	232	9,02	5 177 387	2,86
Other Corporations	29	1,13	119 848	0,07
Private Companies	47	1,83	917 812	0,51
Milk Producers	117	4,55	22 809 538	12,59
Public Company	1	0,04	24 030	0,01
Retirement Funds	136	5,29	29 770 085	16,43
Totals	**2 572**	**100,00**	**181 218 149**	**100,00**

Public/non – public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	12	0,47	45 790 291	25,27
Directors of the company	9	0,35	22 348 116	12,33
Strategic Holdings (more than 10%)	1	0,04	21 932 000	12,10
Other Executives	2	0,08	1 510 175	0,83
Public shareholders	2 560	99,53	135 427 858	74,73
Totals	**2 572**	**100,00**	**181 218 149**	**100,00**

Beneficial shareholders holding 3% or more	Number of shares	%
Clover Milk Producers Trust	21 932 000	12,10
Government Employees Pension Fund	10 350 783	5,71
Coronation Fund Managers	8 126 879	4,48
Investec	7 980 976	4,40
Vorster, JH	7 575 496	4,18
Allan Gray	7 441 480	4,11
Sanlam	5 455 748	3,01
Totals	**68 863 362**	**37,99**

SHAREHOLDER SPREAD

Number of shareholders (percentage)



Clover was successfully listed on the JSE Limited on 14 December 2010, raising R575 million in a private placement that was oversubscribed.

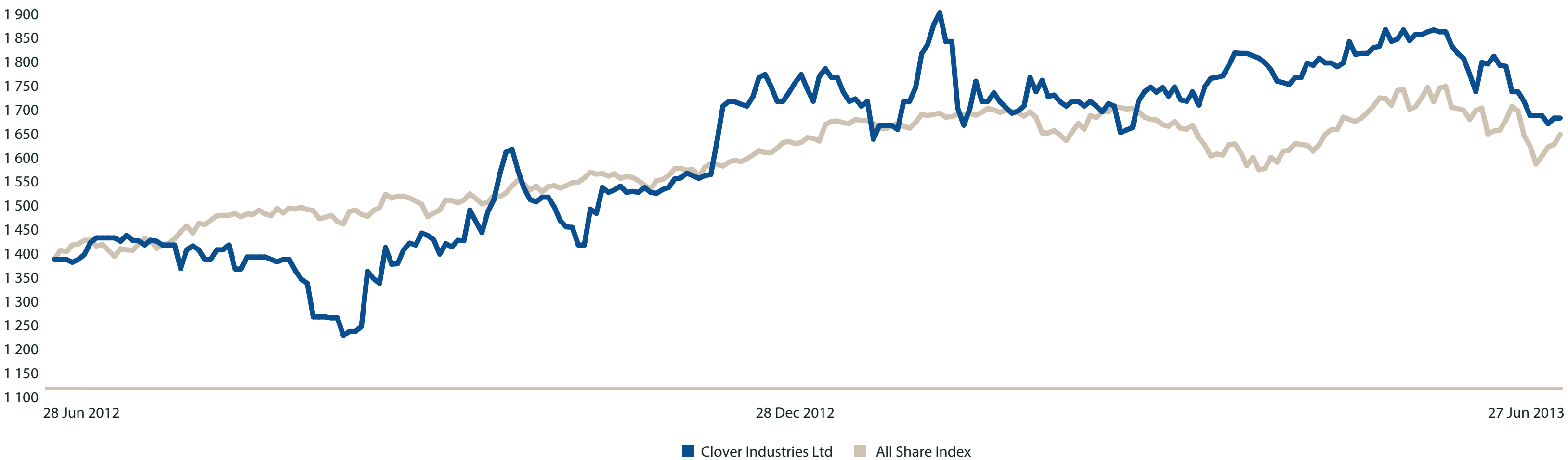
Shareholders include milk producers, staff, the directors of Clover, individuals and a number of South Africa's largest institutional investors.

International institutions have also shown an increasing interest in Clover's investment case.

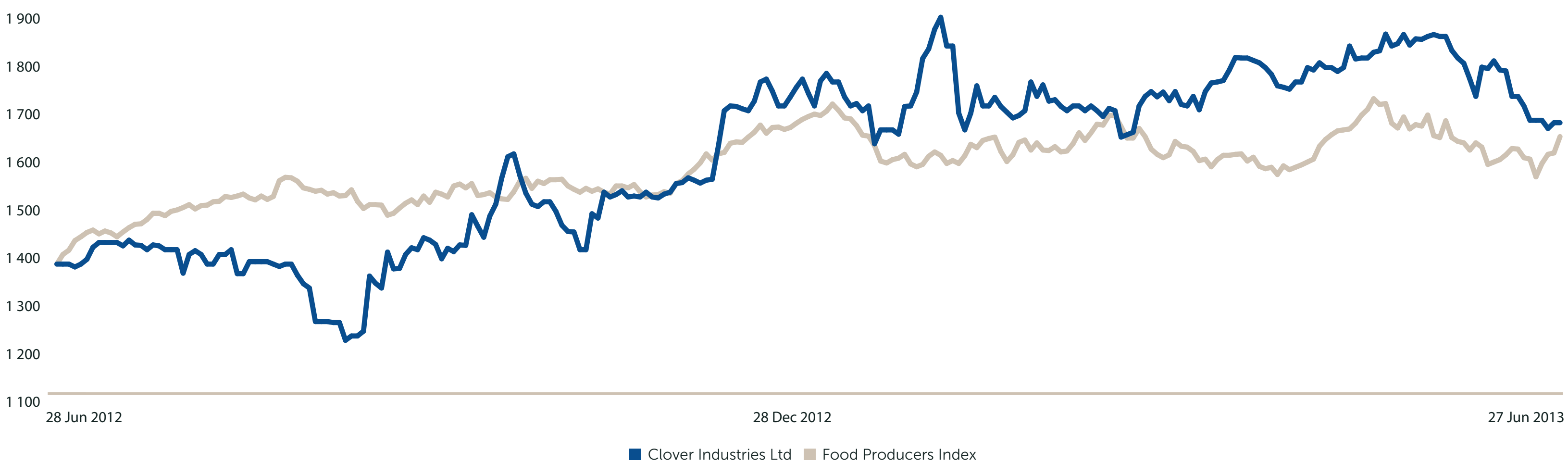
DISTRIBUTION OF SHAREHOLDERS

Number of shareholders (percentage)

CLOVER INDUSTRIES LTD VS. ALL SHARE INDEX



CLOVER INDUSTRIES LTD VS. FOOD PRODUCERS INDEX



Dairy/Way Better campaign

Creative accolades and awards for the Milky Way (Way Better) Campaign

From a creative perspective the 'Way Better' brand creative received numerous awards that highlights the creative excellence achieved by the campaign:

- Best animated TV in the Infocom EME Awards 2011 – an international award for excellence in media and entertainment to recognise the highest talent in animation and VFX.
- First place in the 2011 Mobius Awards – an international award hosted across 26 countries with an international panel to award the finest creative work across the globe.
- Merit at The One Show Awards – the premier international advertising awards.
- Finalist for a CLIO – a significant achievement as the prestige award receives over 11 000 entries from across the globe.
- Silver Loerie Award for best microsite in the South African marketing industry across the board as a result of the art direction, animation and slick development of the microsite for digital communications.
- Campaign Bronze Loerie Award for digital mixed media, which considers the campaign as a whole and the use of different media channels across all communications: website, print, TV and outdoor held together by a strong digital offering.
- Craft Gold Loerie Award, which is awarded for art direction animation and specific illustration prowess. In terms of this criteria Clover was awarded the Craft Gold for a way better looking communications experience overall in the category.
- Craft Certificate – Digital Craft – Writing for the creative use of copy to tell a brand a story and communicate the campaign precisely and effectively.
- Craft Certificate – TV Craft – Animation for best television animation and use of animation in a longer format television commercial. This Craft award recognises the skill and perfection of the animation build, development and process in order to harness optimal illustration and animation viewing.
- Advert of the month – Awarded ad of the month by Creative Council.
- Total Dairy – Reader's Digest Most Trusted Brand 2013 Highly Commended in the dairy category.

DIRECTORATE AND MANAGEMENT

Executive Committee

The Board acts as the focal point and custodian of corporate governance. Substance above form is effective at all levels, and is an integral part of the Group's corporate culture.

Johann Hendrik Vorster (49)
Chief Executive
Appointed to Exco: 2000, and as CE 2006
BCompt (Hons), CA(SA), MBA

Hermanus Bernardus Roode (61)
Deputy Chief Executive and Managing Director Africa
Appointed to Exco: 1998
BJuris, LLB
Retired: June 2013

Louis Jacques Botha (51)
Chief Financial Oficer and Executive: Milk Procurement
Appointed to Exco: 2006
BCom (Hons), CA(SA), ACIS

Christiaan Philippus Lerm (Dr) (56)
Executive: Brands and Marketing
Appointed to Exco: 2002
DCom

Hendrikus Lubbe (43)
Executive: Supply Chain and Information Services
Appointed to Exco: 2006
MCom (Transport Economics)
MBA

James Henry Ferreira Botes (Dr) (50)
Executive: Commercial
Appointed to Exco: 2009
DPhil

Elton Ronald Bosch (36)
Executive: Business Development, Risk and Africa
Appointed to Exco: 2012
BCompt (Hons) CA(SA)

Marcelo Marques Palmeiro (48)
Executive: Brands and Corporate Development
Appointed to Exco: 2012
BA, IME

Executive Directors

Johann Hendrik Vorster (49)

Chief Executive

Appointed: 2004
BCompt (Hons), CA(SA), MBA

Louis Jacques Botha (51)

Chief Financial Oficer

Appointed: 2007
BCom (Hons), CA(SA), ACIS

Christiaan Philippus Lerm (Dr) (56)

Executive: Brands and Marketing

Appointed: 2007
DCom

Independent Non-executive Directors

Thomas Alexander Wixley (73)

Lead Independent Director

Appointed: 2007
BCom, CA(SA)

Nkateko Peter Mageza (58)

Independent Director

Appointed: 2010
FCCA (UK)

Stefanes Francois Booysen (Dr) (50)

Independent Director

Appointed: 2010
BCompt (Acc) (Hons), MCompt (Unisa); DCom (Acc), CA(SA)

Johannes Nicolaas Stephanus Du Plessis (Adv) (63)

Independent Director

Appointed: 2010
BCom, LLB

Non-Executive Directors

The Board is ultimately responsible for the management of the Group's business and determining its strategies and policies.

Werner Ignatius Büchner (47)

Non-executive Director - Chairman

Appointed: 2006
B Eng

Martin Geoff Elliott (60)

Non-executive Director

Appointed: 2003
BSc

Jacobus Christoffel Hendriks (Dr) (64)

Non-executive Director

Appointed: 2003
BVSc

Nigel Athol Smith (57)

Non-executive Director

Appointed: 2011
Agric Dip

The following directors resigned/retired during the year from the Board:

Hermanus Bernardus Roode (61)

Deputy Chief Executive and Managing Director Africa

Appointed: 2003
BJuris, LLB
Retired: June 2013

John Allan Hutchinson Bredin (65)

Non-executive Director – Chairman

Appointed: 2003
Agric Dip
Resigned: November 2012

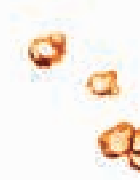
Hercules Petrus Fredrik Du Preez (48)

Non-executive Director

Appointed: 2003
BSc Agric (Hons)
Resigned: November 2012

BUSINESS REVIEW

In spite of a disappointing first half, the commendable efforts and strategic measures put in place by the management team delivered significant results and a much improved financial performance in the second half.




Clover
Manhattan
ICE TEA
Exotic Fruit

CHAIRMAN'S REPORT

Werner Büchner

Introduction

This is my first report as chairman and a great privilege to report on your company's performance over the past year.

I would like to express my heartfelt appreciation to our previous chairman, John Bredin, who has been involved with Clover since its days as a cooperative. It's under John's leadership that Clover transformed to the listed corporate it is today.

As a board, it is our duty to ensure Clover delivers against its strategy and that the long-term vision of the Group resonates with all our stakeholders. Clover's mission remains to reach our widely dispersed consumer base on a daily basis, delivering on our brand promise of providing quality products through our extensive network underpinned by the country's leading dairy business.

Certainly, the overriding objective of Project Cielo Blu and Clover's listing was to give effect to this mission and to continue to build a brand business through development or acquisitions of products that occupy the number one or two category positions.

Project Cielo Blu, our primary capital expenditure programme, is nearing completion and we are particularly proud to have been able to remain on time and on budget. Although the project will only be completed during the next financial year, benefits are increasingly flowing to the bottom line and have helped reduce inflationary cost pressure, especially with regards to fuel and other supply chain costs.

This project will embed our strategy for years to come by reducing supply chain cost and creating manufacturing capacity at the milk source. Our next phase of capital spend is already underway, with significant amounts being invested in both distribution and manufacturing capacity to support growth and efficiency.

In order to achieve our vision of becoming a leading branded foods and beverage group in South Africa and other selected sub-Saharan countries, it is imperative that we build on the existing competencies within Clover. The Social and Ethics Committee Report makes reference to the process we've embarked on to establish a culture of exceptional performance, which will form a beachhead for future market expansion.

I believe that Clover is fulfilling its mission and that it remains well on track to realise its vision.

Operational Overview

It's been a busy year for Clover!

Clover acquired The Real Juice Co. Holdings ("RJC") from AVI Limited and also concluded a transaction with Nestle to establish a new beverage company called Clover Waters. In terms of the transaction, Clover Waters will manufacture and distribute both Clover and Nestle's range of water and ice tea products from August 2013.

These transactions will add value to the existing beverage portfolio and allow Clover to gain market share in this previously underdeveloped portfolio of value added and branded beverages products. For a local African player such as Clover to be entrusted with global brands including Nestlé Pure Life® and Nestea® is an accolade that we are very proud of.

In line with the recapitalisation programme embarked on during 2010, all preference shares were redeemed during June 2013, effectively simplifying our capital structure and marking the final chapter on the legacy structure of our pre-listing days.

We continued to gain market share and experienced volume growth underpinned by Clover's strong brand.

As a relatively newly listed and brand driven FMCG company, we are sensitive to the fact that our "customers" now include both shareholders and consumers, amongst various other stakeholders. Being in the public domain necessitates good transparency and continued delivery on our brand promise. It is therefore very encouraging to be recognised for our efforts in this regard, and it is with great pride that we received the award for the top rated company in the Confectionary and Dairy sector of the Mail & Guardian Top Companies Reputation Index (TCRI) 2013.

The Awards are based on an assessment of the reputation companies have established with South African consumers. 22 different industries are analysed against a list of nine qualities including products and services, financial performance, governance, communication, recognition, workplace environment, corporate social responsibility, vision and leadership and broad-based black economic empowerment.

The overall TCRI is based on the 30 highest advertising spenders (as measured by the Nielsen Ad Index data). Although Clover falls outside the spending bracket, its reputation index would have placed it in the third overall position.

The TCRI award follows Clover receiving the prestigious Investment Analysts' Society (IAS) award for *Best Reporting and Communication*: *Best Presentation to the Society for a company with a market cap below R5 billion* in June 2013.

I am also proud to report that our reporting on environmental issues is reaching maturity. Our approach to the important matter of environmental impact, health and safety has been to collect extensive data over a number of years via Clover's cloud based Entropy system. After processing this data, we have established clear goals on the reduction of Clover's carbon footprint, water and electricity consumption, which have been incorporated into the respective plant managers' performance measurements.

A number of exciting new products and packaging options were launched during the year. I would like to single out our achievement of bringing fresh milk with a minimum 18 day shelf life to the market, and the introduction of ultra-pasteurised milk with a shelf life of 30 days, another industry first. I believe that these initiatives will play the biggest role in providing quality nutrition to our consumers.

Dairy industry overview

High maize prices and a weakening rand impacted negatively on the landed cost of animal feeds during the year under review. Administered inflation, especially relating to fuel and electricity, was at a much higher level than CPI. Lacklustre market conditions further exacerbated the negative effect on farm productivity. Inflationary costs will have an impact on food inflation in the coming year as costs filter through to consumers.

Product focus

Individually wrapped processed cheese (IWS) slices project

- Installed a new Bosch – Sapal IWS filling line from Switzerland.
- The filling line produces 1 000 individually wrapped slices per minute (almost 17 each second), generating approximately 1 tonne of cheese per hour.
- The plant is the only UHT processed cheese production facility in South Africa.
- Each slice is electrostatically charged to ensure that the slices do not slide off each other as they are stacked on top of each other. The charge only holds for the couple of seconds needed to transport the stack of slices to the downstream equipment.
- Each stack of slices is enveloped in an inert atmosphere containing a mixture of nitrogen and carbon dioxide to reduce product degradation by exposure to oxygen.
- New storage and gas pipeline distribution network for supplying liquid nitrogen and carbon dioxide to the process were installed.
- Constructed a new raw material cold room.
- Upgraded the electricity supply transformer to the site.
- Created 9 new jobs.

In contrast, at the time of writing, the New Zealand drought saw international supply lower and dairy commodities commanded high prices, creating export opportunities as the seasonal high production months approaches in the southern hemisphere.

Clover has successfully managed its supply side risk through its unique milk procurement system (CUMPS) and has recently enhanced this system by creating opportunities for dairy exports and a bigger exposure to the international ingredients market through Clover Fonterra Ingredients.

Increased local competition, especially in the UHT market, has led to reduced selling prices. I believe that these factors will contribute to continued on-farm pressures which will impact supply for the foreseeable future. As the country's largest buyer of dairy, we continue to monitor the situation and will react responsibly.

Although, consolidation in the primary industry continues, we still believe that dairy farming is sustainable. The total production output is increasing, ensuring security of supply in the short to medium term at least. Land redistribution remains largely an unsolved issue in South Africa and we expect the status quo to remain. The impact on producers is hard to quantify. I believe that a focus on national food security is necessary to ensure sustainability of supply.

The South African dairy exports to the sub-Sahara region have grown at a phenomenal rate, partly driven by the expansion of South African retailers into the rest of Africa. Apart from these markets, Clover has established a presence and relationships in Nigeria over a number of years and continues to explore opportunities in Angola. The Board believes that sufficient local knowledge and experience has been gained to take more decisive steps in these markets and we have begun considering various options in that regard. In the longer term, it is envisaged that these initial countries will be used as springboards into other countries.

Macro-Economic Overview

The global economic outlook remains uncertain on the back of a fragile Euro zone experiencing muted recovery. More recently, signs of economic recovery in the US were offset by concerns over a slow-down in some sectors in China. From a South African perspective, it is undeniable that investor confidence was shaken by a number of factors including labour unrest, low productivity, increased costs and rand volatility.

South African consumers experienced enormous increases in living expenses, mainly as a result of rises in utility and transport costs. Coupled with the high level of unsecured domestic debt, consumers' disposable income has contracted leading to reduced discretionary spending.

Despite these pressures, we continued to gain market share and experienced volume growth underpinned by Clover's strong brand, but at lower than anticipated selling prices.

On the labour front, I am happy to report that Clover reached a settlement with representative unions on an average staff cost increase to Clover of 7,1% per annum. Clover is aware of and sensitive to the fact that inflationary pressures have the biggest impact on lower salary earners – as a result our lowest paid workers will receive an annual increase of between 20% and 25%, relieving some of this burden.

Financial overview

In spite of a disappointing first half, the commendable efforts and strategic measures put in place by the management team delivered significant results and a much improved financial performance in the second half.

More financial details can be found in the Chief Financial Officer's report on page 32.

Governance and the Board

The Group is committed to the highest corporate governance standards in its dealings with all its stakeholders and supports the Code of Corporate Practices and Conduct as recommended by the King III Report on Corporate Governance for South Africa.

Our approach to governance is elaborated on in the Corporate Governance Report later on in this integrated annual report but I am particularly pleased with the progress made at our Centre of Excellence on Consumer Protection and Competition legislation which has seen continuous training programmes being implemented.

Remuneration of executives and other employees is an equally important aspect. The Group endeavours to attract and retain individuals of the highest standard as we strive to align management's long-term incentives with those of our shareholders. More details can be found in the Remuneration Report on page 56.

There have been a number of changes in the composition of the board during the past year. Most notably was a reduction in the total number of directors. The Board now has an equal number of independent non-executive and non-executive directors. Two long-serving non-executive directors, namely John Bredin, the previous chairman, and Harry du Preez stepped down during November 2012 and will not be replaced.

As was the case with John Bredin, our previous chairman, I am not independent in terms of King III, since I also supply raw milk to Clover. In the opinion of the Board, it is in the interest of the Group to maintain a close relationship with its raw milk suppliers. As recommended by King III, Tom Wixley will continue as Lead Independent Director to fulfill the functions of the Chairman whenever a conflict arises and in the other circumstances as envisaged in King III.

Manie Roode retired from his executive position and as a member of the Board on 30 June 2013. The Board has decided not to replace Manie Roode, resulting in the number of executive directors serving on the board reducing to three. Subsequent to the financial period Peter Mageza indicated

Our achievement of bringing fresh milk with a minimum 18-day shelf life to the market, is an industry first.

Refreshing and delicious, Quali is avaiable in a 100% and a Nectar range to suit all consumer needs.

that he will resign as the director of the Company at the Annual General Meeting due to a conflict of interest. Geoff Elliott will also resign from the Board of Directors at the Annual General Meeting. I would like to thank Geoff and Peter for their dedication and continued contributions to the Board.

As required by the Companies Act, Jacques van Heerden was appointed as Company Secretary on 1 October 2012. For a detailed report on the Board, its composition and that of its sub-committees, refer to the Corporate Governance Report on page 42 of this integrated report.

Social and environment

As mentioned in the outset of this report, our environmental impact controls are maturing. Clover Mama Afrika, our award-winning social investment project is now in its ninth year and growing from strength to strength. More details on these important sustainability drivers, together with health and safety initiatives are contained in the Report on Sustainability on Clover's website www.clover.co.za.

Transformation – BBBEE Update

We subscribe to the National Government's priorities with regards to transformation and empowerment and embraces the principles of B-BBEE as we seek to remain a positive and constructive contributor to the country in this regard.

Clover is currently a Level 6 B-BBEE contributor. The Group is aligning its overall business strategy with a B-BBEE strategy to migrate to Level 4 compliance by 2015.

More information on this strategy is available in the Report on Sustainability, at www.clover.co.za.

The Future/Outlook

The successful implementation of Project Cielo Blu will deliver benefits for Clover now and over the long term and help to mitigate input and high transportation costs. Factors that impacted on Clover during the first six months of the year do not negatively affect our long-term strategy; to the contrary, these continuous investments ensure the relevance of our brands in the minds and hearts of consumers.

New principal business, synergies from the Clover Waters and RJC transactions and new product development will further drive revenue as we continue to invest and explore areas where we have competitive expertise, both in South Africa and selected sub-Saharan emerging markets.

The Board is convinced that the investment in well needed infrastructure will provide Clover with a time-to-market advantage in its defined market space.

Appreciation

I would like to thank my fellow Board members for their support during the past year. On behalf of Clover, a sincere thank you is extended to the outgoing Chairman, John Bredin as well as to Harry du Preez and Manie Roode for the decades of service and helping to make Clover truly "Way Better".

In particular, I would like to commend Johann Vorster for his visionary leadership which has yet again enabled the Clover team to deliver a very balanced performance in light of the challenges faced during the past year.

The dedication and diligence of the executive management and all staff cannot go unmentioned, and on behalf of the Board I thank you.

Werner Büchner

11 September 2013

CHIEF EXECUTIVE'S REPORT

Johann Vorster

Performance review

Clover is pleased with the results achieved during a year which included some substantial investments in new products and platforms as well as the continuing roll-out of Project Cielo Blu which is now nearing completion. Revenue increased by 10,7% to R7 997 million from R7 224 million, operating profit was up by 5,4% to R391,4 million from R371,2 million, whilst operating margin decreased slightly from 5,1% to 4,9%.

Clover's vision of reaching every customer on a daily basis with its most admired branded and trusted products whilst delivering improved and sustainable shareholder value by being a responsible corporate citizen and preferred employer, still remains relevant. It is against this background that Clover continues to deliver on its strategy of investing in, and focusing on, branded and value-added products.

Although the financial performance achieved during the first half of the financial year was weaker than expected, the recovery achieved in the last six months was very pleasing. Some of the factors which enabled the recovery can be ascribed to:

- Aggressive cost controls.
- Successful selling price increases to the trade.
- Lesser spend on new product launches during the last six months.
- Implementing only selected promotional activities following the selling price increases.
- Agility and robustness of Clover's new structures.
- Ability to convince Clover's consumers of its value proposition.

As mentioned earlier, a number of new production technology platforms were introduced during the first six months of the financial year and which will further differentiate, entrench and grow market share for the Group's products in the years to come. Most notable of these investments are:

- Extended shelf life (ESL) fresh milk with 18 days shelf life compared to the industry norm of 12 days
- Prisma packaging for UHT (long life) milk and Tropika fruit juice blend
- 30 days shelf life ultra-pasteurised milk (UP)
- Krush and Tropika brands in 2 litre carton packaging
- Newly formulated Danao in the Tetra Top packaging

The decision to launch these new products prior to the key high-trading festive season required substantial marketing and advertising costs in addition to promotional pricing and other activities. In total, R27 million was spent on associated advertising and other point of sale activities. Aggressive price promotions on the same products also temporarily impacted profit margins, which partially recovered during the latter part of the year under review. In the second half only two new products were launched:

- New processed cheese platform (individually wrapped slices)
- Clover Amasi (Maas)

Overall sales volumes grew by 4,5% when compared to the prior corresponding period. Excluding the strategic exit from bulk mozzarella, as explained below, overall volume increased by 6,7%.

Clover's vision is to reach every customer on a daily basis with its most admired branded and trusted products.

However growth in low margin ingredient volumes accounted for 2,2% of this 6,7%. The exit from the bulk of the mozzarella business, weaker UHT sales and the initial efficiency problems on the Prisma UHT lines caused Clover to convert substantially more milk into powder during the year which had to be sold as ingredients. Branded sales volumes grew by 7% while bulk products declined by 17,4%.

Whilst the widespread industrial action in the mining sector undoubtedly slowed consumption of the Group's products during the first part of the year, Clover also experienced seven days of industrial action at the start of its financial year with the national transport strike also indirectly impacting on the Group's supply chain. All these labour related events had an impact on sales volumes across all segments.

The market for drinking milk changed considerably during the calendar year to December 2012, with very competitive pricing on UHT resulting in an 8% growth in this market and a resulting 6,3% decline in the market for fresh milk, both indicators referring to top end retailers. Initial efficiency problems with the new Prisma pack platforms, delays in the importation of product to supplement own production during the relocation of equipment, fierce competition in this market and industrial action resulted in Clover's 3,1% growth in the UHT market not correlating with overall market growth.

Similar to the market Clover's fresh and ultra-pasteurised milk volumes also declined albeit at only 1,2% compared to the market decline of 6,3%.

The dairy fluids segment volume saw overall volume growth of 1,6% aided by Clover's launch of its Amasi product during January 2013.

Clover's strategy to focus on value-added branded products, and exit from commodity bulk products, had some impact on volumes, including a 3% decline in concentrated segment volumes. If the volume loss resulting from the bulk mozzarella exit are excluded, segment volumes actually increased by 14,5%. Pre-packed natural cheese volumes increased by 26,2%, feta cheese by 10,4% and condensed milk by 4,2%. Butter volumes decreased by 0,8% mostly due to a substantial buy-in from customers shortly before the start of the financial year in response to Clover's promotional activity at the time.

Beverage volumes again showed strong growth of 15,4% (7,7% excluding the effect of the Real Juice Co. Holdings ("RJC") acquisition) largely underpinned by Tropika growth of 6,6%, fruit juice growth of 34,1% (7,4% excluding the effect of the RJC acquisition), Danao growth of 26,5% and Aquartz water growth of 35,3%. Super M volumes declined by 9,2% in the face of a very aggressive performance by its major competitor whilst Manhattan Ice Tea volumes and Capri-Sun volumes declined by 10,4% and 40,8% respectively amidst fierce competition. Clover is considering the withdrawal of Capri-Sun from the market.

(All overall market statistics quoted from Aztec for the year ending June 2013, for Shoprite, Checkers, Pick n Pay and Spar).

Clover's short- to medium term objectives remain unchanged with the completion of Project Cielo Blu now being imminent.

The main strategic pillars underlining the investment case are as follows:

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

Other capital projects approved by the Board are:

Project	Status
Expansion of Ixopo Milk Procurement Depot	• Extensive delays to obtain necessary governmental approvals • Expected completion date now end of 2013
Expansion of Clayville chilled distribution capacity by 50%	• Final designs approved • Tender process to commence shortly
Expansion and rationalisation of Western Cape warehousing capacity	• Exploring automated high density storing solution • Final designs to be presented to Executive Committee for approval
Integration of RJC production facilities into Clover's Parrow site	• Final designs approved and civil works underway • Expected completion date currently end February 2014

Brand strength and performance

Fresh and Ultra Pasteurised milk

Market share increased by 2,3%, supported by the launch of Clover's Ultra Pasteurised (UP) milk variant and the marketing campaign for Clover's 18 days fresh milk. Both products were launched in the latter part of 2012 and aim to bridge the gap between fresh and long-life milk, with the UP milk featuring a shelf-life of 30 days - an industry first.

UHT milk

As mentioned above Clover's UHT milk faced some major challenges including:

- Initial efficiency problems with the conversion of the machines to the new Prisma format.
- New market entrants.
- Imports delays meant to supplement Clover's production during machine relocations.

Cream

Clover's market share declined 0.9% due to significant discounting by competitors during high milk flow periods in an effort to dispose of excess product.

Feta Cheese

The category showed a pleasing market share increase of 3,7% supported by consistent pricing and a promotional strategy to gain market leadership, including marketing campaigns to increase consumption of Clover Feta over the typically lower volume winter months.

Pure Fresh Juice

Following the acquisition of the RJC, Clover's combined market for Clover Krush and Quali juice increased to 46,2%.

Manhattan ice tea

Clover lost 5,6% market share in the face of a very aggressive new market entrant. The new Clover Waters venture with Nestle, which will house the Manhattan brand, will focus on regaining this share.

Dairy Fruit Mix

Tropika increased its market share by 4,3% and benefited from Clover's investment in trade and internal sales for the biggest Tropika Island of Treasure campaign to date. Danao increased market share by 0.9% after a successful re-launch in September 2012.

Water

Aquartz water increased market share with 2,8% following the implementation of a competitive pricing strategy.

Pre-packed cheese

A market share loss of 3.2% was attributable to certain "bulk" packs (800g to 900g) being measured together with smaller fixed weights packs (250g to 500g), a segment in which Clover is extremely competitive and that saw strong market growth during the year. Clover launched its 800g offering in 2012 to address this anomaly and a better performance is expected in the year ahead.

Flavoured milk

Super M lost 1.7% market share as a result of the selling price increases to the market not being followed by competitors. This was mitigated by an improvement in profitability.

Fruit Drink/Nectar

Combined market share for these products increased by 9,4%, reinforced by the successful re-launch of Clover Life in September 2012 and the acquisition of Quali nectar through the RJC transaction.

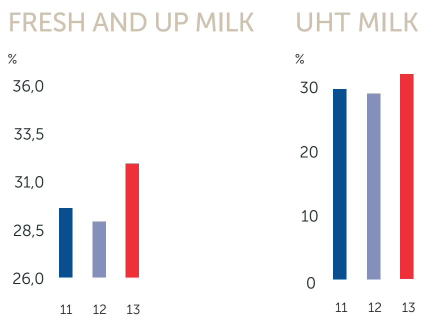
(All market statistics quoted from Aztec for the year ending June 2013, for Shoprite, Checkers, Pick n Pay and Spar).
PS: the Quali Juice acquisition contributed to the growth in pure juices and nectars for the year.

In recognition of positioning itself as a premium and trusted brand, Clover received a number of awards during the year.

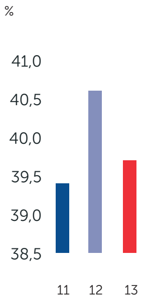
- Apex Award – Bronze for Tropika – Sustainable Brand and marketing business
- Apex Award – Gold for Clover "Way Better" – Change Category Title
- Arrow Award – Diamond – Tropika – Best marketing campaign
- Arrow Award – Diamond – Clover Krush – Most successful product launch
- Arrow Award – Clover milk – 1st – Gold
- Arrow Award – Clover cheese – 1st – Gold
- Sunday Times Top Brands – Clover Krush – Winner
- Sunday Times Top Brands – Tropika – Top 3
- Sunday Times Youth Survey – Tropika – Top 10
- Product of the Year – Danao – Winner – Innovation
- Product of the Year – Clover UHT Prisma – Innovation
- Product of the Year – Clover 800g Cheese – Innovation
- Top Companies Reputation Index (TCRI) – No 1 – Confectionary and Dairy Sector.

The overall TCRI ranking is based on the top 30 highest advertising spenders (measured using the Nielsen Ad Index data), in other words the businesses that should be the most visible and have the highest level of interaction with the public as a result. What is significant is that Clover's Reputation index of 87.89 would have placed it in the overall 3rd position if it was a Top 30 advertising spender.

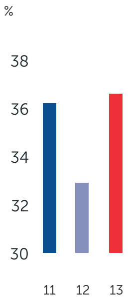
MARKET SHARE



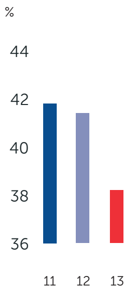
CREAM



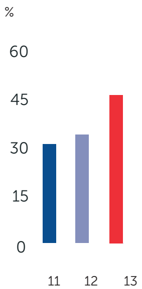
FETA CHEESE



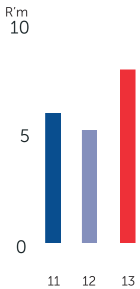
PRE-PACKED CHEESE



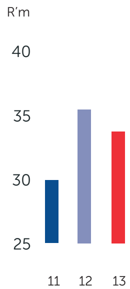
PURE FRESH JUICES



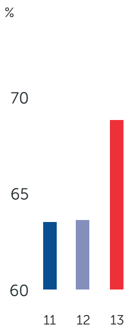
WATER BRAND



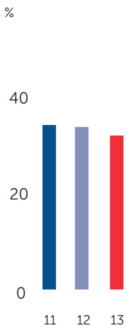
FLAVOURED MILK



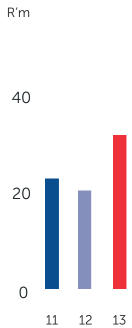
DAIRY FRUIT MIX



ICE TEA



FRUIT DRINK/NECTAR



Clover has set itself ambitious targets which not only include volume and market share growth, but also to reduce supply chain costs, invest in market expansion into Africa, and in Human Capital.

- Qualité Awards 2013 – Clover IWS Cheddar – Quality award
- Reader's Digest Most Trusted Brands 2013 – Highly recommended – Clover Dairy
- 2013 Loerie Awards – Way Better campaign – for the Way Better advertising campaign

The most prized award received during the year was the TGI Icon Brands survey where Clover climbed one notch from 17th to 16th out of the 30 most loved and used brands in all South African households, by all South Africans.

Corporate activity

During the year under review Clover entered into a collaboration agreement with Nestlé SA which led to the formation of a new entity – Clover Waters (Pty) Ltd. Effective from 1 August 2013, Clover Waters will manage and develop the water and ice tea brands of the two respective companies; namely Nestlé Pure Life, Nestea, Clover Aquartz and Clover Manhattan Ice Tea. Clover owns 70% of Clover Waters and Nestlé the remaining 30%.

With effect from 1 November 2012, the Group acquired the 49,9% minority interest in Clover Manhattan for R24,7 million.

The acquisition of RJC was approved by the competition authorities and became effective on 1 October 2012. Potential synergies from this transaction are expected to be extracted over time although it has already made a positive contribution to profitability.

Clover has secured two new principals during the year under review which will further enable a reduction in our supply chain costs. These principals are Enterprise Foods (with effect from 1 June 2013) and Red Bull's top-end sales and merchandising services from 1 March 2013 (in addition to the forecourt channel's business also secured from 1 July 2012).

Clover's approach to obtaining new principals hinge around a number of important factors, for example:

- It must be a strategic fit to Clover's products/brands/operations.
- The aim must be to be a long-term relationship.
- It must compliment Clover's existing business.
- It must be "like-minded" partners (brand driven, value-added, etc.).
- It must be a principal who values Clover's entire supply chain offering.

Clover will continue to seek opportunities of expansion through mergers and acquisitions both locally and into the rest of Africa.

Africa expansion

Clover's African expansion opportunities are starting to crystallise. In terms of Clover's fresh product range, limited opportunities exist in most African countries due to the lack of refrigeration and poor infrastructure. However, Clover has a number of ambient products which could service these markets well, and although the current "export distribution" model is gaining some momentum, the longer term model will entail larger infrastructure development and associate investments. To date Clover has identified Angola and Nigeria as countries of interest where such investments will be considered. Entry into these markets are challenging and Clover has adopted a prudent approach which will take longer to implement, but will have a better chance of succeeding in the long term. Own production facilities have been identified as a key driver for long term sustainability.

Sustainability

The Group's sustainability 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 practically possible eliminate the impact on the environment. This responsibility relates not only to operations within Clover's control but also to Clover's supply chain partners, who are acknowledged as having a significant environmental impact in supplying Clover.

(Refer to the Report on Sustainability and the Social and Ethics Committee report on the web or in the integrated annual report).

Human Capital

Clover strongly believes in its people and the development of individual and group skills. It lives the phrase "People are our most important asset" and strives to be relevant today and tomorrow. With this in mind, Clover has launched a special project – Driven! – to ensure that Clover's Human Capital is developed as a long term competitive advantage.

(Refer to the Human Capital Development section of the Report on Sustainability, the Remuneration Policy and Remuneration Report).

Dividends

The redemption of the CIL preference shares during June 2013 enabled the Board to reconsider the Group's dividend policy. Previously the rules regulating the preference shares prohibited the Company from paying dividends more than 25% of attributable earnings. In considering the dividend policy the Board took cognisance of the Group's growth ambitions and the potential need for capital to achieve this.

As a result the Board will, over the medium term, target a dividend cover, based on headline earnings per share, which is more comparable to the sector within which it operates.

A final dividend of 22 cents per share was declared by the Board on 11 September 2013 which brings the total dividend for the 2012/13 financial year to 32 cents per share. This represents a 12,7% increase and a dividend covered 3,75 times by headline earnings per share compared to the 4 times cover previously applied.

This once off liberalisation of the dividend cover is in pursuit of the Board's medium-term target. Going forward, a progressive dividend policy will be applied whereby dividends are maintained or grown at least by the same percentage as the growth in headline earnings per share until such time as a comparable dividend cover is achieved.

Outlook

Clover has set itself ambitious targets which not only include volume and market share growth, but also to reduce supply chain costs, invest in market expansion into the rest of Africa, and in Human Capital. It has also launched an initiative to align itself with the different visions of its main customers. In this regard, Clover is working closely with its customers to develop integrated business platforms and procedures that will add long-term value for both Clover and its customers.

Consumer spending remains under pressure and coupled with continuous inflationary increases, it will be a challenge to balance short term profits with long term growth investments which are paramount to take Clover to the next level of growth.

Clover has many exciting opportunities which need to be explored to secure long term sustainability. The executive team is focused on maintaining an optimal equilibrium to grow its existing business while exploring new possibilities and territories, even if this approach puts some pressure on short-term profits and cash flows.

Clover's main overall objectives for the current financial year are:

- To recover cost increases in the market.
- To finalise Cielo Blu and other expansion projects.
- To increase capacity in the distribution network.
- To redesign its supply chain network.
- To develop new products.
- To enter new geographies.

Economic uncertainty has become the only constant and Clover will act responsibly and decisively in response to any challenges the economy presents. However, Clover remains confident that the investments made since listing will begin to pay off and lay a solid platform for the future.

Welcome and appreciation

During the year in review, the Clover Industries Board appointed Werner Bűchner as Chairman of the Board and we wish him a successful time at the helm.

I would again like to thank the previous Chairman, John Bredin, for the many years of dedicated service to Clover and the milk producers.

A special mention must go to Tom Wixley, who as Lead Independent Non-Executive Director plays a very important role on the Board. Tom Wixley also serves on a number of committees where his input is invaluable. None of his efforts go unnoticed.

As at the end of June 2013, one of our dearest and most committed Clover colleagues has decided to retire. Manie Roode has given 16 years of his life in the most unselfish manner imaginable to Clover, and his wisdom and direction will be sorely missed. As a director he was invaluable and as my Deputy Chief Executive for the last 8 years, irreplaceable.

I could not have focused on the enormous tasks during the restructuring and listing if it wasn't for Manie behind me. Thank you Manie from all of us at Clover.

Clover has a very competent and committed Board which is actively involved in setting the strategy and ensuring that Clover's reputation is safeguarded as a key pillar to long-term sustainability. We want to thank them for all their unselfish effort and support.

Without "Way Better" Cloverites, this company would not be what it is today. The daily commitment to the Clover Brand is commendable and I wish to sincerely thank every Cloverite for that!

The backbone of Clover has been and still is the Clover Milk Producers. In a year that was particularly difficult in terms of cost pressures, they again supported the company's operations by supplying the quality milk necessary to make all things happen. A great deal of appreciation goes to them.

And then, to my executive team, thank you for the tremendous support and hard work during this year. It was an equally challenging and exciting year in which many dreams came true. You were remarkable.

And lastly, it would be an omission not to give a special word of thanks to our supplier partners, who played an integral part in this year's results. Your efforts are much appreciated.

Johann Vorster
Chief Executive

11 September 2013

Product focus

18-days shelf life fresh milk project

- Implemented at two Clover plants, i.e. Queensburgh and Clayville.
- Installed a new pasteuriser in Queensburgh with heat energy regeneration of 94% makes it the most efficient pasteuriser in Clover, as well as the biggest in the country at 33 000 litres/hour.
- Installed 2 new Stork ESL filling lines capable of 60 000 litres/hour, capable of emptying two milk tankers every hour.
- Upgraded milk processing and implemented proprietary designs to enable the achievement of the required shelf life.
- 21 Companies were involved in implementing the project.
- The installation in Queensburgh was finished first and was supplying the entire country with 18 day ESL milk for 6 months before the Clayville installation came online.
- Created 30 additional jobs.

CHIEF FINANCIAL OFFICER'S REPORT

Jacques Botha

Financial highlights

	2013 R'000	2012 R'000	%
Revenue	**7 996 461**	7 223 863	10,7
EBITDA	**501 622**	477 838	5,0
EBIT	**391 388**	371 231	5,4
Headline EBITDA	**473 195**	481 750	(1.8)
Headline EBIT	**367 338**	375 143	(2,1)
Normalised EBITDA	**508 945**	486 534	4,6
Normalised EBIT	**398 711**	379 927	4,9
Net finance cost	**46 731**	23 862	95,8
Effective tax rate (%)	**30,4**	39,6	(23,3)
Headline earnings	**214 894**	207 799	3,4
Headline earnings per share (cents)	**119,9**	116,0	3,4
Diluted headline earnings per share (cents)	**111,5**	108,7	2,6
Normalised profit attributable to shareholders of the parent company	**237 496**	229 493	3,5
Normalised earnings per share (cents)	**132,5**	128,1	3,4
Capital expenditure:			
Project Cielo Blu	**87 179**	83 200	4,8
Recurring capital expenditure and other projects	**367 221**	190 482	92,8
Return on equity (%)	**11,9**	11,3	5,3
Cash generated by operations	**222 195**	416 359	(46,6)
Dividends per share relating to the financial year (cents)	**32,00**	28,4	12,7

Overview

High cost inflation continued into the financial year under review, with upward pressures on fuel and packaging costs exacerbated by the weaker rand.

Cost inflation could only be partially recovered through price increases during the second half of the year due to an oversupply of UHT milk in the market. The UHT market grew by 8% year-on-year, following the establishment of a number of new plants in the country which diverted drinking milk from fresh to UHT milk. The market for fresh milk correspondingly declined by 6,3%. The additional national UHT capacity saw a larger volume of peak season milk (produced in September to December) being carried forward into the second half of the year due to the long shelf life of UHT milk. This resulted in continued pressure on UHT selling prices throughout the year and Clover's price increases during January impacted on its UHT volumes and market share.

Notwithstanding difficult trading conditions and operational challenges, Clover managed to increase its selling prices across the board which supported the Group's ability to exceed the results of the prior financial year despite a 33,5% decline in headline earnings reported at the interim stage.

Quali is now part of the Clover family guaranteeing improved quality, continued innovation and a larger footprint. Bringing the loved Quali brand even closer to home and closer to the heart.

Comprehensive income

Headline earnings

The increase in headline earnings of 3,4% (R7,1 million) to R214,9 million is made up of a 2,1% reduction in headline operating profit (R7,8 million), a 95,8% (R22,9 million) increase in net finance costs, a 24,9% (R34,6 million) decrease in headline income tax and a 72,1% (R3,2 million) reduction in non-controlling interests.

Headline earnings per share increased by the same margin.

Operating profit

Gross margin decreased slightly from 27,6% to 27,0%.

Operating profit increased by 5,4% to R391,4 million. Included in operating profit are capital profits of R24,1 million of which R7,3 million are profits and losses on the sale, scrapping and impairment of assets. R16,8 million relates to a profit on the gaining of control of the Clover Manhattan joint venture. Excluding these capital profits, headline operating profit reduced by 2,1% to R367,3 million. However, the Group's restructuring costs also increased by R26,2 million relating to the relocation of equipment that could not be capitalised and retrenchment costs as part of Project Cielo Blu. Normalised operating profit, after taking this into account, increased by 4,9% to R398,7 million.

At 4,9% the operating margin was slightly lower than the previous year's 5,1% and the normalised operating margin was 5,0% compared to 5,3% in the previous year. During the second half of 2011/12 farm gate milk prices were increased approximately 20% and although partially reduced again early in 2012/13, the full-year effect of the increased cost could not be fully recovered from the market due to the oversupply of UHT milk in the market. This caused the operating margin to contract.

Revenue

Revenue increased by 10,7% to R7 996,5 million. Revenue from the sale of products increased by 10,8% with 4,5% coming from sales volume increases and 6,3% from selling price inflation increases.

Compared to the prior year, revenue from the rendering of services was marginally higher by 4,6%. The previous year benefitted from a specific once-off contract manufacturing arrangement. In addition, during the year under review, Clover was temporarily unable to service a contract manufacturing customer during the relocation of its UHT plant to Port Elizabeth and a contract manufacturing agreement with Foodcorp for Mageu came to an end. This resulted in a 26,2% reduction in contract manufacturing income. Income from sales, warehousing, distribution and related services increased by 11% after the inclusion of the additional Epic Foods, Red Bull and Enterprise business. After the purchase of the minority shares in Clover Manhattan this revenue however also reduced by the fees previously recovered from the Clover Manhattan minority shareholders.

Clover supplies Danone Southern Africa with the bulk of its raw milk demand. The full year effect of the considerable

The Quali brand together with a new and improved marketing plan, optimised product portfolio and below-the-line activities is bound to reach new heights in the next few months.

2012 farm gate milk price increases and Danone's volume growth increased this revenue by 21,4%. The sale of raw milk to Danone does not impact on profit as it is done at cost.

Cost of sales

Charges against sales was 8,9% lower than the comparative year, mostly as a result of much reduced promotional activity during the second half of the year following the Group's selling price increases during January 2013.

The cost of raw materials increased by 11,6% due to volume growth and the knock-on effect of the high farm gate milk price increases in middle of the prior year being visible for the full 2013 financial year.

UHT packaging costs are linked to the rand/euro exchange rate. The weakening of the rand during the year combined with other oil price-linked costs and volume growth resulted in packaging costs growing by 13,2%.

During the year under review, certain costs previously allocated to milk procurement were re-allocated to production. This, together with the depreciation on new production platforms, energy cost escalation, staff cost inflation and volume growth, equated to a 12,9% increase in production costs.

Milk collection costs increased marginally by 3,7% despite steep fuel cost increases, volume growth and staff cost inflation. Overall cost increases were largely offset by savings from the renegotiated fleet services contract and the relocation of the UHT production capacity to the coast as part of Project Cielo Blu. The savings in raw milk transport costs stemming from Project Cielo Blu were as planned somewhat counter-balanced by the increased primary distribution costs.

Primary distribution is heavily impacted by fuel prices. In addition, two additional factors contributed to the above inflation increase of 16,8%, namely:

- Temporary transport of the new 18 days fresh milk from Queensburgh to Gauteng for a number of months while the Gauteng platform was being brought into operation, and
- Increased UHT volumes transported from the coastal areas to Gauteng following the relocation of the UHT plants in line with Project Cielo Blu.

Both these factors resulted in direct savings in milk collection costs as the transportation of raw milk was reduced.

Other operating income

Included in other operating income are the following extraordinary amounts:

- R11,7 million profit on sale and scrapping of assets generated mostly by the sale of the Group's redundant Pretoria warehouse.
- R16,8 million profit on gaining control of the Clover Manhattan joint venture.
- R20,3 million foreign exchange gains on rand denominated amounts owing to Clover SA by Clover Botswana and Clover West Africa on the weakening of the rand.

Selling and distribution costs

The additional principal business of Epic Foods, Red Bull and Enterprise Foods resulted in some additional selling and distribution costs. Much higher fuel costs, high staff cost inflation, the consolidation of the RJC business together with costs associated with the launch of new products during the first half of the year inflated selling and distribution costs significantly. These cost pressures were however partly offset by the benefits associated with the renegotiated fleet services contract that came into effect on 1 July 2012.

Administrative expenses

The 6,6% increase in administrative expenditure was mainly made up by staff cost inflation .

Restructuring expenses

Project Cielo Blu required the relocation of equipment between factories and the associated costs could not be capitalised. R17,8 million was expensed in this regard and other related costs. In addition, Project Cielo Blu and the Group's strategic exit from the majority of its bulk mozzarella business engendered R13,5 million of retrenchment costs.

Profit for the year

Profit for the year was 14,4% or R30,1 million higher at R239,9 million after the R20,2 million increase in operating profit, a R22,9 million or 95,8% increase in net finance charges and a R32,9 million reduction in the income tax expense.

The strategic exit from the bulk mozzarella business, local and national industrial action during the first half of the year and the

Profit for the year was 14,4% or R30,1 million higher at R239,9 million.

lower UHT sales as explained in the chief executive's report, effectively increased the Group's inventory levels throughout the year. These levels only started to normalise towards the end of the year and the last remnants of this inventory build-up was sold shortly after the year-end. In addition, the Group invested substantial amounts on project Cielo Blu and other capital investments during the year, including:

- The Real Juice Co. Holdings (Pty) Ltd ("RJC") acquisition.
- The acquisition of the minority shares in Clover Manhattan.
- The individually wrapped processed cheese slices platform.
- The 18 days fresh milk technology.
- The 30 days ultra-pasteurised technology.
- The UHT prisma pack conversion.

As a result, the Group's debt levels and finance charges increased considerably during the year.

The effective tax rate reduced from 39,6% to 30,4%, mainly attributable to large tax adjustments in the prior financial year but also partly due to a very low effective tax rate on capital profits during the reporting year.

Return on equity

The increase in the Group's gearing and profitability improved Return on Equity to 11,9% from the 11,3% achieved in the prior year.

Dividends

The company declared and paid an interim dividend of 10c per share during April 2013. A final dividend of 22c was declared by the Board, which will bring the total dividend for the current financial year to 32c. This is 3,6c or 12,7% higher than the dividend paid in the previous financial year.

Following the settlement of preference shares during the year under review, the board believed that it was appropriate to apply a new dividend policy, details of which is set out in the Chief Executive's report.

Financial position

Non-current assets

The increase in property, plant and equipment stems from the capital expenditure associated with Project Cielo Blu and other capital projects net of depreciation for the year.

Goodwill, trademarks and customer relationships gained on the acquisition of the RJC and the purchase of the minority shares in Clover Manhattan amounted to R83 million and contributed mainly towards the increase in Intangible Assets of R87,5 million. The balance of growth stems from investments in information technology.

Product focus

The Clover brand

Clover, as a household name brand has experienced steady market share over the years, however, the challenge was to increase market share in a hostile market. Gaining market share as a premium milk brand is no easy task in a market where competitors drive aggressive price strategies and consumers have become more price sensitive.

Faced with the above-mentioned business challenge Clover identified a need to reposition the brand with a stronger value proposition; create critical mass for fresh milk by developing a dairy campaign that would consolidate all dairy spend and to use communication to de-commoditise the brand.

From the key opportunities identified, Clover developed a comprehensive solution that included the creation of a new brand strategy focused around corporate identity and packaging, communications and channel positioning.

From a brand perspective the new positioning 'Clover Way Better' was developed in order to form the basis from which a stronger value proposition was communicated. In support of the new positioning a new Corporate Identity was developed to turn the Clover logo into a new fresh quality mark. The packaging was also redesigned to incorporate the new Corporate Identity and increase consumers' perception around the quality of brand they were buying into.

The 360 degrees integrated campaign approach yielded phenomenal results. For the first time in over ten years Clover managed to grow the fresh milk market share from 27,2% in 2010 to 31,4% in 2012.

In addition, the media strategy consolidated all dairy media spend to support the one campaign, resulting in an integrated high-reach, high-impact campaign.

From a creative and media perspective a Millward Brown AdTrack study revealed extra-ordinary results in terms of prompted awareness, ad liking, correct recall and message take out, where the Clover Way Better brand creative performed significantly above the dairy category norms. The campaign has also received a number of prestigious international and national awards for the high calibre of work produced.

Current assets

The first half of the year saw extraordinary inventory growth as explained in the Chief Executive's report and in the discussion on finance charges above. Inventory levels normalised towards the end of the year with most excess inventory sold shortly after the year end.

Trade receivables declined by 0,2% despite the growth in revenue. With effect from 1 June 2013 Danone Southern Africa began to take over the credit control of its major customers that were previously managed by Clover. This reduction in the debtors' book was to some extent mitigated by the Enterprise Foods debtors' book but is largely responsible for the reduction in trade receivables. Trade receivable days outstanding remained at very low levels. (It should be noted 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).

Equity

The share premium account increased by R38,2 million from the prior financial year after the settlement of vested executive management share appreciation rights by the issue of new ordinary shares.

Non-current liabilities

The preference shares were redeemed in June 2013. In addition, the last tranche of the previous debtors' securitisation funding matured during March 2013 and the Board decided to utilise this vehicle to its full extent to take advantage of the current low interest rates. R250 million was therefore borrowed for a 3 year period at floating rates and R400 million for a 5 year period at fixed rates. Both tranches will run from 30 June 2013 and will mature on 30 June 2016 and 30 June 2018 respectively. In the 2011/12 financial statements both the preference shares and the debtors' securitisation debt were disclosed as current liabilities.

Current liabilities

Trade and other payables decreased by R82,7 million or 6,3%. The previous year-end occurred over a weekend with certain trade creditors only paid shortly afterwards, inflating the year-end creditors' balance. This, together with the reduction in Danone debtors, as explained above, was largely the reason for the decrease in trade payables. Principal sales are included in trade receivables, with a corresponding liability included in trade payables reflecting the amount payable to principals for their sales.

Gearing

Gearing at 30 June 2013 was 39,7% (2012: 23,4%). The Group's gearing is well within limits as set by the Board.

Cash flow

Following the rolling of the debtors' securitisation funding for medium term periods, the net current assets position improved from R576,4 million to R1 017,9 million. Excluding inventory, the position improved from a net current liability position of R25,6 million to net current assets of R284,5 million.

Cash generated from operations, before working capital changes, was R417,1 million compared to R444,6 million reported in the prior year. During the year under review, working capital absorbed R181,2 million of cash . The reasons for the working capital changes are discussed under current assets and liabilities above.

Investment activities consumed R516,1 million in cash. Capital expenditure on project Cielo Blu amounted to R87,2 million and capital expenditure of a recurring nature and other capital projects amounted to R367,2 million. R70,6 million was utilised to acquire the RJC and R24,7 million for the purchase of the minority shares in Clover Manhattan.

Finance costs, dividends, debt reduction and the redemption of preference shares absorbed cash of R516,1 million, of which the bulk relates to the redemption of preference shares of R259,4 million and debt repayments of R158,4 million. Further debt to the amount of R814 million was raised to fund the cash shortfall of which R650 million was raised through debtors' securitisation and the balance from short-term bank facilities.

The Group reported a net increase in its cash position for the year of R6,6 million as a result.

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 impractical. Overheads are managed at Group level. MOM refers to revenue less raw material, ingredients and packaging costs.

Included in the dairy fluids segment is the sale of raw milk to Danone at cost. Therefore, it has no MOM impact and should be excluded from any analysis of this segment's performance. Excluding this revenue, the MOM for fluids increased by 7,1% to R1 312,0 million. The MOM margin deteriorated by 1,1% to 38,5%, mainly resulting from the full year effect of the high 2011/2012 farmgate milk price increases. This was further exacerbated by very competitive UHT prices during the first half of the year and the high increase in UHT packaging costs. Sales volumes rose by 1,6% with fresh and ultra-pasteurised milk down 1,2% and UHT milk up 3,1%. Price inflation was 8,5% on average while the cost of materials and packaging increased by 13% net of the volume effect.

The Dairy Concentrated Products segment consists of cheese, butter, condensed milk and retail powders. Volumes decreased by 3% after the Group mostly exited the bulk mozzarella business. Pre-packed cheese volumes grew by 26,2% and feta cheese volumes by 10,4%. Segment revenue as a result grew by 3,3% based on average price inflation of 6,3% which includes the improved product mix after the strategic exit from bulk mozzarella. The price of packaging and raw materials increased by an average of 6,2% net of increased volumes. MOM improved by 8,9% and the MOM margin increased with 1,6% in line with the improved product mix.

Capital expenditure on project Cielo Blu amounted to R87,2 million and capital expenditure of a recurring nature and other capital projects amounted to R367,2 million.

International dairy ingredient prices remained robust throughout the year and peaked at record high prices during April 2013. As previously mentioned and as discussed in the Chief Executive's report, Clover was required to convert a much higher volume of milk into milk powder during the 2012 peak production season. The Group managed to find a market for its excess powder, albeit at prices notably lower than the ruling international prices. Clover only accesses international dairy commodity markets occasionally and is not in a position to command the same prices as other regular international dairy exporters. The Group's exposure to the ingredients segment is largely confined to its joint venture, Clover Fonterra Ingredients. This company normally procures most of its products from the international markets. Volumes grew by 3,1%.

Revenue however declined by 3,5% due to the discounted selling prices of Clover produced powder and the quantum of this powder in the overall product mix. MOM grew by 7,1% and the MOM margin improved from 19,6% to 21,7% on the back of lower cost prices of the same locally manufactured powder.

MOM from the beverages segment showed a very healthy 22,5% growth to R986,9 million. Volume growth was 15,4% which, combined with price inflation of 5,9% resulted in a 21,2% increase in segment revenue to R1 888,2 million. The acquisition of RJC with effect from October 2012 contributed 7,7% to volume growth and the MOM margin increased by 0,5% to 52,3%.

Jacques Botha
Chief Financial Officer

11 September 2013

Product focus

30-days shelf life ultra-pasteurised milk project

- Installed Tetra Pak VTIS steam injection technology to produce UP milk.
- By using culinary steam injection the milk is subjected to a very high temperature for a very short period of time, thereby preserving the taste of the milk.
- Installed Galdi 2L ESL gable top carton filling line with proprietary ESL milk delivery system to feed the filler.
- Plant is capable of producing 15 000 litres/hour of UP milk.
- Created 12 additional jobs.

SIX-YEAR FINANCIAL REVIEW

Summarised results for the year	Variance 2013 vs 2012	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Revenue	**10,7%**	**7 996 461**	7 223 863	6 542 321	@6 161 483	+5 475 800	5 718 306
Revenue Danone Clover		**–**	–	–	–	–	682 677
Revenue excluding Danone Clover	**10,7%**	**7 996 461**	7 223 863	6 542 321	6 161 483	5 475 800	5 035 629
Operating profit	**5,4%**	**391 388**	371 232	319 019	**558 970	*664 338	297 227
Net financing cost							
Current and long-term liabilities	**(1 366,7%)**	**(26 385)**	(1 855)	(16 081)	(41 228)	(103 501)	(90 716)
Debt portion of preference share capital	**7,7%**	**(20 346)**	(22 007)	(21 359)	(22 290)	(32 248)	(30 417)
Profit/(loss) before tax from continuing operations	**(0,8%)**	**344 657**	347 370	281 579	495 452	528 589	176 094
Taxes	**23,9%**	**(104 798)**	(137 654)	(97 534)	(191 662)	(29 239)	(50 472)
Profit after tax from discontinued operations	**–**	**–**	–	–	32 123	39 560	–
Non-controlling interest	**72,7%**	**(1 233)**	(4 426)	(4 446)	(5 094)	(11 740)	(5 698)
Profit attributable to equity holders of the parent	**16,2%**	**238 626**	205 290	179 599	**330 820	*527 170	119 924
Headline earnings attributable to equity holders of the parent	**3,4%**	**214 894**	207 800	175 177	19 000	(104 300)	116 300

Normalised earnings	Variance 2013 vs 2012	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Operating profit	**5,4%**	**391 388**	371 232	319 019	558 970	664 338	297 227
Adjusted for exceptional items:							
(Profit)/loss on sale and scrapping of property plant and equipment		**(11 680)**	(878)	(7 277)	940	(3 830)	(5 057)
Gain on fair valuing of existing investment in joint venture due to acquiring control		**(16 747)**	–	–	–	–	–
Profit on the sale of Boksburg factory		**–**	–	–	(50 818)	–	–
Profit on deconsolidation of Danone Clover		**–**	–	–	–	(637 518)	–
Profit on sale of Danone Clover		**–**	–	–	(337 682)	–	–
Retrenchment costs		**17 184**	3 629	6 628	84 900	17 200	10 300
Option fee paid to HCI on capital restructuring		**–**	–	–	11 400	–	–
Legal and professional services costs associated with the listing		**49**	–	8 499	–	–	–
Legal and professional services costs associated with the capital restructuring		**–**	–	–	5 300	–	–
SAR bonuses paid to Executives on capital restructuring		**–**	–	–	37 100	–	–
Other restructuring cost		**18 517**	5 944	1 780	10 700	8 400	1 100
Normalised operating profit	**4,9%**	**398 711**	379 927	328 649	320 810	48 590	303 570
Net financing cost		**(46 731)**	(23 862)	(37 440)	(63 518)	(135 749)	(121 133)
Tax expense							
Total tax expense		**(104 798)**	(137 654)	(97 534)	(191 662)	(29 239)	(50 472)
Other non-recurring tax adjustments		**–**	18 254	–	–	–	–
STC paid on capital restructuring		**–**	–	–	52 200	–	–
Taxation adjustment on exceptional items		**(8 453)**	(2 745)	(1 845)	69 765	33 206	(2 518)
Non-controlling interest		**(1 233)**	(4 426)	(4 446)	(5 094)	(11 740)	(5 698)
Normalised profit attributable to equity holders of the parent	**3,5%**	**237 497**	229 493	187 384	182 501	(94 932)	123 749

@ *During the first six months of the prior 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 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.*

	Variance 2013 vs 2012	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Dividends							
Equity dividends – ordinary shares	**(22,0%)**	**41 912**	53 734	58 720	–	1 000	619
Equity dividends – preference shares		**–**	–	–	370 030	28 984	17 757
Preference dividends recognised as interest	**(7,7%)**	**20 346**	22 007	21 359	22 290	32 248	30 417
Earnings and dividends per share		**Cents**	**Cents**	**Cents**	**Sent**	**Cents**	**Cents**
Equity dividends per ordinary share	**(22,0%)**	**23,4**	30,0	38,2	–	1,3	0,8
Equity dividends per preference share		**–**	–	–	–	33,5	20,5
Special dividend on the buy-back of the equity rights of preference shares per preference share		**–**	–	–	413,7	–	–
Preference dividend recognised as interest per preference share	**(7,7%)**	**22,7**	24,6	23,9	24,9	37,3	35,2
Earnings per ordinary share	**16,1%**	**133,1**	114,6	116,7	**214,0	***22,3	***5,2
Diluted earnings per ordinary shares	**15,3%**	**123,8**	107,4	108,9	**214,0	***22,3	***5,2
Headline earnings per ordinary share	**3,4%**	**119,9**	116,0	113,8	**33,1	***(82,2)	***150,2
Diluted headline earnings per ordinary share	**2,6%**	**111,5**	108,7	106,2	**33,1	***(82,2)	***150,2
Normalised earnings/(loss) per share, calculated by dividing the normalised profit/(loss) by the weighted average number of ordinary shares net of treasury shares	**3,4%**	**132,5**	128,1	121,8	*118,1	*(120,6)	*159,9
Summarised statement of financial position		**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Non-current assets		**1 964 519**	1 526 306	1 361 355	1 202 482	1 823 620	1 361 292
Deferred taxation asset		**7 449**	492	3 262	18 840	110 449	104 764
Current assets		**2 462 299**	2 336 745	2 180 874	1 710 880	1 651 408	1 908 140
Total assets		**4 434 267**	3 863 543	3 545 491	2 932 202	3 585 477	3 374 196
Shareholders' funds		**2 113 116**	1 894 244	1 742 362	1 048 358	1 440 122	938 621
Non-controlling interest		**2 309**	1 796	9 443	28 108	40 886	48 308
Non-current portion of interest-bearing borrowings		**666 640**	21 686	432 833	592 504	761 425	657 001
Non-current portion of provisions		**61 222**	61 637	62 522	50 457	60 464	62 883
Non-current portion of trade and other payables		**9 267**	6 904	13 357	6 320	–	–
Deferred taxation liability		**137 312**	116 950	32 015	6 363	6 292	28 577
Current portion of interest-bearing borrowings		**172 646**	421 376	173 828	66 947	234 809	517 581
Current liabilities		**1 271 755**	1 338 950	1 079 131	1 133 145	1 041 479	1 121 225
Total equity and liabilities		**4 434 267**	3 863 543	3 545 491	2 932 202	3 585 477	3 374 196
Net assets		**2 115 425**	1 896 040	1 751 805	1 076 466	1 481 008	986 929
Replacement value of property, plant and machinery [(a)]		**6 106 300**	5 746 800	5 445 700	5 112 800	4 927 000	4 521 600

* *The earnings/(loss) per share from continuing operations adjusted for exceptional items for years 2008 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 on page 174.

Number of shares in issue	2013	2012	2011	2010	2009	2008
Number of ordinary shares in issue at year-end	**181 218 149**	179 111 867	179 111 867	123 849 962	88 485 311	88 485 311
Weighted average number of ordinary shares net of treasury shares	**179 267 674**	179 111 867	153 882 447	154 595 442	78 711 534	77 411 046
Weighted average number of ordinary shares for calculation of diluted earnings	**192 750 186**	191 127 152	164 890 519	154 595 442	78 711 534	77 411 046
Number of preference shares in issue at year-end	**–**	89 442 022	89 442 022	89 442 022	86 492 589	86 492 589
Weighted average number of preference shares net of treasury shares	**–**	89 442 022	89 442 022	87 516 207	85 442 022	85 517 022
Cash flow	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Cash flow from /(used in) operating activities	**235 963**	417 910	256 927	347 077	79 696	(113 494)
Cash (used in)/from investment activities	**(516 092)**	(256 150)	(253 323)	1 005 113	(186 391)	(213 069)
Net cash (outflow)/inflow before financing activities	**(280 129)**	161 760	3 604	1 352 190	(106 695)	(326 563)
Cash flow from/(used in) operating activities per share (cents)	**131,6**	233,3	167,0	224,5	101,3	(146,6)
Ratios and returns	**%**	**%**	**%**	**%**	**%**	**%**
Operating profit to revenue	**4,9**	5,1	4,9	**9,1	*12,1	5,2
Normalised operating profit	**5,0**	5,3	5,0	5,2	0,9	5,3
Return on net assets	**13,8**	14,9	15,0	**27,1	*27,7	15,3
Return on net assets excluding exceptional items	**14,0**	15,2	15,4	15,5	2,0	15,6
Return on equity holders' funds	**11,9**	11,3	12,9	**26,6	*44,3	13,6
Return on equity holders' funds excluding exceptional items	**11,9**	12,6	13,7	15,1	(8,0)	14,0
Gearing percentage	**5,7**	(14,2)	(12,4)	21,4	48,8	67,9
Effective tax rate	**30,4**	39,6	34,6	38,7	5,5	28,7
	Times	**Times**	**Times**	**Times**	**Times**	**Times**
Net asset turn	**6,2**	6,8	8,3	6,9	6,5	11,4
Current ratio	**1,7**	1,3	1,7	1,4	1,3	1,2
Employees statistics	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Average number of employees	**6 533**	6 555	6 353	6 362	6 579	6 662
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Revenue per employee	**1 224,0**	1 102	1 030	968	832	858
Operating profit per employee	**59,9**	57	50	88	101	45
Normalised operating profit	**61,0**	58	52	50	7	46
Net assets per employee	**307,0**	278	223	201	188	138

@ 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 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 on page 174.

Product focus

Tropika

TROPIKA'S STRATEGIC VISION IS TO:

- GROW MARKET SHARE IN REGIONS OF WEAK MARKET SHARES (EASTERN AND WESTERN CAPE).
- LEVERAGE THE BRAND INTO NEW PRODUCT CATEGORIES FOR THE SAME TARGET MARKET (NEW FLAVOURS AND PACK SIZES).
- STRETCH THE BRAND INTO NEW CONSUMER MARKETS (LINE EXTENSIONS UNDER THE TROPIKA UMBRELLA).

From a turnover of R450 million in 2006/07, Tropika has now achieved a turnover of almost R1 billion. After nearly 30 years in the South African market, Tropika is still the market leader in the Dairy Fruit Mixes category and the best-selling fruit juice beverage in South Africa in terms of volume and value.

Since its launch in 1984 the product has grown to a staggering 92,7 million litres for 2012/13.

- Tropika appeals to consumers from 16 to 49 years of age, LSM 5-10 and all demographics.
- Sales volume has increased by 56% locally in the last 5 years!
- Tropika is the brand with the largest advertising spend in its category.
- Consistently at the forefront of beverage innovation with new product concepts, line extensions and new flavours.
- Large distribution footprint encompassing Top End, Forecourts, Wholesale, FSI, Bottom End and Agents, Nigeria, Botswana and Namibia.

REPORT ON GOVERNANCE, RISK AND COMPLIANCE

The Group is committed to achieving its goals with integrity, high ethical standards and in compliance with all applicable laws.


AQUARTZ
still

GOVERNANCE, RISK AND COMPLIANCE

Clover appreciates that strategy, risk, performance and sustainability are inseparable.

Governance, risk and compliance considerations

COMPANIES ACT: REGULATION 43

- *Social and Economic Development
- Good corporate citizenship
- *Environmental, Health and Public Safety
- *Consumer relationship
- *Labour and employment

*Dealt with in the Report on Sustainability.

REPORT ON GOVERNANCE, RISK AND COMPLIANCE

- Ethical leadership and corporate citizenship
- Board and Directors
- Audit Committees
- The governance of risk
- Governance of Information Technology (IT)
- Compliance with laws, codes, rules and standards
- Internal audit
- Reporting and disclosure

KING III

- Ethical leadership and corporate citizenship
- Board and Directors
- Audit Committees
- The governance of risk
- IT Governance
- Compliance with laws, codes, rules and standards
- *Governing stakeholder relationships
- Integrated reporting and disclosure

Approach to governance and statement of compliance

The Board of Clover Industries Limited ("Board") recognises that good corporate governance is essential to protect and balance the interests of all its stakeholders. The Group is committed to the principles of transparency, fairness, integrity and accountability in its dealings with all stakeholders. The Board endorses the King Code of Governance Principles for South Africa 2009 (the "Code") and has satisfied itself that Clover has conformed throughout the reporting period to all principles of the Code and the Listings Requirements of the JSE, except where it has applied the principle of "apply or explain" as indicated on page 52 of this report.

Ethical leadership and corporate citizenship

The Group is committed to achieving its goals with integrity, high ethical standards and in compliance with all applicable laws. The Board has adopted a Code of Ethics which is continuously reviewed and updated as appropriate. The Directors are fully committed to these principles, which ensure that the business is managed according to the highest standards within the branded consumer goods industry in South Africa, as well as the social, political and physical environment within which the Group operates.

The Group strives to conduct its business while taking cognisance of the following ethical principles:

- **RESPECT** requires acknowledging others' rights and treating others with dignity.
- **INTEGRITY** builds trust which is necessary for a business to form strong relationships with all stakeholders, enabling the Group to make better and more effective internal decisions.
- **FAIRNESS** requires the balancing of various stakeholder interests to ensure that everyone gets what is rightfully due to them.
- **RESPONSIBILITY** requires the Group to take ownership of, and being accountable for, our acts and omissions. It means that we take care of what is entrusted to us, recognising the economic, social and natural environments we operate in.

No material ethical leadership and corporate citizenship deficiencies were noted. The Board, through the Audit and Risk Committee, as well as the Social and Ethics Committee, monitors compliance with Clover's Code of Ethics through various reporting channels, including its internal audit department which is outourced to KPMG, the whistle-blower hotline and its Competition Law Centre of Excellence.

Clover received no requests during the financial year in terms of the Promotion of Access to Information Act.

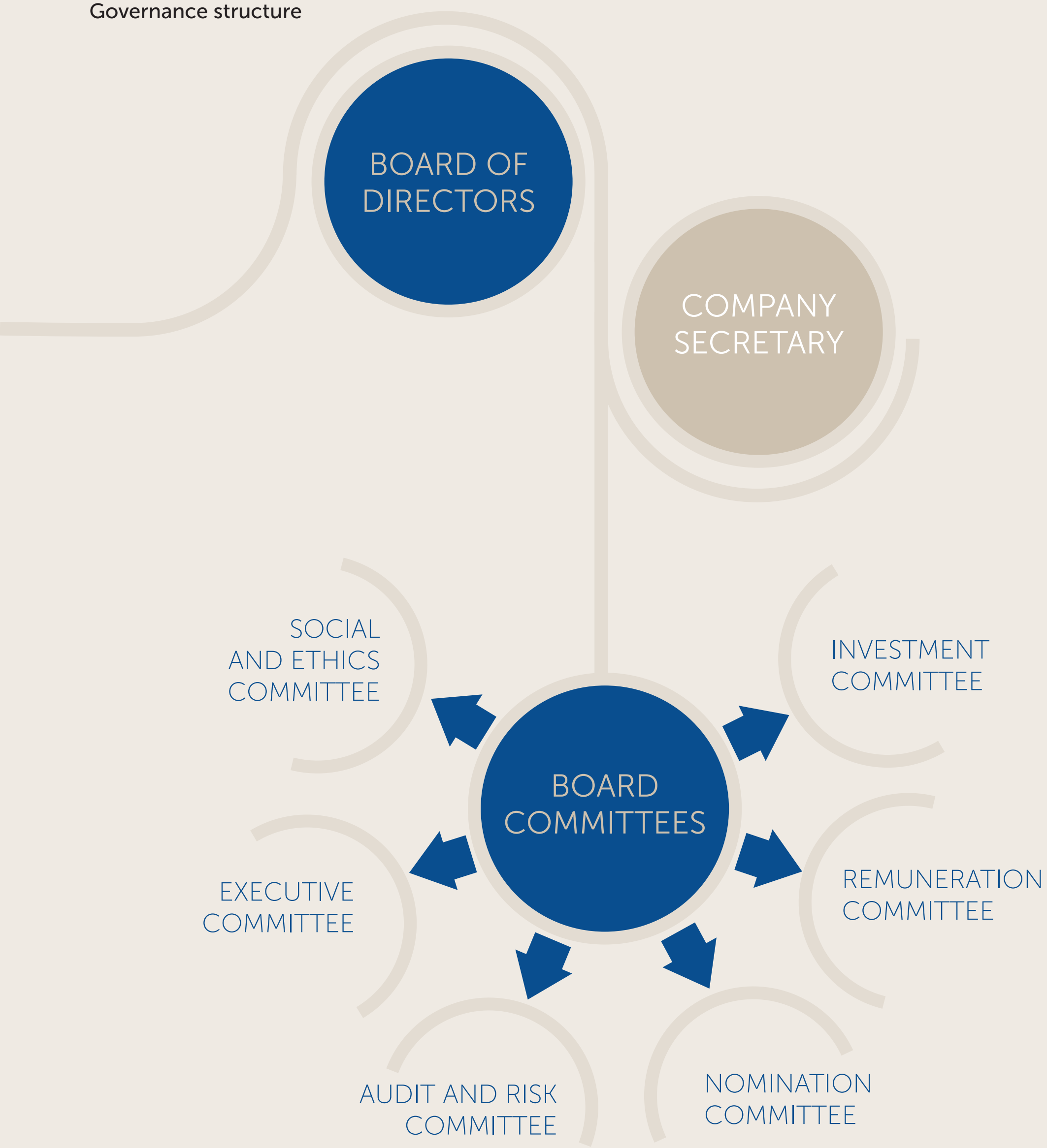
During the financial year, Clover complied in all material aspects with all relevant legislation and was not subject to any material penalties, fines or criminal procedures. Further, no material ethical leadership and good corporate citizenship deficiencies were noted.

Board and directors

The Board acts as the focal point and custodian of corporate governance. Substance above form is effective at all levels, and is an integral part of the Group's corporate culture. The Board's responsibilities are set out in a charter which is reviewed and adopted by the Board annually.

All Board sub-committees operate under Board approved mandates and terms of reference, and with the exception of the Executive and Nomination Committees, are chaired by Independent Non-executive Directors.

Governance structure



The Board

The Board is ultimately responsible for the management of the Group's business and determining its strategies and policies. In addition, the Board is responsible for approving the Group's financial objectives and targets.

Members of the Board are appointed by the Group's shareholders, although the Board also has the authority to appoint Directors to fill any vacancy that may arise from time to time. These appointments, which are a matter for the Board as a whole, are made in terms of formal and transparent procedures and subject to ratification by shareholders at the Annual General Meeting.

Directors are appointed on the basis of skills, experience and their level of contribution to the activities of the Group. The Nomination Committee, as sub-committee of the Board, is mandated to identify and recommend candidates for the Board's consideration through a formal and transparent process. New appointees are appropriately familiarised with the Group's business through an induction programme.

The Group's Executive Directors, who are members of the Executive Committee, are responsible for overseeing the day-to-day business activities of the Company and are responsible for ensuring that the decisions of the Board are implemented in accordance with its mandates.

The authority to indemnify Directors is provided for in the Group's Memorandum of Incorporation and deeds of indemnification have been issued to all Directors and prescribed officers of the Group, to the extent permitted by the Companies Act. Appropriate directors' and officers' liability insurance was in place throughout the reporting period.

Board composition

During the review period the Board consisted of four Executive Directors and eight Non-executive Directors, four of whom are independent. Details of the Directors are available on pages 17 to 19 of this report. Although the majority of Non-executive Directors are not independent, there exists a balance of power and authority at Board level, such that no individual director has unfettered powers of decision-making.

During the review period, the retirement of two Non-executive Directors with effect from 30 November 2012 and one Executive Director with effect from 30 June 2013, reduced the size of the Board.

The Board meets four times per financial year, excluding any *ad hoc* meetings convened to consider special business.

Board and sub-committee attendance

Director	Board		Audit & Risk Committee		Remuneration Committee		Nomination Committee		Social & Ethics Committee		Investment Committee**	
	A	B	A	B	A	B	A	B	A	B	A	B
JAH Bredin*	2	2			1	1	1	1				
HPF du Preez	2	2										
SF Booysen (Dr)	4	4	4	4	3	3	1	1				
LJ Botha	4	4										
WI Büchner*	4	4			2	2	2	2				
JNS du Plessis	4	4	4	4	3	3						
MG Elliott	4	4										
JC Hendriks (Dr)	4	4							4	3		
CP Lerm (Dr)	4	3										
NP Mageza	4	3	4	4								
NA Smith	4	4										
HB Roode	4	4							4	4		
JH Vorster	4	4										
TA Wixley	4	4	4	4	3	3	2	2	4	4		

A = Number of meetings held during the period the Director was a member of the Board/Committee.
B = Number of meetings attended during the period the Director was a member of the Board/Committee.
* *The Chairman attends all sub-committee meetings by invitation.*
** *No meetings were held during the year under review.*

Company Secretary

The Directors of the Group have unfettered access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that procedures and regulations are complied with, and that Directors are conversant with their duties and responsibilities.

The JSE Listings Requirements and the Code requires that the Company Secretary should not also be a Director and as a result Manie Roode retired as Company Secretary on 1 October 2012 and Jacques van Heerden was appointed as Company Secretary with effect from 1 October 2012.

The certificate of Jacques van Heerden, the Company Secretary, appears on page 92 of this integrated annual report.

Directors may seek independent professional advice on the affairs of the Group in appropriate circumstances if they believe that such action would be in the best interests of the Group.

Having duly considered the above factors, the Board is comfortable that Jacques Van Heerden maintains an arm's length relationship with the Board and the individual Directors in terms of section 3.84(j) of the JSE Listings Requirements.

Board Committees

A number of Committees of the Board have been established to assist it in discharging its responsibilities. The nature and scope of authority of each Committee is detailed in its terms of reference which is approved by the Board. In addition, the Company's Audit and Risk Committee, and its Social and

Ethics Committee have certain specific responsibilities in terms of the Companies Act and its Regulations. Copies of the respective terms of reference are available on the Company's website www.clover.co.za.

The Board monitors these responsibilities to ensure effective coverage of, and control over, material issues as identified by the Group.

EXECUTIVE COMMITTEE

JH Vorster – Chairman

HB Roode (retired from the Executive Committee on 30 June 2013)

LJ Botha

Dr CP Lerm

Dr JHF Botes

H Lubbe

ER Bosch

MM Palmeiro (appointed to the Executive Committee on 1 October 2012)

The Executive Committee meets regularly to review current operations, identify risks and the management thereof, develop strategies and recommend policies for consideration by the Board and implement the directives and decisions of the Board.

Clover's Directors and Executive staff as well as operational management have clearly defined responsibilities and levels of authorisation for their respective area of the business. The delegation of these responsibilities is reviewed annually.

AUDIT AND RISK COMMITTEE

TA Wixley (Lead Independent Director) – Chairman

Dr SF Booysen

NP Mageza

Adv JNS du Plessis

The Audit and Risk Committee comprises only Independent non-executive Directors. The Chief Executive and Chief Financial Officer and other Executives attend meetings of the Audit and Risk Committee by invitation and actively engage in these meetings. Other Non-executive Directors also attend by invitation.

The report of the Audit and Risk Committee on pages 90 to 91 of this report sets out its responsibilities and describes how they have been fulfilled.

REMUNERATION COMMITTEE

Dr SF Booysen (Independent Non-executive Director) – Chairman

WI Büchner (appointed to the Remuneration Committee on 30 November 2012)

JAH Bredin (retired from the Remuneration Committee on 30 November 2013)

TA Wixley

Adv JNS du Plessis

The Chief Executive and other Executives attend meetings of the Committee by invitation but recuse themselves from discussions regarding their own remuneration and benefits.

The report of the Remuneration Committee on pages 61 to 65 of this report sets out its responsibilities and describes how it has been fulfilled.

SOCIAL AND ETHICS COMMITTEE

TA Wixley (Lead Independent Director) – Chairman

WI Büchner

Dr JC Hendriks

ER Bosch (appointed to the Social and Ethics Committee on 6 September 2012)

HB Roode (retired from the Social and Ethics Committee on 30 June 2013)

The Social and Ethics Committee is a sub-committee of the Board and is chaired by the Lead Independent Director, TA Wixley. Other management members are invited to attend meetings as and when required to provide expert advice on each of the disciplines or areas within the mandate of the Committee specified in regulation 43(5) of the Companies Act.

Other management members attend the meetings of this Social and Ethics Committee by invitation as and when applicable.

The responsibilities and functioning of the Social and Ethics Committee is governed by a formal terms of reference approved by the Board and is subject to regular review. The main objective of the Committee is to assist the Board in ensuring that Clover remains a responsible corporate citizen with sustainable business practices by monitoring, developing, reviewing and improving the Group's social, ethical, environmental impact and governance policies against predetermined benchmarks.

The Social and Ethics Committee developed and adopted a formal work plan entailing the functions as set out in regulation 43 of the Companies Act. In terms of the work plan, the Social and Ethics Committee prioritised the implementation of certain actions to enable it to fully discharge its statutory functions over a period of three years.

The Social and Ethics Committee reports through one of its members to shareholders at the Company's Annual General Meeting on all sustainable matters within its mandate and its Report on Sustainability is available on www.clover.co.za as well as on page 68 of this integrated annual report.

The Social and Ethics Committee meets four times per year as set out in the attendance register above.

NOMINATION COMMITTEE

WI Büchner – Chairman (appointed as Chairman of the Nomination Committee on 30 November 2012)

Dr SF Booysen – (appointed to the Nomination Committee on 6 September 2012)

TA Wixley

Dr JC Hendriks – (retired from the Nomination Committee on 6 September 2012)

JAH Bredin – Chairman (retired from the Nomination Committee on 30 November 2012)

The Nomination Committee is responsible for regularly reviewing and making recommendations on the Group's Board structure and the size and composition of the Board. The Nomination Committee furthermore ensures that an appropriate balance exists between Executive, Non-executive and Independent Directors, and considers and approves the classification of directors as being independent, in line with the Code. It assists with the identification and nomination of new Directors for appointment by the Board and/or shareholders and oversees induction and training of Directors.

The Nomination Committee assists the Chairman of the Board with annual performance reviews of the Board and its sub-committees and also assists the Chairman in ensuring the proper and effective functioning of the Board, including the establishment and maintenance of appropriate succession planning.

The Nomination Committee meets as and when required during every financial year.

During the reporting period, the Nomination Committee composition was rectified to comply with the JSE Listings Requirements and the Code.

INVESTMENT COMMITTEE

TA Wixley (Lead Independent Director) – Chairman

JAH Bredin (retired from the Investment Committee on 30 November 2012)

WI Büchner

Dr SF Booysen

JNS du Plessis

NP Mageza

JH Vorster

HB Roode (retired from the Investment Committee on 30 June 2013)

LJ Botha

The purpose of the Investment Committee is to provide guidance and to act as a strategic sounding board for the Executive Committee when considering growth plans with particular focus on mergers and/or acquisitions. The Investment Committee has the delegated authority to approve transactions between the value of R50 million and R350 million. The Investment Committee meets as and when required during every financial year.

Governance of risk

Effective risk management is imperative to Clover. The realisation of the Group's strategy depends on it being able to take calculated risks in a manner that does not jeopardise the direct interest of stakeholders, through the alignment of risk and opportunities to the Group's vision and mission. The nature of the Group's risk profile demands that it adopts a prudent approach to corporate risk and its decisions regarding risk tolerance, as well as risk mitigation, reflects this. The Board assumes full responsibility for the governance of risk through formal risk management processes. It effects some of these duties through the Audit and Risk Committee, which is a sub-committee of the Board, which has been appropriately constituted.

In order to ensure a consistent approach to the management of risk within the Group, the Board approved the Enterprise Wide Risk Management Framework, which defines the Group's risk-bearing capacity, risk appetite and risk tolerance (collectively, referred to as risk limits), which has been implemented by management and is reviewed annually and approved by the Board. This policy and framework incorporates the COSO Enterprise Risk Management – Integrated Framework, generally accepted risk management practices as well as the Code. All service organisations, supporting functions, processes, projects and Clover-controlled entities are subject to this policy and framework.

These risk limits are used in setting the risk impact categorisation table for the purpose of measuring and prioritising risks according to materiality of impact values. Management will continue to extend the integration of risk limits throughout the business processes such as setting authorisation thresholds in pursuing strategies within the set risk appetite as well as setting tolerance levels for operational functions.

Management has further developed a risk management strategy that takes cognisance of the current level of sophistication of its risk management processes and is aimed at advancing both the risk management process and the quality of its output. The plan is approved annually by the Audit and Risk Committee, which regularly reviews the progress.

Management has been charged with the design, implementation and monitoring of the risk management arrangements within the Group. Consequently a methodology was developed and implemented across the Group to ensure that risk assessments are conducted on a quarterly basis within each business unit. A formal Management Risk Committee has been established and meets on a quarterly basis to discuss key risks facing the Group as well as the status of mitigating action plans. Key risks facing the Group and mitigating actions taken are reported to the Audit and Risk Committee on a quarterly basis.

Key risks currently facing the Group are industry-related and set out below:

Risk	Risk mitigation
Non-compliance with Competition Act and with Consumer Protection Act	Continuous monitoring and training within the Group through the establishment of the Competition Law Centre of Excellence which also monitors compliance with the Consumer Protection Act.
Maintaining service delivery to principals	Management reviews individual principal performance against pre-determined performance criteria. Any significant deviations in performance is brought to the attention of the Executive for the necessary corrective measures. Enhancing the service offering to principles, is a key focus area.
Lack of capacity at certain distribution facilities	Capacity analysis is performed over the whole Group on a continuous basis and the Executive Committee is committed to address the long-term capacity requirements of the Group. Significant capital projects are underway that will create long-term capacity at various facilities. A comprehensive network study has been completed to optimise the network.
Clover is currently a Level 6 B-BBEE contributor	The Group is currently in process of evaluating its options to migrate to at least level 4 over the next 2 - 4 years that would enable the Group to unlock various grants and incentives.
Uncompetitive cost structure due to inappropriate location of production facilities	Project Cielo Blu is being finalised, having relocated facilities to appropriate locations, rendering significant cost savings to the Group. These projects should be finalised at the end of October 2013.

The Board, assisted by the Audit and Risk Committee in evaluating the performance of the Group in relation to risk management during the review period, concluded that it was performing effectively.

The Board has approved and management has implemented the Business Continuity Management Policy to enable the Group to limit its losses caused to the occurrence of various unpredictable events through defining appropriate risk reporting and mitigation processes.

The Management Risk Committee has not reported any material losses related to the period under review. Furthermore, no losses have been incurred with respect to unpredictable events occurring during the period under review.

Clover's Enterprise Wide Risk Management Framework was independently assessed by KPMG Internal Audit against the principles of the Code. The overall conclusion of the report was that all essential processes of risk governance appear to be embedded in a credible manner. It was noted that the Group has implemented strong governance structures and have adopted and implemented various leading risk management practices, policies and processes. A mature risk management approach has been implemented with regards to the assessment, monitoring and reporting of strategic risks and opportunities which are aligned to the Group's vision and mission.

Ongoing fraud awareness campaigns are run at branch level across all levels of staff to raise awareness of Clover's Ethics Policy and how to use Clover's Ethics Hot-Line, being a confidential whistle-blowing service, independently run by Deloitte. All tip-offs are actively investigated, followed-up on and resolved.

The Board, assisted by the Audit and Risk Committee, is satisfied with the effectiveness of the risk management process.

Cielo Blu focus

Port Elizabeth production

- Installed 5 UHT filling lines, increasing the installed number to 8.
- Installed two sterilisers.
- Constructed new laboratory, staff canteen, production offices, engineering offices and engineering stores.
- Constructed new final product and raw material warehouse capable of 1 330 pallet spaces, increasing the current capacity by 100%.
- Installed a reverse osmosis water treatment plant capable of 108 000 litres/hour and water storage of 1.2m litres.
- Installed 2 inline milk standardisers thereby reducing utility consumption on the sterilisers by 38%.
- Installed a new mixing plant capable of producing Tropika, custard and artificial cream.
- Plant capacity increased by 140% from 250 000 litres/day (78m litres p.a.) to 600 000 litres/day (187m litres p.a.).
- Created 120 jobs.

Governance of information technology (IT)

The Board assumes full responsibility for governance of IT through formal risk management processes. It effects these duties through the Audit and Risk Committee and various IT Steering Committees.

During the current financial year, KPMG Internal Audit conducted a follow up on the IT governance review that was conducted the previous financial year with the intention of providing input into the development of an IT governance framework. KPMG Internal Audit assessed the control environment and Clover's general IT risk with a view of understanding the risks facing the organisation and the current controls in place to mitigate these risks. This report highlighted areas where risk management practices and the controls over IT could be improved, and the results were incorporated into the IT governance roadmap for the Group.

A formal IT strategy was developed which is aligned with the approved business strategy of the Group in order to enhance the control environment. KPIs to monitor the IT strategy have been implemented and are currently being reported on.

Management implemented a number of the recommendations from the IT governance roadmap in the 2011/2012 financial year. Management has now implemented all of the recommendations set out in the IT governance roadmap which has resulted in an improved IT governance maturity profile. Clover's compliance to the IT governance framework is assured independently from time to time by KPMG Internal Audit.

Management has developed a number of business continuity plans in accordance with the Business Continuity Management Policy approved by the Board which includes a formal project process and/or change control policy and disaster recovery plan for IT and business systems. The IT infrastructure and applications which provide support for the financial system, is audited on an annual basis by the external auditors. An IT internal control framework forms part of the general internal control framework. The Audit and Risk Committee are supported by business systems managers, while the IT management team is responsible for evaluating the security of computer systems and applications, and for devising the contingency plans for processing financial information in the event of a systems breakdown.

Compliance with laws, codes, rules and standards

Clover recognises that it is accountable and responsible to all stakeholders under the legal, regulatory and supervisory requirements applicable to its business. Therefore the Company is in the process of approving the establishment of an independent compliance function as part of its draft compliance policy.

The responsibility to facilitate compliance throughout the Company has been delegated to the Company Secretary who heads the compliance function. The Company Secretary will be responsible for the effective implementation of the Company's compliance policy once it has been approved by the Board.

Clover regards compliance as a matter of high priority and it forms an important part of its risk management process. In order to ensure that all employees are inducted and consistently aware of Clover's compliance policies and procedures, a compliance manual has been drafted and reviewed by KPMG Internal Audit. The manual documents compliant conduct within the Company at the hand of the relevant compliance policy and standards. In addition, it documents how all the applicable laws, regulations and supervisory requirements are being managed and controlled. Non-adherence to the standards documented in the manual will lead to disciplinary action and could ultimately lead to dismissal.

To further enhance risk management, Clover has taken note of the importance of establishing a regulatory universe. During the year under review, steps were initiated to establish a documented process aimed at ensuring adequate and effective controls.

Compliance with provisions of the Consumer Protection Act and Competition Act

To reinforce a culture of compliance, the Group launched a series of educational online training campaigns to raise awareness and understanding of the requirements of and obligations imposed by the Competition Act and Consumer Protection Act.

These initiatives were extended to all employees in management roles and those who may be exposed to anti-competitive or collusive conduct by nature of their position within the Group. Over 600 individuals completed the online training for each assessment.

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 and the members of the KPMG Competition Law Advisory Practice which offer both competition law and competition economics support and advice.

KPMG Competition Law Advisory Practice indicated that competition law compliance input generated by the CLCE was taken seriously by the Group and was followed by the adoption of appropriate measures by the Group.

The Group has extending the CLCE to also include the Consumer Protection Act.

The Group is subjected to various legal proceedings, actions in the ordinary course of business; however the Board does not believe that there are any material pending or threatened legal actions.

During the review period, Clover complied in all material aspects with all relevant legislation.

Insider trading

No employee of the Group may deal, directly or indirectly, in the Company's shares on the basis of unpublished price-sensitive information regarding its business. No director or officer of the Group may disclose trade information regarding its business. Directors or officers of the Group are precluded from trading in the ordinary shares or preference shares of the Group during a closed period or prohibited period determined by the Board. In terms of the interim and year-end financial results a closed period will be imposed from:

- The end of the first six-month period, to the date that the interim financial results are published on the Securities Exchange News Services ("SENS").
- The financial year-end to the date that the final financial results are published on SENS.

Any Director wishing to trade in ordinary shares of the Group, obtains clearance from the Chairman of the Board or the Company Secretary prior to trading in any ordinary shares of the Group. The Board has also adopted the Clover Group Price-Sensitive Information Policy and the Clover Group Insider Trading Policy. Compliance with the aforementioned policies provides reasonable assurance that Directors, officers and relevant employees of the Group and its subsidiaries are aware of, and comply with, insider trading and price-sensitive information requirements.

Internal audit

The Group maintains internal controls and systems designed to provide reasonable assurance regarding the reliability of the financial statements and to adequately protect, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with segregated duties and responsibilities.

The Group has outsourced its internal audit function to KPMG Services Proprietary Limited ("KPMG Internal Audit"), a professional service provider, which is responsible for implementing the annual internal audit plan approved by the Audit and Risk Committee. This internal audit function operates under the direction of the Audit and Risk Committee, which approves the scope of the work to be performed.

The internal control systems include a documented organisational structure and division of responsibility, established policies and procedures which are communicated throughout the Group, and the careful selection, training and development of people. Significant findings are reported to both the Executive Committee and the Audit and Risk Committee. Corrective action is taken to address internal control deficiencies identified in the execution of work.

A risk-based internal audit plan was developed during the 2012 financial year, which has been expanded to provide assurance over non-financial matters. The results of the risk-based audits were reported to the Audit and Risk Committee. No material breakdowns in internal controls were noted within the key areas reviewed. Follow-up audits were also conducted to ensure that corrective actions were implemented and the results were reported to the Audit and Risk Committee.

In addition to the internal audit conducted by KPMG Internal Audit, Ernst & Young performed a limited assurance review of management's assessment of internal controls over financial reporting. No material findings were reported to the Audit and Risk Committee.

There are inherent limitations on the effectiveness of any system of internal control including the possibility of human error and the circumvention or overriding of controls. Accordingly, an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets.

Nothing has come to the attention of the Directors or the auditors that indicates any material breakdown in the effectiveness of the internal controls and systems during the year under review.

Disclosure of compliance with the Code

As required by the JSE Listings Requirements, the Board endorses the King Code of Governance Principles for South Africa 2009 and has satisfied itself that Clover has conformed throughout the reporting period to all material aspects, except where it has applied the principle of "apply or explain" as indicated below.

Jacques van Heerden
Company Secretary

Product focus

Danao has its own facebook page where relationships are built on a daily bases with moms where relevant content is posted and conversations are started. Danao will also be involved with Hdi Youth Marketing through the PnP School club campaign where Danao will supply educational material whilst creating awareness surrounding the goodness of the product and the brand.

For further information go to our facebook page

KING III INDEX

King III application

Ethical leadership and corporate citizenship

- ✓ Effective leadership based on an ethical foundation
- ✓ Responsible corporate citizen
- ✓ Effective management of Clover's ethics

Boards and Directors

- ✓ The board should act as the focal point for and custodian of corporate governance
- ✓ The board should appreciate that strategy, risk, performance and sustainability are inseparable
- ✓ The board should provide effective leadership based on an ethical foundation
- ✓ The board should ensure that the company is and is seen to be a responsible corporate citizen
- ✓ The board should ensure that the company's ethics are managed effectively
- ✓ The board should ensure that the company has an effective and independent audit committee
- ✓ The board should be responsible for the governance of risk
- ✓ The board should be responsible for information technology (IT) governance
- ✓ The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards
- ✓ The board should ensure that there is an effective risk-based internal audit
- ✓ The board should appreciate that stakeholders' perceptions affect the company's reputation
- ✓ The board should ensure the integrity of the company's integrated report
- ✓ The board should report on the effectiveness of the company's system of internal controls
- ✓ The board and its directors should act in the best interests of the company
- ✓ The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act
- ✗ The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board
- ✓ The board should appoint the chief executive officer and establish a framework for the delegation of authority
- ✗ The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent
- ✓ Directors should be appointed through a formal process
- ✓ The induction of and ongoing training and development of directors should be conducted through formal processes
- ✓ The board should be assisted by a competent, suitably qualified and experienced company secretary
- ✓ The evaluation of the board, its committees and the individual directors should be performed every year
- ✓ The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities
- ✓ A governance framework should be agreed between the group and its subsidiary boards
- ✓ Companies should remunerate directors and executives fairly and responsibly
- ✓ Companies should disclose the remuneration of each individual director and prescribed officer
- ✓ Shareholders should approve the company's remuneration policy

Exceptions

① The Chairman of the Board, WI Büchner, is a Non-executive Director who is not independent insofar as he is a milk producer and supplier of raw milk to the Group. In the opinion of the Board, it is in the interests of the Group to maintain a close relationship with its raw milk suppliers and his appointment services the long-term interests of the Group. As recommended by the Code, TA Wixley has been appointed as Lead Independent Director to fulfill the functions of the Chairman whenever a conflict arises and in the other circumstances envisaged in the Code. The role of Chairman and Chief Executive vest in two separate individuals as required by the Code.

② Although the majority of directors are non-executives, the independent Non-executive Directors and Non-executive Directors are equal in number. The Non-executive Directors who are not independent are milk producers who supply raw milk to the Group. In the opinion of the Board, the present composition of the Board is in the interests of the Group for reasons of continuity, maintaining a close relationship and an effective channel of communication with its raw milk suppliers.

③ Until the Group's sustainability reporting systems have matured sufficiently, it is the opinion of the Board that no purpose will be served by having its Report on Sustainability independently assured.

✓ Apply
✗ Under review/Do not apply

Audit Committee

✓	The board should ensure that the company has an effective and independent audit committee
✓	Audit committee members should be suitably skilled and experienced independent non-executive directors
✓	The audit committee should be chaired by an independent non-executive director
✓	The audit committee should oversee integrated reporting
✓	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities
✓	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function
✓	The audit committee should be responsible for overseeing of internal audit
✓	The audit committee should be an integral component of the risk management process
✓	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process
✓	The audit committee should report to the board and shareholders on how it has discharged its duties

The governance of risk

✓	The board should be responsible for the governance of risk
✓	The board should determine the levels of risk tolerance
✓	The risk committee or audit committee should assist the board in carrying out its risk responsibilities
✓	The board should delegate to management the responsibility to design, implement and monitor the risk management plan
✓	The board should ensure that risk assessments are performed on a continual basis
✓	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks
✓	The board should ensure that management considers and implements appropriate risk responses
✓	The board should ensure continual risk monitoring by management
✓	The board should receive assurance regarding the effectiveness of the risk management process
✓	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders

✓ Apply
⊗ Under review/Do not apply

The governance of information technology

✓	The board should be responsible for information technology (IT) governance
✓	IT should be aligned with the performance and sustainability objectives of the company
✓	The board should delegate to management the responsibility for the implementation of an IT governance framework
✓	The board should monitor and evaluate significant IT investments and expenditure
✓	IT should form an integral part of the company's risk management
✓	The board should ensure that information assets are managed effectively
✓	A risk committee and audit committee should assist the board in carrying out its IT responsibilities

Compliance with laws, codes, rules and standards

✓	The board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules, codes and standards
✓	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business
✓	Compliance risk should form an integral part of the company's risk management process
✓	The board should delegate to management the implementation of an effective compliance framework and processes

Internal audit

✓	The board should ensure that there is an effective risk based internal audit
✓	Internal audit should follow a risk based approach to its plan
✓	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management
✓	The audit committee should be responsible for overseeing internal audit
✓	Internal audit should be strategically positioned to achieve its objective

Governing stakeholder relationships

- The board should appreciate that stakeholders' perceptions affect a company's reputation
- The board should delegate to management to proactively deal with stakeholder relationships
- The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company
- Companies should ensure the equitable treatment of shareholders
- Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence
- The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible

Integrated reporting and disclosure

- The board should ensure the integrity of the company's integrated report
- Sustainability reporting and disclosure should be integrated with the company's financial reporting
- Sustainability reporting and disclosure should be independently assured ③

Cielo Blu focus

Distribution

	Clayville		Queensburgh		Port Elizabeth	
	Before	After	Before	After	Before	After
Pallet Spaces (chilled)	2 190	5 340	3 177	6 196	1 211	2 781
Pallet Spaces (ambient) *	4 733	5 311	1 238	1 079	2 208	-
Primary Bays	5	9	4	8	2	4
Seconday Dispatch and Returns bays	12	18	10	13	7	9
Volume throughput average per day (lt/kg)	511 000	1 246 000	741 000	1 445 000	283 000	649 000

** Ambient space lost in PE initially outsourced but in the process of being replaced by new 10000 pallet space ambient warehouse not forming part of Cielo Blu*

REPORT ON REMUNERATION

In order to attract, retain, motivate and incentivise the industry's best and most suitable candidates, the Group acknowledges that it is obliged to offer nationally and internationally competitive remuneration packages.


Clover
SUPER
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REMUNERATION POLICY

Remuneration philosophy

The objective of Clover's Group Remuneration Policy ("Remuneration Policy") is to ensure that the Group attracts and retains key people (specifically high-quality Executive and senior management members as required by the Board) in order to generate a sustainable return on investment for shareholders. This will enable the Board to fulfil its role and obligations as a corporate citizen sustainably. The Remuneration Policy does so by means of establishing remuneration practices that are fair, reasonable and market-related.

The Remuneration Policy follows the internationally recognised practice of combining short-term remuneration with long-term incentives in order to compete for skilled resources in the short-term and align the interests of Executive and senior management with long-term value creation for stakeholders.

The Remuneration Policy is based on the following key principles:

- Remuneration should support the Group's strategies and be consistent with the organisation's culture of fairness and equity.
- Remuneration should support the Group's vision to be the most admired branded consumer goods company in emerging markets by attracting and retaining the appropriate talent.
- Remuneration should directly correlate with the growth objectives and financial performance targets and actual achievements of the business of the Group.
- Remuneration should be reviewed and benchmarked regularly through independent external professional service providers to ensure that the Group remains competitive in the diverse markets in which it operates, not applying percentiles rigidly but taking into account industry type, skills scarcity, performance, and legislative structures and requirements.
- Remuneration should motivate and allow for differentiation (i.e. reward high performers).
- Individual contribution based on the role and responsibilities should have a direct bearing on the levels of remuneration.

Governance

The Remuneration Committee takes an active role in reviewing the remuneration philosophy, policy, strategy and practices for alignment to best practice and the strategic imperatives of the Group.

The remuneration structure for all employees who are not Executives is determined and approved by the Executive Committee.

Remuneration mix

General

Clover's remuneration structure comprises the following:

- Guaranteed package ("GP")
- Short-term incentives ("STIs")
- Long-term incentives ("LTIs")

Differentiation between Paterson Grades

Paterson Grade	Guaranteed package	Short-term incentive	Long-term incentive
B5 and below	Base pay and benefits; 13th cheque	N/a	N/a
C1 to C5	Base pay and benefits; 13th cheque	Merit bonus based on formal performance management. Short-term incentive scheme for selected Paterson Grade C5 employees	N/a
D1 to D5	Base pay and benefits	Short-term Incentive Scheme	N/A
E	Base pay and benefits	Short-term Incentive Scheme	Long-term Incentive Scheme
F	Base pay and benefits	Short-term Incentive Scheme	Share Appreciation Rights Scheme

Guaranteed package

GP considerations:

- Employment profile based on competencies, outputs and behaviour required for the position.
- The employment profile must fit within the organisational structure and an appropriate employment grade should be assigned.
- Regular benchmarking exercises are performed internally and externally to ensure equity, fairness and market relatedness.
- Guaranteed packages are reviewed annually in May and are revised on 1 July of each year.
- Interim reviews of the guaranteed packages are undertaken to retain talent, to take into account market adjustments or upon promotion of employees.

Composition of GP:

- Guaranteed monthly salary.
- Compulsory benefits (i.e. retirement).
- Discretionary benefits (i.e. medical aid).

Medical aid considerations:

- Employees on Paterson Grade C3 and lower can choose to join Discovery Health Medical Scheme or Umvuzo Medical Scheme. Membership to a medical scheme is not compulsory.
- For Paterson Grade C4 and higher the Discovery Health Medical Scheme is compulsory.

Scarce skills are identified annually and where scarcity is as a result of demand outstripping supply, a strategy is put in place to reduce the risk to the business or Group. Where scarcity is due to a unique combination of skills and experience required, deliberate efforts are made to build a talent pool around the scarce individual to reduce the risk to the business or Group.

Management has introduced an "S" category of employee to reduce the risk of losing employees with highly specialised skills. The total remuneration package applied to this category of employee is targeted at the top-end of the market (90th percentile) range and includes a specialised discretionary retention bonus (8% of annual basic salary) which is payable at the end of every financial year provided that the necessary performance criteria are met by the individual.

Short-term incentives

Short-Term Incentive Scheme

- STIs are designed to drive improvement of the Group's results on an annual basis.
- Previously, 50% of STIs were determined by individual performance and 50% by the extent to which the Group's profit target has been reached. Following a benchmarking exercise conducted by PricewaterhouseCoopers ("PWC") the Remuneration Committee resolved that with effect from 1 July 2012:
  - 30% of the Chief Executive's and Chief Financial Officer's STIs will be determined by individual performance and 70% by the extent to which the Group achieves its profit targets.
  - For other Executives, 40% of the STIs will be determined by individual performance and 60% by the extent to which the Group achieves its profit targets.
  - For all other employees (except for Paterson Grade D1 and D2 as set out in the table below) participating in STIs, 50% of the STIs will be determined by individual performance and 50% by the extent to which the Group's profit target has been achieved.
- The portion relating to individual performance and the Group's profit target is capped as set out in the table below.
- When applying STIs, the following differentiation between Paterson Grades F, E and D exists with effect from 1 July 2012.

Paterson Band	Individual performance	Group profit	Individual performance cap	Group profit cap	Entitlement (months base salary**)	Maximum entitlement (months base salary)*	Profit target
D1 – D2	75%	25%	100%	200%	2	2.5	Operating profit
D3 – D5	50%	50%	100%	200%	3	4.5	Operating profit
E	50%	50%	100%	200%	5	7.5	Operating profit
Other Executives***	40%	60%	100%	183%	10	15	Attributable profit
Chief Financial Officer	30%	70%	100%	171%	10	15	Attributable profit
Chief Executive	30%	70%	100%	171%	12	18	Attributable profit

* *For example, if the Chief Executive achieves a 100% individual performance bonus and a 171% Group profit bonus the Chief Executive will be able to earn 18 months' additional income (i.e. 150% of his annual base salary).*

** *For Paterson Grades D1 to D5 the base salary consists of the employees' monthly basic salary and for Paterson Grades E and F the base salary consists of the employees' monthly basic salary, incentive plus 22% car allowance plus 10% pension fund contribution.*

*** *50% of Elton Bosch's short-term incentive will be based on individual performance and 50% by the extent to which the Group's profit targets have been reached. This will apply for the first two years of his employment. Marcelo Palmeiro will be entitled to a maximum fixed amount of R800 000 to the extent that the Group's profit target is met and R400 000 to the extent that the individual targets are met.*

- STIs for Paterson Grade F (Executives) are calculated using attributable profit, whereas STIs for Paterson Grades E and D are calculated using operating profit before restructuring cost.
- The Group's profit target for Executives (reflected as attributable profit) is triggered once 90% of the profit target is reached. If the profit is greater than the profit target, a 2% additional bonus will be paid for every 1% achieved over the profit target.
- The Group's profit target Paterson Grade E and D (reflected as operating profit) is triggered once 95% of the profit target is reached. If the profit is greater than the profit target, a 1% additional bonus will be paid for every 1% achieved over the profit target.
- STIs are self-funded since all bonuses are budgeted for in full before the profit target is approved by the Remuneration Committee.
- The Remuneration Committee annually approves the profit targets and confirms the final profit figure after the annual audit is completed; followed by bonus payments in August and/or September each year if applicable.
- Adjustments may be made for extraordinary factors at the sole and absolute discretion of the Remuneration Committee.
- Employees who have been found guilty of gross misconduct will not be entitled to participation in STIs.
- Due to the agricultural nature of the Group's business, the Remuneration Committee will have discretion in awarding bonuses should cyclicality (which is beyond the control of employees) have played an integral part in the Group not achieving its required profit targets.
- Processes have been put in place to manage and guide employees to achieve the maximum bonus (and relevant profit targets) by means of quarterly performance management sessions on an individual basis.

Merit bonus

- A merit bonus is paid to employees on Paterson Grade C who score an annual performance rating of 4 or 5.
- The merit bonus is calculated as a percentage of annual basic salary and is paid together with the 13th cheque.

Long-term incentive

Long-term Incentive Scheme

- The LTI is a deferred bonus scheme, which serves as a retention mechanism and rewards senior management (Paterson Grades E and certain D5 employees) for adding value to the businesses of the Group.
- Provided that the attributable profit target is met, a percentage of annual base salary are paid out in equal amounts over a three-year period.
- If the attributable profit targets are met the participants qualify for the following bonuses:

Target achieved	Bonus Payable
Attributable profit target as per budget	20% of annual base salary
Attributable profit target as per budget plus 10%	40% of annual base salary
Attributable profit target as per budget plus 20%	60% of annual base salary

* *For Paterson Grade the base salary consists of the employees' monthly basic salary, plus 22% car allowance plus 10% pension fund contribution.*

- The LTI is governed by rules which are regularly reviewed and updated by the Executive Committee as necessary for alignment with best practice.

Share Appreciation Rights Scheme ("SAR Scheme")

- The purpose of the SAR Scheme is to attract, retain, motivate and reward the Group's Executives (Paterson Grade F) who are able to influence the performance of the Group, by aligning their interests with those of shareholders.
- The Group's Executives are eligible for participation in the SAR Scheme.
- The eligibility criteria, the quantum of allocations and the conditions governing each allocation are determined by the Remuneration Committee taking into consideration the following:
  - Seniority within the Group.
  - Work function.
  - Ability of the executive to add value to the Group and its businesses.
- Notwithstanding the aforementioned, in calculating the number of share appreciation rights ("SARs") to be allocated to an Executive, the following market-related formula was used (excluding the initial allocation as set out on page 62).

  A = (B x C)/D

  Where:

A	The total number of SARs to be allocated
B	Guaranteed Package of the Executive (or participant).
C	Market-related multiples (for the Chief Executive the multiple is 8, for the Deputy Chief Executive and the Chief Financial Officer the multiple is 6 and for other executives the multiple is 4).
D	The volume weighted average price of an ordinary share on the JSE over seven trading days immediately prior to the allocation price.

- Following the benchmarking exercise conducted by PwC, the Remuneration Committee resolved with effect from 1 July 2012 that the smoothed average face value allocation formula (set out below) will be used when allocating SARs to an Executive:

  A = (B x C)/D

  Where:

A	The total number of SARs to be allocated
B	Guaranteed Package of the Executive (or participant).
C	Market-related multiples set out below.
D	The volume weighted average price of an ordinary share on the JSE over seven trading days immediately prior to the allocation price.

Member	Annual smoothed face value multiple
CE	267%
CFO	200%
Other Executives	167%

- The SAR Scheme rules were amended during the previous financial year to make provision that all SARs:
  - Allocated on or after 1 July 2011 and that have vested must be exercised by the Executive on or before the seventh anniversary of the relevant allocation date relating to such allocation of SARs.
  - Allocated on or before 1 July 2011 will vest in full after the third anniversary of the allocation date, provided that the relevant performance criteria were met.
- The SAR Scheme is governed according to rules approved by the Company's shareholders in November 2010.
- All SARs allocated on 1 July 2012 will be subject to the following performance criteria:
  - 25% will be subject to personal performance conditions to be set and measured by the Chief Executive for each of the Executives, provided that the Chief Executive will make a recommendation regarding the vesting of the 25% of the allocation to the Remuneration Committee for each of the Executives.
  - 75% will be subject to Company (financial) performance conditions set out below:
    - The headline earnings per share must exceed the previous four years' headline earnings per share plus the average inflation rate over the previous four years plus 2% growth.
    - The vesting of the 75% portion of the allocation will be based on a sliding scale whereby 30% of the allocation will vest when headline earnings per share growth above the average inflation rate is achieved and 100% will vest if headline earnings per share is increased by a minimum of 2% above inflation.
- All SARs allocated on or after 1 July 2013 will be subject to the following performance criteria:
  - 25% of the SARs allocation will be subject to personal performance conditions to be set and measured by the Chief Executive for each of the Executives, provided that the Chief Executive will make a recommendation regarding the vesting of the 25% of the allocation to the committee for each of the Executives; and
  - 75% of the SARs allocation will be subject to the Company's (financial) performance conditions set out below:
    - The headline earnings per share for the year (in which the vesting is supposed to take place) must exceed the previous year's headline earnings per share plus annual inflation rate (for the period 1 July to 30 June) plus 2% growth.
    - The vesting of the 75% portion of the SARs allocation will be based on a sliding scale whereby 30% of the allocation will vest when headline earnings per share growth above or equal to the annual inflation rate is achieve and 100% of the allocation will vest if headline earnings per share is increased by a minimum of 2% of the annual inflation rate.
- In the event of any transaction whereby any person or persons acting in concert, other than the Stabilisation Trust (now known as Clover's Milk Producers Trust) and/or Executives (participants), acquire (whether directly or indirectly) 30% of the entire ordinary issued share capital of the Company, then the vesting of all SARs held by Executives (participants) shall immediately vest and all SARs shall (whether or not dates in respect thereof have passed and/or the performance criteria, if any, in respect thereof have been met) be exercisable on the basis that Executives (participants) shall on exercise be settled in accordance with the SAR Scheme.

Regulatory

This Remuneration Policy is to be read in conjunction with the Company's letter of appointment, disciplinary code, Ethics Policy applicable employment legislation (specifically the Basic Conditions of Employment Act and Labour Relations Act) as well as the Company's short-term and long-term incentive scheme rules.

REMUNERATION REPORT

Clover's Group Remuneration Committee ('the Remuneration Committee') is a sub-committee of the Board and oversees the approach to and governance of remuneration matters. It also determines the remuneration of Executive Directors, other executives as well as the remuneration of Non-executive Directors, which is ultimately approved by shareholders.

This Remuneration Report ('the Report') primarily deals with the remuneration of Clover's Executive Directors, Non-executive Directors and other executives.

Details on Remuneration Committee members, meetings and attendance are set out in the Corporate Governance section of this integrated annual report, on pages 42 to 55. The Group's Remuneration Policy is set out on pages 58 to 60

Remuneration approach – executives

In order to attract, retain, motivate and incentivise the industry's best and most suitable candidates, the Group acknowledges that it is obliged to offer nationally and internationally competitive remuneration packages.

The Remuneration Committee utilises external market surveys and benchmarks in order to determine Executive remuneration and benefits as well as the base and attendance fees for Non-executive Directors. Clover's remuneration philosophy seeks to align and link both short- and long-term incentives to the achievement of business objectives and the delivery of an acceptable return on shareholders' equity whilst ensuring the sustainability of the Company. Remuneration packages are therefore linked to the achievement of these objectives.

Executive remuneration structures (including those of Executive Directors) comprise both guaranteed and variable components as set out and explained below:

Guaranteed package	Monthly base salary and benefits such as motor vehicle allowance, retirement funding and medical aid assistance.
Variable package consist of:	
Short-term incentives	All cash-based payments that are paid to an individual based on the Group's financial performance and individual performance respectively over the preceding financial year.
Long-term incentives	All cash- and equity-based awards that accrue to an individual based on the Group's financial performance individual performance respectively over a financial period.

Guaranteed package (GP)

Executive GP is benchmarked regularly using market data for individual salary levels for similar positions in the market place. This information, together with individual performance assessments, forms the base for annual salary reviews.

Although Clover endeavours to remunerate its entire workforce at a level ranging in the median to upper quartile compared to its peers, it has no restriction on Executive GP. The Remuneration Committee has the requisite discretion to determine Executive GP and takes cognisance of factors such as retention, contribution and skill levels.

Executives are able to participate in a defined contribution retirement fund and other benefits include vehicle allowances, medical insurance, death and disability insurance, leave and recognition for service.

Variable package

The variable package consist of the:

1. short-term incentives.
2. long-term incentives.

Short-term incentives (STIs)

Executives' participation in STIs is linked to the achievement of profit growth targets and personal performance measures. The complete workings of the STIs is set out in the Remuneration Policy on page 59 more specifically the table set out on page 59.

Long-term incentives (LTIs)

Clover's Management Participated Capital Restructuring Exercise (MPCRE) which was approved by shareholders on 31 May 2010, changed the nature of the Group's preference shares from profit-sharing instruments to pure debt instruments carrying rights to a guaranteed dividend only.

This impacted on the value of the preference shares by eliminating any value upside. Consequently, an award of preference shares to Clover's employees in terms of its preference share incentive scheme no longer incentivised employees or aligned their interests with those of ordinary shareholders.

As a result, shareholders approved the adoption of the Clover Share Appreciation Rights Plan (2010) (SAR Scheme) on 31 May 2010. The SAR Scheme was subsequently amended on 4 November 2010 and 10 November 2011.

The initial allocation referred to below, formed part of the MPCRE.

Under the SAR Scheme, the aggregate number of ordinary shares which may be acquired by the Executives may not exceed 16 million ordinary shares. At 30 June 2013, a total of 3 366 722 ordinary shares have been issued to Executives, with the balance of 12 633 278 ordinary shares remaining available for issue.

The salient features of the SAR Scheme, which complies with the JSE Listings Requirements, are set out in the Remuneration Policy, which can be found on pages 58 to 60 of this integrated annual report.

Allocations made in terms of the SAR Scheme

Initial Allocation (MPCRE)

	Number of SARs allocated**	Allocation date	Allocation price	Total number of SARs exercised as at 30 June 2013	Total number of ordinary shares issued to settle SARs exercised at 30 June 2013
Executive Directors					
JH Vorster	4 587 200	31 May 2010	R4,67	Nil	Nil
HB Roode* **	2 616 762	31 May 2010	R4,67	872 254	650 751
LJ Botha	2 443 140	31 May 2010	R4,67	Nil	Nil
CP Lerm (Dr)	2 454 758	31 May 2010	R4,67	818 253	610 463
Other Executives					
H Lubbe	2 027 236	31 May 2010	R4,67	675 745	504 144
JHF Botes (Dr)*	1 370 904	31 May 2010	R4,67	456 968	340 924

* *The Board recommended to shareholders that 500 000 ordinary shares be issued at a subscription price of R4,67 to Dr JHF Botes in exchange for which 500 000 SARs will be cancelled. Shareholders approved the aforementioned issue of ordinary shares to Dr JHF Botes on 4 November 2010 and the 500 000 SARs were cancelled accordingly.*

** *As a result of the subdivision of the ordinary shares on a two-for-one basis during the listing process, the number of SARs allocated was doubled accordingly.*

*** *The Group Remuneration Committee resolved during the 2012 financial year (in accordance with paragraph 6.1.1.5 of the rules governing the SARs Scheme) that all SARs allocated to Manie Roode during the Group's MPCRE (known as the initial allocation) will vest on 30 June 2013 (irrespective of whether the vesting dates thereof have been reached). It is recorded that HB Roode retired due to medical reasons on 30 June 2013. On 1 July all the remaining SAR on the above scheme was exercised by HB Roode.*

(a) Vesting

The SARs allocated as part of the Initial Allocation will vest in three equal tranches on the expiry of three, four and five years from 31 May 2010.

(b) Performance criteria

In terms of the Initial Allocation, no performance criteria have to be met prior to the vesting of the SARs.

(c) General

The SARs relating to the Initial Allocation was allocated to Executives as part of the MPCRE of the Group and in accordance with the SAR Scheme will not be taken into consideration when determining future SARs allocations to Executives.

Second Allocation

A second allocation of SARs under the SAR Scheme took place *in lieu* of bonus payments during the 2010 financial year as indicated below:

	Total number of SARs allocated	Allocation date	Allocation price	Total number of SARs vested as at 30 June 2013	Total number of SARs exercised as at 30 June 2013
Executive Directors					
JH Vorster	800 000	18 August 2010	R0,00	533 333	533 333
HB Roode	400 000	18 August 2010	R0,00	266 667	266 667
LJ Botha	400 000	18 August 2010	R0,00	266 667	133 333
CP Lerm (Dr)	133 336	18 August 2010	R0,00	88 890	88 890
Other Executives					
H Lubbe	133 332	18 August 2010	R0,00	88 888	88 888
JHF Botes (Dr)	133 332	18 August 2010	R0,00	88 888	88 888

(a) *Vesting*

The SARs allocated as part of the Second Allocation will vest in three equal tranches on the expiry of one, two and three years from 18 August 2010.

(b) *Performance criteria*

No performance criteria have to be met prior to the vesting of the SARs relating to the Second Allocation.

(c) *General*

Certain of the Executives exercised the SARs that vested on 18 August 2011 and 18 August 2012 in relation to the Second Allocation. The Group Remuneration Committee decided that all SARs exercised to date with regard to the Second Allocation will be settled in cash.

Third Allocation

	Number of SARs allocated	Allocation date	Allocation price
Executive Directors			
JH Vorster	821 256	1 July 2011	R11,00
LJ Botha	404 063	1 July 2011	R11,00
CP Lerm (Dr)	1 119	1 July 2011	R11,00
Other Executives			
H Lubbe	57 778	1 July 2011	R11,00
JHF Botes (Dr)	330 723	1 July 2011	R11,00

(a) *Vesting*

The SARs allocated as part of the Third Allocation will vest in full after the expiry of three years from 1 July 2011.

(b) *Performance criteria*

The following performance criteria has to be met prior to the vesting of the SARs relating to the Third Allocation:

- Over a four-year cycle the total normalised attributable profit must exceed that of the previous four-year cycle.

(c) *General*

In the event that this performance criteria is not met prior to the vesting of the SARs, the portion of allocated SARs eligible for vesting will be forfeited. In addition, all SARs allocated as part of the Third Allocation and all subsequent allocations which have vested, must be exercised by the Executive on or before the seventh anniversary of the relevant allocation date relating to such allocation of SARs.

Allocation to newly appointed executives

An allocation was made to ER Bosch and MM Palmeiro who were appointed by the Group as Executives with effect from 1 June 2012 and 1 October 2012, respectively.

Executive	Number of SARs allocated	Allocation date	Allocation price
ER Bosch	953 620	1 June 2012	R13,50
MM Palmeiro	925 500	1 October 2012	R15,15

(a) *Vesting*

The SARs allocated as part of this allocation will vest in three equal tranches on the expiry of three, four and five years from 1 June 2012 and 1 October 2012, respectively.

(b) *Performance criteria*

No performance criteria have to be met prior to the vesting of the SARs relating to this allocation.

(c) *General*

The primary purpose of the allocation to ER Bosch and MM Palmeiro is to serve as a retention mechanism, therefore no performance criteria have to be met prior to the vesting date.

Fourth Allocation

	Number of SARs allocated	Allocation date	Allocation price
Executive Directors			
JH Vorster	1 036 716	1 July 2012	R13,73
LJ Botha	533 657	1 July 2012	R13,73
CP Lerm (Dr)	389 123	1 July 2012	R13,73
Other executives			
H Lubbe	389 123	1 July 2012	R13,73
JHF Botes (Dr)	389 123	1 July 2012	R13,73

(a) *Vesting*

The SARs allocated as part of the Fourth Allocation will vest in full after the expiry of three years from 1 July 2012.

(b) *Performance criteria*

The following performance criteria have to be met prior to the vesting of the SARs relating to the Fourth Allocation:

- 25% of the allocation will be subject to personal performance conditions to be set and measured by the Chief Executive for each of the Executives, provided that the Chief Executive will make a recommendation regarding the vesting of the 25% of the allocation to the Remuneration Committee for each of the Executives.
- 75% of the allocation will be subject to the Group (financial) performance conditions set out below:
  - The headline earnings per share must exceed the previous four years' headline earnings per share plus the average inflation rate over the previous four years plus 2% growth.
  - The vesting of the 75% portion of the allocation will be based on a sliding scale whereby 30% of the allocation will vest when headline earnings per share growth above the average inflation rate is achieved and 100% will vest if headline earnings per share is increased by a minimum of 2% above inflation.

(c) *General*

In the event that the above performance criteria are not met prior to the vesting of the SARs, the portion of allocated SARs eligible for vesting will be forfeited. In addition, all SARs allocated relating to the Fourth Allocation and all subsequent allocations, which have vested must be exercised by the Executive on or before the seventh anniversary of the relevant allocation date relating to such allocation of SARs.

Hedging of SARs

The Third Allocation of SARs has been hedged. Refer to note 14.2 of the annual financial statements on page 137 for further details.

Employment contracts for Executives

The notice period for termination of the contract of employment of Executives is six months.

Loans to Executives

As part of the MPCRE on 31 May 2010 (and on 4 November 2010 with regard to Dr JHF Botes), respectively, the Executives subscribed and shareholders of the Company approved the allotment and issue to the Executives of 9 350 000 (on 31 May 2010) and 250 000 (on 4 November 2010 with regard to Dr JHF Botes) ordinary shares at a subscription price of R9.34 per share, with a portion of the subscription price being lent to the Executives. However, the aforementioned allotment and issue sets out the position prior to the subdivision of shares approved on 4 November 2010.

Full details relating to the MPCRE are available on www.clover.co.za.

The salient features of the loan and cession agreements entered into between the executives and the Company are set out below:

- As security for the indebtedness, the Executives have ceded to the Company the ceded rights (defined as being all rights, title and interest in and to the proceeds) in respect of the ordinary shares (issued to them as referred to above) and the preference shares acquired through the Clover preference shares scheme in respect of the proceeds thereof (defined as being dividends, special distributions, redemption proceeds and any proceeds as a result of a disposal or sale of either the ordinary and/or preference shares referred to above, or any part thereof).
- Interest shall accrue on the outstanding balance of the loan amount at an interest rate equal to 90% of the prevailing prime interest rate charged by Absa Bank Limited.
- If an Executive leaves the employ of the Company for any reason whatsoever, he shall be obliged to repay the loan amount and interest or the balance thereof, within two months after termination of his employment.
- If an Executive dies, the loan amount and interest or the balance thereof, shall be repaid to the Company within six months after his death.

It should be noted that the aforementioned loan agreements have been amended to make provision for a final repayment date of the respective loans linked to the normal retirement date for each of the Executives.

The table below reflects the outstanding balances of the loans on 30 June 2011, 30 June 2012 and 30 June 2013 respectively:

		Loan	
Executive Director/Other Executives	**30 June 2011**	**30 June 2012**	**30 June 2013**
Executive Directors			
JH Vorster	R26 509 496	R25 822 256	R25 537 461
HB Roode	R19 176 720	R11 620 9421	Nil
CP Lerm (Dr)	R12 037 292	R11 717 994	R6 773 944
LJ Botha	R5 635 941	R5 330 249	Nil
Other executives			
H Lubbe	R1 000 606	R929 989	Nil
JHF Botes (Dr)	R2 411 574	R2 452 661	R2 536 148
Total	R66 771 629	R57 874 091	R34 847 553

The value of the ordinary shares forming the basis of the loan and cession agreements referred to previously is well in excess of [R250 million, calculated on an ordinary share price of [R13.50].

Remuneration approach for Non-executive Directors

It is the Group's policy to identify, attract and retain Non-executive Directors who can add significant value to Clover. For this reason, non-executive fees are competitive and in the upper quartile. Attendance fees are only paid for actual committee meetings attended.

The Chairman of the Board, Werner Büchner, and the Lead Independent Director, Tom Wixley will not receive additional remuneration should they serve on any sub-committee of the Board, since they receive a fixed annual fee.

The fees payable to Non-executive Directors for the 2014 financial year will be proposed for consideration and approval at the 2013 Annual General Meeting.

Total remuneration and benefits payable to Directors and prescribed officers

The Board considered the requirements of the Companies Act with regard to the disclosure of the remuneration of Directors and prescribed officers. After careful consideration it was concluded that all members of the Executive Committee are deemed to be prescribed officers.

A complete table setting out the total remuneration of directors and prescribe officer can be found in note 33.1 to the Annual Financial Statements on page 166 to 167 of this Integrated Report.

Interest of Directors and other Executives of the company in ordinary share capital

A complete table setting out the interest of directors and prescribed officers of the Company in the ordinary share capital can be found in note 33.3 to the Annual Financial Statements on page 170 of this Integrated Report.

Dr Steve Booysen
(Independent Executive Director)

REPORT ON SUSTAINABILITY

Clover's business is conducted taking into account our legal, ethical and economic responsibilities.


Clover
Way Better™
CREAM
ULTRA PASTEURISED

SUSTAINABILITY REPORT

Introduction

This Report on Sustainability 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. The report also deals with the most relevant and material issues that could substantially impact on Clover's ability to create and sustain value for its stakeholders going forward. Clover is one of few South African businesses that have been in existence for well over 100 years, and we recognise that in order to survive and prosper, we need to be concerned with sustainability.

Governance and compliance considerations

COMPANIES ACT: REGULATION 43	REPORT ON SUSTAINABILITY	KING III
Social and Economic Development	Ethical leadership and corporate citizenship/good corporate citizenship	Ethical leadership and corporate citizenship
Good Corporate Citizenship	Social and Economic Development	Board and Directors*
Environmental, Health and Public Safety	Environmental, Health and Public Safety	Audit Committees*
Consumer Relationship	Governing stakeholder relationships/ consumer relationship	The governance of risk*
Labour and employment	Labour and employment	IT Governance*
		Compliance with laws, codes, rules and standards*
		Internal audit*
		Governing stakeholder relationships
		Integrated reporting and disclosure

* *Chapters dealt with on Reports on Governance, Risk and Compliance Report.*

The Social and Ethics Committee has considered the sustainability issues that are pertinent to Clover. The responsibilities and functioning of the Social and Ethics Committee ("Committee") is governed by formal terms of reference approved by the Board and is subject to regular review. The main objective of the Committee is to assist the Board in ensuring that Clover remains a responsible corporate citizen with sustainable business practices by monitoring, developing, reviewing and enhancing the Group's social, ethical, environmental impact and governance in terms of Regulation 43 of the Act, and King III.

To accomplish these above-mentioned tasks, the Social and Ethics Committee has developed and adopted a formal work plan entailing the functions as set out in Regulation 43 of the Act and King III. The implementation of this work plan is prioritised to enable the full discharge of its statutory functions over a period of three years. The Board supports the Committee by setting the appropriate tone and its behaviour, and communications contribute to Clover's ethical culture. This report describes the work and conclusions of the Committee in its second year of 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.

Scope

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

Although King III requires that sustainability reporting be independently assured, the Committee is of the opinion that it would be premature to obtain external assurance until the Group's social and environmental recording systems are mature. Clover has processes to ensure compliance with all applicable legislation and legal requirements. It is the Group's intention to enhance 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.

In addition, Clover monitors and takes cognisance of relevant legislation, other legal requirements and prevailing codes of best practice, with regard to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, as well as labour and employment. All material risks in complying with the above sustainability drivers are incorporated into Clover's risk universe and are monitored under Clover's risk management process as described more comprehensively under the Governance section of this report.

Furthermore, legal compliance with Regulation 43 of the Act is described fully under the Sustainability section of this report, while compliance with Clover's regulatory universe is described under Compliance in the Governance section. All legal compliance falls under the supervision of the Company Secretary who ensures that the full regulatory universe is monitored.

It is the Group's intention to further incorporate prevailing codes of best practice in terms of Regulation 43 in future. During the year under review, the Social and Ethics Committee has monitored and assessed Clover's standing under the headings set out below. In the opinion of the Committee, based on the information provided to it, the statements set out below fairly reflect the standing of the Clover Group.

Ethical leadership and good corporate citizenship

Ethical leadership

- Clover and its leaders have embedded a philosophy that respects the rights and dignity of others. At Clover we are aware of how our decisions influence others, and these principles are integrated in our thinking and decision-making processes. Our ethical leadership principles are an integral part of our vision and mission, and are demonstrated by our projects.

  - *Effective leadership based on an ethical foundation*
    Clover's strategy to build a sustainable business considers the long and short-term impacts of our operations on the economy, society and the environment. It is our intention not to compromise the natural environment, and we consider the impact of our operations on internal and external stakeholders.
  - *Promotion of equality, prevention of unfair discrimination and reduction of corruption*
    Clover is committed to the promotion of equality, and prevention of unfair discrimination with all its stakeholders, as is demonstrated in the Clover Ethics policy. We are committed to using our best endeavours to adhere to the following principles:

- The United Nations Global Compact principles.
- The Organisation for Economic Co-operation and Development (OECD) principles on corruption.
- International Labour Office (ILO).

In order to ensure compliance to these principles, Clover's Human Resources function and Risk Department conduct annual evaluations of the Group's performance. Based on the evaluations performed for the year under review, no material deviations were reported.

Our Ethical Leadership principles dealing with corruption are further disclosed in our Report on Governance, Risk and Compliance. Ongoing awareness is raised through Clover's Ethics awareness sessions at all operations for purposes of enforcing Clover's ethical principles as described in Clover's Ethics policy on Clover's website.

Good corporate citizenship

Clover's business is conducted taking into account our legal, ethical and economic responsibilities. We aim to create higher standards of living and quality of life in the communities in which we operate, while still preserving profitability for our shareholders.

- *Corporate social and community investment*

  The purpose of the Clover Mama Afrika project is to identify women who are already making a difference in their communities and help them to become self-sustaining women with skills they can utilise to derive income in order to support orphaned and abused children, the elderly and infirm.

  Once having learned these essential skills, our Mamas then pass on their knowledge and teach others in their communities to empower themselves and uplift their communities.

  Well into its ninth year, Clover Mama Afrika Trust currently has 36 Mamas countrywide who collectively care for over 14 200 children and more than 2 500 elderly.

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

- *Value drivers*

  Skills selection centres: Relevant, employable and marketable skills are aligned to the needs of each respective community to ensure that the centres become self-sustainable. After skills-training, Clover Mama Afrika provides start-up equipment to allow for immediate income generation and passing on of skills.

  Site improvement: Clover Mama Afrika assists communities with the repairs and renovations to basic facilities such as appropriate ablution facilities.

  Monitoring and evaluation: Regular monitoring and evaluation of each self-help project is implemented, which allows for the identification of strengths and weaknesses on an individual basis. Immediate support and assistance is provided where necessary.

  Partners: Blue chip partners contribute to the success of Clover Mama Afrika and co-fund 43% of the Trust's expenses. Blue chip partners include:

  - Expeditors International.
  - HCI Foundation.
  - Eqstra Flexi Fleet.
  - MiX Telematics.
  - Plascon.

Skills training	Clover Mamas/ members trained	Operating centres	Skills transferred to community members	Gainfully employed members
Sewing	101	29	640	93
Bread oven project	503	27	1 049	114
Cooking and baking	79	27	519	69
Food gardens	549	25	577	36
Quilting	39	15	165	12
Crochet/beadwork	49	35	553	37
Hairdressing	16	3	16	12
Pottery	1	1	20	2
Added value skills training				
Art	40	31	263	21
Flower arrangement	37	11	244	18
Mobile phones	79	30		10
MKI Health Information	18	18	Reach 20 000+	n/a
Save a child	175	13		
Basic admin/finance	27	27		

Food gardens feed up to 6 260 members per day

- *Awards:*
  Clover Mama Afrika has won prestigious awards since the inception of the project:

  2005 – PMR Diamond Arrow Award
  2005 – PRISA Prism Gold Award
  2005 – Proudly SA Homegrown – Bridge Builder of the Year Award
  2006 – Proudly SA Homegrown – Corporate Social Investment of the Year Award
  2008 – PMR Gold Arrow Award
  2009 – PMR overall Diamond Arrow Award
  2010 – FoodBev SETA Baobab Award
  2010 – PMR overall Diamond Arrow Award
  2010 – Mail & Guardian Investing in the Future Award – Corporate category
  2011 – Proudly SA Homegrown – CSI Champion of the Year Award
  2012 – PMR Diamond Arrow Award

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

  Based on the most recent B-BBEE verification performed by EmpowerLogic, Clover achieved a full allocation of available points under the Socio-Economic Development section of the B-BBEE balanced scorecard.

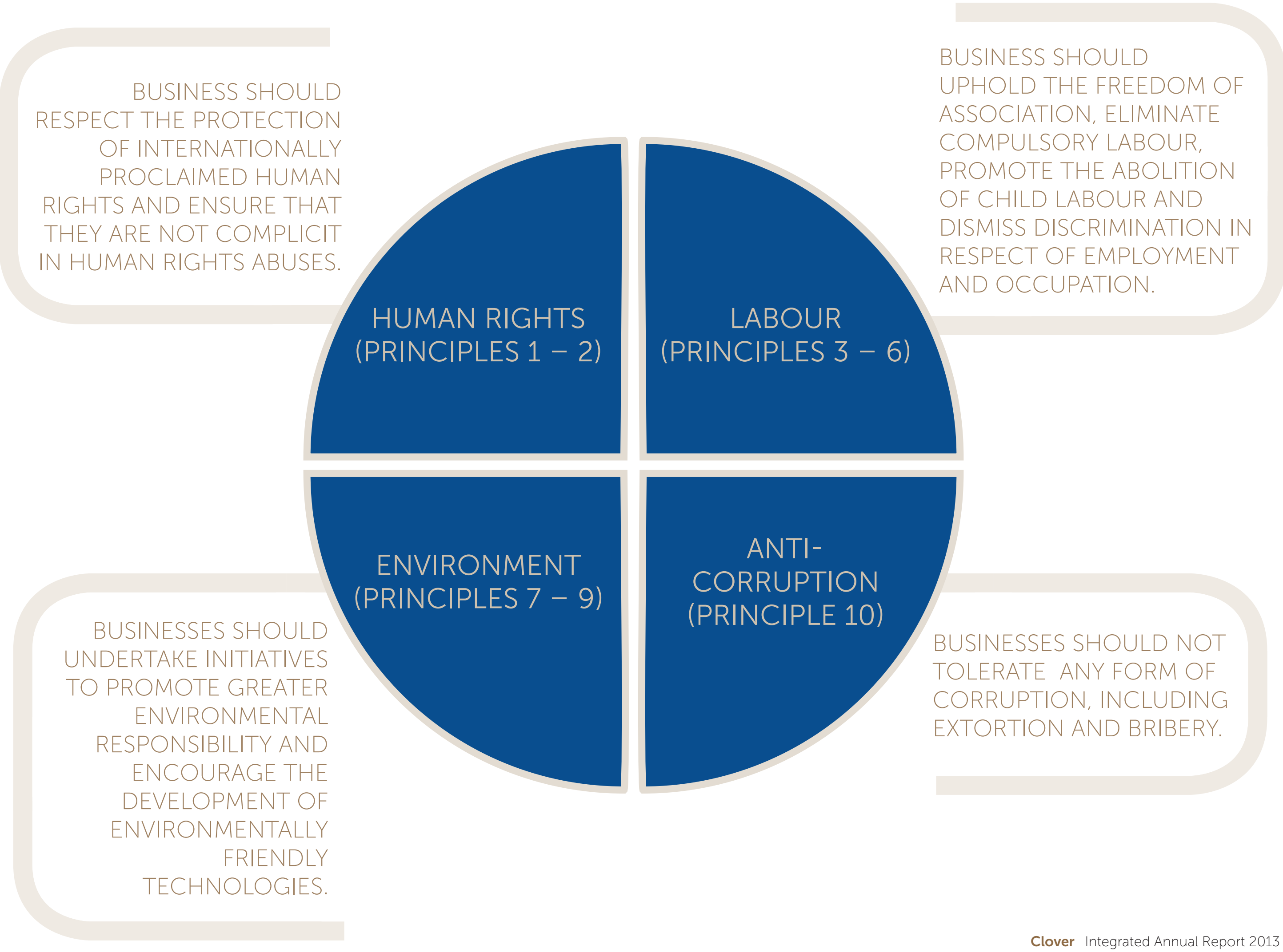
- **Record of sponsorship and charitable givings**
  Clover's sponsorship budget for the period under review was submitted and approved by Executive management. Management is responsible for the tracking, accounting and reporting to the Social and Ethics Committee all sponsorships, donations and charitable givings. Supporting documentation is maintained by each business unit to enable transparent reporting.

  Sponsorships are used with a purpose of gaining brand awareness, corporate identity or consumer loyalty, which is aligned with Clover's vision and mission.

Social and economic development

Clover's business aims to enhance GDP, life expectancy, literacy and levels of employment. As required by regulation 43(5)(a)(i) of the Companies Act (Act 71 of 2008), and to the extent that it is incorporated into South African legislation, the Social and Ethics Committee monitors Clover's activities around Social and Economic Development with regard to matters relating to:

- **The 10 United Nations Global Compact (UNGC) principles**
  The universal principles to which Clover is committed to include human rights, labour, the environment and anti-corruption, as listed below:



- **The OECD recommendations on corruption**
  Clover is committed to conducting its business activities lawfully and in a manner that will enhance the qualities valued by Clover, in particular, ethics, integrity and compliance with the law. Corruption can occur in many forms including extortion, nepotism, embezzlement, bribery, cronyism, patronage amongst others. **Corruption impacts directly or indirectly on sustainable development of Clover's stakeholders.**

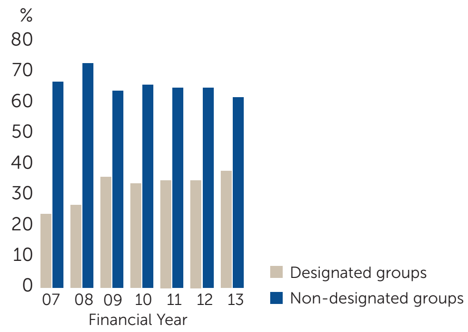
  Clover's business processes, employee behaviour and daily activities at all levels of the organisation are conducted in accordance with the OECD recommendations on corruption. Further disclosure on the compatibility of corruption can be found in our reports on Risk Governance and Compliance.

- **The Employment Equity Act**
  Clover subscribes to Employment Equity legislation and relevant Codes of Good Practice; this is also encompassed in the Clover Employment Equity Plan. There should be no unfair discrimination in respect of inter alia, race, colour, language, religion, gender or political views or on the grounds of disability. Therefore all employees will receive equal opportunities to develop according to their merit and ability.

  In line with the requirements of the Employment Equity Act, Clover has drafted its Employment Equity plan. 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 Social and Ethics 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. All appointments should be conducted in line with Clover's employment equity policy. Clover's HR is responsible to monitor these activities and report to the Social and Ethics Committee at least annually on progress to monitor EE targets.

  - *Percentage of staff from designated groups*
    Clover defines designated groups in line with the Employment Equity Act. A designated group means black people, women, or people with disabilities. Clover has been increasing the number of employees from designated groups as tabled on the right:
  - *Employment Equity Plan objectives*
    To improve diversity in the workplace, and especially to address the levels of representation of people from designated groups, Clover is committed to achieving the goals set out below:

PERCENTAGE OF STAFF



Employment Equity measurements against objectives	Target 30 June 2013 %	Achieved 30 June 2013 %	Objective 30 June 2014 %
Improve representation as follows:			
Black people on F Band	**14,20**	**14,29**	14,20
Black people on E Band	**5,00**	**9,52**	9,50
Black women on E Band	**0,00**	**4,76**	4,70
Black people on C5 – D5 Band	**17,90**	**19,32**	20,00
Black women on C5 – D5 Band	**4,80**	**5,40**	6,70
Black people on C1 – C4 Band	**51,00**	**53,50**	52,40
Black women on C1 – C4 Band	**9,90**	**10,67**	10,60
Disabled people	**0,77**	**0,72**	0,85

- *Training and development*

Training objectives	2013	2012	2011	2010	2009
Average number of employees	**6 533**	6 555	6 353	6 362	6 579
Employee turnover per year (%)	**10,0**	8,21	10,9	9,3	10,3
Number of man days lost due to strikes	**11 118**	346	112	334	415
Total training spend per year (R'000)	**7 965**	4 879	3 450	3 942	7 017
Number of employees trained	**1 953**	2 224	2058	1 550	3 133
Training spend per total number of employees per year (R)	**1 219**	744	543	619	1 066
Number of man days spent on training	**4 627**	2 965	2 744	2 067	4 177

Clover has embarked upon various training initiatives to uplift previous disadvantaged individuals. The diagram below summarises the salient features of our training programmes:

	Total employees	Black Employees
Number of employees trained	1953	1601
Number of bursaries granted to employees/students to complete Degree and Diploma Studies	54	23
Value of bursaries granted for Degree and Diploma Studies	R720 000	R453 000
Number of trainees on Workplace Experience and In-Service Training Programmes	24	17
Number of employees enrolled on Learnerships and Skills Programmes and Apprenticeships	299	266

- **The Broad-Based Black Economic Empowerment Act.**

  Clover sees Broad-Based Black Economic Empowerment (B-BBEE) as an opportunity to increase economic activity thereby creating sustainable livelihoods for the country's inhabitants, as well as a growing sustainable consumer market.

  Clover is currently a Level 6 B-BBEE contributor. The Group subscribes to the National Government's priorities with regards to transformation and empowerment and embraces the principles of B-BBEE. It seeks to remain a positive and constructive contributor to the country.

  For this reason, the Group is aligning its overall business strategy with a B-BBEE strategy to achieve a higher level of compliance.

  During the year under review, Clover appointed EmpowerLogic to benchmark its current levels of B-BBEE compliance against the newly issued Agri-BEE sector codes which were published in December 2012. The results of this assessment form the basis of Clover's June 2013 scorecard and have been used to identify key actions, and to determine the necessary focus areas to achieve a higher level of compliance.

  Clover currently scores relatively well in areas of preferential procurement, enterprise development and socio-economic development. In terms of its strategy, the Group will pay particular attention to areas of equity ownership, management control, employment equity and further skills development.

Environment, health and public safety

Clover strives to manage its business in such a manner that the environment is adequately protected, and the use of natural resources is minimised and that environmental management programmes are established to contribute towards the sustainability objectives of the company.

Clover's green initiative strategy was formalised and commenced in the 2011 financial year with the aim of establishing a formal environmental sustainability ("green") strategy. In terms of achieving this vision, Clover recognises its responsibility to reduce, and as far as possible, to eliminate the impact of its business on the environment. Clover recognises that in achieving environmental excellence, it would obtain a competitive advantage over its peers, as a food manufacturer's energy and services costs comprise approximately 30% of fixed costs.

This responsibility not only relates to operations within Clover's control, but also to Clover's supply chain partners, who in the course of supplying Clover, could be responsible for significant environmental impacts.

In the realisation of this responsibility, Clover has developed an environmental management system ("EMS") which provides a structured framework against which continuous improvement can be measured.

Clover actively monitors environmental, health, safety and quality through the use of its dedicated Entropy risk management system and other forms of assurance. It is envisaged that the Entropy measurement will be progressively extended to other areas of environmental sustainability.

Table of different types of monitoring performed by the Group

Objective	Outcome
Continuously improve on environmental performance.	Implement and maintain an effective environmental management system ("EMS"). Provide a structured framework for continual improvement.
Inform staff on the EMS and policy and equip them with skills to achieve requirements of the policy.	Staff engagement, formal development and training.
Ensure consistent quality of products in line with legal, regulatory and best practise requirements.	* Implement quality assurance models in both Clover's milk collection as well as the production environments with laboratories monitoring and testing quality of products. Ultimately quality is monitored through feedback at Clover's Consumer Centre handling general enquiries, complaints as well as compliments.
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 waste 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.
Ensure Health and Safety throughout all operations.	* Continuous monitoring to ensure safe working environment.

- *These outcomes are described further in this section in the order of the above table.*

Clover requires each business unit to regularly report its contribution to the environment on agreed measures to the Social and Ethics Committee.

The Chief Engineer: Maintenance and Safety, Health and Environment ("SHE") for Production together with the Divisional Engineer for Distribution are both responsible for reporting on Clover's green strategy and on SHE compliance to the Social and Ethics Committee on a quarterly basis.

- Quality

  - *Quality of raw milk collected*
    Clover's Milk Procurement business unit continuously seeks new and better ways of conducting its business. It has finalised its Electronic Tanker Collection System ("ETCS") during the financial reporting period. This is a first for the South African dairy industry and is a huge improvement over the methodologies used in the past. Although we had some difficulties to resolve during the test phase, we are confident that all these challenges will be addressed and that this system will add value to Clover and its milk producers in future. The main benefits of this new system are:

    - Automation of transfer of milk from the tanks to the Clover milk system.
    - Human interference is limited to the absolute minimum during the milk collection process, to ensure the best possible levels of accuracy, repeatability, consistency and hygiene.
    - Reconciliation of milk volumes can be done within minutes after off-loading at factories, due to the availability of data.

  - *Quality over final product produced*
    All Clover products are produced in terms of International best practices, regarding quality, hygiene and food safety. All Clover factories are ISO 9001 and HACCP certified and accredited by third party auditors and comply with all international standards, required for food safety and quality management systems.

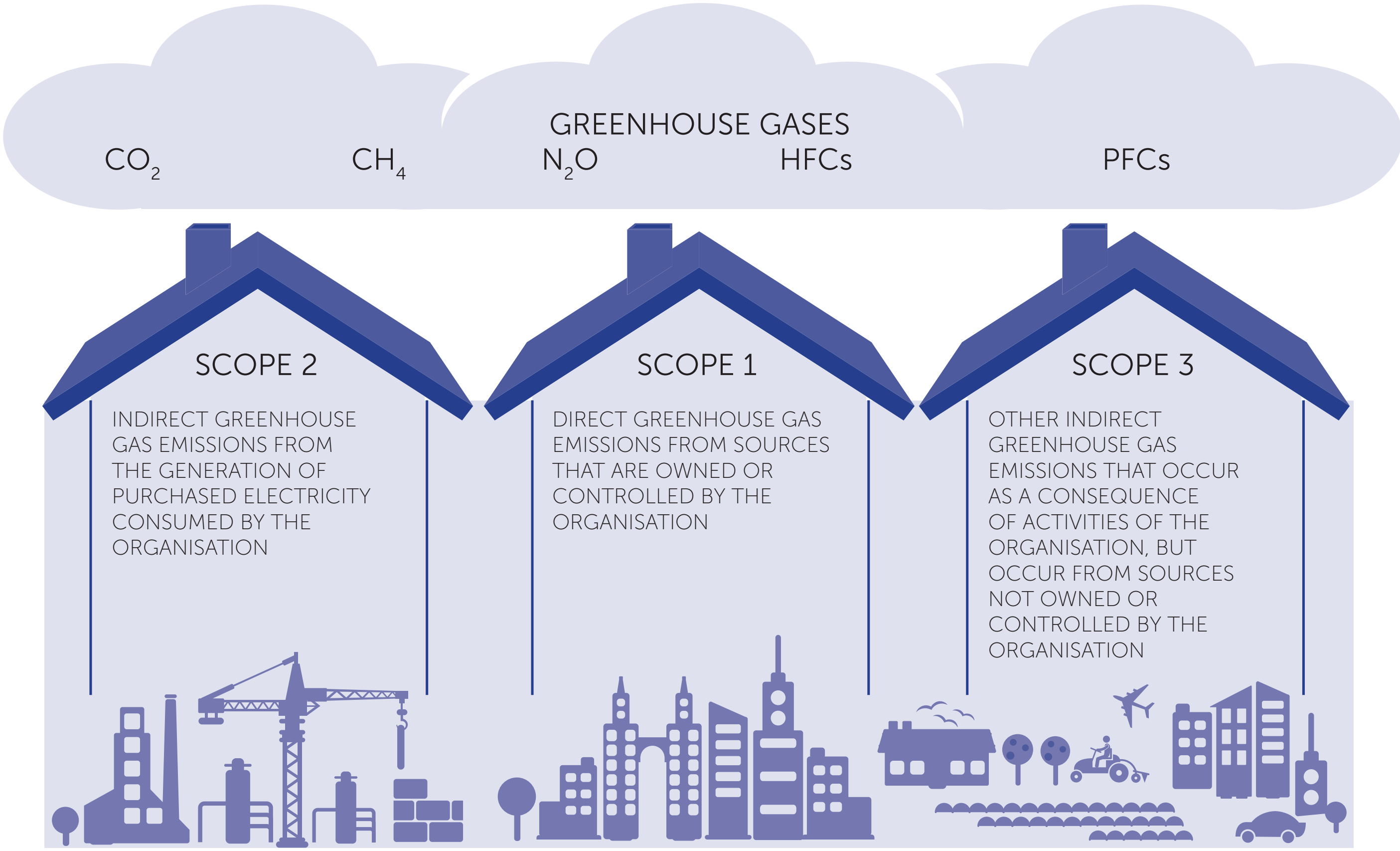
    Clover Quality Assurance performs various tests in all stages of the production process of all its products, through highly trained technicians, in well-equipped laboratories to ensure constant quality, food safety and meeting minimum legal regulatory requirements.

Producer selection	Clover sources milk from 231 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 13 012 points through 583 trucks to an average eight customers per day per truck

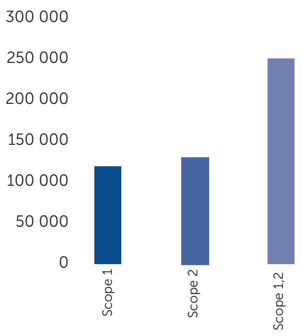
Carbon footprint

Clover's carbon footprint extends over the operations of the following five business units:

Business unit	Description/key activity
Head office	Corporate administration, marketing, management
Procurement	Transportation of raw milk and materials from suppliers to Clover facilities
Production	Facilities for the processing, packaging and dispatching of products
Primary distribution	Transport of products from production facilities to primary and secondary distribution centres
Secondary distribution	Clover controls a large number of secondary distribution facilities across South Africa that handles own and principal clients' products. Distribution is to retail customers through leased vehicles, under the control of Clover



Summary of carbon footprint by scope



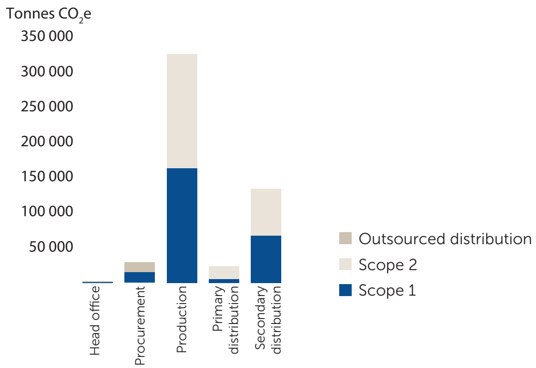
Carbon footprint

Scope 1 and 2 emissions (Clover direct contribution)

Carbon tax implication @ R120/Ton and 60% allowance.

-R5 714 040

Scope breakdown per business unit



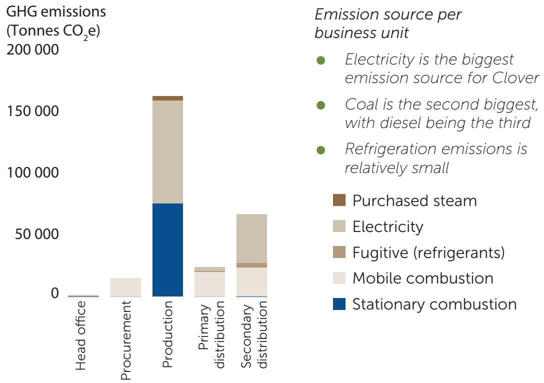
Business unit contribution

Production is by far the biggest emitter of greenhouse gas

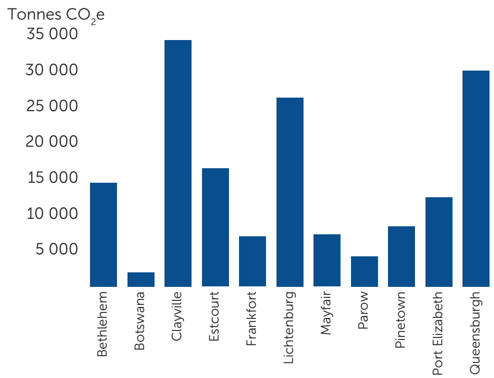
Secondary distribution is the second biggest emitter

Primary distribution (inclusive of contractors distributing on our behalf), has a marginally bigger footprint than Milk Procurement

Activity-based (non-scope) summary of emissions



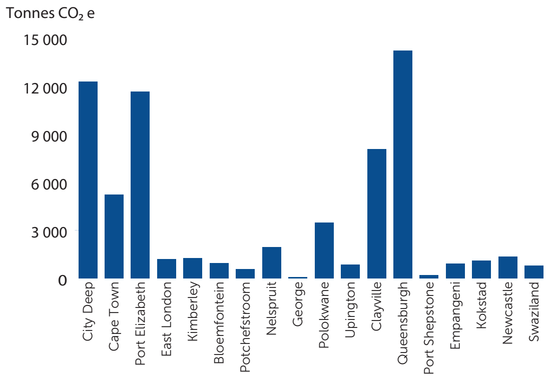
Production site emissions



Production emissions by factory

Powder factories have out of proportion emissions due to high coal consumption

Secondary distribution site emissions



- *Waste and operational efficiency*
  During the reporting period, progress was made with the Cielo Blu project, which resulted in the movement of some facilities and operations (Clayville UHT to Pinetown & Port Elizabeth). The investment in ESL and UP milk, in addition to Cielo Blu, resulted in uneconomical production at Clayville for an extended period of time during the current financial year only. These temporary factors make direct comparison with the previous financial years difficult. In the new year once Cielo Blu project is finalised, it is expected that water and electricity usage will reduce substantially with usage forecasts reductions estimated at 21% by end 2014/2015. This impacted environmental performance, as plants were not running at optimal volumes, being at lower than expected production volumes that increases utilisation of water and electricity resources. Utilisation of these resources increases as a result of higher number of production batches than normal. This necessitates more stoppages after each batch and increases the number of washes for sterility after each batch, which results in more resources being utilised. **Excluding the impact at Clayville, appropriate progress was achieved against targeted measures.**

Working towards zero-waste operations	2013	2012	2011
Total waste generated by operations			
Total waste recycled (kg)	**2 180 797**	1 188 047	829 377
Reducing the amount of water used to produce products			
Water consumed per kg or litre of product produced (l)	**4,1**	3,5	3,7
Reducing Clover's energy consumption			
Electricity consumed per kg/l product produced (kWh/kg)	**0,171**	0,1471	0,1567
Fuel consumed for steam generation (coal, gas, HFO) per kg product produced (kWheq/l)	**0,41**	0,4067	0,3921
Improving occupational health and safety performance (lost time injury (man days))			
Incidents and injury reports throughout the Group's operations	**347**	574	579

- *Electricity saving strategy*
  The current strategy revolves around the following components, with a targeted 20% reduction in actual **resource use** intensity by end 2014/2015 financial year. The capital expenditure budget was aligned to fund these objectives, and total expenditure to reduce utility consumption, increase efficiency, etc. amounts to R15 million for the 2013/2014 financial year.

Activity	Implementation status	Completion date
Eskom subsidised lighting retrofit	5%	03/14
Condenser/cooling tower automation	0%	05/14
Steam Generation Automation	85%	03/14
CIP optimisation – reduced cleaning times	50%	02/14
Operator responsibility for energy consumption – daily monitoring and feedback	30%	10/13
Ensuring all plant components are synchronised without knock-on delays – daily management feedback	30%	10/13
Warm/cold piping insulation	85%	05/14
Ablution heat pumps	0%	03/14
VSD on all large motors above 15kW	75%	03/14
Power factor correction >0.98	90%	12/13
Increasing OPP >75%	70%	05/14
Fitment of new synchronous/VSD air compressors	60%	05/14

- *Product responsibility over raw milk intake*
  Clover's commitment to quality starts on the farms of its producers. In terms of Clover's Best Farming Practices ("BFP") programme, based on the International Dairy Federation's directive, the following aspects are focused on:
  - 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 registers and records

  Since June 2009, all of Clover's milk producers have participated in the BFP programme. Compliance is assured through regular external audits and producers representing 99,85% of Clover's milk intake passed the audits.

  Clover has integrated the above mentioned BFP programme into a much broader Clover Sustainable Dairy Model ("CSDM") and the details of this programme were captured into a user friendly Microsoft Excel model, with the assistance of Volition. This model is now ready for implementation and given the complex and evolving nature of the programme, Clover intends phasing in the implementation over a number of years.

  The preliminary focus areas are:
  - Herd management, including managing 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 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

- *Occupational Health and Safety*

Employees can only operate efficiently and effectively in a safe and healthy working environment. 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 Clover's production facilities and major distribution facilities were audited by an accredited external party for safety during the review period. 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):

Site	Safety % 2013	Safety % 2012	Difference
Frankfort	87	85	↑
Heilbron	88	86	↑
Clayville	97	91	↑
Lichtenburg	93	93	—
Queensburgh	93	94	↓
Estcourt	94	89	↑
Bethlehem	94	92	↑
Parow	94	92	↑
Port Elizabeth	90	89	↑
Mayfair	Not audited*	92	—

Clover aims to achieve a 95% compliance rate over the next two years.

* *Facility is in process of being closed down as part of Clover's Cielo Blu project.*

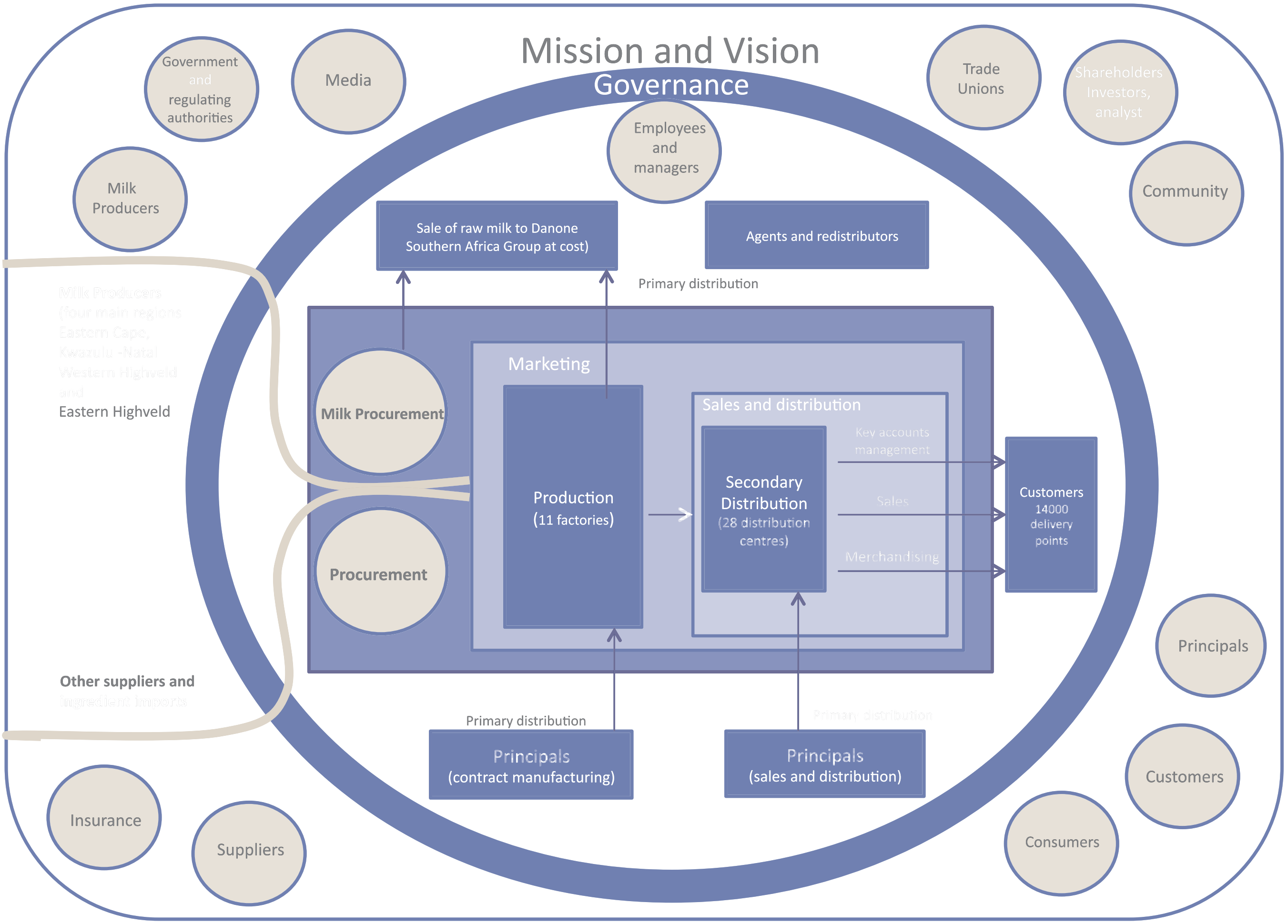
Governing stakeholder relationships/ consumer relationships

Throughout the 2013 financial year the Group has actively engaged with all its key stakeholders. Management have identified all material 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.

As a result of Clover's diverse business model, Clover interacts through a wide range of functions within the business with various stakeholder groupings on an ongoing basis. The Clover stakeholders that have been identified are all stakeholder groups that can materially influence the attainment of Clover's strategic objectives, but also more specifically it is those groups, individuals or entities, who can be affected by the actions and operations of Clover or on the contrary who's operations can materially impact on Clover's operations.

Amongst all the major stakeholder groupings identified, Clover has a distinct criterion for its strategic stakeholder partners whose relationships are required for the Group to attain its future strategic objectives.

Clover's material stakeholders



Stakeholder engagement

Stakeholder Group	How we engage with our stakeholders	Their contribution to value creation	What our stakeholders expect from us	What concerns our stakeholders	Method of Governance
Communities, traditional and civic society	Direct interaction through various corporate social investment initiatives and environmental campaigns in various communities	Participation with the community affords Clover the opportunity to understand their needs and to further align our business in a way that improves the lives of our communities at large	Ongoing commitment to our core strategic social investment initiatives adding to the wellbeing of the community	• Consideration of community interests • Corporate social investment and donations • Preferential procurement policy • Clover Mama Afrika	Corporate Governance policies
Consumers	Promotions and community-based initiatives, social media, Clover consumer centre, Consumer Goods Council	Loyal consumers continued support of their most admired brands and trusted products	Providing high quality and trusted products of their most admired brands in fulfilling consumers' needs	• Research in gaining consumer insights in product categories • Regular communication on all core brands via social media • Effective consumer centre dealing with complaints and enquiries • GDA table (Guideline daily amount) informs consumers of nutritional values in Clover products • Cost competitiveness of products • Food safety standards	Social media policy, Consumer crises policy, Competition Law policy, product quality assurance programmes
Customers/ Trade	Meetings, conferences and workshops, CSC taking orders from trade	Extensive retailer footprint providing the basis for continued growth. Clover's brand expansion through retail expansion into Africa	Providing good quality products at competitive prices	• Quality of products • Effective product stewardship • Effective merchandising services • Valued partnerships to drive efficiency and continued future growth • Promotional activities • Trading terms • Category expansion • Cost efficiencies	Service level agreements

Stakeholder engagement (continued)

Stakeholder Group	How we engage with our stakeholders	Their contribution to value creation	What our stakeholders expect from us	What concerns our stakeholders	Method of Governance
Employees/ Management	Intranet, CE briefs, management and general staff briefings, Corporate bi-monthly newsletter(In Clover), workshops and conferences, training programmes, notice boards, intranet communication and performance reviews	Employees acting in accordance with Clover's values of respect, integrity, fairness and responsibility form the foundation of our business. By providing Clover employees timely updated business information and relevant strategic information, Clover would embed its strategy while achieving company objectives	A stimulating and gratifying work environment, while offering prospects to meet career growth aspirations	• Health and safety • Ongoing training and development • Open communication between employees and managers • Transformation in line with EE Plan • Access to HIV counselling and employee wellness programmes	SHE Policy, EE Plan, Employment policy
Government and regulating authorities	Personal meetings, written and verbal communication, through business organisations, Parliamentary portfolio committees	Government gives us our licence to operate and provides the enabling regulatory framework	Continued contribution to the economic growth and social upliftment of the communities in which we operate. Exercise good corporate governance practices while ensuring compliance with all applicable legislation	• Increased contribution to the South African economy, including job creation and youth development • Good corporate citizenship • Timeous payments of taxes • Empowerment, transformation and adherence to the revised BEE codes • Reduction of energy consumption • Disclosure and management of carbon emissions • Provide input on policy changes in the agricultural sector and food security	Public participation
Insurers	Meetings and site surveys	Ensure Clover has insurance cover for material insurable loss events	Open and transparent communication enabling insurers to assess risk appropriately	• Adequacy of fire protection measures • Maintenance of fire protection equipment	Insurance policies
Media	Media statements and briefings, Social media pages	The media contributes in sustaining our brand reputation and increase awareness on new products, community development programmes and changes in our business strategy	Good Corporate Citizenship	• Transparent and responsible reporting • Non-compliance to legislation	Protocol to respond to media set in social media policy

Stakeholder Group	How we engage with our stakeholders	Their contribution to value creation	What our stakeholders expect from us	What concerns our stakeholders	Method of Governance
Milk producers	Circulars, regional individual and group meetings with producers, media and the Clover producer forums	Clover's milk producers provide good quality raw milk used in manufacturing of our dairy products	A stable market for milk produced for delivery to Clover	• Large fluctuations in milk prices • Increases in farm overhead costs • Land reform	Producer agreements
Principals	Contract and service level agreements, meetings, transactional information integrated via respective ERP systems	Participation in growing the footprint of retailers while achieving economies of scale and reducing costs in the supply chain	Timely delivery of ordered product with professional in store merchandising	Clover not meeting the agreed service levels in distribution and merchandising activities	Service Level agreements
Shareholders, investors and analysts	Investor presentations and road shows, circulars to shareholders, Integrated Annual Report, Annual General Meeting, Press releases, announcements and notifications through SENS, Clover website	Investors provide the financial capital necessary to sustain growth. Shareholders are encouraged to attend the company's annual general meeting to vote on resolutions and to discuss relevant issues with the company's directors and management	Providing sustained returns on investment by achieving business objectives through delivery on embedded strategy, sound risk management identifying strategic growth opportunities and good governance practices	• Delivering consistently superior financial results for sustainable growth • Leadership and strategic direction seizing strategic opportunities • Policies and procedures ensuring governance i.e. ERM Policy • Corporate governance and ethics • Progress with project pipeline and future growth projects • Capital expenditure for current and future periods • Effectiveness of Risk management process • Stability of IT systems	Price sensitive information policy, Insider trading policy, ERM policy, Governance policy
Suppliers and service providers	Supplier meetings, site visits, performance evaluation and audits, business association meetings	Our suppliers provide us with good quality raw materials and services that enable us to produce quality products for our consumers	Conducting business in a transparent manner that is mutually beneficial and sustainable	• Long-term security of supply • Effectiveness of planned procure-to-pay process • Preferential procurement • Efficiency with imports	Procurement policies
Trade unions	Regular meetings with Unions and collective bargaining forums	To engage organised labour in a positive manner on matters affecting their members as well as matters of mutual interest	Positive work relationships in dealing with matters sensibly during the negotiation process	Provision of competitive remuneration packages and safe working conditions	Remco, collective bargaining agreements

Consumer relationships, advertising, public relations and compliance to consumer protection laws

Regulation 43(5)(a)(iv) of the Companies Act (Act 71 of 2008) requires companies to monitor their activities around consumer relationships including the company's advertising, public relations and compliance with consumer protection laws.

Consumer relationships

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.

Consumer relations are managed through the Clover Consumer Centre ("CCC"). The CCC strives to consistently service our consumers' 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 required by 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.

Type of call	Description
Priority 1	**Critical calls** • Complaint 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 requests 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 11 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.

Public Relations

Public Relations within Clover is managed through the Corporate Services department. No Clover employee may comment or conduct any interviews with the media on behalf of Clover. Media communication in Clover is restricted to two executive members namely Johann Vorster (Chief Executive), Jacques Botha (Chief Financial Officer) and Jacques van Heerden (Company Secretary). Written communications are outsourced to an external agency.

Compliance with Consumer Protection Laws

The Group has taken proactive steps to ensure that it is fully prepared for the application of the Consumer Protection Act ("CPA"). High-level induction programmes to key individuals in the Group on the potential effect of the application of the CPA are ongoing. The process of establishing a CPA Centre of Excellence is in progress which will enable Clover to maintain its commitment towards compliance with laws and regulations.

The marketing department provides the Social and Ethics Committee with a regular reports of its activities to enable the Social and Ethics Committee to monitor compliance to CPA. Furthermore logs are maintained for any promotional and trade coupon promotions in line with the CPA: Trade coupon and promotion policy, which are also reported to the Social and Ethics Committee.

The Company Secretary together with the Group Manager: Product Innovation and Technology are responsible for the annual review of the company's compliance with regards to the following acts:

- Consumer Protection Act.
- Food stuff, cosmetics and disinfectants Act.
- Other labelling legislation.

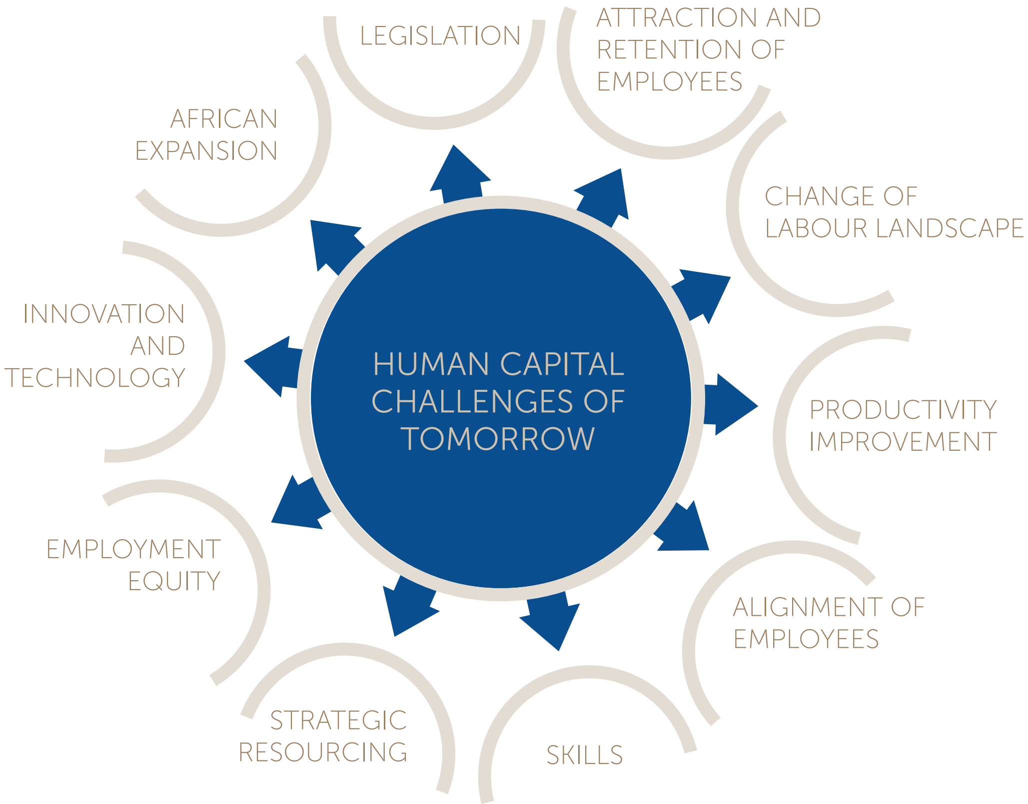
Labour and employment

Project Driven

During the financial year, Clover launched Project Driven which outlines the broad strategy for addressing the Human Capital's response to:

Attraction and retention of employees

Clover recognises that there is a limited pool of skilled resources available, and as part of our "Way Better" and "Driven" campaigns, we aim to enhance the attraction and retention of employees. Achieving our Vision and Mission is largely dependent on Clover's ability to attract and retain high-calibre individuals.



Change of the labour landscape

Clover recognises the need to assess and respond to the dynamics in the social and labour environment on an ongoing basis. Special focus is placed on optimising industrial relations platforms at different levels in the Company. At Clover, we respect the rights of our employees.

Productivity improvement

Productivity and continuous improvement initiatives are part of the Clover culture. Through Project Driven there is renewed focus on team performance, multiskilling, variable pay opportunities and a number of other Way Better initiatives.

Alignment of employees

We believe the alignment of employees is critical for business success, and to build a culture of exceptional performance. Our approach towards performance management and the mechanisms that support individual and team performance are being reviewed. A range of communication platforms are used to enhance alignment – examples include management breakaway sessions, team meetings, in-house publications, union meetings, etc.

Skills

To secure Clover's position as one of southern Africa's leading fast moving consumer goods companies, the Group proactively engages in the development of employees in all disciplines.

Specific focus has been on Merchandiser Learnerships, technical training in our production facilities, the upskilling of sales personnel and management and leadership development. Financial assistance for study purposes was further extended, and a number of internships were introduced. Going forward, it is acknowledged that a range of new skill sets will be required. This will necessitate renewed focus on fast tracking, coaching and mentoring of young talent.

Strategic resourcing

The dynamic environment in which we operate and our expansion plans demand that we review our resourcing strategies. Project "Driven" will enhance how Clover attracts, engages, motivates and rewards our workforce, so as to maximise the likelihood of achieving our vision through developing and reinforcing a shared mindset.

Employment equity

The company fully supports employment equity in the workplace and various measures are in place to assist in reaching employment equity objectives. These include bursaries, internships and other employee development initiatives. (For further details refer to paragraph 4.3 above) as highlighted in the Employment Equity report.

Innovation and technology

We encourage innovation in Clover and acknowledge the need to equip personnel with technology that will enhance performance. A number of projects that will result in new generation business systems being introduced, are in progress.

Africa expansion

Our decision to exploit opportunities which exist in Africa are placing new demands on the business. The Human Resources function is assisting with the process of manning these operations.

Legislation

Clover is committed to conducting its business activities lawfully and ethically. To ensure compliance with legislation, measures are in place and regularly reinforced.

Clover's strategy for continued sustainable development

- **Economic viability**

  In order to remain economically viable, Clover needs to continuously evolve its business, partnerships and products. During the review period, Clover continued with its strategy of investing in and concentrating on branded and value-added products.

  During the period under review, Clover commenced with the final phase of project Cielo Blu, the Group's capital expansion and repositioning programme commissioned in 2011, with the move of the Mayfair beverages factory into the Clayville facility. The relocation of the Group's dairy equipment to coastal regions has been completed and has drastically reduced supply chain management complications faced in the prior year. The savings from Project Cielo Blu's capacity and efficiency improvements are delivering against expectation and are expected to fully accrue to Clover over the next year.

  Cielo Blu has made a significant impact on the amount of fuel used for transporting product. Prior to the relocation of the production facilities closer to the milk source, Clover had to transport raw milk in specialised trucks to the production facilities. Due to their specialised nature, these trucks carried no load on the return leg.

  With production facilities closer to the milk source, pre-packed products can now be transported on conventional trucks, with a second payload on the return leg, significantly reducing Clover's transportation costs.

- **Sustainable supply**

  - *Sustainable milk supply*

    Clover is one of few large dairy processors who have a longstanding history of purchasing milk from previously disadvantaged producers. Economic factors and sustainable milk quality are the largest barriers to entry for these farmers. Likewise, a number of Black Economic Empowerment ("BEE") initiatives have failed due to a 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 labour. Most of these projects were initiated by Amadlelo Agri (www.amadlelo.co.za) and are sustainable.

    Sustainable supply is ensured through Clover's Unique Milk Procurement System (CUMPS) and the Company pays a market related price for raw milk. The Best Farming Practice ("BFP") programme further assists producers to increase efficiency and become more sustainable.

    The downward trend in the Group's milk producer numbers is a result of continuous consolidation in the primary industry and is not a threat to the sustainability of milk supply in the short- to medium term, but does have an impact on job creation, as bigger producers tend to mechanise more. The consolidation of milk producers and high barriers to entry, especially for emerging farmers is not in the best interest of rural development or job creation. It is therefore very important for the industry and government to find a way of ensuring a viable agricultural sector and dairy industry.

Sustainable milk supply

Description	2013	2012	2011	2010	2009
Litres of milk procured (Million litres)	**667,7**	648,2	652,4	608,2	638,7
Litres of raw milk transported per kilometre	**70,3**	69,0	73,4	80,0	88,0
Number of milk producers who supplied milk to Clover during the year	**240**	258	293	309	353
Estimated number of employees employed by above producers*	**3 637**	3 738	4 102	4 326	4924
Estimated number of dependants reliant on income received from above employees*	**13 656**	18 690	20 510	21 630	24710

* *The number of employees is based on previous production cost survey statistics.*

** *The number of dependants is based on feedback from producers.*

Future

Clover is cognisant of the fact that integrated reporting is a phased approach. The Group continues to collect, collate and report on an increasing number of key sustainability performance data to enhance the overall quality of Clover's performance in this regard.

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

Reporting

This Report of the Social and Ethics Committee will be presented by one of its members to the Company's Annual General Meeting. In the opinion of the members of the Committee this report fairly presents the standing of the Company and Group in relation to the matters specified in regulation 43 to the Companies Act 2008 for the year ended 30 June 2013.

TA Wixley
Chairman

Cielo Blu focus

Pinetown production

- Installed a steriliser (18 000 litres/hr).
- Installed aseptic tank storage.
- Installed a UHT filling line (1000 Slimline) bringing the total to 4.
- Upgraded utilities.
- Plant capacity increased by 30m litres per year.
- Created 14 additional jobs.

ANNUAL FINANCIAL STATEMENTS

The audited financial statements contained in this section were prepared under the supervision of Louis Jacques Botha, CA (SA), in his capacity as Chief Financial Officer of the Group.


Clover
TROPIKA
PINEAPPLE
Clover
TROPIKA
Eazy
Clover
TROPIKA

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee has pleasure in submitting this report as required by section 94(7)(f) of the Companies Act. The Committee has adopted detailed terms of reference which comply with the Companies Act, No 71, of 2008 ("Act"), and King III and have been approved by the Board of Directors of the Company ("Board").

Membership

TA Wixley – Chairman
Dr SF Booysen
NP Mageza
Adv JNS du Plessis

The Committee was duly appointed by the shareholders at the Annual General Meeting on 30 November 2012 and consists solely of Independent Non-executive Directors.

Shareholders will again be asked to approve the appointment of the members of the Committee for the 2013/14 financial year at the Annual General Meeting scheduled for 26 November 2013.

Function of the Audit and Risk Committee

The functions of the Committee are as follows:

- To perform all of the duties required of it by the Act, in respect of the Company and all of its subsidiary companies.
- To assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control and reporting processes, the maintenance of accurate and complete accounting records and the preparation of financial statements in compliance with the applicable legal requirements, King III code of governance principles and applicable accounting standards.
- To review the Group's annual integrated report, including the annual financial statements, as well as its interim report and any other public reports or announcements containing financial information.
- To provide management, external auditors and the internal auditors with access to the Chairman or any other member of the Committee to discuss any matter within the Committee's scope.
- To meet separately with the external and internal auditors at least once a year.
- To provide a forum for discussing business risk and control issues and developing recommendations for consideration by the Board.
- To monitor enterprise-wide, operational, market, regulatory, safety and other risks, and to monitor controls designed to minimise risk.
- To consider and recommend to the Board whether external assurance should be provided on the sustainability report and to ensure that the report is consistent with the annual financial statements.
- To perform the functions required in terms of the JSE Listings Requirements.
- To perform the matters required by the Act, in respect of the Company and all its subsidiary companies incorporated in South Africa.
- To oversee the activities of, and ensure co-ordination, between the activities of internal and external audit.
- To review the committee's work plan and terms of reference annually and make recommendations to the Board to ensure its effectiveness.

Duties carried out

The Committee confirms that it has performed its duties and responsibilities during the financial year in accordance with the Act and its terms of reference.

External audit

During the year under review, the Committee undertook the following:

- Nominated Ernst & Young Inc. as the external auditor, with Frantz Scheepers as the designated auditor to the shareholders for appointment as auditor for the financial year ended 30 June 2013, and ensured that the appointment complied with all legal and regulatory requirements for the appointment of an auditor.
- Confirmed that the auditor and the designated auditor are accredited by the JSE.
- Approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor.
- Reviewed the audit and evaluated the effectiveness of the auditor.
- Obtained a statement from the auditor confirming that its independence was not impaired.
- Determined the nature and extent of all non-audit services provided by the external auditor and pre-approved all non-audit services undertaken.
- Obtained assurances from the external auditor that adequate accounting records were being maintained.
- Confirmed that no reportable irregularities had been identified or reported by the auditors under the Auditing Profession Act.
- Nominated the external auditor and the designated independent auditor for each of the South African subsidiary companies for the financial year ended 30 June 2013.

Financial statements

During the year under review, the Committee:

- Confirmed, based on managements' review that the interim and annual financial statements were drawn up on the going-concern basis.
- Examined the published interim and annual financial statements and other financial information, prior to the Board's approval.
- Considered the accounting treatment of significant or unusual transactions and accounting judgements by management.
- Considered the appropriateness of accounting policies and any changes made.
- Reviewed the audit report on the annual financial statements.
- Reviewed the representation letter relating to the annual financial statements signed by management.
- Considered any problems identified as well as any legal and tax matters that could materially affect the financial statements.
- Met separately with management, the external auditor and internal auditor.
- Concluded that the annual financial statements fairly present the financial position of the Group and Company at the end of the financial year and the results of operations and cash flows for the financial year.

Risk management and information technology

During the year under review, the Committee:

- Reviewed and approved the Group's Enterprise Wide Risk Management Framework defining Clover's risk management methodology.
- Reviewed quarterly risk reports containing pertinent risks and opportunities aligned to the Group's vision and mission, emerging events and reportable incidents.
- Reviewed the Group's policies on risk assessment and risk management, including fraud risks and information technology risks and found them to be sound.
- Received a limited assurance report on management's assessment of the effectiveness of the Group's system of internal controls over financial reporting from the external auditors, Ernst & Young Inc.

Internal control and internal audit

During the year under review, the Committee:

- Reviewed and approved the annual internal audit plan and evaluated the independence, effectiveness and performance of the internal audit providers.
- Considered the reports of the internal and external auditors on the Group's systems of internal control, including financial controls, business risk management and maintenance of effective internal control systems.
- Received assurances that proper accounting records were maintained and that the systems safeguarded the Group's assets against unauthorised use or disposal.
- Reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response.
- Assessed the adequacy of the performance of the internal audit function and found it satisfactory.

Taking into account all information received from management as well as the internal and external auditors, nothing has come to the attention of the Committee that indicates a material breakdown in the internal controls of the Group.

Sustainability

During the year under review, the Committee:

- Reviewed the sustainability report included in the Group's integrated annual report and satisfied itself that it is consistent with the annual financial statements.
- Considered the desirability of obtaining external assurance regarding the sustainability review and recommended to the Board that it would serve no useful purpose in view of the developing nature of the Group's sustainability information systems.

Legal and regulatory requirements

During the year under review, the Committee:

- Reviewed with management all legal matters that could have a material impact on the Group.
- Reviewed with the Group's internal legal counsel the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities.
- Monitored complaints received via the Group's ethics line or otherwise, including complaints or concerns regarding accounting matters, internal audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters.
- Considered reports provided by management, internal audit and the external auditor regarding compliance with legal and regulatory requirements.

Combined assurance

The Committee reviewed the combined assurance plans and reports of the respective assurance providers, including external and internal auditors, and concluded that the material financial and governance controls within the business were satisfactory.

Chief Financial Officer and finance function

As required by the JSE Listings Requirements 3.84(h), the Committee has:

- Considered the experience and expertise of the Chief Financial Officer and concluded that these were satisfactory.
- Considered the expertise, resources and experience of the finance function and concluded that these were satisfactory.

Independence of external auditor

The Committee is satisfied that Ernst & Young Inc., is independent of the Group after taking the following factors into account:

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

Annual financial statements

Following the review by the Committee of the consolidated and separate annual financial statements of Clover Industries Limited for the year ended 30 June 2013 and the result of the external auditor. The Committee is of the view that they fairly present, in all material aspects, the financial position at that date and the results of operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act. The Committee has satisfied itself of the integrity of the remainder of the Integrated Annual Report.

Having achieved its objectives for the financial year, the Committee has recommended the annual financial statements and Integrated Annual Report for the year ended 30 June 2013 for approval to the Clover Industries Limited Board. The Board has subsequently approved the financial statements, which will be open for discussion at the forthcoming Annual General Meeting.

For and on behalf of the committee

TA Wixley
Chairman of the Audit and Risk Committee

11 September 2013

APPROVAL OF THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2008 to maintain adequate accounting records and to prepare financial statements for each year which fairly present the state of affairs of the Company and the Group at the end of the financial year and of the profit and cash flows for the period. In preparing the accompanying financial statements, International Financial Reporting Standards have been applied, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Any changes to accounting policies are approved by the Board and the effects thereof are fully explained in the annual financial statements. The financial statements incorporate full and responsible disclosure. The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment.

To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Directors have reviewed the Group and Company's budget and cash flow forecast up to 30 June 2014. On the basis of this review and in the light of the current financial position and existing borrowing facilities, the Directors are satisfied that Clover Industries Limited is a going concern and have therefore continued to adopt the going-concern basis in preparing the financial statements.

The Group's external auditors, Ernst & Young Inc., have audited the financial statements and their unqualified report appears on page 93.

The consolidated and separate annual financial statements, set out on pages 94 to 175, which have been prepared on the going concern basis, were approved by the Board of directors on 11 September 2013 and were signed on their behalf by:

Werner Büchner
Chairman

Johann Vorster
Chief Executive

CERTIFICATE BY COMPANY SECRETARY –(IN TERMS OF SECTION 88(2)e OF THE COMPANIES ACT)

The Secretary of Clover Industries Limited, Jacques van Heerden, certifies that Clover Industries Limited has complied with all the requirements of the Companies Act and more specifically that all such returns as required by a public company in terms of the Companies Act 2008, as amended, have been lodged with the Registrar of Companies and that such returns are true, correct and up to date.

Jacques van Heerden
Secretary

11 September 2013

INDEPENDENT AUDITORS REPORT

To the shareholders of Clover Industries Limited

We have audited the consolidated and separate annual financial statements of Clover Industries Limited set out on pages 96 to 173, which comprise the consolidated and separate statements of financial position as at 30 June 2013, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the financial position of Clover Industries Limited as at 30 June 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate annual financial statements for the year ended 30 June 2013, we have read the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.

Ernst & Young Incorporated
Director – Frantz Frederik Scheepers
Registered Auditor
Chartered Accountant (SA)

Wanderers Office Park
52 Corlett Drive
Illovo
Johannesburg

11 September 2013

DIRECTORS' REPORT

The Directors present their report on the activities and the financial statements for Clover Industries Ltd ("CIL") and the Group in respect of the year ended 30 June 2013.

Nature of business

The procurement, production, marketing, sales and distribution of branded consumer goods to customers on the African continent.

Group results

The Group's results for the year are as follows:

	2013 R'm	2012 R'm
Revenue	**7 996,5**	7 223,9
Total comprehensive income attributable to shareholders of the parent Company	**238,4**	204,4

More detailed financial information can be found in the Financial Report which forms part of the Integrated Annual Report.

Subsidiary companies and interests in joint ventures

Details of subsidiary companies are reflected in note 31 to the financial statements and business combinations and interests in joint ventures in note 3 and 4 to the financial statements.

With effect from 1 October 2012 Clover SA acquired 100% of the shareholding in The Real Juice Co Holdings Proprietary Limited for a cash consideration of R73,7 million. This Company is now a wholly owned subsidiary of Clover SA. This Company, through its subsidiaries, manufactures and sells the Quali and Real Juice range of fruit juices.

On 1 November 2012, Clover acquired the remaining 49,9% interest in Clover Manhattan Proprietary Limited and the Unincorporated Joint Venture for a cash consideration of R24,7 million.

On 6 March 2013 Clover SA entered into an agreement with Nestle (South Africa) Proprietary Limited to form a new entity, Clover Waters Proprietary Limited, that acquired Nestle's Gauteng based Doornkloof property, bottled water manufacturing facility and water rights. This newly formed entity will have the right by way of licence, to manufacture, distribute, market and sell bottled mineral water under Nestlés Pure Life®, Valvita® and Schoonspruit® brands as well as ice tea under the Nestea brand. These brands will complement Clover SA's Aquartz bottled water and Manhattan ice tea brands which was also manufactured, distributed, marketed and sold by Clover Waters. Clover SA effectively holds 70% of the shares in Clover Waters and Nestle (South Africa) 30%.

The transaction was approved by the competition authorities on 24 May 2013. The newly-formed entity commenced business on 1 August 2013.

Share capital

Details of the authorised and issued share capital are disclosed in note 19 to the financial statements.

A general authority to repurchase ordinary shares of the Company was granted to the Directors by way of a special resolution adopted on 30 November 2012. Such authority is subject to the Companies Act and the Listings Requirements of the JSE. The Listings Requirements of the JSE limit repurchases during any one year to a maximum of 20% of the issued ordinary shares at the time.

On 3 June 2013 the company issued 2 106 282 ordinary Clover Industries shares to members of senior management to settle part of its obligation under the Clover Share Appreciation Rights Plan.

The Company's 89 442 022 redeemable preference shares that matured on the 2nd of June 2013 were settled and cancelled on 3 June 2013.

Except for the above no shares were issued or repurchased during the year ending 30 June 2013.

Dividends

Dividends declared and paid by CIL during the year:

	2013 R'000	2012 R'000
Ordinary dividends		
Declared	**41 912**	53 734
Paid	**41 912**	53 734
Preference dividends Recognised as interest:		
Declared	**20 346**	22 007
Paid	**26 106**	16 117

The Board declared and paid an interim cash dividend of 10c per ordinary share during April 2013. It further declared a final dividend of R40,1 million or 22 cents per ordinary share, bringing the total dividend for the year to 32 cents (2012: 28,4 cents) per ordinary share.

Declaration of dividend number 7

Notice is hereby given that the directors have declared a final gross cash dividend of 22,0 cents (18,7 cents net of dividend withholding tax) per ordinary share for the year ended 30 June 2013.

The dividend has been declared from income reserves and no secondary tax on companies credits has been used.

A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt.

The Company income tax number is 9657/002/71/4.

The issued share capital at the declaration date is 182 478 589 ordinary shares. The salient dates will be as follows:

Last day to trade to receive a dividend	Friday, 4 October 2013
Shares commence trading "ex" dividend	Monday, 7 October 2013
Record date	Friday, 11 October 2013
Payment date	Monday, 14 October 2013

Share certificates may not be dematerialised or rematerialised between Monday, 7 October 2013 and Friday, 11 October 2013, both days inclusive.

Directors and Secretary

Particulars of the present Directors and Secretary are listed on pages 17 to 19 and page 92.

Share-based compensation

During the current year a further 2 737 742 SAR were issued to executives at an issue price of R13,73. These SAR will vest three years after the issue date and are subject to vesting conditions. SAR not exercised will be cancelled seven years after the issue date.

On 1 October 2012, Marcelo Palmeiro was appointed to the Executive Committee and 925 500 SAR was issued to him on the same day at an issue price of R15,15. One third of these SAR will vest three years after the issue date and thereafter another third after four years and the last third after five years. There are no vesting conditions attached to these SAR. SAR not exercised will be cancelled seven years after the issue date.

On exercise Executives will be entitled to a payment equal to the increase in the CIL ordinary share price over the issue price of the SAR. Such payment can at the election of the Company be either in cash or by way of the issue to the member of a number of ordinary shares equal in value to such cash amount. Details of SAR issued and vested in terms of the plan are given in the Remuneration Policy and Remuneration Report contained in the Integrated Annual Report.

Insurance and risk management

The Group follows a policy of reviewing the risks relating to assets and commitments that might flow from the use thereof with its insurers on an annual basis. Wherever possible, assets are automatically included. There is also a continuous asset risk control programme, which is carried out in conjunction with the Group's insurance brokers. For further information on the Group's risk management process please refer to the Report on Corporate Governance, Risk and Compliance on page 44.

Property, plant and equipment

There was no change in the nature of the property, plant and equipment of the Group or in the policy regarding their use. Capital expenditure on tangible assets was R434,3 million (2012: R254,3 million) and R103,0 million (2012: R19,4 million) on intangible assets.

Events after the reporting period

On 1 August 2013 Clover Waters, in which Clover SA holds 70%, commenced with business.

Other than the above no significant events occurred subsequent to the year-end.

Special resolutions

The following special resolutions were adopted at the Annual General Meeting held on 30 November 2012:

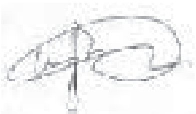
- A general authority was given to the board to repurchase shares in the Company subject to the Companies Act and the JSE Listings Requirements.
- The remuneration of the Non-executive Directors with effect from 1 July 2012 was approved.
- An adoption of a new Memorandum of Incorporation in order to align the Company's constitutional documents with the Company's Act.

On 11 September 2013 the Company renewed the authority to the Board of Clover SA as required by sections 44 and 45 of the Companies Act to provide financial assistance to related and inter-related companies or to Directors and prescribed officers of the Company and Directors and prescribed officers of related and inter-related companies. This general authority is valid for two years from the date of the resolution.

Acknowledgements

We express our thanks and appreciation to:

- Our shareholders for their support during the year.
- Our staff for their dedication to the Clover brand.
- All our suppliers for their support in reducing the costs in the supply chain.
- The retail and wholesale trade for their support.
- The consumers who support the Clover brand.



Werner Büchner
Chairman

Johann Vorster
Chief Executive Officer

11 September 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2013

GROUP 2013 R'000	GROUP 2012 R'000		Notes	COMPANY 2013 R'000	COMPANY 2012 R'000
6 771 888	6 109 268	Sales of products			
798 773	763 723	Rendering of services			
420 508	346 287	Sale of raw milk			
5 292	4 585	Rental income			
7 996 461	7 223 863	**Revenue**			
(5 840 249)	(5 233 222)	Cost of sales	6.1		
2 156 212	1 990 641	**Gross profit**			
61 939	14 716	Other operating income	6.2	**45 411**	40 444
–	–	Dividends received		**–**	190 000
(1 574 424)	(1 422 643)	Selling and distribution costs			
(204 018)	(191 382)	Administrative expenses		**(11 399)**	(9 715)
(35 750)	(9 573)	Restructuring expenses	6.7	**(49)**	–
(12 571)	(10 527)	Other operating expenses	6.3	**–**	–
391 388	371 232	**Operating profit**	6.4	**33 963**	220 729
9 706	28 598	Finance income	6.5	**5 408**	8 741
(56 437)	(52 460)	Finance cost	6.6	**(20 346)**	(22 023)
344 657	347 370	**Profit before tax**		**19 025**	207 447
(104 798)	(137 654)	Taxes	7	**(11 038)**	(18 279)
239 859	209 716	**Profit for the year**		**7 987**	189 168
		Other comprehensive income			
(272)	(822)	Exchange differences on translations of foreign operations			
239 587	208 894	**Total comprehensive income for the year, net of tax**		**7 987**	189 168
		Profit attributable to:			
238 626	205 290	Equity holders of the parent		**7 987**	189 168
1 233	4 426	Non-controlling interests			
239 859	209 716			**7 987**	189 168
		Total comprehensive income attributed to:			
238 354	204 388	Equity holders of the parent		**7 987**	189 168
1 233	4 506	Non-controlling interests			
239 587	208 894			**7 987**	189 168
		Earnings per share (cents)			
133,1	114,6	Basic profit for the year attributable to ordinary equity holders of the parent	8		
123,8	107,4	Diluted profit for the year attributable to ordinary equity holders of the parent	8		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2013

GROUP 2013 R'000	GROUP 2012 R'000		Notes	COMPANY 2013 R'000	COMPANY 2012 R'000
		Assets			
		Non-current assets			
1 517 233	1 168 047	Property, plant and equipment	11	**665**	666
2 003	492	Investment properties	12		
445 283	357 767	Intangible assets	13		
		Investment in subsidiaries	31	**359 616**	350 050
7 449	492	Deferred tax assets	15	**28**	86
1 971 968	1 526 798			**360 309**	350 802
		Current assets			
733 423	602 053	Inventories	16		
995 049	996 995	Trade and other receivables	17	**415 827**	640 859
15 274	25 631	Prepayments			
132	173	Other current financial assets	14.1		
718 062	711 470	Cash and short-term deposits	18	**21 998**	42 955
2 461 940	2 336 322			**437 825**	683 814
359	423	Assets classified as held-for-sale	10	**–**	–
2 462 299	2 336 745			**437 825**	683 814
4 434 267	3 863 543	**Total assets**		**798 134**	1 034 616
		Equity and liabilities			
		Equity			
9 061	8 955	Issued share capital	19	**9 061**	8 955
713 263	675 113	Share premium	19	**713 263**	675 113
264 058	254 286	Other reserves	20	**35 529**	25 485
1 126 734	955 890	Retained earnings	21	**20 693**	52 923
2 113 116	1 894 244	Equity attributable to equity holders of the parent		**778 546**	762 476
2 309	1 796	Non-controlling interests			
2 115 425	1 896 040	**Total equity**		**778 546**	762 476
		Liabilities			
		Non-current liabilities			
666 640	21 686	Interest-bearing loans and borrowings	22	**–**	–
61 222	61 637	Provisions	23		
137 312	116 950	Deferred tax liability	15		
9 267	6 904	Trade and other payables	24		
874 441	207 177			**–**	–
		Current liabilities			
1 234 095	1 316 794	Trade and other payables	24	**20 395**	12 425
172 646	421 376	Interest-bearing loans and borrowings	22		259 382
250	4 308	Other current financial liabilities	14.2		
17 397	5 672	Income tax payable	26.1	**(807)**	333
20 013	12 176	Provisions	23		
1 444 401	1 760 326			**19 588**	272 140
2 318 842	1 967 503	**Total liabilities**		**19 588**	272 140
4 434 267	3 863 543	**Total equity and liabilities**		**798 134**	1 034 616

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2013

		GROUP								
	Notes	Ordinary and preference share capital R'000	Ordinary and preference share premium R'000	Preference share capital and premium transferred to debt R'000	Other capital reserves R'000	Foreign currency translation reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
Balance at 30 June 2011		17 899	925 551	(259 382)	259 757	(6 973)	805 499	1 742 351	9 444	1 751 795
Profit for the year							205 290	205 290	4 426	209 716
Other comprehensive income						(902)		(902)	80	(822)
Total comprehensive income						(902)	205 290	204 388	4 506	208 894
Acquisition of non-controlling interest					(8 987)			(8 987)	(11 805)	(20 792)
Share appreciation rights exercised					(1 724)		(2 716)	(4 440)		(4 440)
Share-based payment reserve					13 115			13 115		13 115
Dividends of subsidiaries								–	(349)	(349)
Dividends forfeited							1 551	1 551		1 551
Dividends	25						(53 734)	(53 734)		(53 734)
Balance at 30 June 2012		17 899	925 551	(259 382)	262 161	(7 875)	955 890	1 894 244	1 796	1 896 040
Profit for the year							**238 626**	**238 626**	**1 233**	**239 859**
Other comprehensive income						**(272)**		**(272)**		**(272)**
Total comprehensive income						**(272)**	**238 626**	**238 354**	**1 233**	**239 587**
Preference shares redeemed	19	**(8 943)**	**(250 439)**	**259 382**				**–**	**–**	**–**
Share appreciation rights exercised					**(8 841)**		**(40 328)**	**(49 169)**		**(49 169)**
Tax on portion of SAR exercised							**12 035**	**12 035**		**12 035**
Share-based payment reserve					**18 407**			**18 407**		**18 407**
Ordinary shares issued	19	**105**	**38 629**					**38 734**		**38 734**
Share premium remaining on preference shares redeemed transferred to other capital reserves			**(478)**		**478**			**–**		**–**
Dividends of subsidiaries									**(720)**	**(720)**
Dividends forfeited							**2 423**	**2 423**		**2 423**
Dividends	25						**(41 912)**	**(41 912)**		**(41 912)**
Balance at 30 June 2013		**9 061**	**713 263**	**–**	**272 205**	**(8 147)**	**1 126 734**	**2 113 116**	**2 309**	**2 115 425**

	Notes	Ordinary and preference – share capital R'000	Ordinary and preference – share premium R'000	Preference share capital and premium and preferred to transferred to debt R'000	Other capital reserves R'000	Retained earnings R'000	Total equity R'000
				COMPANY			
Balance at 30 June 2011		17 899	925 551	(259 382)	14 094	(83 510)	614 652
Profit for the year						189 168	189 168
Other comprehensive income					–	–	–
Total comprehensive income					–	189 168	189 168
Dividends forfeited						999	999
Share-based payment reserve					11 391		11 391
Dividends	25					(53 734)	(53 734)
Balance at 30 June 2012		17 899	925 551	(259 382)	25 485	52 923	762 476
Profit for the year						**7 987**	**7 987**
Other comprehensive income						**–**	**–**
Total comprehensive income						**7 987**	**7 987**
Dividends forfeited						**1 695**	**1 695**
Share-based payment reserve					**18 407**		**18 407**
Share appreciation rights exercised					**(8 841)**		**(8 841)**
Preference shares redeemed	19	**(8 943)**	**(250 439)**	**259 382**			**–**
Share premium remaining on preference shares redeemed transferred to other capital reserves			**(478)**		**478**		**–**
Ordinary shares issued	19	**105**	**38 629**				**38 734**
Dividends	25					**(41 912)**	**(41 912)**
Balance at 30 June 2013		**9 061**	**713 263**	**–**	**35 529**	**20 693**	**778 546**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2013

GROUP 2013 R'000	GROUP 2012 R'000		Notes	COMPANY 2013 R'000	COMPANY 2012 R'000
		Operating activities			
344 657	347 370	Profit before tax		**19 025**	207 447
344 657	347 370	**Profit before tax**		**19 025**	207 447
		Adjustments to reconcile profit before tax to net cash flow			
		Adjustment for non-cash items:			
94 013	93 496	Depreciation and impairment of property, plant and equipment		**1**	1
11 730	8 774	Amortisation and impairment of intangible assets			
114	46	Depreciation of investment properties			
(4 017)	4 885	(Profit)/Loss on financial instruments			
(6 531)	(6 447)	Foreign exchange profit			
(16 747)	–	Gain on fair valuing of existing investment in joint venture due to gaining control			
7 422	1 235	Movement in provisions			
18 407	13 115	Share-based payment reserve provision			
(11 680)	(878)	Profit on disposal and scrapping of assets			
4 377	4 796	Impairment of plant included in restructuring cost			
(5 373)	(1 174)	Foreign exchange differences on fixed assets			
		Other adjustments:			
56 437	52 460	Finance cost	6.6	**20 346**	22 023
(9 706)	(28 598)	Finance income	6.5	**(5 408)**	(8 741)
–	–	Dividends received		**–**	(190 000)
(65 981)	(44 519)	Taxes	26	**(12 119)**	(17 707)
		Working capital adjustments			
(123 759)	(141 806)	Increase in inventories			
41 938	(127 901)	Increase/(Decrease) in trade and other receivables		**263 765**	(101 866)
(99 338)	243 056	(Decrease)/Increase in trade and other payables		**9 665**	6 582
235 963	417 910	**Net cash flow from/(used in) operating activities**		**295 275**	(82 261)

GROUP 2013 R'000	GROUP 2012 R'000		Notes	COMPANY 2013 R'000	COMPANY 2012 R'000
		Investing activities			
17 599	4 181	Proceeds from sale of property, plant and equipment			
6 531	6 447	Foreign exchange profit			
9 706	28 598	Interest received	6.5	**5 408**	8 741
(70 556)	–	Acquisition of Real Juice Co Holdings	3.1	**–**	
–	–	Dividends received		**–**	190 000
–	(20 792)	Acquisition of non-controlling interest			
(24 700)	–	Acquisition of additional interest in Clover Manhattan	3.2		
(434 340)	(254 309)	Capital expenditure: tangible assets			
(20 060)	(19 373)	Capital expenditure: intangible assets			
(272)	(902)	Foreign currency translation reserve			
(516 092)	(256 150)	**Net cash flows (used in)/from investing activities**		**5 408**	198 741
		Financing activities			
(56 437)	(52 460)	Interest paid	6.6	**(20 346)**	(22 023)
(41 912)	(53 734)	Dividends paid		**(41 912)**	(53 734)
(720)	(269)	Dividends paid to non-controlling interest holders			–
(10 435)	(4 440)	Share appreciation rights paid out			–
(259 382)	–	Repayment of preference share liability		**(259 382)**	–
(158 396)	(169 974)	Repayment of borrowings			–
814 003	6 375	Proceeds from borrowings			–
286 721	(274 502)	**Net cash flows from/(used in) financing activities**		**(321 640)**	(75 757)
6 592	(112 742)	**Net increase/(decrease) in cash and cash equivalents**		**(20 957)**	40 723
711 470	824 212	**Cash and cash equivalents at the beginning of the year**		**42 955**	2 232
718 062	711 470	**Cash and cash equivalents at the end of the year**	18	**21 998**	42 955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2013

1. Corporate information

Clover Industries Limited (the "Company") is a company incorporated and domiciled in South Africa. The consolidated financial statements of the Group for the year ended 30 June 2013 comprise the Company and its subsidiary companies (together referred to as the "Group") and the Group's interest in jointly controlled entities. The companies within the Group have co-terminous year-ends.

The consolidated financial statements of Clover Industries Limited for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the Directors on 11 September 2013.

The Group's operations and principal activities are set out in the Directors' report.

2. Basis of accounting

2.1 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and their interpretations adopted by the International Accounting Standards Board.

(b) Preparation

The consolidated financial statements are presented in rands, rounded off to the nearest thousand. They are prepared on the historical-cost basis unless otherwise stated. The carrying values of the recognised assets and liabilities that are designated hedged items in fair value hedges, and are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.3. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(c) Basis of consolidation

Subsidiaries and business combinations

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date that control ceases. Investments in subsidiaries are accounted for at cost by the investing company.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree, either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39, either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Total comprehensive income is attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Non-controlling interest

Non-controlling interest represents the portion of profit or loss and the net assets not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Joint ventures

Joint ventures are those entities over which activities the Company has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the entities' assets, liabilities, income and expenses with items of a similar nature on a line-by-line basis, from the date on which joint control commences until the date that joint control ceases. Financial statements of the joint ventures are prepared for the same reporting period as the Parent Company. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Upon loss of joint control and provided the former joint-control-entity does not become a subsidiary or associate, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

From the date when a jointly controlled entity becomes an associate of the Group, the Group accounts for its interest in accordance with IAS 28.

Transactions eliminated on consolidation

Intra-group balances and unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Impairment losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets.

(d) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year. The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year:

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (amendment) (effective 1 July 2012)

IAS 12 Deferred Tax – Recovery of Underlying Assets (amendment)
(effective 1 January 2012)

The Directors are of the opinion that the impact of the application of the standards will be as follows:

- **IAS 1** Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (amendment)

  The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment became effective for annual periods beginning on or after 1 July 2012.

- **IAS 12** Deferred Tax: Recovery of Underlying Assets (amendment)

  The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment became effective for annual periods beginning on or after 1 January 2012. The amendment will have no impact on the Group.

2.2 Standards, interpretations and amendments issued that are not yet effective

At the date of authorisation of the Group annual financial statements for the year ended 30 June 2013, the following standards and interpretations were in issue but not yet effective:

IAS 19 Employee Benefits (amendment)
(effective 1 January 2013)

IAS 27 Separate Financial Statements (as revised in 2011)
(effective 1 January 2013)

IAS 28 Investment in Associates and Joint Ventures (as revised in 2011)
(effective 1 January 2013)

IFRS 1 Government Loans (Amendment) (Effective date 1 January 2013)

IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities
(amendments to IFRS 7) (effective 1 January 2013)

IFRS 9 Financial Instruments Classification and Measurement
(effective 1 January 2013)

IFRS 10 Consolidated Financial Statements
(effective 1 January 2013)

IFRS 11 Joint Arrangements
(effective 1 January 2013)

IFRS 12 Disclosure of Involvement with Other Entities
(effective 1 January 2013)

IFRS 13 Fair Value Measurement
(effective date 1 January 2013)

IFRIC 20 Stripping cost in the Production Phase of a Surface Mine
(Effective date 1 January 2013)

Improvements to IFRS (issued in May 2012)

The standards must be implemented for annual periods beginning on or after the effective date.

The Directors are of the opinion that the impact of the application of the standards will be as follows:

- **IAS 19** Employee Benefits (amendment)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the full impact of the amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

- **IAS 27** Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

- **IAS 28** Investment in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

- **IAS 32** Financial Instruments: Presentation (amendment) – Offsetting financial assets and financial liabilities
These amendments clarify the meaning of "currently has a legally enforceable right to set off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

- **IFRS 1** Government Loans (Amendment)
These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013

- **IFRS 7** Financial Instruments: Disclosures – Enhanced Disclosure on Financial Assets and Financial Liabilities (Amendment)
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

- **IFRS 9** Financial Instruments Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- **IFRS 10** Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and, therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

The Group is in the process of evaluating the impact on the financial statements.

- **IFRS 11** Joint Arrangements
  IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Group. This is due to the cessation of proportionate consolidating the joint venture to equity accounting for this investment. This standard becomes effective for annual periods beginning on or after 1 January 2013.

  The Group is in the process of evaluating the impact on the financial statements.

- **IFRS 12** Disclosure of Interest in Other Entities
  IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

  The Group is in the process of evaluating the impact on the financial statements.

- **IFRS 13** Fair Value Measurement
  IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

- **IFRIC 20** Stripping Costs in the Production Phase of a Surface Mine
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

Improvements to IFRS (May 2012)

- **IAS 1** Presentation of Financial Statements
  - Clarification of the requirements for comparative information (effective 1 January 2013)

- **IAS 16** Property, Plant and Equipment
  - Classification of servicing equipment (effective 1 January 2013)

- **IAS 32** Financial Instruments: Presentation
  - Tax effect of distribution to holders of equity instruments (effective 1 January 2013)

- **IAS 34** Interim Financial Reporting
  - Interim financial reporting and segment information for total assets and liabilities (effective 1 January 2013)

2.3 Significant accounting judgements and estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that might require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the Group's consolidated accounting policies, management has made judgements, which may have significant effects on the amounts recognised in the financial statements. Such judgements are disclosed in the relevant notes to the consolidated financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, plant and equipment

The carrying values of property, plant and equipment are based on management's estimates of the useful lives and residual values. These estimates are based on product life cycles and assessments by engineering and other specialist staff.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model and making assumptions about them.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a modified version of the Hull-White Trinominal Lattice model, taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Income tax expense

Taxes are a matter of interpretation and subject to changes. The Group makes use of tax experts to advise on all tax matters. Estimations of normal company tax and CGT are based on the advice and management's interpretation thereof.

Long service bonus provision and defined-benefit pension plan

The cost of the long service bonus provision and defined-benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

2.4 Summary of significant accounting policies

(a) *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include, in particular, cash and cash equivalents, trade receivables and other originated loans and receivables as well as derivative and non-derivative financial assets held for trading. Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, this includes interest-bearing loans and borrowings, trade payables, liabilities to banks, finance lease payables and derivative financial liabilities.

Measurement

Financial instruments are generally recognised as soon as the Group becomes a party under the contractual regulations of the financial instruments. In general, financial assets and financial liabilities are offset and the net amount presented in the statement of financial position, when and only when, the entity currently has a legally enforceable right to set-off the recognised amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derecognition

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- The Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement with the asset. Continuing involvement that takes a form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(a) (i) Financial assets

Investments and other financial assets

When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. All regular-way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the risks and rewards of ownership are passed to the Group. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention within the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains and losses on investments held-for-trading are recognised in profit or loss.

Loans and accounts receivables

Loans and accounts receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees and transaction costs that are an integral part of the effective interest rate. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in other comprehensive income until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis or other valuation models.

Amortised cost

Loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, short-term deposits and highly liquid investments.

(a) (ii) Financial liabilities

Trade and other payables

Trade payables are non-interest-bearing and carried at the original invoice amount.

Interest-bearing loans and borrowings

All loans, borrowings and financial liabilities are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process. Borrowing cost are expensed through profit or loss as incurred.

(b) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to rand at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to rand at rates approximating the foreign exchange rates ruling at the date of the transaction.

(c) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to rand at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(d) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price for contracts with similar maturity profiles. The change in the fair value of the hedging derivative is recognised in profit or loss. The change in the fair value of the hedged instrument attributable to the risk hedged is recorded as part of the carrying value of the hedged instrument and is also recognised in profit or loss.

(e) Property, plant and equipment

Owned assets

Plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met. When each major service and/or inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All buildings are measured at cost less accumulated depreciation and accumulated impairment.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the asset is derecognised. The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, at each financial year-end.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Buildings: 10 to 50 years
- Plant: 3 to 30 years
- Furniture and equipment: 3 to 15 years
- Vehicles: 5 to 20 years

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group retains substantially all the risks and benefits incidental to ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

(f) Investment properties

Investment properties are properties which are held either to earn rental income or capital appreciation or both. Investment properties are initially measured at cost, including transaction costs. Investment properties are subsequently measured at cost less accumulated depreciation and accumulated impairment. They are tested for impairment if there is an indication of impairment. The estimated useful lives of investment properties are 10 to 50 years and are depreciated using the straight-line basis. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal. Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

(g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is charged in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Trademarks, patents, customer lists and software licences

Trademarks, patents and software licences are measured on initial recognition at cost. Following initial recognition they are amortised on a straight-line basis over a period of five to fifteen years. Impairment testing is done annually or more frequently when an indication of impairment exists. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Research and development cost

Research and development costs are recognised in profit or loss as incurred.

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses cannot be reversed in future periods.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a first-in, first-out basis.
- Finished goods and work in progress: cost of direct materials and labour and a portion of manufacturing overheads, based on normal operating capacity but excluding finance cost.

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

(i) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable value. An asset's recoverable value is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or a group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years. Such a reversal is recognised in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(j) Redeemable cumulative preference shares

The component of the cumulative preference shares that exhibits characteristics of a liability is recognised as a liability in the statement of financial position. The corresponding dividends on those shares are charged as interest expense in profit or loss. On issue of the preference shares, the fair value of the liability component is determined using cost of capital and this amount is carried as a long-term liability on the amortised cost basis until cleared on conversion or redemption.

The remainder of the amount after deduction of the debt component is recognised and included in shareholders' equity net of transaction costs. The carrying amount of the equity component is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

(k) Treasury shares

Shares in the Company held by the Group are classified as treasury shares. On consolidation, these shares are treated as a deduction from the issued number of shares and the cost price of the shares is deducted from share capital and share premium in the statement of financial position. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Dividends received on treasury shares are eliminated on consolidation.

(l) Provisions

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

(m) Retirement benefits

It is the policy of the Group to provide for pension liabilities by payments to separate funds, independent of the Group, and contributions are recognised in profit or loss. Surpluses are not accounted for, as they accrue to members of the fund.

Defined benefit fund

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and previous periods. That benefit is discounted to determine its present value and the fair value of any plan assets is deducted. Actuarial valuations are done on the projected unit credit actuarial valuation method. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less unrecognised past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Defined contribution funds

Obligations for contributions to defined contribution pension and provident plans are recognised as an expense in profit or loss as incurred.

Medical aid

The obligation in respect of post-retirement health care is the sole responsibility of the retired employee. Therefore there is no Group obligation or liability in this regard.

(n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, taking into account confidential discounts; distribution, sales and marketing services rendered; contract manufacturing; and rental income. The following specific recognition criteria must also be met before revenue is recognised:

Sales of products

Invoiced product sales are recognised as turnover, excluding value-added taxation.

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue comprises invoiced gross sales of products, less discounts and provisions for product claims.

Services rendered

Revenue from the rendering of services is recognised at the stage of completion of the service.

Finance income

Revenue is recognised as interest accrues (using the effective interest rate – that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset). The Group deposits surplus funds at financial institutions and does not act as a supplier of finance to third parties. Interest received is recognised as finance income.

Dividends received

Dividends are recognised when the right to receive payment is established.

Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the rental income. The rental of properties does not form part of the core business of the Group. Income in this regard is recognised as other operating income.

(o) Cost of sales

Cost of sales consists of the following:

- Cost of raw milk, ingredients and packaging.
- Milk collection cost.
- Manufacturing direct and indirect costs.
- Primary distribution costs.
- Charges against sales.

(p) Finance costs

Finance costs are recognised as an expense when incurred.

(q) Taxes

Current taxation

Current taxation assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The taxation rates and taxation laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax is based on current rates of taxation. IFRS requires the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on taxation rates and taxation laws that have been enacted or substantively enacted at the reporting date, to be applied.

Value-added taxation (VAT)

Revenues, expenses, assets and liabilities are recognised net of the amount of VAT, except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

Secondary taxation on companies (STC)

STC is recognised if one of the following events occurs:

- Dividends are declared whether ordinary or preference; or
- Events have occurred which result in a deemed dividend.

STC is calculated at the prescribed legislated rate and the expense is reflected as part of the taxation expense in profit or loss.

(r) Segment reporting

The operating segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(s) Share-based compensation

The Group operates an equity-settled, as well as a cash-settled share-based compensation plan.

Equity-settled share-based compensation plan

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Cash-settled share-based compensation plan

The cost of a cash-settled transaction is measured initially at fair value at the grant date using a modified version of the Hull-White Trinominal Lattice model taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Group capitalised borrowing costs for all eligible assets where construction was commenced on or after 1 July 2009.

	2013 R'000	2012 R'000

3. Business combination and acquisition of non-controlling interest

3.1 Acquisition of interest in The Real Juice Co Holdings Proprietary Limited

On 1 October 2012, Clover acquired 100% of the issued shares of The Real Juice Co Holdings Proprietary Limited. A cash consideration of R73,7 million was paid to AVI Limited and funded from own resources.

The primary motivation for the acquisition was to extend Clover's footprint in the Western Cape and grow Clover's presence as one of the market-leading beverage businesses in South Africa.

The fair value of the identifiable assets and liabilities of The Real Juice Co Holdings Proprietary Limited as at the date of acquisition was:

	2013 R'000	2012 R'000
Assets		
Property, plant and equipment	**14 511**	
Intangible assets	**30 511**	
Deferred tax asset	**9 713**	
Inventories	**7 611**	
Trade and other receivables	**29 635**	
Cash and cash equivalents	**3 130**	
	95 111	
Liabilities		
Trade payables and other payables	**(21 425)**	
	(21 425)	
Total identifiable net assets at fair value	**73 686**	
Goodwill arising at acquisition	**–**	
Consideration, settled in cash	**73 686**	
Cash flow on acquisition		
Net cash acquired with subsidiary	**3 130**	
Cash paid	**(73 686)**	
Net cash outflow	**(70 556)**	

No goodwill was recognised on the acquisition, however, expected synergies include supply chain efficiencies, administration and shared service efficiencies, optimisation of sourcing arrangements and distribution channels.

	2013 R'000	2012 R'000
3.2 Acquisition of additional interest in Clover Manhattan Proprietary Limited		
On 1 November 2012, Clover acquired the remaining 49,9% interest in Clover Manhattan Proprietary Limited and the Unincorporated Joint Venture, for a cash consideration of R24,7 million, funded from own resources.		
As communicated during the listing of Clover, part of the listing proceeds were earmarked to buy out non-controlling interests in Clover's businesses where possible.		
The fair value of the identifiable assets and liabilities of Clover Manhattan Proprietary Limited as at the date of acquisition was:		
Assets		
Intangible assets	28 494	
	28 494	
Liabilities		
Deferred tax liability	(7 979)	
	(7 979)	
Total identifiable net assets at fair value	20 515	
Goodwill arising on acquisition	23 966	
Original investment at cost	(3 034)	
Gain on fair valuing of existing investment due to gaining control	(16 747)	
Consideration for additional 49,9% interest, settled in cash	24 700	
Cash flow on acquisition		
Net cash acquired with subsidiary	–	
Cash paid	(24 700)	
Net cash outflow	(24 700)	

Goodwill arising on acquisition represents the value paid for Clover Manhattan in excess of the fair value of its net assets at acquisition date. Synergies are expected from the combining of operations of Clover and Clover Manhattan, which include productions efficiencies and optimisation of sourcing arrangements.

4. Interest in joint ventures

Up to 31 October 2012, Clover Industries indirectly held a 50,1% interest in Clover Manhattan (Pty) Ltd and up to 31 December in the Unincorporated Joint Venture. Effective 1 November 2012, Clover Manhattan (Pty) Ltd became a full subsidiary of Clover SA. Clover Manhattan, is involved in the manufacture, marketing and distribution of ice tea.

Clover Industries indirectly holds a 51% interest in Clover Fonterra through Clover SA. Clover Fonterra is involved in the marketing and distribution of dairy-related products.

The Group's share of the assets, liabilities, income and expenses of the jointly controlled entities at 30 June 2013, which are proportionally consolidated in the consolidated financial statements, is as follows:

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		Clover Manhattan		
		Share of the joint venture's statement of financial position		
–	8 171	Current assets		
–	7 211	Current liabilities		
		Share of joint venture's revenue and profit		
17 282	37 546	Revenue		
(11 450)	(25 056)	Cost of sales		
(5 514)	(10 896)	Sales, marketing, distribution and administrative expenses		
–	282	Other operating costs		
1	4	Finance income/(costs)		
319	1 880	Profit before tax		
(336)	(760)	Income tax expense		
(17)	1 120	**(Loss)/Profit for the period/year**		

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		Clover Fonterra		
		Share of joint venture's statement of financial position		
89 776	60 120	Current assets		
727	370	Non-current assets		
57 540	38 452	Current liabilities		
		Share of joint venture's revenue and profit		
146 267	168 816	Revenue		
(116 075)	(142 031)	Cost of sales		
(10 507)	(9 511)	Sales, marketing, distribution and administrative expenses		
79	(27)	Other operating income/(expenses)		
(13)	(168)	Finance income		
19 751	17 079	Profit before taxation		
(5 531)	(4 782)	Income tax expense		
14 220	12 297	**Profit for the year**		

5. Segment reporting

Segment information is presented in respect of the Group's operating segments. The operating segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The following tables present information on the Group's operating segments for the years ended 30 June 2013 and 30 June 2012, respectively.

The Group's manufacturing, distribution and other assets are totally integrated between the different operating segments as well as the Group liabilities. It is not practical, nor cost effective to attempt to allocate assets and liabilities between different operating segments. Similarly, and for the same reasons, production, distribution and administrative costs are also not practically distinguishable between the different operating segments. Management monitors operating segment performance at the margin on materials level which includes revenue, raw material and packaging costs and the segmental disclosure therefore is at this level.

Assets, liabilities and overhead costs are managed on a Group basis and are therefore not allocated to operating segments. Group operations outside of South Africa are not material and therefore not disclosed separately.

Operating segments

The Group comprises the following main operating segments:

- The dairy fluids segment is focused on providing the market with quality dairy fluid products.
- The dairy concentrated products consist of cheese, butter, condensed milk and retail milk powders.
- The ingredients products consist of bulk milk powders, bulk butter, bulk condensed milk, bulk creamers, calf feed substitutes, whey powder and buttermilk powder.
- The non-alcoholic beverages segment focus on the development and marketing of non-alcoholic, value-added branded beverages products.
- Other consists of Clover Industries Ltd holding company and Lactolab (Pty) Ltd that render laboratory services.

30 June 2013 Segmental report	Dairy fluids R'000	Dairy concentrated products R'000	Ingredients R'000	Non-alcoholic beverages R'000	Other R'000	CIL Group R'000
External revenue						
Sale of products	3 404 737	1 054 741	413 594	1 888 244	10 572	6 771 888
Sale of raw milk	420 508	–	–	–	–	420 508
Charges against sales	(41 979)	(14 785)	(8 721)	(23 473)	–	(88 958)
Cost of material and packaging	(2 254 890)	(658 293)	(285 884)	(861 224)	(2 415)	(4 062 706)
Milk collection cost	(216 417)	(54 223)	(29 104)	(16 608)	–	(316 352)
Margin on material	1 311 959	327 440	89 885	986 939	8 157	2 724 380
Reconciliation of margin on material to operating profit						
Margin on material						2 724 380
Revenue from rendering of services						798 773
Rental income						5 292
Direct and indirect manufacturing cost						(875 817)
Primary distribution cost						(496 416)
Gross profit						2 156 212
Net other costs						(1 729 074)
Restructuring cost						(35 750)
Operating profit						391 388
Net financing cost						(46 731)
Tax expense						(104 798)
Depreciation						(105 857)
Assets and liabilities						
Assets						4 434 267
Liabilities						2 318 842

30 June 2012 Segmental report	Dairy fluids R'000	Dairy concentrated products R'000	Ingredients R'000	Non-alcoholic beverages R'000	Other R'000	CIL Group R'000
External revenue						
Sale of products	3 092 413	1 020 961	428 494	1 557 476	9 924	6 109 268
Sale of raw milk	346 287	–	–	–	–	346 287
Charges against sales	(35 790)	(25 131)	(6 752)	(30 017)	–	(97 690)
Cost of material and packaging	(1 957 550)	(638 259)	(318 192)	(713 366)	(2 506)	(3 629 873)
Milk collection cost	(220 109)	(56 774)	(19 647)	(8 542)	–	(305 072)
Margin on material	1 225 251	300 797	83 903	805 551	7 418	2 422 920
Reconciliation of margin on material to operating profit						
Margin on material						2 422 920
Revenue from rendering of services						763 723
Rental income						4 585
Direct and indirect manufacturing cost						(775 552)
Primary distribution cost						(425 035)
Gross profit						1 990 641
Net other costs						(1 609 836)
Restructuring cost						(9 573)
Operating profit						371 232
Net financing cost						(23 862)
Tax expense						(137 654)
Depreciation						(102 316)
Assets and liabilities						
Assets						3 863 543
Liabilities						1 967 503

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		6. Income and expenses		
		6.1 Cost of sales		
(88 958)	(97 690)	Charges against sales		
(3 255 138)	(2 916 268)	Cost of raw materials		
(807 568)	(713 605)	Packaging costs		
(316 352)	(305 072)	Milk collection cost		
(875 817)	(775 552)	Manufacturing direct and indirect cost		
(496 416)	(425 035)	Primary distribution cost		
(5 840 249)	(5 233 222)	Total cost of sales		
		Included in cost of sales are operating expenses as indicated below:		
		Depreciation, amortisation and impairment		
64 082	64 074	Depreciation and impairment of property, plant and equipment		
4 369	3 591	Amortisation and impairment of trademarks, patents and licences		
68 451	67 665	Total depreciation, impairment and amortisation included in cost of sales		
18 922	11 886	Total inventories, raw material and finished product written off or provided for included in cost of sales		
		6.2 Other operating income		
11 680	–	Profit on sale of property, plant and equipment		
20 299	6 447	Foreign exchange profits		
–	1 956	Insurance premiums refunded		
3 755	2 590	Scrap and sales to staff		
3 406	–	Profit on share appreciation rights forward purchases		
16 747	–	Gain on fair valuing of existing investment in joint venture due to gaining control		
2 558	–	Consulting income for IT services rendered		
–	–	Fees for the cession of milk rights	**45 411**	41 096
3 494	3 723	Sundry*	**–**	(652)
61 939	14 716	Total other operating income	**45 411**	40 444

** Sundry income and expenses consist of a number of immaterial items.*

GROUP 2013 R'000	GROUP 2012 R'000			COMPANY 2013 R'000	COMPANY 2012 R'000
		6.3	**Other operating expenses**		
(875)	–		Share of loss in joint venture partnership		
(5 915)	(1 771)		Provision for consumable stock obsolescence		
–	(1 825)		Loss on sale of property, plant and equipment		
–	(3 669)		Loss on share appreciation rights forward purchases		
(2 615)	(1 481)		Additional provision on impairment of trade receivables		
(3 166)	(1 781)		Sundry*		
(12 571)	(10 527)		Total other operating expenses		–
		6.4	**Operating profit**		
			Operating profit before finance income/(cost) has been determined after taking into account the following expenses:		
			Other expenses		
(20 685)	(16 150)		Development expenses		
			Rentals		
(32 582)	(30 581)		• land and buildings		
(26 454)	(23 828)		• equipment		
(292 803)	(310 139)		• vehicles		
(5 103)	(8 436)		• machines		
(924)	(1 463)		• other		
			Direct operating expenses of investment properties		
(98)	(56)		• maintenance		
(378 649)	(390 653)		Total other expenses		
			Personnel expenses		
(1 269 503)	(1 117 573)		Wages, salaries, bonuses and car allowances		
(18 839)	(15 849)		Company contributions		
(76 661)	(67 318)		Pension contributions		
(26 975)	(23 843)		Medical aid fund contributions		
(39 842)	(37 085)		Other personnel expenses		
(17 184)	(3 629)		Retrenchment cost		
(1 449 004)	(1 265 297)		Total personnel expenses		

** Sundry income and expenses consist of a number of immaterial items.*

GROUP 2013 R'000	GROUP 2012 R'000			COMPANY 2013 R'000	COMPANY 2012 R'000
			Auditors' remuneration		
(10 092)	(9 148)		Audit fees current year	**(1 750)**	(1 750)
(250)	(380)		Prior year under provision		
(270)	(361)		Other fees		
(10 612)	(9 889)		**Total auditors' remuneration**	**(1 750)**	(1 750)
			Depreciation, amortisation and impairment		
(31 979)	(29 395)		Depreciation and impairment of property, plant and equipment	**(1)**	(1)
(114)	(46)		Depreciation of investment properties		
(5 178)	(4 705)		Amortisation and impairment of trademarks, patents and licences		
(4 377)	(4 796)		Scrapping and impairment of property, plant and equipment		
(41 648)	(38 942)		**Total depreciation and amortisation included in selling, distribution and administrative expense**	**(1)**	(1)
		6.5	**Finance income**		
393	2 071		Bank interest	**1 695**	3 699
5 311	21 299		Interest received on call deposits		
4 002	5 228		Other	**3 713**	5 042
9 706	28 598		**Total finance income**	**5 408**	8 741
		6.6	**Finance cost**		
(6 875)	(2 678)		Bank loans and overdrafts		
(28 811)	(27 550)		Debtors' securitisation		
(20 346)	(22 007)		Preference dividends transferred to finance cost	**(20 346)**	(22 007)
(405)	(225)		Other		(16)
(56 437)	(52 460)		**Total finance cost**	**(20 346)**	(22 023)
		6.7	**Restructuring cost**		
			Restructuring cost has been determined after taking into account the following expenses:		
(17 184)	(3 629)		Retrenchment cost	**–**	–
(14 043)	–		Relocation of existing assets as part of Cielo Blu	**–**	–
(49)	–		Listing fees for new shares issue	**(49)**	–
(4 377)	(4 796)		Scrapping and impairment of property, plant and equipment	**–**	–
(97)	(1 148)		Other	**–**	–
(35 750)	(9 573)			**(49)**	–

7. Taxes

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		7.1 The major components of the tax expense are:		
		Local income tax		
		Current income tax		
(82 002)	(39 172)	– current year	**(10 979)**	(11 132)
(1 834)	(931)	– previous year		(194)
		Deferred tax		
(10 398)	(70 646)	– current year	**(59)**	(6)
–	(17 323)	– previous year		–
		Secondary taxation on companies		
–	(7 264)	– current year	**–**	(6 947)
		Foreign taxation		
		Current income tax		
(5 500)	(2 581)	– current year		
(385)	–	– previous year		
		Deferred taxation		
(2 055)	263	– current year		
(2 604)	–	– previous year		
(20)	–	Other		
(104 798)	(137 654)	Total tax expense	**(11 038)**	(18 279)
	–	**Estimated taxation losses available for reduction of future taxable income**		–
%	%	**7.2 Reconciliation of tax rate**	**%**	%
28,0	28,0	Standard income tax rate:	**28,0**	28,0
		Adjusted for:		
1,0	–	Prior year adjustments		
0,7	3,3	Non-deductible expenses	**30,0**	(25,7)
0,8	0,8	Loss from foreign subsidiaries	**–**	–
–	2,1	Secondary taxation on companies – paid	**–**	1,7
(0,1)	0,3	Other	**–**	(0,7)
–	0,3	2009 tax deductions not allowed	**–**	–
–	1,0	Reversal of deferred tax asset raised in prior year on the basis of a judgement by the Supreme Court of Appeal (not related to Clover)	**–**	–
–	3,8	Reversal of deferred tax asset on property, plant and equipment	**–**	–
30,4	39,6	Effective tax rate	**58,0**	3,3

GROUP 2013	GROUP 2012		COMPANY 2013	COMPANY 2012
		8. Earnings and headline earnings per share		
		8.1 Diluted weighted average number of ordinary shares		
179 267 674	179 111 867	Weighted average number of issued ordinary shares		
13 482 512	12 015 285	Increase in number of shares as a result of unexercised share appreciation rights		
192 750 186	191 127 152	Diluted weighted average number of ordinary shares		
R'000	R'000	**8.2 Profit for the year**	R'000	R'000
238 626	205 290	Profit for the year attributable to equity holders of the parent company		
Cents per share	Cents per share	**8.3 Earnings per share**	Cents per share	Cents per share
		Basic		
133,1	114,6	Attributable to equity holders of the parent		
		Diluted		
123,8	107,4	Attributable to equity holders of the parent		

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		8.4 Headline earnings per share		
		Headline earnings attributable to equity holders of the parent company		
238 626	205 290	Profit for the year attributable to equity holders of the Parent Company		
		Gross remeasurements excluded from headline earnings		
(11 680)	(878)	Profit on sale of property, plant and equipment		
(16 747)	–	Gain on fair valuing of existing investment in joint venture due to gaining control		
4 377	4 796	Impairment of plant and equipment		
		Taxation effects of remeasurements		
1 544	(65)	Profit/(loss) on sale of property, plant and equipment		
(1 226)	(1 343)	Impairment of plant and equipment		
214 894	207 800	**Headline earnings attributable to equity holders of the parent company**		
Cents per share	Cents per share	**Headline earnings per share**	Cents per share	Cents per share
		Basic		
119,9	116,0	Attributable to equity holders of the parent		
		Diluted		
111,5	108,7	Attributable to equity holders of the parent		

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		9. Normalised earnings per share		
		Reported results adjusted for exceptional items		
391 388	371 232	Operating profit		
		Adjusted for exceptional items:		
(11 680)	(878)	Profit on sale and scrapping of property, plant and equipment		
(16 747)		Gain on fair valuing of existing investment in joint venture due to gaining control		
17 184	3 629	Retrenchment costs		
49	–	Cost associated with issuing of new shares		
18 517	5 944	Other restructuring cost		
398 711	379 927	**Operating profit adjusted for exceptional items**		
(46 731)	(23 862)	Net interest paid		
		Taxation		
(104 798)	(137 654)	Tax expense as per statement of comprehensive income		
(8 453)	(2 745)	Taxation adjustment on exceptional items		
–	18 254	Other non-recurring tax adjustments		
(1 233)	(4 426)	Non-controlling interest		
237 496	229 494	**Normalised earnings attributable to equity holders of the Parent Company**		
Cents per share	Cents per share	**Normalised earnings per share**	Cents per share	Cents per share
		Basic		
132,5	128,1	Attributable to equity holders of the parent		
		Diluted		
123,2	120,1	Attributable to equity holders of the parent		

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		10. Assets of disposal group classified as held-for-sale		
423	940	Net book value at the beginning of the year		
1 749	423	Transfer to assets classified as held-for-sale		
(1 813)	(940)	Disposals		
359	423	**Carrying value**		

Certain properties are classified as assets held-for-sale following the decision of the Group's Management to sell certain properties no longer required for Group operations.

Sales are expected to be realised within the next six months. The value of the properties is estimated at R1 150 000 (2012: R700 000). The fair value of the disposal group exceeds the carrying value.

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		11. Property, plant and equipment		
		11.1 Freehold land and buildings		
		Cost		
504 886	472 618	Balance at the beginning of the year	**679**	679
82 292	33 521	Additions capitalised		
11 027	–	Acquisition of subsidiary		
(3 274)	–	Transfer to assets classified as held-for-sale		
(2)	(1 253)	Disposals		
(5 009)	–	Transfer to investment property		
589 920	504 886	**Balance at the end of the year**	**679**	679
		Accumulated depreciation and impairment		
(168 584)	(153 773)	Balance at the beginning of the year	**(13)**	(12)
(15 531)	(15 443)	Depreciation for the year	**(1)**	(1)
–	632	Disposals		
2 940	–	Transfer to investment property		
(1 695)	–	Acquisition of subsidiary		
1 969	–	Transfer to assets classified as held-for-sale		
(180 901)	(168 584)	**Balance at the end of the year**	**(14)**	(13)
		Carrying amounts		
336 302	318 845	Balance at the beginning of the year	**666**	667
409 019	336 302	Balance at the end of the year	**665**	666
		11.2 Leasehold properties		
		Cost		
21 532	20 727	Balance at the beginning of the year		
3 613	–	Additions capitalised		
1 811	805	Foreign exchange differences		
26 956	21 532	**Balance at the end of the year**		
		Accumulated depreciation and impairment		
(2 219)	(1 688)	Balance at the beginning of the year		
(633)	(465)	Depreciation for the year		
(186)	(66)	Foreign exchange differences		
(3 038)	(2 219)	**Balance at the end of the year**		
		Carrying amounts		
19 313	19 039	Balance at the beginning of the year		
23 918	19 313	Balance at the end of the year		

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		11.3 Plant, equipment and vehicles		
		Cost		
1 222 729	1 110 550	Balance at the beginning of the year	**65**	65
306 960	136 726	Additions capitalised		
25 164	–	Acquisition of subsidiary		
(42 675)	(25 897)	Disposals	**(65)**	
3 166	1 350	Foreign exchange differences		
1 515 344	1 222 729	**Balance at the end of the year**	**–**	65
		Accumulated depreciation and impairment		
(562 052)	(503 174)	Balance at the beginning of the year	**(65)**	(65)
(77 849)	(77 588)	Depreciation for the year		–
(3 803)	(4 783)	Impairment	**–**	–
(19 988)	–	Acquisition of subsidiary		
38 828	23 746	Disposals	**65**	–
(386)	(253)	Foreign exchange differences		
(625 250)	(562 052)	**Balance at the end of the year**	**–**	(65)
		Carrying amounts		
660 677	607 376	Balance at the beginning of the year	**–**	–
890 094	660 677	Balance at the end of the year	**–**	–

GROUP 2013 R'000	GROUP 2012 R'000			COMPANY 2013 R'000	COMPANY 2012 R'000
		11.4	Total property, plant and equipment		
			Cost		
1 749 147	1 603 895		Balance at the beginning of the year	**744**	744
392 865	170 247		Additions capitalised		
(3 274)	–		Transfer to assets classified as held-for-sale		
36 191	–		Acquisition of subsidiary		
(42 677)	(27 150)		Disposals	**(65)**	–
4 977	2 155		Foreign exchange differences		
(5 009)	–		Transfer to investment property		
2 132 220	1 749 147		Balance at the end of the year	**679**	744
			Accumulated depreciation and impairment		
(732 855)	(658 635)		Balance at the beginning of the year	**(78)**	(77)
(94 013)	(93 496)		Depreciation for the year	**(1)**	(1)
(3 803)	(4 783)		Impairment	**–**	–
1 969	–		Transfer to assets classified as held-for-sale		
(21 683)	–		Acquisition of subsidiary		
2 940	–		Transfer to investment property		
38 828	24 378		Disposals	**65**	–
(572)	(319)		Foreign exchange differences		
(809 189)	(732 855)		Balance at the end of the year	**(14)**	(78)
			Capital work-in-progress		
151 755	68 029		Balance at the beginning of the year		
961	(638)		Foreign exchange differences		
434 351	254 309		Additions: current year		
(392 865)	(169 945)		Amounts capitalised		
194 202	151 755		Balance at the end of the year		
			Total property, plant and equipment including work-in-progress		
			Carrying amounts		
1 168 047	1 013 289		Total property, plant and equipment at the beginning of the year	**666**	667
1 517 233	1 168 047		Total property, plant and equipment at the end of the year	**665**	666

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		The estimated fair value of property, plant and equipment at 30 June 2013 is R2 308.6 million (2012: R1 971.9 million).		
		During the year under review the Group has written off or impaired plant and equipment to the value of R4.4 million (2012: R4.8 million).		
		The fair value of property, plant and equipment has been determined based on valuations performed by 'The Property Partnership', an accredited independent valuer, as at 30 June 2013 and 30 June 2012 respectively. 'The Property Partnership' is an industry specialist in valuing property, plant and equipment. The fair value has been determined as follows:		
		Land and buildings: This category has either been assessed on a capitalised rental income basis or, where specialised facilities are involved, by way of a depreciated replacement cost basis.		
		Plant and machinery: This category has been assessed on a net current replacement cost/depreciated replacement cost basis.		
		Registers containing details of land are available for inspection at the registered office. The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2013 was R8.8 million (2012: R9.2 million). Additions during the year were R1.1 million (2012: R6.5 million) of plant and equipment held under finance lease and hire purchase agreements. Leased assets and assets bought under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.		

12. Investment properties

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		Cost		
2 379	2 379	Balance at the beginning of the year		
–	–	Additions capitalised		
5 009	–	Transfer to investment property		
(1 292)	–	Transfer to assets held-for-sale		
6 096	2 379	**Balance at the end of the year**		
		Accumulated depreciation		
(1 887)	(1 418)	Balance at the beginning of the year		
(114)	(46)	Depreciation for the year		
(2 940)	–	Transfer to investment property		
848	(423)	Transfer to assets held-for-sale		
(4 093)	(1 887)	**Balance at the end of the year**		
		Carrying amounts		
492	961	Balance at the beginning of the year		
2 003	492	**Balance at the end of the year**		
779	877	Rental income derived from investment properties		
–	–	Direct operating expenses generating rental income		
779	877	**Net profit arising from investment properties carried at net book value**		

The fair value of these properties is R3.4 million (2012: R4.7 million).

The fair value of investment properties has been determined based on valuations performed by 'The Property Partnership', an accredited independent valuer, for the current and previous years. 'The Property Partnership' is an industry specialist in valuing investment properties. The fair value has been determined as follows:

Land and buildings: This category has either been assessed on a capitalised rental income basis or, where specialised facilities are involved, by way of a depreciated replacement cost basis.

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		13. Intangible assets		
		13.1 Goodwill		
		Cost		
304 785	304 785	Balance at the beginning of the year		
23 965	–	Acquisitions		
328 750	304 785	**Balance at the end of the year**		
		Impairment losses		
(1 311)	(1 311)	Balance at the beginning of the year		
(1 311)	(1 311)	**Balance at the end of the year**		
		Carrying amounts		
303 474	303 474	Balance at the beginning of the year		
327 439	303 474	Balance at the end of the year		
		13.2 Trademarks, patents and customer lists		
		Cost		
13 500	13 500	Balance at the beginning of the year		
59 004	–	Acquisitions		
(3 500)	–	Disposals		
69 004	13 500	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(1 284)	(660)	Balance at the beginning of the year		
(3 819)	(680)	Amortisation for the year		
466	56	Disposals		
(4 637)	(1 284)	**Balance at the end of the year**		
		Carrying amounts		
12 216	12 839	Balance at the beginning of the year		
64 367	12 216	Balance at the end of the year		

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		13.3 Software licences		
		Cost		
71 891	64 769	Balance at the beginning of the year		
17 766	7 978	Additions		
(4 548)	(856)	Disposals		
85 109	71 891	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(46 937)	(39 683)	Balance at the beginning of the year		
(7 911)	(8 094)	Amortisation for the year		
(574)	(13)	Impairment		
4 397	853	Disposals		
(51 025)	(46 937)	**Balance at the end of the year**		
		Carrying amounts		
24 954	25 086	Balance at the beginning of the year		
34 084	24 954	Balance at the end of the year		

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		13.4 Total intangible assets		
		Cost		
390 176	383 054	Balance at the beginning of the year		
100 735	7 978	Additions		
(8 048)	(856)	Disposals		
482 863	390 176	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(49 532)	(41 654)	Balance at the beginning of the year		
(11 730)	(8 774)	Amortisation for the year		
(574)	(13)	Impairment		
4 863	909	Disposals		
(56 973)	(49 532)	**Balance at the end of the year**		
		Capital work-in-progress		
17 123	5 702	Balance at the beginning of the year		
–	26	Foreign exchange differences		
103 005	19 373	Additions		
(100 735)	(7 978)	Amounts capitalised		
19 393	17 123	**Balance at the end of the year**		
		Carrying amounts		
357 767	347 102	Total intangible assets at the beginning of the year		
445 283	357 767	Total intangible assets at the end of the year		

An impairment test is done annually at the Group's financial year end on goodwill acquired through business combinations. The present value of future cash flows generated by the businesses is estimated for a five-year period and is based on:

Current net profit before tax, projected forward for average growth of 6% (2012: 6%) and adjusted for non-cash items; an effective tax rate of 28%; required capital expenditure; movements in working capital; and a before tax discount rate of 19,24% (2012: 19,24%).

Goodwill has been allocated to Clover Industries as the smallest separately identifiable cash-generating unit due to income, cost, assets and liabilities not being able to be split into smaller cash-generating units. Refer to note 5.

Goodwill has been allocated to the following cash-generating units for purposes of the impairment review:

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
327 439	303 474	Clover Industries		

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		14. Other financial assets and financial liabilities		
		14.1 Other financial assets		
		Financial instruments at fair value through profit or loss		
		Derivatives not designated as hedges		
132	173	Foreign exchange contracts		
132	173	Total financial instruments at fair value		
132	173	Total other financial assets		
132	173	Total current		
–	–	Total non-current		

Financial assets at fair value through profit or loss are those foreign exchange forward contracts the are not designated in hedge relationships as they are intended to reduce the level of foreign currency risk for expected sales and purchases.

The Group uses foreign exchange forward contracts to manage some of its transaction exposures.

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		14.2 Other financial liabilities		
		Financial liabilities at fair value through profit or loss		
		Derivatives not designated as hedges		
–	639	Diesel Zero Cost Collar hedges		
250	3 669	Clover Industries shares forward purchases		
250	4 308	Total financial instruments at fair value		
250	4 308	Total other financial liabilities		
250	4 308	Total current		
–	–	Total non-current		

Due to the Group being exposed to changes in the price of diesel, it has entered into a diesel hedge relationship for Zero Cost Collars. The forward contract does not result in physical delivery of diesel.

The Group hedged 6 million litres of diesel, this equals its diesel usage for six months. The hedge commenced 3 February 2012 and expired on 26 July 2012.

The Group entered into a forward contract to purchase 2 132 695 Clover Industries shares at R17,90 per share on 30 June 2014. This transaction was entered into to hedge a portion of the share appreciation rights issued to management.

14.3 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique;

Level 1: quoted prices in active market for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2013, the Group held the following financial instruments carried at fair value in the statement of financial position:

	30 June 2013 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Assets measured at fair value				
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	**132**		**132**	
Liabilities measured at fair value				
Derivatives not designated as hedging instruments:				
Diesel Zero Cost Collar hedges	**–**		**–**	
Clover Industries shares forward purchases	**250**		**250**	
During the reporting period ended 30 June 2013, there were no transfers between Level 1 and Level 2 fair value measurements.				

	30 June 2012 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Assets measured at fair value				
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	173		173	
Liabilities measured at fair value				
Derivatives not designated as hedging instruments:				
Diesel Zero Cost Collar hedges	639		639	
Clover Industries shares forward purchases	3 669		3 669	
During the reporting period ended 30 June 2012, there were no transfers between Level 1 and Level 2 fair value measurements				

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		15. Deferred taxation		
(116 458)	(28 755)	Balance at the beginning of the year	**86**	88
(13 405)	(87 703)	Movements during the year	**(58)**	(2)
(129 863)	(116 458)	**Balance at the end of the year**	**28**	86
		The balance is constituted as follows:		
		Deferred tax assets		
870	368	Bad debts provision	**89**	89
2 266	2 215	Provision: Credit notes		
–	106	Consumable stores		
8 135	8 691	Long-service bonus		
–	1 154	Provision: Special bonus		
14 170	11 654	Leave pay provision		
–	1 027	Share-based payments		
608	786	In-plant building		
4 559	–	Incentive bonus		
9 080	–	Individual performance bonus		
7 526	–	Guaranteed bonuses		
4 480	–	Income received in advance		
1 814	1 785	Leases		
6 155	5 680	Provisions		
6 635	58	Assessed loss carried forward		
2 022	465	Other		
68 320	33 989	**Total deferred tax assets**	**89**	89

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		Deferred tax liabilities		
(194 591)	(148 250)	Property, plant and equipment	**(2)**	–
(3 102)	(379)	Prepayments	**(59)**	(3)
(490)	(1 818)	Other		
(198 183)	(150 447)	**Total deferred tax liabilities**	**(61)**	(3)
(129 863)	(116 458)	**Net deferred tax liability**	**28**	86
		Reflected in the statement of financial position as follows:		
7 449	492	Deferred tax assets	**28**	86
(137 312)	(116 950)	Deferred tax liabilities		
(129 863)	(116 458)	**Net deferred tax (liability)/asset**	**28**	86

In assessing the availability of sufficient future taxable profit for utilisation against unu sed tax losses, cognisance was taken of the Group's vision, goals and strategies. The Board is of the opinion that future taxable profits would be adequate to utilise the unused tax losses.

The statement of financial position disclosure for deferred tax assets is the total amount for all Group companies with net deferred tax assets. Likewise the deferred tax liability represents the total of all companies with net deferred tax liabilities. Note 15 however groups all deferred tax assets and liabilities in the Group, irrespective of the net position of individual Group companies.

No deferred tax asset has been provided on the tax loss of entities which are loss making since inception of business to date.

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		16. Inventories		
5 800	5 800	Delivery agreements		
85 374	91 120	Raw materials		
82 715	50 017	Work-in-progress		
78 962	60 595	Consumable stores		
480 572	394 521	Finished goods		
733 423	602 053	**Total inventories**		

The amount of the write-down of inventories recognised as an expense is R18,9 million (2012: R11.9 million). This expense is included in the cost of sales line item as a cost of inventories.

17. Trade and other receivables

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
907 140	874 476	Trade receivables		
64 465	74 633	Other receivables and advance payments	**501**	771
34 848	57 874	Loans to Executive Directors and other Executives	**34 848**	57 874
		Inter-company loan: Clover SA	**380 789**	581 051
		Loan: CIL Share Purchase Plan Trust	**6**	1 480
(3 309)	(1 539)	Allowance for impairment	**(317)**	(317)
(8 095)	(8 449)	Credit note accrual	**–**	–
995 049	996 995	Total trade and other receivables	**415 827**	640 859

The loans to Directors and other Executives were made to finance ordinary shares in CIL issued to them on 31 May 2010. The terms of the loans are as follows: they will bear interest at 90% of the prime rate of Absa Bank, interest will be capitalised on a monthly basis, repayable by management on the sale of the ordinary shares or within two months of leaving the employment of Clover or within six months in the case of death. All proceeds of the ordinary shares are ceded to CIL as security for the loans, in addition to all proceeds on the Clover Industries preference shares that were held by them. The loan agreements have been amended to make provision for a final repayment date of the respective loans linked to the normal retirement date for each of the Executives. See note 29.4 for further details.

Clover SA securitised its trade debtors, excluding debtors generated from export sales, through a special-purpose entity, Clover Capital. Clover Capital is consolidated into the results of the Group.

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		See note 30.5 for age analysis on trade receivables and on credit risk of trade receivables to understand how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.		
		Trade receivables are non-interest-bearing and the payment terms are 30 days after the end of the month in which the goods were delivered.		
		As at 30 June 2013, trade receivables of an initial value of R3,3 million (2012: R1.5 million) were impaired and fully provided for. See below for the movement in the provision for impairment of receivables.		
1 539	1 325	Balance at the beginning of the year	**317**	317
2 555	214	Charge for the year	**–**	–
(785)	–	Impairment loss written off/Unused amounts reversed	**–**	–
3 309	1 539	Balance at the end of the year	**317**	317

18. Cash and short-term deposits

Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made for periods varying between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. At 30 June 2013, the Group had available R100 million (2012: R100 million) of unutilised committed borrowing facilities in respect of which all conditions precedent had been met.

For the purpose of the consolidated cash flow statements, cash and short-term deposits comprise the following:

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		Cash at bank and on hand		
279	272	On hand		
276 934	119 591	Outstanding deposits		
28 275	216 815	Call loans and money market investments	**5 499**	33 534
412 574	374 792	Cash in banks	**16 499**	9 421
718 062	711 470	Total cash and short-term deposits	**21 998**	42 955

GROUP 2013 Number of shares	GROUP 2012 Number of shares		COMPANY 2013 Number of shares	COMPANY 2012 Number of shares
		19. Share capital and share premium		
		19.1 Ordinary shares		
		Authorised		
		2 billion (2012:2 billion) ordinary shares with a par value of 5 cents (2012: 5 cents) each		
		Shares issued		
179 111 867	179 111 867	Ordinary shares in issue at the beginning of the year	**179 111 867**	179 111 867
2 106 282	–	Issued on 3 June 2013	**2 106 282**	–
181 218 149	179 111 867	Ordinary shares in issue at the end of the year	**181 218 149**	179 111 867

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		Ordinary share capital		
9 061	8 955	181,2 million (2012: 179,1 million) ordinary shares of 5 cents (2012: 5 cents) each	**9 061**	8 955
		Ordinary share premium		
713 263	674 635	Ordinary share premium on 181,2 million (2012: 179,1 million) ordinary shares	**713 263**	674 635
–	–	Share issue cost	**–**	–
722 324	683 590	Total ordinary share capital and ordinary share premium	**722 324**	683 590

GROUP 2013 Number of shares	GROUP 2012 Number of shares		COMPANY 2013 Number of shares	COMPANY 2012 Number of shares
		19.2 Preference shares		
		Authorised		
		100 million redeemable cumulative preference shares with a par value of 10 cents each		
		Shares issued		
89 442 022	89 442 022	Preference shares in issue at the beginning of the year	**89 442 022**	89 442 022
(89 442 022)	–	Redeemed on 3 June 2013	**(89 442 022)**	–
–	89 442 022	Preference shares in issue at the end of the year	**–**	89 442 022

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		Preference share capital		
–	8 944	Nil (2012: 89,4 million) preference shares at 10 cents each	**–**	8 944
		Preference share premium		
708	251 146	Premium on NIL preference shares (2012: 89,4 million)	**708**	251 146
(478)	–	Transfer to other capital reserves	**(478)**	–
(230)	(230)	Share issue cost	**(230)**	(230)
–	259 860	Total preference share capital and premium	**–**	259 860

Holders of preference shares were entitled to a preference dividend payable on a quarterly basis, calculated over the dividend period at 99% of Absa's prime rate multiplied by the subscription price of the preference share.

The preference shares were redeemed on 3 June 2013. The preference shares had no voting rights.

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		19.3 Total issued ordinary and preference share capital		
9 061	17 899	Total issued ordinary and preference share capital	**9 061**	17 899
–	(8 944)	Debt portion of preference share capital	**–**	(8 944)
9 061	8 955	Total ordinary share capital	**9 061**	8 955
713 263	925 551	Total ordinary and preference share premium	**713 263**	925 551
–	(250 438)	Total debt portion of preference share premium	**–**	(250 438)
713 263	675 113	Total share premium net of debt portion	**713 263**	675 113
		The total redeemable preference share capital and share premium are reflected as debt.		
		Shares were issued as follows during the year		
		Ordinary shares:		
105	–	Ordinary shares of 0,5 cents (2012: Nil cents) each	**105**	–
38 629	–	Ordinary share premium of R18,34 (2012: R Nil) per share	**38 629**	–
38 734	–	Total ordinary share capital raised during the year	**38 734**	–
		19.4 Debt portion of preference share capital		
–	(259 382)	Debt portion of preference shares	**–**	(259 382)

20. Other reserves

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
62 247	52 681	Share-based payments reserve	**35 051**	25 485
209 958	209 480	Other capital reserves	**478**	–
272 205	262 161		**35 529**	25 485
(8 147)	(7 875)	Foreign currency translation reserve		
264 058	254 286	Total at the end of the year	**35 529**	25 485

21. Retained earnings

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
1 126 734	955 890	Retained profit at the end of the year	**20 693**	52 923

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		22. Interest-bearing loans and borrowings		
		22.1 Secured liabilities		
650 000	150 000	(a) Secured by securitisation of trade debtors (refer to note 18). The first tranche of R250 million is repayable on 30 June 2016, and is charged a floating interest rate of 185 bps above 3 month Jibar (2012: Nil). The second tranche of R400 million is repayable 30 June 2018, and is charged a fixed interest rate of 9,28% (2012: Nil).		
24 236	30 609	(b) Secured by plant and equipment with a book value of R26,4 million (2012: R44,5 million). Repayable in monthly instalments. Payments due within the next year are R10,57 million (2012: R8,9 million). Variable interest rate portion: 7,55% – 10,0% (2012: 8,05% – 10,5%). Maturity: between May 2014 and March 2022. Fixed interest rate portion 9,0% and 10,5% (2012: 9,0% and 10,5%).		
674 236	180 609	Total secured liabilities		
		22.2 Unsecured liabilities		
–	259 382	(a) Debt portion of preference share capital: On 8 June 2012 the Memorandum of Incorporation of the Company was amended (by way of special resolutions) to gross up the preference dividend rate, from 90% of the average prime rate, to 99% of the average prime rate. The preference shares were redeemed on 3 June 2013.	**–**	259 382
5 824	–	(b) Unsecured loan from Merchant West, interest is charged at 6,96%, and is repayable in quarterly instalments with a final payment on 1 October 2015.	**–**	–
17 262	625	(c) Bank overdraft. Repayable on demand. The full outstanding amount is repayable within one year. Variable interest rate: 8,5% (2012: 9%).	**–**	–
141 964	2 446	(d) Call loans. Variable interest rate: 5,75% – 6,85% (2012: 6,25% – 7,35%).	**–**	–
165 050	262 453	Total unsecured liabilities	**–**	259 382
839 286	443 062	Total secured and unsecured liabilities	**–**	259 382
		Current portion transferred to current liabilities:		
9 848	158 923	Secured liabilities		
162 798	262 453	Unsecured liabilities	**–**	259 382
172 646	421 376	Total current portion transferred to current liabilities	**–**	259 382
666 640	21 686	Total non-current interest-bearing borrowings	**–**	–
839 286	443 062	Total current and non-current interest-bearing loans and borrowings	**–**	259 382

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		23. Provisions		
		23.1 Long-service bonus		
		The projected-credit method is used for the calculation of the long-service bonus provision. Payments are recognised as utilisations.		
		The determination of the long-service bonus is based on the following assumptions:		
6 474	6 534	Active members		
8,3%	7,7%	Salary escalation ratio		
8,5%	8,9%	Discounting rate		
65	65	Normal retirement age		
31 033	32 096	Balance at the beginning of the year		
7 682	6 426	Amounts provided		
(9 664)	(7 489)	Amounts utilised		
29 051	31 033	**Total long-service bonus provision**		
		Refer to note 34 for further detail on the long-service bonus provision.		
		23.2 Leave pay		
		A provision for leave pay is recognised for the number of days leave due to employees at 30 June valued at a rate per day based on the basic salary of each employee at 30 June. Leave payments are recognised as utilisations.		
42 780	40 478	Balance at the beginning of the year		
15 190	7 269	Amounts provided		
517	–	Acquisition of subsidiary		
(6 303)	(4 967)	Amounts utilised		
52 184	42 780	**Total leave pay provision**		
		23.3 Total provisions		
61 222	61 637	Long-term portion		
20 013	12 176	Short-term portion transferred to current liabilities		
81 235	73 813	**Total long-term and short-term provisions**		

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		24. Trade and other payables		
1 098 669	1 147 039	Trade payables	**17 339**	1 616
138 823	144 791	Other payables	**1 394**	1 793
1 662	8 802	Interest payable	**1 662**	8 802
4 208	23 066	Payable to joint ventures	**–**	–
–	–	Inter company loan Clover SA	**–**	214
1 243 362	1 323 698	**Total trade and other payables**	**20 395**	12 425
9 267	6 904	Non-current portion transferred to non-current liabilities		
1 234 095	1 316 794	Current portion	**20 395**	12 425
1 243 362	1 323 698	**Total trade and other payables**	**20 395**	12 425

The terms for trade payables range from 7 days after date of invoice to 45 days after month-end. Interest is payable on a monthly basis. Payables to joint ventures range from 30 days to 45 days after the end of the month in which the transaction took place.

25. Dividends declared and paid

Dividends paid to preference shareholders are recognised as finance cost (refer to note 6.6).

During the year equity dividends were declared as follows:

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
41 912	53 734	To ordinary shareholders	**41 912**	53 734

Cents per share	Cents per share		Cents per share	Cents per share
23,4	30,0	To ordinary shareholders	**23,4**	30,0

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		26. Notes to the statement of cash flows		
		26.1 Tax paid		
(5 672)	(243)	Amount unpaid at the beginning of the year	**(333)**	237
(89 741)	(49 948)	Taxation charged in statement of comprehensive income, excluding deferred taxation	**(10 979)**	(18 277)
12 035	–	Taxation charged through statement of changes in equity, excluding deferred taxation		
17 397	5 672	Amount due at the end of the year	**(807)**	333
(65 981)	(44 519)	Total tax paid	**(12 119)**	(17 707)

27. Pensions and other post-employment benefit plans

27.1 Defined-benefit fund

The fund is a defined-benefit fund and was actuarially valued on 30 June 2013. The actuarial method used in determining the cost of the retirement benefits is the same as those used in previous calculations. The assumptions regarding deaths, interest rates, salary increases, retirements, resignations and administration costs were all based on generally accepted standards for the industry. The fair value of the assets of the fund of R13,52 million (2012: R13,62 million), exceeded the actuarial present value of promised retirement benefits of R7,1 million (2012: R6,86 million).

The surplus has not been accounted for, as it accrues to the members of the fund. The Group policy is to fund any deficit in accordance with the Pension Funds Act of 1956 and published regulations issued by the Registrar of Financial Services from time to time. The fund is subject to the same Act which requires an actuarial valuation every three years. Number of members on 1 July 2013: 5 (1 July 2012: 7). The fund closed for new entrants on 1 July 1994.

27.2 Defined-contribution funds

27.2.1 Clover SA pension fund

This is a defined-contribution fund. The value of this fund determines the benefits which accrue to members. The Group has no obligation other than its normal contributions. Number of members on 30 June 2013: 966 (30 June 2012: 983).

27.2.2 Clover SA provident fund

This is a defined-contribution fund. The value of the fund determines the benefits which accrue to members. The Group has no obligation other than its normal contributions. Number of members on 30 June 2013: 5 546 (2012: 5 643)

27.3 Amounts recognised in profit or loss

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		Contributions for the Group for the current year:		
96	104	Defined-benefit fund		
31 012	26 616	Pension fund		
45 553	40 598	Provident fund		
76 661	67 318	Total contributions recognised in profit or loss		

28. Commitments and contingencies

28.1 Commitments

28.1.1 Operating lease commitments – Group as lessee

The Group entered into an outsourcing agreement whereby the Group is provided with distribution and milk collection vehicles. The Group also entered into commercial leases on motor vehicles and machinery. These leases have an average life of between three and ten years, with renewal options included on some of the contracts. There are no restrictions placed upon the lessee by entering into these lease contracts.

Group 2013 R'000	Group 2012 R'000		Company 2013 R'000	Company 2012 R'000
		Future minimum lease payments are as follows:		
262 844	229 985	Within one year		
926 760	804 429	After one year but not more than five years		
1 591 345	1 430 344	More than five years		
2 780 949	2 464 758	**Total lease payments payable**		

28.1.2 Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's surplus offices and manufacturing buildings. These non-cancellable leases have remaining terms of between one and six years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Group 2013 R'000	Group 2012 R'000		Company 2013 R'000	Company 2012 R'000
		Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2013 are as follows:		
3 253	4 999	Within one year		
9 731	7 810	After one year, but not more than five years		
–	–	More than five years		
12 984	12 809	**Total minimum lease payments**		

	GROUP 2013 Minimum payments R'000	GROUP 2013 Present value of payments R'000	GROUP 2012 Minimum payments R'000	GROUP 2012 Present value of payments R'000
28.1.3 Finance leases and hire purchase agreements				
The Group has finance leases and hire purchase contracts for various items of plant, machinery and vehicles. These leases have no terms of renewal, purchase options or escalation clauses.				
Future minimum lease payments with the present value of the net minimum lease payments are as follows:				
Within one year	**14 852**	**13 420**	10 598	8 922
After one year but not more than five years	**19 003**	**16 640**	24 992	21 686
Total minimum lease payments	**33 855**	**30 060**	35 590	30 608
Less: Amounts representing finance charges	**(3 795)**	**–**	(4 982)	–
Present value of minimum lease payments	**30 060**	**30 060**	30 608	30 608

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		28.1.4 Capital commitments		
127 854	223 603	Capital expenditure authorised and contracted for		
84 126	41 558	Capital expenditure authorised but not contracted for		
211 980	265 161	Total capital commitments		
		Commitments will be spent within the next three to four years. The capital expenditure will be funded from Group funds.		

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000

29. Related party disclosure

Transactions with related parties are made at market related prices. Outstanding balances at the year-end are unsecured. No interest is paid on current accounts. Interest is payable on borrowings by the holding company from subsidiary companies at prime. Where the holding company lends money to subsidiary companies interest is charged at prime plus 1%. There have been no guarantees provided or received for any related party receivables or payables. During the year under review, the loans from Clover SA to Clover West Africa of R35,6 million and to Clover Namibia of R4 million were impaired. (2012: R Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

29.1 With regard to operating activities with subsidiaries and joint ventures, the following transactions took place during the year:

Group 2013 R'000	Group 2012 R'000		Company 2013 R'000	Company 2012 R'000
		(a) Fees earned by CIL for services rendered to Group Companies		
45 411	41 096	Clover SA	**45 411**	41 096
45 411	41 096	**Total fees earned by CIL for services rendered to Group Companies**	**45 411**	41 096
		(b) Fees earned by Clover SA for services rendered to Group Companies		
3 957	3 749	Clover Botswana		
5 723	5 611	Clover Fonterra		
14 973	27 916	Clover Manhattan		
24 653	37 276	**Total fees earned by Clover SA for services rendered to Group Companies**		
		(c) Finance income received by Clover SA from Group Companies		
3 855	–	Clover West Africa		
178	170	Clover Namibia		
47	–	CFI		
4 080	170	**Total finance income received by Clover SA from Group Companies**		
		(d) Amounts owing by Clover SA to Group Companies		
380 789	575 140	Clover Industries	**380 789**	575 140
34 777	37 255	Clover Fonterra	**–**	–
102	96	Lactolab	**–**	–
17 299	–	RBC	**–**	–
–	10 408	Clover Manhattan	**–**	–
–	544	Clover Swaziland	**–**	–
432 967	623 443	**Total amounts owing by Clover SA to Group Companies**	**380 789**	575 140

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		(e) Amounts due to Clover SA from Group Companies		
286 264	1 064 553	Clover Capital		
52 306	32 481	Clover West Africa		
178 363	–	RBC		
52	70	Lactolab		
1 695	–	Clover Swaziland		
30 221	8 103	Clover Fonterra		
43 691	27 220	Clover Botswana		
28 241	16 199	Clover Namibia		
–	9 067	Clover Manhattan		
620 833	1 157 693	Total amounts due to Clover SA from Group Companies		
		(f) Amounts due to CIL from Group Companies		
380 789	575 140	Clover SA	**380 789**	575 140
6	1 480	CIL Share Purchase Trust	**6**	1 480
380 795	576 620	Total amounts due to CIL from Group Companies	**380 795**	576 620
		(g) Clover SA received the following dividends during the year from Group Companies:		
3 296	6 476	Clover Fonterra Ingredients		
780	378	Lactolab		
18 274	2 443	Clover Manhattan		
22 350	9 297	Total dividends received by Clover SA from Group Companies		
		(h) CIL received the following dividends during the year from Group Companies		
–	190 000	Clover SA	**–**	190 000
–	190 000	Total dividends received by CIL from Group Companies	**–**	190 000

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		29.2 The following transactions regarding the securitisation of debtors took place during the year between Clover SA and Clover Capital:		
27 756	27 550	Net finance cost paid by Clover SA to Clover Capital		
10 351 193	9 236 322	Debtors sold to Clover Capital		
(10 335 343)	(9 123 177)	Receipts from Clover Capital		
		29.3 With regard to business done with Non-executive Directors or legal entities that are related to them, the following transactions took place:		
		Milk purchased from the following Non-executive Directors by Clover SA:		
2 624	4 467	JAH Bredin (resigned 30 November 2012)		
3 427	6 047	HPF Du Preez (resigned 30 November 2012)		
4 223	3 737	MG Elliott		
26 290	23 648	JC Hendriks (Dr)		
71 273	59 633	WI Büchner		
27 797	25 995	NA Smith		
135 634	123 527	Total milk purchased from Non-executive Directors		

Refer to note 33 for more information regarding compensation of Directors and key management personnel.

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		29.4 Loans outstanding to Directors and senior management		
		Executive Director		
25 538	25 822	JH Vorster	**25 538**	25 822
–	11 621	HB Roode (retired 30 June 2013)	**–**	11 621
6 774	11 718	CP Lerm (Dr)	**6 774**	11 718
–	5 330	LJ Botha	**–**	5 330
		Other Executives		
–	930	H Lubbe	**–**	930
2 536	2 453	JHF Botes (Dr)	**2 536**	2 453
34 848	57 874	Total	**34 848**	57 874

Refer to note 17 for more details around the terms of the loans.

30. Financial instruments

The Group treasury function does not operate as a profit centre, but rather provides financial services to the divisions and Group companies, coordinates access to credit and loan facilities and manages the financial risks relating to the Group's operations. The Group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising from movement in currency and interest rates. Currency and interest rate exposure is managed within Board-approved policies and guidelines which restrict the use of derivatives to the hedging of specific underlying currency and interest rate exposures.

30.1 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

– credit risk
– liquidity risk
– market risk: foreign currency and interest rate risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated and separate financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit and Risk Committee, is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee is assisted in its oversight role by Clover Risk Management, assisted by KPMG Services (Pty) Limited. Risk Management undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

(i) Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

Credit risk primarily relates to potential exposure on bank and cash balances, investments and trade receivables. The Group limits its exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The Group is exposed to credit risk in the form of trade receivables. The maximum exposure is the carrying amount as disclosed in note 30.5. Historically, Group bad debts have been negligible and the management of debtors payment terms have been very successful. Trade receivables comprise a large number of debtors, but with significant concentration in value on the country's major retail and wholesale chains, credit is extended in terms of the Group's credit policies. In the opinion of the Board there was no significant credit risk at year-end which had not been adequately provided for.

The Group limits its exposure to credit risk by only investing in reputable institutions with high credit ratings.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 72,5% (2012: 71,4%) of the Group's credit sales is attributable to sales transactions with the major national chain stores of good credit standing. However, geographically there is no concentration of credit risk.

The responsibility for effective credit management rests with the Chief Financial Officer. The granting of credit is governed by a policy for the approval and authorisation levels for new credit applications and revision of credit limits.

The credit policy requires that each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Any variations in authorisation levels must be approved in terms of the credit policy. The review includes obtaining and evaluating trade references, bank codes, financial statements and trade history. Depending on the customer profile and credit limit required, further information on Directors and a credit bureau report will be obtained. With the exception of the major national chain stores, where credit risks are assessed as low, credit limits are established for each customer, which represents the maximum open amounts.

Most of the Group's customers have been transacting with the Group for many years and the Group has had a steady customer base. In monitoring customer credit risk, customers are grouped accordingly to their credit characteristics, including whether they are chain stores, general trade or wholesalers.

Additional credit is withheld from customers, excluding the major national chain stores, that have defaulted on their payments, until the situation has been resolved.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

As a general rule, sureties must be obtained for all new accounts, unless the Group waives its rights in this regard, backed by a low credit risk assessment.

Foreign customers are managed by ensuring that all exports are paid for in cash up front or suitable guarantees are provided for payment prior to shipping. The current year guarantees decreased primarily due to guarantees issued in the prior year to foreign supplier on the import of capital equipment.

Guarantees	2013 Rm	2012 Rm
Muncipalities	**16,13**	6,91
Other	**0,48**	64,40
	16,61	71,31

(ii) *Liquidity risk management*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Group manages liquidity risk by monitoring actual and budgeted cash flows and ensuring that adequate borrowing facilities are maintained.

The Group ensures that it has sufficient cash on demand to meet expected operational demands, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition the Group maintains the lines of credit as can be viewed in note 22.2

The Group monitors the liquidity risk using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases, funding through securitisation of debtors book and hire purchase contracts. The Group's policy is that not more than 25% (2012: 25%) of long-term borrowings should mature in the next 12-month period. 2% (2012: 95,1%) of the Group's long-term debt will mature in less than one year at year-end based on the carrying value of borrowings reflected in the financial statements.

Trade creditors form an important part of the short-term financing of the Group's working capital. Careful management and control of trade creditors is applied to ensure maximum use of what is viewed as interest-free debt.

(iii) *Market risk management*

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return of risk.

The Group buys and sells derivatives in the ordinary course of business in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Policy.

(iv) *Foreign currency risk management*

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. Currencies primarily exposed to from time to time are the Euro, US Dollar, Botswana Pula, British Pound and the Nigerian Niara. Certain exchange rate exposures are hedged through the use of forward exchange contracts. The Group has entered into certain forward exchange contracts on foreign commitments not yet due.

The Group hedges amounts greater than R2 million (2012: R200 000) denominated in a foreign currency. Forward exchange contracts are used to hedge currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates of the Euro, US Dollar and the Pula. The Group's exposure to foreign currency changes for all other currencies is not material.

GROUP 2013 Change in rate	Effect on profit before tax R'000	Effect on equity R'000		GROUP 2012 Change in rate	Effect on profit before tax R'000	Effect on equity R'000
			Forward exchange contracts open on reporting date			
+30%			Rand – strengthening	+30%		
	306		Profit on Euro		–	
	–		Profit on US Dollar		588	
-30%			Rand – weakening	–30%		
	(306)		Loss on Euro		–	
	–		Loss on US Dollar		(588)	
			Foreign subsidiaries – equity			
+10%			Rand – strengthening	+10%		
		(8 452)	Loss on Pulas			(5 496)
-10%			Rand – weakening	–10%		
		8 452	Profit on Pula's			5 496

(v) Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings with fixed and variable rates. The risk is managed by maintaining an appropriate mix of fixed and floating rates.

GROUP 2013 R'000		GROUP 2012 R'000
	At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:	
413 396	Fixed-rate instruments	158 196
425 890	Variable-rate instruments	284 866
839 286		443 062
	Interest rate sensitivity	
	An increase/decrease of 100 basis points (2012: 100 basis points) in interest rates at the reporting date would have affected profit before taxation, by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the prior year.	
	Increase of 100 basis points	
(4 259)	Decrease in profit before tax	(2 849)
	Decrease of 100 basis points	
4 259	Increase in profit before tax	2 849

GROUP 2013 R'000		GROUP 2012 R'000
	(vi) Share price risk management	
	The Group is affected by the movement in its share price due to the share appreciation rights issues to management. The Group entered into forward share purchases to hedge 2 132 695 of the share appreciation right issued to management. Refer to note 14 for more detail.	
	Forward share purchases sensitivity	
	An increase/decrease of 10 percent (2012: 10 percent) in the share price at the reporting date would have affected profit before taxation by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10 percent in share price	
3 551	Increase in profit before tax	2 922
	Decrease of 10 percent in share price	
(3 551)	Decrease in profit before tax	(2 922)
	(vii) Diesel price risk management	
	The Group is affected by the volatility of the diesel price. Its operating activities require the ongoing purchase of diesel for logistic purposes.	
	Based on a six month forecast of the required diesel supply, the Group hedged the purchase price of diesel using a Zero Cost Collar linked to the Rand Ice Gas Oil Price. The Group entered into a Zero Cost Collar for 1,67 million litres per month over a period of six months, beginning 3 February 2012 and ending 26 July 2012. At year-end the Group had no exposure to the Diesel Zero Cost Collar.	
	Diesel zero cost collar sensitivity	
	An increase/decrease of 10 percent (2012: 10 percent) in the diesel price at the reporting date would have affected profit before taxation, by the amounts shown below. This analysis assumes that all other variables remain constant.	
	Increase of 10 percent in diesel price	
–	Increase in profit before tax	550
	Decrease of 10 percent in diesel price	
–	Decrease in profit before tax	(940)

30.2 Capital management

Capital consists of ordinary share capital, as well as ordinary share premium.

A combination of retained earnings, senior debt, preference shares, term asset finance, commodity finance and general banking facilities are used to fund the business. The bulk of the Group's debtors forms part of a securitisation programme. This programme came into effect during 2001. Senior debt raised by the programme currently amounts to R650 million (2012: R150 million). The securitisation provides access to senior debt equal to 74,5% (2012: 74,5%) of the debtors' book.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings. The Group's target is to achieve a return on shareholders' equity of at least 20% in the medium to long term. A return of 11,9% (2012: 11,3%) was achieved. In comparison the weighted average interest expense on interest-bearing borrowings was 8,8% (2012: 9,9%).

GROUP Carrying amount 2013 R'000	GROUP Fair value 2013 R'000		COMPANY Carrying amount 2013 R'000	COMPANY Fair value 2013 R'000
		30.3 Fair value		
		The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:		
		Financial assets		
1 010 322	**1 010 322**	Loans and receivables	**415 827**	**415 827**
132	**132**	Derivatives not designated as hedges	**–**	**–**
718 062	**718 062**	Cash and short-term deposits	**21 998**	**21 998**
1 728 516	**1 728 516**	Total financial assets	**437 825**	**437 825**
		Financial liabilities		
2 082 648	**2 082 648**	Loans, trade and other payables	**20 395**	**20 395**
250	**250**	Derivatives not designated as hedges	**–**	**–**
2 082 898	**2 082 898**	Total financial liabilities	**20 395**	**20 395**
GROUP 2012			COMPANY 2012	
		Financial assets		
1 022 626	1 022 626	Loans and receivables	640 859	640 859
173	173	Derivatives not designated as hedges	–	–
711 470	711 470	Cash and short-term deposit	42 955	42 955
1 734 269	1 734 269	Total financial assets	683 814	683 814
		Financial liabilities		
1 766 761	1 766 760	Loans, trade and other payables	271 806	271 806
4 308	–	Derivatives not designated as hedges	–	–
1 771 069	1 766 760	Total financial liabilities	271 806	271 806

The carrying amount of these financial assets and liabilities is a reasonable approximation of fair value.

Long-term fixed-rate variable-rate borrowings are evaluated by the Group based on parameters such as interest rates and repayment periods as at year-end, the carrying amounts of the borrowings are not materially different from the calculated fair value.

30.4 Liquidity risk

Maturity profile of financial instruments

The maturity profile of the financial instruments is summarised as follows for the Group:

	GROUP 2013 0-6 months R'000	6-12 months R'000	1-2 years R'000	2-5 years R'000	5 years R'000	Total R'000
Financial liabilities						
Secured loans	**5 953**	**4 990**	**8 684**	**2 494**	**2 116**	**24 237**
Secured by securitisation of trade debtors	**27 385**	**27 133**	**54 620**	**780 651**	**–**	**889 789**
Unsecured loans	**143 180**	**1 260**	**3 347**	**–**	**–**	**147 787**
Bank overdrafts	**17 262**	**–**	**–**	**–**	**–**	**17 262**
Trade and other payables	**1 221 910**	**12 185**	**8 238**	**1 029**	**–**	**1 243 362**
Total financial liabilities	**1 415 690**	**45 568**	**74 889**	**784 174**	**2 116**	**2 322 437**

	GROUP 2012 0-6 months R'000	6-12 months R'000	1-2 years R'000	2-5 years R'000	5 years R'000	Total R'000
Financial liabilities						
Secured loans	4 459	4 464	11 293	7 557	2 836	30 609
Secured by securitisation of trade debtors	9 849	154 817	–	–	–	164 666
Unsecured loans	10 957	268 771	–	–	–	279 728
Bank overdrafts	3 072	–	–	–	–	3 072
Trade and other payables	1 290 331	26 463	4 603	2 301	–	1 323 698
Total financial liabilities	1 318 668	454 515	15 896	9 858	2 836	1 801 773

30.4 Liquidity risk

The maturity profile of the financial instruments is summarised as follows for the Company:

	COMPANY 2013 0-6 months R'000	6-12 months R'000	1-2 years R'000	2-5 years R'000	5 years R'000	Total R'000
Financial liabilities						
Trade and other payables	**20 395**	**–**	**–**	**–**	**–**	**20 395**
Total financial liabilities	**20 395**	**–**	**–**	**–**	**–**	**20 395**
COMPANY 2012						
Financial liabilities						
Unsecured loans	–	259 382	–	–	–	259 382
Trade and other payables	12 424	–	–	–	–	12 424
Total financial liabilities	12 424	259 382	–	–	–	271 806

GROUP Carrying value 2013 R'000	GROUP Carrying value 2012 R'000		COMPANY Carrying value 2013 R'000	COMPANY Carrying value 2012 R'000
		30.5 Credit risk		
		Exposure to credit risk		
		The carrying amount of financial assets represents the maximum exposure to credit risk.		
		Financial assets per class		
907 140	874 476	Trade receivables	**–**	–
99 313	128 580	Other receivables	**415 827**	640 859
718 062	711 470	Cash and short-term deposits	**21 998**	42 955
1 724 515	1 714 526	Total financial assets	**437 825**	683 814
		Trade receivables		
		The maximum exposure to credit risk for trade receivables at the reporting date by customer type was as follows:		
657 254	624 604	Retail chain stores/Wholesale		
101 956	88 123	Chain stores		
147 930	161 749	Industrial/Catering/General trade		
907 140	874 476	Total		
		The ageing of trade receivables at the reporting date is as follows:		
852 421	837 845	Neither past due not impaired		
43 654	34 713	Past due, but not impaired 0 – 30 days		
7 893	1 453	Past due but not impaired 31 – 120 days		
3 172	465	Past due but not impaired 120 days		
907 140	874 476	Total		
		The movement in the allowance for impairment in respect of trade receivables during the year was as follows:		
1 539	1 325	Balance at the beginning of the year		
2 555	214	Increases in impairments		
(785)	–	Impairment loss written off/Unused amounts reversed		
3 309	1 539	Balance at the end of the year		

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.

The impairment loss written off relates to customers defaulting on payments and being handed over to lawyers for recovery.

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
		31. Investment in subsidiary		
		Investment in subsidiary company		
		Clover SA	**326 735**	326 735
		Share-based payment investment in Clover SA	**32 881**	23 315
		Total investment in subsidiary	**359 616**	350 050

Subsidiary and joint venture Name of company	Country of incorporation	Nature of business	Effective interest in capital 2013 %	Effective interest in capital 2012 %	Investment in subsidiaries and joint ventures 2013 R'000	Investment in subsidiaries and joint ventures 2012 R'000	Profit/(loss) after taxation 2013 R'000	Profit/(loss) after taxation 2012 R'000
Clover SA	South Africa	Dairy manufacturing, distribution, sales	**100**	100	**359 616**	350 050	**99 763**	169 298
Real Juice Co	South Africa	Manufacturing and sales of fruit juices	**100**	–	**174 627**	–	**22 188**	–
Clover Botswana	Botswana	Dairy manufacturing, distribution, sales	**100**	100	**23 111**	23 111	**24 940**	21 202
Clover Manhattan[@]	South Africa	Distribution and sales of ice tea	**100**	50,1	**–**	3 034	**863**	1 120
Clover Swaziland	Swaziland	Distribution and sales of dairy products in Swaziland	**100**	100	**1**	1	**(869)**	(77)
Lactolab	South Africa	Testing of dairy products	**52**	52	**–**	–	**2 568**	2 087
Clover Capital	South Africa	Finance	**100**	100	**434 744**	91 000	**–**	–
Clover Fonterra[#]	South Africa	Marketing, selling and distribution of dairy and related ingredient products	**51**	51	**3 060**	3 060	**14 221**	12 297
Clover West Africa	Nigeria	Marketing of non-alcoholic beverage products	**100**	100	**468**	468	**(9 841)**	(10 539)
Clover Namibia	Namibia	Distribution and sales of dairy products in Namibia	**100**	100	**–**	–	**(13)**	(2 752)

[#] *Joint venture.*
[@] *In the process of deregistration.*

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000

32. Share-based payments

32.1 Equity-settled share appreciation rights scheme

– Clover Share Appreciation Rights Plan (2010) (ordinary shares in CIL)

On 31 May 2010 the ordinary and preference shareholders approved the Clover Share Appreciation Rights Plan (2010) as well as the placement of 8 million unissued ordinary shares under the control of the Directors to fulfil the Company's potential future obligations in terms of the plan. The main rules of the scheme are as follows:

The Company's obligations in terms of this plan can at the election of the Company be settled in cash or by the issue of ordinary shares.

New SAR may be encashed at the election of the participants, at any time after they have vested, provided that the participant concerned is still in the employment of Clover. On encashment employees will be paid an amount equal to the difference between the fair market value of ordinary shares on the date of issue of the new SAR in question and the fair market value of the ordinary shares on the date of encashment.

Further details on the scheme are available in the detailed circular issued to shareholders on 7 May 2010 and the remuneration report on pages 56 to 65.

The SAR granted are expensed over their vesting period in terms of IFRS 2. The estimated fair value of these SAR was calculated using the Hull-White Trinomial Lattice valuation model. The following inputs were used for the calculation of the fair value:

Initial allocation – Expected volatility of 30,3%, risk free rate of 8,90% and a dividend yield of 2,34%.

Second allocation – Expected volatility of 14,9%, risk free rate of 8,90% and a dividend yield of 2,34%.

Third allocation – Expected volatility of 19,9%, risk free rate of 8,55% and a dividend yield of 3,33%.

Allocation to new Executive Committee member – Expected volatility of 17,4%, risk free rate of 7,94% and a dividend yield of 2,00%.

Fourth allocation – Expected volatility of 17,4%, risk free rate of 7,94% and a dividend yield of 2,00%

Allocation to new Executive Committee member – Expected volatility of 23,3%, risk free rate of 7,94% and a dividend yield of 2,18%.

Share appreciation rights						
Description	Grant date	Weighted average remaining contractual life (years)	Exercise price	SAR granted not yet exercised	Estimated weighted average fair value per right at grant date (Adjusted for 2 for 1 share split	Vesting period
Clover's Share Appreciation Rights Plan (2010) – Initial allocation	31 May 2010	* Till employment terminates	R4,67	12 676 780 (2012: 15 500 000)	R2,11	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015
Clover's Share Appreciation Rights Plan (2010) – Second allocation	18 August 2010	* Till employment terminates	R0,00	933 335 (2012: 1 466 667)	R4,31	One-third on 18 August 2011, a third on 18 August 2012 and final third on 18 August 2013
Clover's Share Appreciation Rights Plan (2010) – Third allocation	1 July 2011	Six years	R11,00	1 614 939 (2012: 2 093 918)	R3,11	Full allocation vest on 1 July 2014
Clover's Share Appreciation Rights – Allocation to Executive Committee member ER Bosch	1 June 2012	Seven years	R13,50	953 620 (2012: 953 620)	R4,03	One-third on 1 June 2015, one-third on 1 June 2016 and a final third on 1 June 2017
Clover's Share Appreciation Rights Plan (2010) – Fourth allocation	1 July 2012	Seven years	R13,73	2 737 742 (2012: Nil)	R3,70	Full allocation vest on 1 July 2015
Clover's Share Appreciation Rights Plan (2010) – Allocation to Executive Committee member MM Palmeiro	1 October 2012	Seven years	R15,15	925 500 (2012: Nil)	R3,95	One-third on 1 October 2015, a third on 1 October 2016 and a final third on 1 October 2017

GROUP			COMPANY	
2013 R'000	2012 R'000		2013 R'000	2012 R'000
		Provision against income		
18 407	13 115	Share-based payment reserve		

33. Directors' remuneration and interests

33.1 Directors' remuneration

	2013								
	Basic salary R'000	Fees for services as Director R'000	Car allowance R'000	Individual performance bonus R'000	Profit share bonus	Retirement and medical contri-butions R'000	Other benefits* R'000	Total R'000	Share apprecia-tion rights exercised R'000
Executive Directors									
JH Vorster	3 778		1 048	1 454	1 615	761	57	8 713	8 498
HB Roode (retired 30 June 2012)	2 863		816	931	1 034	541	43	6 228	11 967
LJ Botha	2 587		733	832	925	487	51	5 615	–
CP Lerm(Dr)	2 240		664	975	696	438	41	5 054	11 852
Total remuneration of Executive Directors	11 468	–	3 261	4 192	4 270	2 227	192	25 610	32 317
Non-Executive Directors									
JAH Bredin (resigned 30 November 2012)		490					9	499	
HPF du Preez (resigned 30 November 2012)		136					–	136	
WI Büchner		747					–	747	
MG Elliot		272					46	318	
JC Hendriks (Dr)		342					26	368	
TA Wixley		739					–	739	
SF Booysen (Dr)		513					17	530	
NP Mageza		383					–	383	
JNS Du Plessis (Adv)		435					34	469	
NA Smith		272					16	288	
Total remuneration of Non-Executive Directors	–	4 329	–	–	–	–	148	4 477	–
Total Directors' remuneration	11 468	4 329	3 261	4 192	4 270	2 227	340	30 087	32 317
Other Executives (prescribed officers)									
H Lubbe	2 256		655	975	696	440	55	5 077	9 897
JHF Botes (Dr)	2 266		657	975	696	441	46	5 081	6 895
ER Bosch	2 283		629	1 219	580	456	70	5 237	–
MM Palmeiro (appointed 1 October 2012)	930		264	398	190	172	336	2 290	–
Total remuneration of other Executives	7 735	–	2 205	3 567	2 162	1 509	507	17 685	16 792

** Travel and accommodation expenses, fees paid for directorships held in subsidiaries.*

	Basic salary R'000	Fees for services as Director R'000	Car allowance R'000	Individual performance bonus R'000	Profit share bonus	Retirement and medical contri-butions R'000	Other benefits* R'000	Total R'000	Share apprecia-tion rights exercised R'000
					2012				
Executive Directors									
JH Vorster	3 498		979	2 243	2 020	673	60	9 473	–
HB Roode	2 651		754	1 482	1 334	462	75	6 758	1 468
LJ Botha	2 395		672	1 339	1 206	391	48	6 051	1 504
CP Lerm (Dr)	1 989		581	1 111	1 002	355	198	5 236	489
Total remuneration of Executive Directors	10 533	–	2 986	6 175	5 562	1 881	381	27 518	3 461
Non-Executive Directors									
JAH Bredin		907					20	927	
HPF du Preez		252					3	255	
WI Büchner		417					–	417	
MG Elliot		252					31	283	
JC Hendriks (Dr)		329					27	356	
TA Wixley		684					–	684	
SF Booysen (Dr)		437					6	443	
NP Mageza		354					–	354	
JNS Du Plessis (Adv)		431					43	474	
NA Smith		252					14	266	
Total remuneration of Non-Executive Directors	–	4 315	–	–	–	–	144	4 459	–
Total Directors' remuneration	10 533	4 315	2 986	6 175	5 562	1 881	525	31 977	3 461
Other Executives (prescribed officers)									
H Lubbe	1 882		537	1 052	947	299	52	4 769	489
JHF Botes (Dr)	1 879		536	1 051	946	300	39	4 751	489
ER Bosch (appointed 1 June 2012)	190		52			17	6	265	
Total remuneration of other Executives	3 951	–	1 125	2 103	1 893	616	97	9 785	978

* *Travel and accommodation expenses, fees paid for directorships held in subsidiaries.*

33.2 Interest of Directors and other Executives in share appreciation rights

The interest of executive and non-executive directors in the shares of the company provided for in the form of share appreciation rights are set out in the table below:

	Number of rights as at 30 June 2012	Share appreciation rights granted during the year	Number of right exercised/ cancelled during the year	Number of rights as at 30 June 2013	Share price on date exercised	Grant price	Date from which exercisable
JH Vorster	4 587 200			**4 587 200**		R4,67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	800 000		533 333	**266 667**	15,93	R0,00	One-third on 18 August 2011, a third on 18 August 2012 and final third on 18 August 2013.
	821 256			**821 256**		R11,00	All on 1 July 2014.
		1 036 716		**1 036 716**		R13,73	All on 1 July 2015.
HB Roode	2 616 762		872 254	**1 744 508**	18,39	R4,67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	266 667			**266 667**	11,01	R0,00	One-third on 18 August 2011, a third on 18 August 2012 and final third on 18 August 2013.
	478 979		478 979	**–**		R11,00	All on 1 July 2014.
CP Lerm (Dr)	2 454 758		818 253	**1 636 505**	18,39	R4,67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	88 890		44 445	**44 445**	14,08	R0,00	One-third on 18 August 2011, a third on 18 August 2012 and final third on 18 August 2013.
	1 119			**1 119**		R11,00	All on 1 July 2014.
		389 123		**389 123**		R13,73	All on 1 July 2015.
LJ Botha	2 443 140			**2 443 140**		R4,67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	266 667			**266 667**	11,28	R0,00	One-third on 18 August 2011, a third on 18 August 2012 and final third on 18 August 2013.
	404 063			**404 063**		R11,00	All on 1 July 2014.
		533 657		**533 657**		R13,73	All on 1 July 2015.
Total Executive Directors	15 229 501	1 959 496	2 747 264	**14 441 733**			

	Number of rights as at 30 June 2012	Share appreciation rights granted during the year	Number of right exercised/ cancelled during the year	Number of rights as at 30 June 2013	Share price on date exercised	Grant price	Date from which exercisable
Other Executives (prescribed officers)							
H Lubbe	2 027 236		675 745	**1 351 491**	18,39	R4,67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	88 888		44 444	**44 444**	14,08	R0	One-third on 18 August 2011, a third on 18 August 2012 and final third on 18 August 2013.
	57 778			**57 778**		R11	All on 1 July 2014.
		389 123		**389 123**		R13,73	All on 1 July 2015.
JHF Botes (Dr)	1 370 904		456 968	**913 936**	18,39	R4,67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	88 888		44 444	**44 444**	14,08	R0	One-third on 18 August 2011, a third on 18 August 2012 and final third on 18 August 2013.
	330 723			**330 723**		R11	All on 1 July 2014.
		389 123		**389 123**		R13,73	All on 1 July 2015.
E Bosch	953 620			**953 620**		R13,50	One-third on 1 June 2015, a third on 1 June 2016 and final third on 1 June 2017.
MM Palmeiro		925 500		**925 500**		15,15	One-third on 1 October 2015, a third on 1 October 2016 and final third on 1 October 2017.
Total other Executives	4 918 037	1 703 746	1 221 601	**5 400 182**			
Total	20 147 538	3 663 242	3 968 865	**19 841 915**			

33.3 Interest of Directors and other Executives of the Company in ordinary share capital

Number of shares at 30 June 2013 Direct	Indirect	Associates		Number of shares at 30 June 2012 Direct	Indirect	Associates
			Executive Directors			
7 575 496	**–**	**398 315**	JH Vorster	7 505 496	–	398 315
5 346 547	**–**	**–**	HB Roode	5 388 276	–	–
3 919 804	**–**	**–**	CP Lerm (Dr)	3 309 341	–	–
1 887 768	**–**	**–**	LJ Botha	2 542 049	–	–
18 729 615	**–**	**398 315**		18 745 162	–	398 315
			Non-executive Directors			
–	**–**	**–**	JAH Bredin (resigned 30 November 2012)	411 265		
–	**480 400**	**–**	WI Büchner*	–	480 400	–
–	**–**	**–**	HPF du Preez* (resigned 30 November 2012)	64 634	–	–
241 689	**–**	**–**	MG Elliot*	241 689	–	–
1 112 892	**–**	**–**	JC Hendriks (Dr)*	1 112 892	–	–
–	**1 337 586**	**–**	NA Smith	–	1 306 586	–
47 619	**–**	**–**	TA Wixley	47 619	–	–
1 402 200	**1 817 986**	**–**		1 878 099	1 786 986	–
20 131 815	**1 817 986**	**398 315**	**Total Directors' interests in ordinary share capital**	20 623 261	1 786 986	398 315
			Other Executives (prescribed officers)			
771 632	**–**	**–**	H Lubbe	523 810	–	–
738 543	**–**	**–**	JHF Botes (Dr)	547 619	–	–
1 510 175	**–**	**–**	**Total interest of other Executives in ordinary share capital**	1 071 429	–	–

** These Directors are trustees of the Clover Milk Producer Trust that holds 21 932 000 (2012: 21 530 353) ordinary shares in the Company.*

Number of shares at 30 June 2013 Direct	Indirect	Associates	33.4 Interest of Directors and other Executives of the company in preference share capital	Number of shares at 30 June 2012 Direct	Indirect	Associates
			Executive Directors			
–	–	–	JH Vorster	3 696 232	–	–
–	–	–	HB Roode	1 996 097	–	–
–	–	–	CP Lerm (Dr)	1 650 385	–	–
				7 342 714	–	–
			Non-executive Directors			
–	–	–	MG Elliot	88 065	–	–
–	–	–	JC Hendriks (Dr)	–	229 885	–
				88 065	229 885	–
–	–	–	**Total Directors interests in preference share capital**	7 430 779	229 885	–

There was no change in the shareholding of Directors in shares of the Company, between the end of the financial year and the approval of the financial statement by the Board on 11 September 2013.

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000

34. Long-service bonus

34.1 Introduction

The Group rewards employees with long service by remunerating them with a lump sum after a specific number of service years. Assumptions and valuation methods are as follows:

34.2 Background

The long-service bonuses which employees receive differ between employees whose employment date were before 1 January 2001 and employees whose employment date was after 1 January 2001. The benefit is as follows:

Employees with an employment date before 1 January 2001

Employees receive a bonus of three times their monthly basic salary after 15 years service and one time their monthly basic salary every five years thereafter.

Employees with an employment date after 1 January 2001

Employees receive a bonus of 10% of their monthly basic salary after 10 years' service, 15% after 15 years' service, 20% after 20 years' service, 25% after 25 years' service, etc.

34.3 Valuation method

The projected unit credit method is used in the calculations. The values of the past service liabilities and the future service liabilities are given separately. The past service liability is the value of the accumulated liability as at the calculation date in respect of service already rendered. The future service liability is the value of the liability from service after the calculation date until the next date the employee is entitled to receive a bonus payment. The total liability is evenly distributed over the period since service inception until the date when the benefit is payable.

34.4 Valuation results

Past service liability

The total past service liability in respect of long-service bonuses is set out as follows:

GROUP 2013 R'000	GROUP 2012 R'000		COMPANY 2013 R'000	COMPANY 2012 R'000
27 884	30 175	Employees with employment date before 01/01/2001		
1 303	983	Employees with employment date after 01/01/2001		
29 187	31 158	**Total past service liability**		

The valuation results as at 30 June 2013 are based on best estimate assumptions. The valuation is very sensitive to the real return rate assumed. For every 1% variance in the assumed rate of return, the liability varies by approximately R1 million. The results as at 30 June 2012 are based on the previous best estimates. The figures do not agree with the provisions as per the Group statements as the full liability for the joint venture has been included in the valuation results.

GROUP 2013 %	GROUP 2012 %		COMPANY 2013 %	COMPANY 2012 %
		34.5 Past service liability build-up		
		The build-up of the total past service liability for the past year, using the best estimate assumptions are as follows:		
8,9	9,0	a) The following discount rate per annum was used for the calculation of interest cost		
7,7	7,5	b) The following salary escalation rate per annum and merit increases were used		
		c) For current service cost an assumption is made that there are no withdrawals during the financial year		
		d) For benefits paid it is assumed that all benefits were paid as estimated by Clover		

R'000	R'000		R'000	R'000
		The increase in the past service liability is summarised as follows:		
		Past services liability build-up		
31 158	32 213	Opening balance		
2 685	2 852	*Plus:* Interest cost		
1 724	1 821	Current service cost		
(9 670)	(7 447)	*Less:* Benefits paid		
3 290	1 719	Actuarial loss		
29 187	31 158	**Closing balance**		

35. Events after the reporting period

On 1 August 2013 Clover SA acquired 70% of Clover Waters. Refer to directors' report for more detailed information.

Other than the above, no significant events occurred subsequent to the year-end.

ABBREVIATIONS

The following abbreviations are used in the financial statements

Company names

Clover Beverages Limited:	Clover Beverages
Clover Botswana (Pty) Limited (incorporated in Botswana):	Clover Botswana
Clover Capital (Pty) Limited:	Clover Capital
Clover Fonterra Ingredients (Pty) Limited:	CFI/Clover Fonterra
Clover Industries Limited:	CIL
Clover Industries Limited and subsidiaries:	The Group/Clover
Clover Manhattan (Pty) Limited:	Clover Manhattan
Clover Manhattan Unincorporated Joint Venture:	Clover Manhattan J.V.
Clover S.A. (Pty) Limited:	Clover SA
Clover Swaziland (Pty) Limited (incorporated in Swaziland):	Clover Swaziland
Danone Southern Africa (Pty) Limited (formerly Danone Clover (Pty) Limited):	Danone Clover/Danone SA
Fonterra Limited:	Fonterra
The Real Juice Company (Pty) Limited:	RJC/RBC
Clover West Africa Limited:	Clover West Africa
Clover Dairy (Namibia) (Pty) Limited	Clover Namibia

The following abbreviations are used in the financial statements

Other

Branded Consumer Goods:	BCG
Broad-based Black Economic Empowerment:	BBBEE
Capital Gains Tax:	CGT
Depreciated Replacement Cost:	DRC
International Accounting Standards:	IAS
International Financial Reporting Standards:	IFRS
Johannesburg Stock Exchange:	JSE
Margin on Material:	MOM
Net Current Replacement Cost:	NCRC
Nomination Committee:	Nomco
Property, plant and equipment:	PP&E
Rand Merchant Bank:	RMB
Remuneration Committee:	Remco
Share appreciation rights:	SAR

DEFINITIONS

Dividend per ordinary share
Dividend paid to ordinary shareholders is the actual dividend per share declared and paid.

Preference dividend recognised as interest per preference share
Preference dividend paid, is the actual preference share dividend per share declared and paid.

Earnings and diluted earnings per ordinary share
Earnings per ordinary share
Profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares net of the weighted average number of treasury shares in issue at the end of the year.

Diluted earnings per ordinary share
Profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares, adjusted for share appreciation rights issued, net of the weighted average number of treasury shares at the end of the year.

Net assets
Total assets less total liabilities.

Cash flow
Cash flow from operating activities.

Cash flow per ordinary share
Cash flow divided by the weighted average number of ordinary shares in issue at the end of the year.

Net asset turnover
Turnover divided by average net assets less average cash on hand.

Return on net assets
Operating profit as a percentage of average assets less average current liabilities excluding current interest-bearing loans and borrowings.

Return on equity holders' funds
Profit attributable to shareholders as a percentage of average shareholders' funds, before minority interest.

Gearing percentage
Interest-bearing loans and borrowings reduced by cash funds, as a percentage of total shareholders' interest, including minority interest.

Current ratio
Current assets divided by current liabilities.

Activities pertaining to cash flow
Operating activities
All transactions and other events that are not investing or financing activities.

Financing activities
Activities that result in changes in the size and composition of the capital structures of the Group. This includes both the equity and debt not falling within the definition of cash and cash equivalents.

Investing activities
Activities relating to the acquisition, holding and disposal of long-term assets.

Cash and cash equivalents
Cash on hand and in current bank accounts.

Restructuring cost
Restructuring cost consists of costs incurred in order to streamline operations of the Group.

ADMINISTRATION

Registered office
200 Constantia Drive, Constantia Kloof, 1709

Postal address
PO Box 6161, Weltevredenpark, 1715

Telephone
(011) 471 1400

Telefax
(011) 471 1504

Internet address
www.clover.co.za

External auditors
Ernst & Young Incorporated

Bankers
The Absa Group
First National Bank
Investec Bank

Company registration number
2003/030429/06

Attorneys
Werksmans
Roestoff, Venter and Kruse
Kocks and Dreyer
Adams & Adams

ince

www.clover.co.za

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