Clover
Way Better™

INTEGRATED ANNUAL REPORT

for the year ended 30 June

2014

SALIENT FEATURES

8,9% — **REVENUE**
Increased to R8,5 billion

24,0% — **OPERATING PROFIT**
Decreased to R282,3 million

12,8% — **HEADLINE EARNINGS**
Decreased to R187,5 million

14,3% — **HEPS**
Decreased to 102,7 cents

0,0% — **TOTAL DIVIDEND PER SHARE**
Maintained at 32 cents

Nature of this Integrated Annual Report for the financial year ended 30 June 2014

This Integrated Annual Report presented by Clover Group is a truncated account of its operational and financial affairs during the course of its past financial year, covering the period 1 July 2013 to 30 June 2014. The report deals with the extent to which Clover has succeeded in attaining its objectives and the manner in which it executed its strategies. It seeks to cover also the processes through which it interacts and communicates with its stakeholders and in particular how it continuously strives to adhere to principles of sound corporate governance in its quest to enhance the interest and welfare not only of all its stakeholders but, indeed, the broader community within which it conducts its businesses and affairs.

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

JH Vorster
Chief Executive

15 September 2014

CONTENTS

CLOVER AT A GLANCE

Clover Industries Limited ("Clover" and/or "Group"), a branded foods and beverages Group, has enjoyed a long and successful history as part of the development of South Africa's dairy and fast moving consumer goods industry. Clover has been a household name for more than 100 years, and listed on the main board of the Johannesburg Stock Exchange on 14 December 2010.

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 through one of the largest chilled and most extensive distribution networks in Southern Africa. The business platform, created and sustained by the dairy business, provides the perfect platform for the Group to reach an extensive section of South African, and selected other African customers and consumers. The Group's business platform spans the breadth of the value chain from production to sales and merchandising, and integrates key value-added support services such as logistics, supply chain management, sales and merchandising. Clover's market penetration 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 delivers to approximately 14 913 delivery points across South Africa. The Group was converted from a co-operative society into a public company in 2003. Subsequent to the conversion, Clover 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. As highlighted in Clover's timeline, capital scarcity has historically been a key constraint for Clover's growth and development:

CLOVER TIMELINE

1898
Farmers meet at Mooi River to discuss the establishment of a butter factory. At follow-up meetings the name Natal Creamery Ltd and co-operative principles are approved.

1899
Joseph Baynes starts the first butter factory in Natal on his farm Nel's Rust. Due to the absence of proper legal channels to register a co-operative, Natal Creamery Ltd is registered under the Natal Companies Act, and H Blaker is appointed first Chairman.

1901
The first reference is made to Model Dairy as a partnership between Natal Creamery Ltd and Joseph Baynes Ltd for the marketing of fresh milk in Durban. This partnership breaks up in October 1901.

1902
Milk distribution by Natal Creamery Ltd commences in Pietermaritzburg.

1903
Milk is dispatched to Johannesburg on a daily basis and Natal Creamery Ltd decides to investigate the Johannesburg milk industry.

1906
Natal Creamery Ltd takes over the Johannesburg Milk Supply Company Ltd.

1908
Heilbron Government Creamery is established.

1923
Natal Creamery Ltd is registered under the Co-operative Societies Act of 1922.

1932
By 1932 Natal Creamery Ltd is operating in 32 centres countrywide.

1934
Natal Creamery Ltd converted to a co-operative called National Co-operative Daries Ltd.

1994
Clover S.A. (Pty) Ltd is established.

1995
Clover S.A. (Pty) Ltd and Compagnie Gervais Danone (Danone) join forces as joint venture partners.

1997
Clover Holdings Ltd is established to act as a holding company for Clover S.A. (Pty) Ltd.

1998
Danone and Clover S.A. (Pty) Ltd form the Danone Clover (Pty) Ltd joint venture.

2003
The conversion of National Co-operative Dairies Ltd from a co-operative to a public company took place during November 2003. A name change to Clover Industries Ltd was also approved during a series of special general meetings. The dynamics incorporated in Clover Industries Ltd in respect of ordinary shares exercising control and preferential shares being freely tradable, opens a new era for the Group. Clover S.A. (Pty) Ltd and Danone form the Clover Danone Beverages Ltd joint venture.

2004
Clover Holdings Ltd is unbundled. Clover Industries Ltd is the new holding company of Clover S.A. (Pty) Ltd, one of the largest branded consumer goods companies in South Africa, South Africa's largest dairy company and one of the leading manufacturers and marketers of food products in South Africa.

2005
Hosken Consolidated Investments Ltd acquires a 25,1% shareholding in Clover Industries Ltd as a B-BBEE partner.

2006
Clover S.A. (Pty) Ltd and Fonterra Ltd of New Zealand form Clover Fonterra Ingredients (Pty) Ltd.

2007
Hosken Consolidated Investments Ltd, the B-BBEE partner, exercises its option to increase its ordinary shareholding to 34,9% and Clover S.A. (Pty) Ltd buys 39,8% of the shares in Clover Danone Beverages Ltd from Danone. The company's name is changed to Clover Beverages Ltd.

2008
Danone Clover (Pty) Ltd acquires a 70% interest in Mayo Dairy (Pty) Ltd.

2009
Deconsolidation/ Recapitalisation of Danone Clover S.A. (Pty) Ltd.

2010
Sale of share in Danone Clover (Pty) Ltd and capital restructuring. Removal of the condition that only milk producers may hold ordinary shares and de-linking the ordinary share from milk supply. Repurchase of 34,9% ordinary shares from Hosken Consolidated Investments Ltd. Conversion of preference shares to debt-only instruments. Clover Industries Limited listed on the main Board of the JSE Limited, on 14 December 2010.

2011
Buy-out of the non-controlling interest in Clover Beverages Limited and the subsequent transfer of the non-alcoholic beverages business to Clover S.A. (Pty) Ltd.

2012
Clover SA expands into Africa by:
- Acquiring 45% minority interest in Clover West Africa
- Acquiring 30% minority interest in Clover Botswana
- Acquiring 49% minority interest in Clover Manhattan
- Acquiring 100% of Real Juice Co Holdings from AVI Limited, turning it from a loss into a profit making business
- Clover acquires assets of Butlers Cheese

2013
The Clover Waters joint venture, in terms of which Clover owns 70% and Nestlé owns 30% is formed, expanding Clover's portfolio of value added and branded beverage products. Clover is associated with global brands such as Nestlé Purelife and Nestea, which opens up opportunities in the sub-Saharan market.

2014
Clover Futurelife joint venture is established for a nutritional dairy based product, based on a 50/50 partnership. Various other initiatives are currently being explored.

OUR VISION

To be a leading branded foods and beverages group in South Africa and selected other African countries, providing accessible nutrition to all consumers

OUR MISSION

- Reaching the Group's widely dispersed consumers/ customers on a daily basis
  - SALES AND MERCHANDISING
  - DISTRIBUTION FACILITY
- Providing consumers with quality and trusted products, underpinned by leading dairy businesses
  - BRANDS AND MARKETING
- Develop or acquire brands to occupy number one or two position in chosen segments
  - AFRICA EXPANSION
  - CONSOLIDATE INDUSTRY
- Way Better operations across supply chain to provide sustainable shareholder value
  - PRINCIPAL FACTORIES
  - PRODUCTION
  - PROCUREMENT AND SUPPLY CHAIN PLANNING
- Being a responsible corporate citizen
  - MILK PROCUREMENT
- Preferred employer
  - SUPPORT SERVICES

Pg 12
GROUP STRUCTURE

BRANDS AND MARKETING

The department ensures the existing and newly developed household brands remain relevant, while finding innovative ways to expand our corporate activities.

MILK PRODUCERS

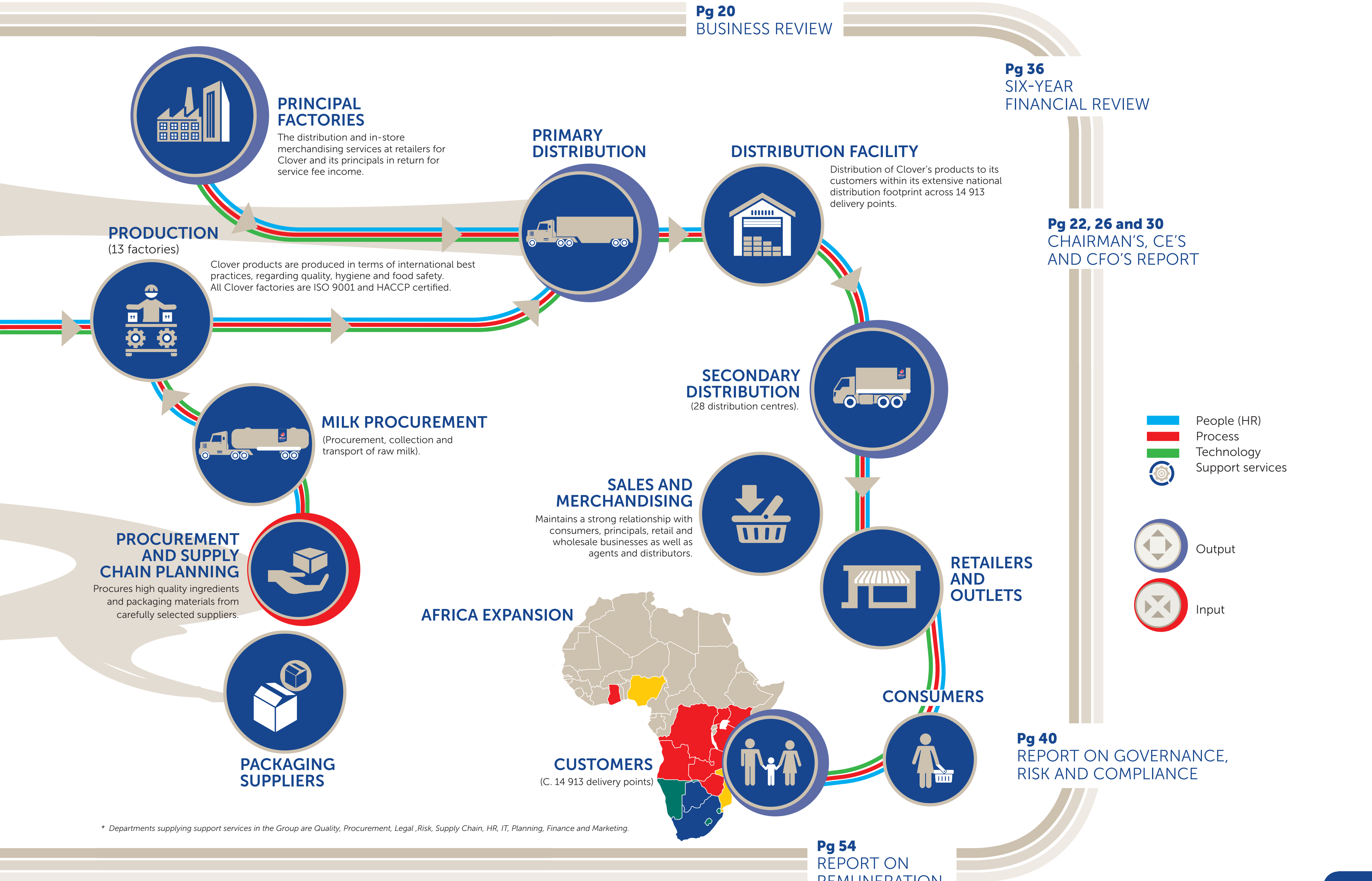
Clover milk producers are contracted to ensure consistent supply of good quality milk in order to meet market demands.

Four main regions: Eastern Cape, KwaZulu-Natal, Western Highveld and Eastern Highveld

CONCENTRATE AND INGREDIENT SUPPLIERS

Pg 106
ANNUAL FINANCIAL STATEMENTS

Pg 70
REPORT ON SIX CAPITALS



* *Departments supplying support services in the Group are Quality, Procurement, Legal ,Risk, Supply Chain, HR, IT, Planning, Finance and Marketing.*

Clover's business model is at the heart of its operations and each separate component is integrated seamlessly to ensure Clover achieves its vision and mission. This is supported by the following services and corporate functions:

SUPPORT SERVICES

Human Resources

- Support the business in legislative compliance, recruitment, skills development and training as well as the retention of our human resources asset; and
- Improve employee competencies by providing ongoing training through skills development programmes focusing on areas where there is a general shortage of skills.

Information Technology

- Supply and develop Clover's information requirements and supports its ERP environment.

Risk Management and Legal

- Ensures appropriate governance of Clover's business model through compliance with legislation and best practice; and
- Ensures adequate assurance activities are in place over material risks through a combined assurance model.

Finance

- Maintains and ensures accurate and complete financial records in accordance with IFRS;
- Oversees and prioritises highly profitable projects to increase operating margins; and
- Maintains and administers key financial controls.

CORPORATE SOCIAL RESPONSIBILITY

- Aims to create a higher standard of living and quality of life in the communities which Clover operates;
- Identify material stakeholders and maintain a relationship with them to satisfy their individual requirements; and
- Remaining cognisant of the impact stakeholders have on Clover's operations and vice versa.

OUR BUSINESS MODEL AND THE SIX CAPITALS

SOCIETY

ORGANISATION

INPUTS

THIS IS HOW WE ADD VALUE THROUGH OUR BUSINESS ACTIVITIES:

INFRASTRUCTURE, BUILDINGS AND EQUIPMENT

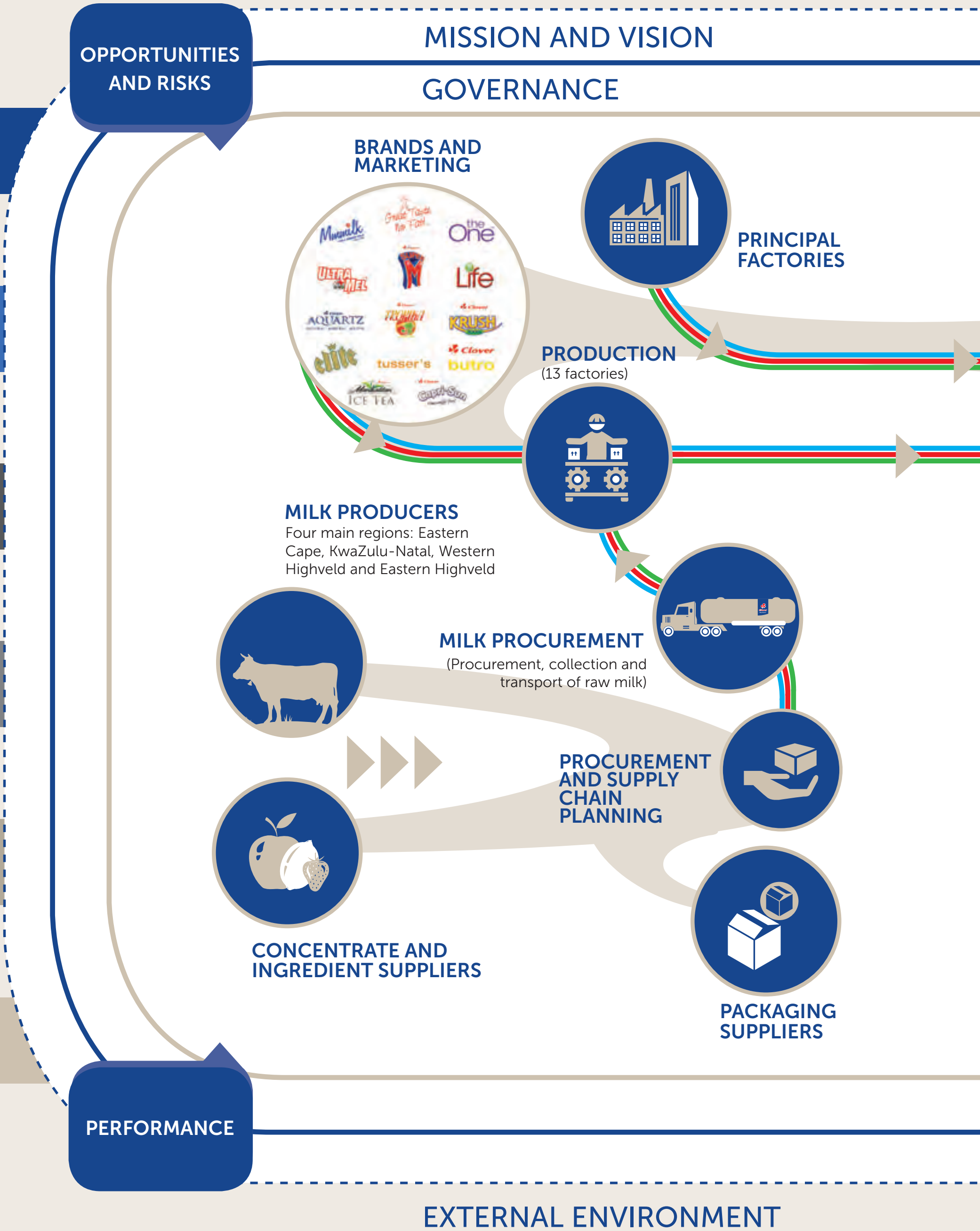
KNOWLEDGE AND INTELLECTUAL CAPITAL
(Patents, copyrights, software, licences, systems, procedures, protocols)

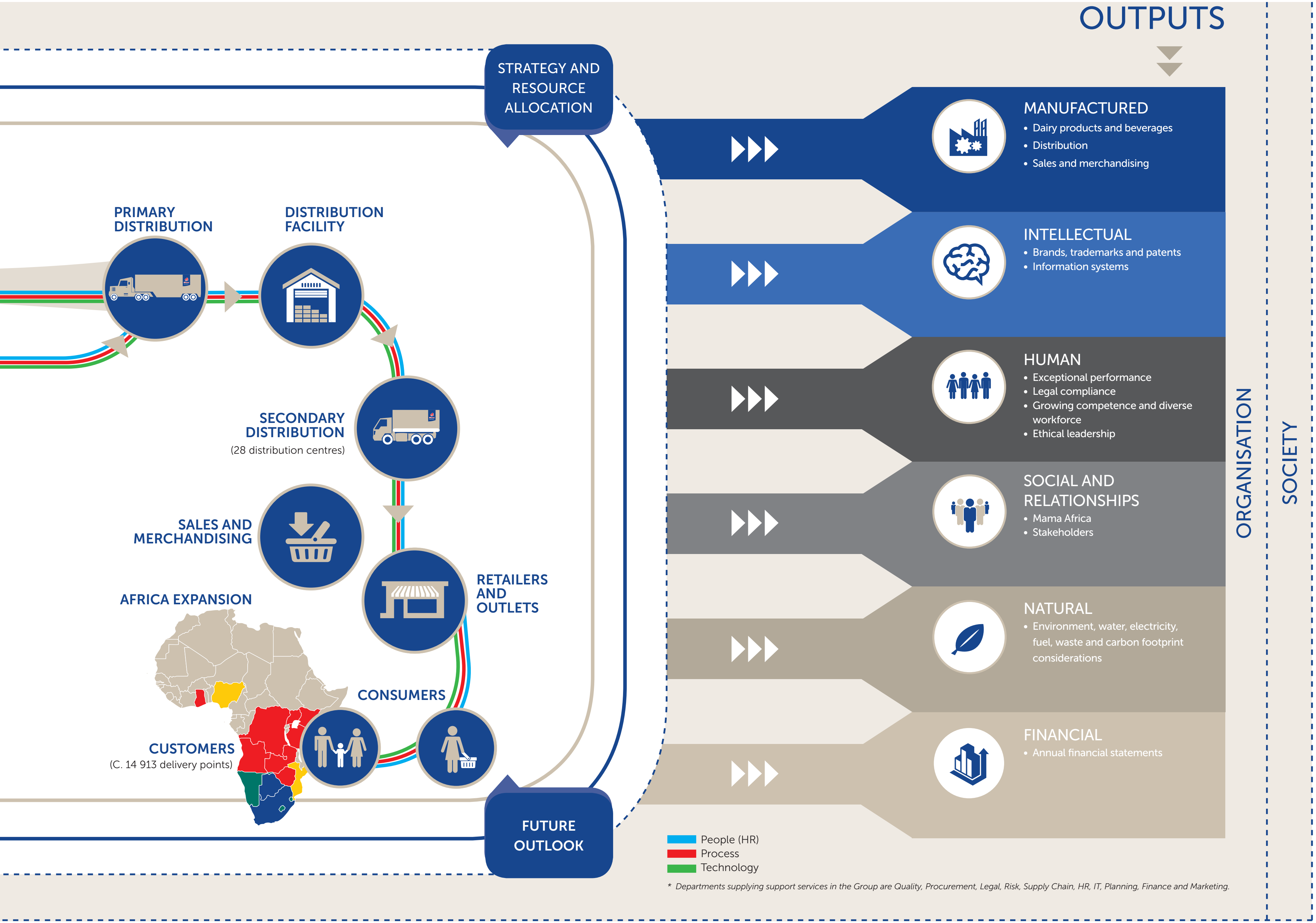
HUMAN RESOURCES
(Employees' competencies, capabilities and motivations to innovate)

STAKEHOLDER RELATIONSHIPS AND SOCIAL INVESTMENT
(Shared norms, common values, behaviours, stakeholder relationships and dependencies)

ENVIRONMENTAL RESOURCES
(Air, water, land minerals, forests, bio-diversity and ecosystem health)

FINANCIAL CAPITAL
(Equity, debt, grants)





* *Departments supplying support services in the Group are Quality, Procurement, Legal, Risk, Supply Chain, HR, IT, Planning, Finance and Marketing.*

OUR VISION, MISSION, STRATEGY AND BUILDING BLOCKS FOR THE FUTURE

WAY BETTER VALUE CREATION

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.

STRATEGIC PILLARS

To simplify and reduce costs in the supply chain by changing the operational model to fit with the business model.

To successfully complete value-enhancing capital projects through proper planning, project management and the tracking of the business case benefit.

To optimise the brand portfolio.

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 actively seek value-enhancing corporate activity.

COMPETITIVE STRENGTHS

Strong and unique relationships with its milk producers and suppliers.

Value-enhancing optimisation and expansion projects (Project Cielo Blu).

An iconic South African consumer brand with market recognition.

The largest chilled and one of the largest ambient distribution networks in South Africa.

Exposure to an attractive industry with favourable fundamentals.

Attractive growth opportunities.

Dynamic management team with significant experience in the dairy and fast moving consumer goods industry.

This report is structured in accordance with the concept of the six capitals, as defined by the International Integrated Reporting Council ("IIRC"). These six capitals aim to describe the resources utilised by Clover in order to preserve the value created since the company's incorporation. These include manufactured capital, intellectual capital, human capital, social and relationship capital, natural capital and financial capital.

FUTURE VALUE CREATION

Clover is focused on the ongoing revision and revitalisation of its marketing strategy by growing its brand basket and successfully maintaining existing brand market shares. This is done through developing new value added products and leveraging from its existing strong brands in the dairy and beverages categories to increase Clover's profitability. New products will either be developed by Clover's in-house Product Innovation and Technology Department or in co-ordination with joint venture-like partnerships, like the recent deal with Futurelife where a healthy, nutritional drink is being developed.

In Clover's quest to grow its range of products, the Group constantly monitors potential mergers and acquisitions and joint venture opportunities with the view to unlock potential synergies in its supply chain. Clover only considers opportunities that would improve its overall operating margins, while maintaining optimal debt equity ratios. Consolidation is necessary in Clover's business in South Africa as cost structures are duplicated over multiple segments of the business. Through future consolidation, several synergies can be unlocked that can reduce overall unit costs.

The growing demand for natural resources will force dairy companies to process products more efficiently through lowering its carbon and water footprint by making use of the latest global technologies in South Africa. In addressing its dispersed factory locations, Clover is evaluating its options to consolidate these factories and install latest technology, enabling it to improve its cost competitiveness, while also achieving synergies in the sustainability of its operations. As some of these technologies are expensive, Clover is constantly reviewing available government tax incentives and grants, to ensure business cases and projects are feasible.

Clover is also evaluating government incentives available in Agro processing, to benefit milk producers whilst supporting black farmer development. In line with Government's Broad-based Black Economic Empowerment Initiative, Clover aspires to become a Level 4 contributor from its current Level 6 rating on the existing Agri Sector Codes. The extent to which the Agri Sector codes will be amended in accordance with the new amended BEE Codes released in October 2013 is uncertain.

RESPECT

We value our employees and treat them fairly and with respect, whilst acknowledging our differences.

Our organisational culture is based on **INTEGRITY** by building trust which is necessary for a business to form strong relationships with all stakeholders, enabling us to make better, more effective internal decisions.

FAIRNESS

We are committed to promote fair competition, avoid illegal anti-competitive activities with competitors such as price fixing, terms of sale, allocation of markets or customers or unfair labour practice.

We take ownership and are **RESPONSIBLE** and **ACCOUNTABLE** for our acts and omissions. Our commitment to all our stakeholders is to always exercise our obligations with due care, diligence and skill, while maintaining Clover's business strategy which is economically, socially and environmentally sustainable.

GROUP STRUCTURE

Over 116 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 West Africa Ltd 100%

Clover Swaziland (Pty) Ltd 100%

Clover Fonterra Ingredients (Pty) Ltd 51%

Clover Waters (Pty) Ltd 70%*

The Real Beverages Company (Pty) Ltd 100%

Clover Dairy (Namibia) 100%

Lactolab (Pty) Ltd 52%

Clover Botswana (Pty) Ltd 100%

Clover Futurelife (Pty) Ltd 50%**

* On 1 August 2013 Clover S.A. (Proprietary) Limited (holding 70% of the entire issued share capital) and Nestlé (South Africa) (Proprietary) Limited (holding 30% of the entire issued share capital) formed a new company called Clover Waters (Proprietary) Limited ("Clover Waters"). Clover Waters is manufacturing, distributing, selling and marketing Iced Tea and water products using various trademarks (Manhattan, Aquartz, Nestea and Purelife) under license from Clover and Nestlé respectively.

** On 1 May 2014, Clover S.A. (Proprietary) Limited (holding 50% of the entire issued share capital) and Futurelife Health Products cc (holding 50% of the entire issued share capital) formed a new company called Clover Futurelife (Proprietary) Limited ("Clover Futurelife"). Clover Futurelife manufactures, distributes, sells and markets a range of functional food products using trademarks under licence from Clover and Futurelife.

FINANCIAL HIGHLIGHTS

REVENUE

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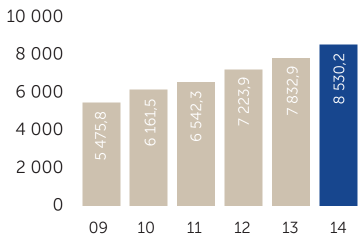
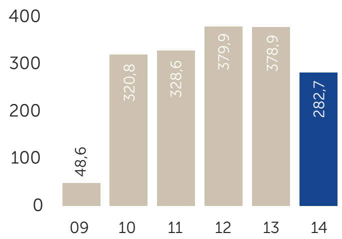


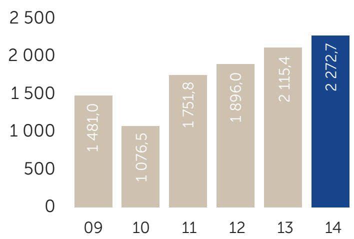
NORMALISED OPERATING PROFIT

R'm



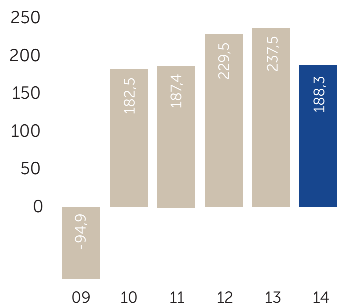
NET ASSET VALUE

R'm



NORMALISED PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

R'm



HEADLINE EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

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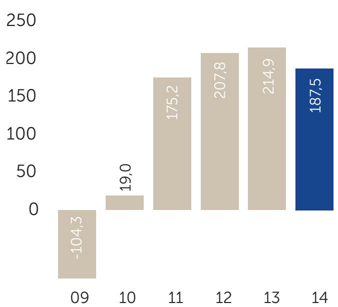
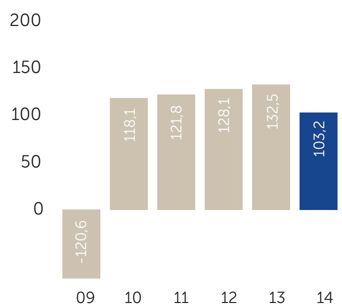


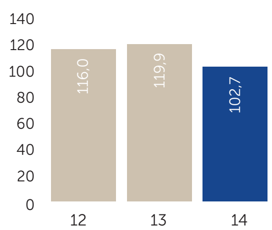
NORMALISED EARNINGS PER SHARE

Cents



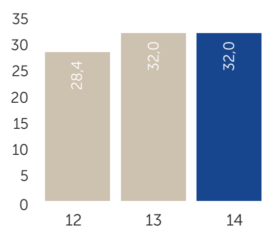
HEADLINE EARNINGS PER SHARE

Cents



DIVIDENDS PER SHARE DECLARED RELATING TO EACH FINANCIAL YEAR

Cents



For more detail refer to the six-year financial review on pages 36 to 38.

OUR SHARES AND SHAREHOLDER INFORMATION

Shareholder analysis – Clover Industries Ltd – ordinary shares

Company:
Clover Industries Limited

Register date:
27 June 2014

Issued Share Capital:
182 478 589

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	1 208	38,87	557 794	0,31
1 001 – 5 000 shares	1 102	35,45	2 796 013	1,53
5 001 – 10 000 shares	221	7,11	1 661 214	0,91
10 001 – 50 000 shares	254	8,17	6 065 774	3,32
50 001 – 100 000 shares	86	2,77	6 347 500	3,48
100 001 shares and over	237	7,63	165 050 294	90,45
Totals	**3 108**	**100,00**	**182 478 589**	**100,00**

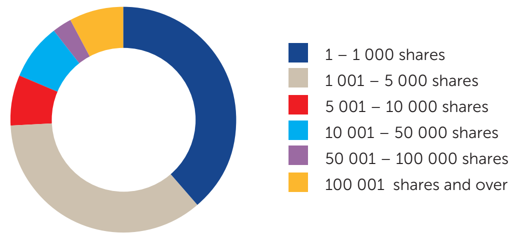
Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks	27	0,87	18 394 877	10,08
Close Corporations	39	1,25	1 179 163	0,65
Endowment Funds	26	0,84	956 904	0,52
Individuals	2 260	72,72	29 291 591	16,05
Insurance Companies	27	0,87	5 785 338	3,17
Investment Companies	17	0,55	1 453 447	0,80
Medical Schemes	4	0,13	288 886	0,16
Milk Producers Trust	1	0,03	22 153 000	12,14
Mutual Funds	96	3,09	52 382 690	28,71
Nominees and Trusts	305	9,81	5 236 630	2,87
Other Corporations	24	0,77	102 483	0,06
Private Companies	70	2,25	1 925 789	1,05
Producers	85	2,74	15 534 156	8,51
Public Companies	2	0,06	30 000	0,02
Retirement Funds	125	4,02	27 763 635	15,21
Totals	**3 108**	**100,00**	**182 478 589**	**100,00**

Public/non-public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	21	0,68	39 648 227	21,73
Directors of the company	16	0,52	15 903 485	8,72
Strategic Holdings (more than 10%)	1	0,03	22 153 000	12,14
Other Executives	4	0,13	1 591 742	0,87
Public shareholders	3 087	99,32	142 830 362	78,27
Totals	**3 108**	**100,00**	**182 478 589**	**100,00**

Beneficial shareholders holding 3% or more	Number of shares	%
Clover Milk Producers Trust	22 153 000	12,14
Allan Gray	11 090 768	6,08
Investment Solutions	8 183 751	4,48
Government Employees Pension Fund	7 737 766	4,24
Vorster, JH	7 575 496	4,15
Investec	6 638 173	3,64
Fidelity	6 045 826	3,31
Roode, HB	5 843 467	3,20
Totals	**75 268 247**	**41,24**

SHAREHOLDER SPREAD

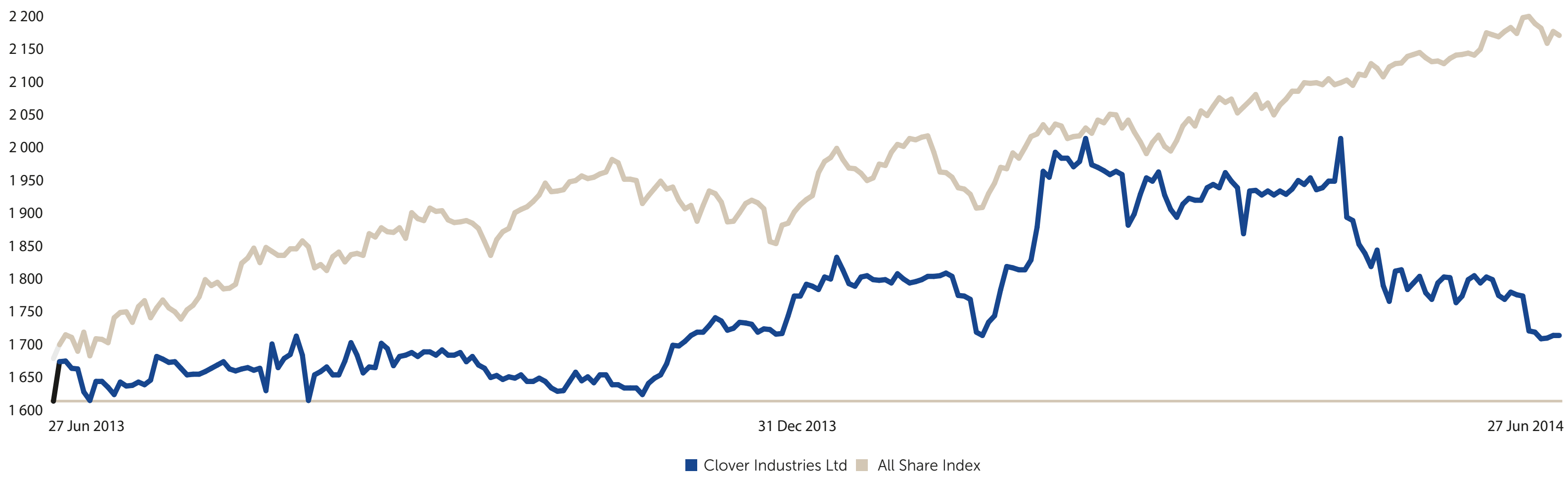
Number of shareholders (percentage)



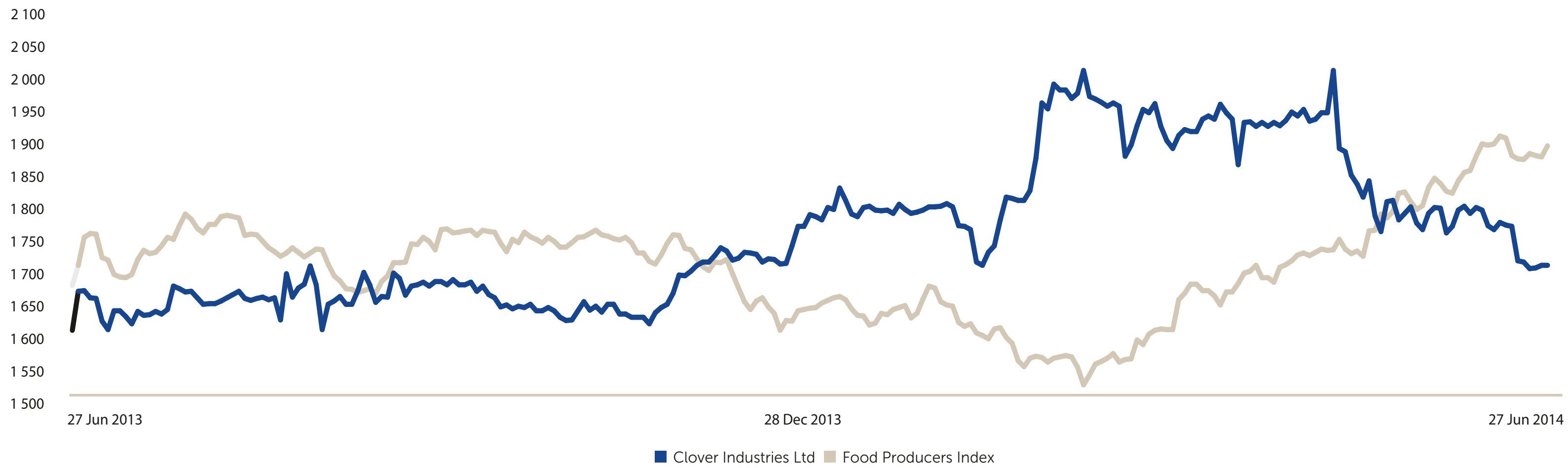
DISTRIBUTION OF SHAREHOLDERS

Number of shareholders (percentage)

CLOVER INDUSTRIES LTD VS. ALL SHARE INDEX



CLOVER INDUSTRIES LTD VS. FOOD PRODUCERS INDEX



DIRECTORATE AND MANAGEMENT

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

EXECUTIVE COMMITTEE

Johann Hendrik Vorster (50)
Chief Executive

Appointed to Exco: 2000, and as CE 2006
BCompt (Hons), CA(SA), MBA

Louis Jacques Botha (52)
Chief Financial Officer and Executive: Information Services

Appointed to Exco: 2006
BCom (Hons), CA(SA), ACIS

Christiaan Philippus Lerm (Dr) (57)
Executive: Brands and Marketing

Appointed to Exco: 2002
DCom

James Henry Ferreira Botes (Dr) (51)
Executive: Commercial

Appointed to Exco: 2009
DPhil

Elton Ronald Bosch (37)
Executive: Business Development, Risk and Africa

Appointed to Exco: 2012
BCompt (Hons) CA(SA)

Hendrikus Lubbe (44)
Executive: Supply Chain, Distribution and Milk Procurement

Appointed to Exco: 2006
MCom (Transport Economics), MBA

Marcelo Marques Palmeiro (49)
Executive: Brands and Corporate Development

Appointed to Exco: 2012
BA, IME

EXECUTIVE DIRECTORS

Johann Hendrik Vorster (50)
Chief Executive

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

Louis Jacques Botha (52)
Chief Financial Officer and Executive: Information Services

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

Christiaan Philippus Lerm (Dr) (57)
Executive: Brands and Marketing

Appointed: 2007
DCom

In addition, the Board is responsible for approving the Group's financial objectives and targets. The Group's Executive Directors, who are members of the Executive Committee, are involved in the day-to-day business activities of the Group and are responsible for ensuring that the decisions of the Board are implemented in accordance with the mandates given to it by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Thomas Alexander Wixley (74)
Lead Independent Director

Appointed: 2007
BCom, CA(SA)

Stefanes Francois Booysen (Dr) (51)
Independent Director

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

Johannes Nicolaas Stephanus Du Plessis (64)
Independent Director

Appointed: 2010
BCom, LLB

Neo Violet Mokhesi (53)
Independent Director

Appointed: 2013
B. Comm., AMP Wits Business School, Advanced Management Programme, INSEAD, France

Babalwa Ngonyama (40)
Independent Director

Appointed: 2013
CA (SA), MBA (Bond University) Higher Diploma in Banking law (RAU)

NON-EXECUTIVE DIRECTORS

The following directors resigned during the year from the Board:

Martin Geoff Elliott (61)
Non-executive Director

Appointed: 2003
BSc
Resigned: 2013

Jacobus Christoffel Hendriks (Dr) (65)
Non-executive Director

Appointed: 2003
BVSc
Resigned: 2014

Nkateko Peter Mageza (59)
Independent Director

Appointed: 2010
FCCA (UK)
Resigned: 2013

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

Werner Ignatius Büchner (48)
Non-executive Director – Chairman

Appointed: 2006
B Eng

Nigel Athol Smith (58)
Non-executive Director

Appointed: 2011
Agric Dip

Peter Ronald Griffin (55)
Non-executive Director

Appointed: 2014
BSc Agric in Agricultural Economics

BUSINESS REVIEW

The Board continuously seeks to balance short-term earnings with long-term growth aspirations. This includes seeking new possibilities to expand the Group's current product offerings as well as its presence in Africa.

CHAIRMAN'S REPORT

Werner Büchner

INTRODUCTION

The year under review proved exceptionally challenging for consumers, producers and the dairy industry as a whole. Our six months results presented to the market in March this year came off a very low base, and as communicated at the time, the second half of the year did not benefit from similar low comparatives and was further impacted by a number of other factors which limited sales volumes growth and therefore earnings growth.

Against a backdrop of a weakening rand, rising CPI and high food inflation, these systemic issues were further impacted by one of the most protracted series of industrial actions in our democracy's history.

OPERATIONAL OVERVIEW

This year was characterised by significant cost pressures related to a weakening rand with resulting higher energy and packaging costs. The second half of the year also saw an above inflationary increase in the cost of raw milk. This led to a dramatic increase in the cost of our products. As a Board we decided it is prudent to apply a gradual approach to selling price increases. We believe that this will be more acceptable to consumers and protect our hard fought market shares. These cost increases will most likely only be recoverable in the market over time.

Project Cielo Blu was completed during this financial year, and the benefits flowing from this project proved a major beachhead in mitigating inflationary pressures, especially with regards to fuel and other supply chain costs to some extent. R97 million worth of savings per year have already been realised.

This project will continue to provide a platform for growth in years to come by concentrating long life ambient product manufacturing capacity at the milk source and thereby reducing supply chain costs.

I alluded to our next phase of capital spend in my report last year. A total of R273,6 million of capital expenditure projects, excluding Project Cielo Blu, have been approved in the year under review and are mostly completed. This excludes an investment in yoghurt production to take advantage of the termination of our restraint of trade undertaking in favour of Danone with regard to yoghurt and custard products at the end of December 2014.

The Board continuously seeks to balance short-term earnings with long-term growth aspirations. This includes seeking new possibilities to expand our current product offerings as well as our presence in Africa.

The first important event in achieving our goal was the termination of the restraint undertaking referred to above which prevented us from expanding into some lucrative product categories. Clover has been providing a range of services to Danone Southern Africa for some time relating to yoghurt and other fermented products. This included the supply of raw milk and other raw material procurement, manufacturing and packaging of custard, sales and merchandising services as well as distribution and certain IT services. The majority of these service contracts ends at the end of December 2014. Although this will reduce our revenue from services rendered in the short-term. Clover is now free to pursue certain attractive high-growth product categories, including yoghurts and desserts. Our decision to not extend the contracts in their current form is unlikely to have a material negative effect on Clover's earnings potential in the medium to long term.

This opportunity was fast tracked by the acquisition of Dairybelle (Pty) Limited's yoghurt and UHT milk business which we announced to the market in May this year, effective 1 January 2015 with regards to the yoghurt. Competition Commission approval in this regard is still pending.

We are convinced that our brand strength will help us achieve a strong market position which, together with additional principal distribution business, will allow us to achieve higher returns on a sustainable basis.

The second important step which relates to our expansion into selected African markets remains a work in progress and although we are committed to drive Clover's entry into new markets, the local and immediate opportunities which became available following the termination of the restraint of trade agreement with Danone have taken precedence.

Since listing, we've seen a steady increase in offshore shareholding, including a growing interest from USA-based investors.

DAIRY INDUSTRY OVERVIEW

Global overview

Historically, international dairy markets have been characterised by high volatility, largely due to their dependence on external factors such as favourable weather conditions and the macro-economic environment.

The observed cyclical pattern is common in the dairy industry. Demand creates higher prices that producers respond to, where after the increased supply forces prices down again. In the past few years, the cycle has been steeper at times when weaker economic conditions coincided with high milk production, as was the case in the first half of 2012.

This was made clear at the beginning of 2013, when hot and dry conditions in New Zealand led to lower volume produced which resulted in sharp increases in the world price, leading to an all-time high in February 2014. As only six percent of world production of dairy products is traded in the world market, climatic conditions in major exporting countries play a significant role in the determination of world market trends.

Although this price has since come down significantly from these peak levels, the price in the medium term is still expected to stabilise well above the levels experienced before the 2007 price hike. The nominal price is expected to increase over the medium term, due to higher feed prices and a strong demand for dairy products from developing economies.

Locally

Milk production for the reporting period was lower than the prior year comparative, mainly due to on-farm cost pressures. This was exacerbated by an unexpected sharp increase in South African grain prices especially in the second half of the year. Amongst other indicators, the milk/feed price ratio is used to adjust the price we pay for raw milk.

As a result, we implemented a series of farm gate price increases throughout the year which will be recovered through further selling price increases as discussed earlier. Clover actively engages with its producers and robust discussions took place at the latest annual producer meetings in October 2013. Ultimately market forces including supply and demand are the key determining forces in a free market economy.

One clear example of such market forces is the impact that the entry of new players in the South African UHT market has had on this significant category for both Clover and the drinking milk market as a whole.

We constantly take into account our milk market, milk supply, overall market conditions and future sustainability in our decision making regarding farm gate milk prices. Of course, the various factors mentioned above will put additional strain on sales volumes and will remain the key elements impacting the short-term performance of the company.

Trade represents a small share of fresh dairy product consumption in South Africa. Consequently, the production and utilisation of

fluid milk exists in a tight balance, resulting in continuous cyclical shifts of the equilibrium price as both producers and consumers respond to relevant market signals.

Its sensitivity to changes in climatic conditions renders milk production particularly volatile. Apart from typical seasonal variation that reflects climatic conditions, continuous changes in the milk to feed price ratio cause fluctuations in milk supply, as producers respond to changes in relative profitability by increasing or decreasing the level of supplementary feeding.

General market consensus is that economic conditions will remain muted for the foreseeable future. In this context we expect industry consolidation to continue and even to escalate in both the primary and secondary markets. We regard supply chain and production efficiencies as two of the industry's most important value drivers which will only be achievable through sufficient economies of scale.

(Information on the global dairy industry was sourced from The Bureau for Food and Agricultural Policy's 10th baseline agricultural outlook covering 2014 to 2023.)

ADR PROGRAMME

Since listing, we've seen a steady increase in offshore shareholding, including a growing interest from USA-based investors.

The Board felt this increasing interest warranted the launch of a non-capital raising sponsored Level 1 American Depository Receipt ("ADR") Programme which became effective on 3 December 2013. The Bank of New York was appointed as the depository bank for this programme.

We believe that this programme will enhance Clover's visibility in the US and provide investors with the flexibility to invest without the administrative burden associated with cross-border and cross-currency transactions.

Financial capital

The continued deterioration of the operating environment, especially in the second half of the reporting period, made it difficult for Clover to achieve sales volume growth and therefore earnings growth.

More financial details can be found in the Chief Financial Officer's report on page 30.

GOVERNANCE AND BOARD

Our approach to governance is elaborated on in the Corporate Governance Report on page 40 of this Integrated Annual Report.

During the reporting period, we remained committed to the objectives and recommendations of the King III Report on Corporate Governance for South Africa as well as the Code of Corporate Practices and Conduct.

Our interactions with stakeholders are elaborated on in the Report on Governance, Risk and Compliance on page 40 of this Integrated Annual Report. More information on our shareholders is also available on page 14 in the Overview section of this document.

The Board consistently evaluates remuneration of executives and other key employees to attract and retain individuals of the highest calibre. In addition, we strive to align management's long-term incentives with those of our shareholders.

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 interest of Executive and senior management with long-term value creation for stakeholders taking into consideration the complexity of a branded fast moving consumer goods company (in Clover's instance consisting of dairy products, beverages products and various distribution services).

The Company's Remuneration Report is available on page 54.

During the year under review we continued to optimise the Board composition. I do believe that we have sound independent counsel and extensive depth as far as industry knowledge and experience is concerned, represented on the Board.

During the review period, Dr. JC Hendriks retired as a non-executive from the Board. On behalf of the Board and Clover, I want to thank Dr. Hendriks for his contribution over the past 23 years during which he was a director of National Co-operative Dairies for 13 years and a director of the Company for the last 10 years.

In addition, Messrs. NP Mageza and MG Elliott retired as Non-executive Directors from the Board during the review period. The Board thanks them for their valuable contribution during their tenure.

Mr. PR Griffin was appointed as a Non-executive Director with effect from 13 March 2014. He has been a milk producer since 1982 and was the Chairman of National Clover Producers Forum for two years.

At the Annual General Meeting held on 26 November 2013, Ms. B Ngonyama and Ms. NV Mokhesi were appointed as Clover's first female Independent Non-executive Directors. I look forward to working with them as we drive Clover's transformation to support its growth ambitions.

SIX CAPITALS BRIEF

Human capital

Although this Integrated Annual Report is drafted primarily for providers of financial capital, it will be naïve to narrowly focus on value creation as the present value of future cash flows. Clover, like any business is greater than the sum of its parts, with each part directly or indirectly impacting on financial return.

Value is not created in the organisation alone – it's dependent on the external environment and created through relationships and the availability, affordability, quality and management of various resources.

For that reason the theme of this year's Integrated Annual Report is human capital and value creation. It will tell the story of how Clover, by empowering and harnessing the skills of its people in the broadest sense of the word, will create and sustain value in the long term.

We continue to invest in our people, endeavouring to attract the best by aspiring to be the best employer to work for. Wherever possible, employee's long-term interests are aligned with those of shareholders. To find out exactly what those long-term interests are, the Board asked the Remuneration Committee Chairman and Company Secretary to meet with some of Clover's largest shareholders, specifically on the issues of remuneration and governance.

Clover is not only the largest dairy producer in the country, but also operates the largest chilled distribution network in Southern Africa.

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

Dr. Booysen will provide more feedback on this in his letter to shareholders in the Remuneration report on page 54.

Our vision for Clover is not short term. It will therefore be detrimental to the business to have absolute focus on short-term financial measures. Following the meetings with our shareholders we will however phase in the return on equity targets as an additional performance condition for staff. This will be a gradual process which will require a culture shift as the Group, given its roots as a co-operative, has not entrenched this approach to measuring value creation in its people yet.

Transformation – B-BBEE update

Clover is currently a Level 6 B-BBEE contributor, which is the same as in the prior financial year. As reported previously, we are systematically changing our business to migrate to B-BBEE compliance Level 4 by 2015.

This transformation is evident not only in the organisation but at Board level as well, as I discussed in the Governance and Board section of my report above.

More information on our achievements and challenges in this regard is available in the Report on the Six Capitals at www.clover.co.za.

Natural Capital

It gives me pleasure to report on solid advances in our environmental impact measurements and controls. Project Cielo Blu by default enabled us to significantly reduce our carbon footprint through a more efficient distribution network.

Manufactured Capital

Clover is not only the largest dairy producer in the country, but also operates the largest chilled distribution network in Southern Africa. We are therefore aware of our responsibility to minimise emissions, wastage and water consumption.

Social and Relationship Capital

At the same time, we have a responsibility to our customers and the communities in which we operate. More details on these important sustainability drivers – including Clover Mama Afrika which this year has been running for a decade – are contained in the Integrated Annual Report on Clover's website – www.clover.co.za.

THE FUTURE VALUE CREATION

This future value creation incorporates Clover's short, medium and long-term initiatives.

Short term

We expect the current subdued operating environment to continue for the foreseeable future, given the current cycle of interest rate increases, a low growth economy, rising unemployment and the aftermath of the protracted labour actions that has to work its way through the economy.

I believe that the anticipated industry consolidation will play an important role in ensuring a robust market that will continue to deliver against the growing needs of consumers and contribute to regional food security.

Medium to long term

From Clover's perspective we remain focused on building on the solid base provided by Project Cielo Blu by continuously investing in new products and technology in addition to securing new principle business, entering into joint ventures and making acquisitions where there are synergies, to sustain momentum and deliver on our longer term strategy locally and across Africa.

APPRECIATION

I would like to thank my fellow Board members for their support during a very difficult year. In light of the challenges faced, I would like to commend Johann Vorster, his executive management team and all staff for their diligence and hard work.

Werner Büchner
Chairman

15 September 2014

CHIEF EXECUTIVE'S REPORT

FINANCIAL PERFORMANCE

During the year under review, South African consumers increasingly had to deal with a weak rand, rising interest rates and high food inflation, which were further impacted upon industrial actions referred to in the Chairman's Review.

Producers were equally hard hit with increasingly high input cost pressures such as fuel, electricity and feed cost.

For Clover, these constraints impacted on the business as follows:

- **Costs:** We experienced strong overall inflationary cost pressures, especially on packaging and ingredient costs (which are dollar based). In addition, we increased the price we pay for raw milk to ensure on-farm sustainability.
  These cost increases could not immediately be recovered due to a very constrained trading environment and weakened discretionary consumer spend which necessitated a gradual price increase strategy.
- **Lower sales volumes** as a result of further selling price increases;
- **The erosion of sales volumes** due to rising inflation, especially in the non-alcoholic beverages segment; and
- **A milk shortage during the winter** following Clover's rebalancing of its milk purchasing agreements in preparation for its exit from supplying raw milk at cost to Danone Southern Africa on 1 January 2015.

Revenue increased by 8,9% to R8 530 million from R7 833 million, whilst operating profit was lower at R282,3 million from R371,6 million in the prior year, representing a contraction of 24,0% for the year under review. Operating margin decreased from the 4,7% reported in the prior year to 3,3%. (The prior year numbers were restated as explained in the Chief Financial Officer's report on page 30).

The net effect was a decrease in earnings per share of 30,8 cents, down 23,1% and headline earnings per share of 17,2 cents, some 14,3% lower than the comparative year.

In order to address the substantial costs pressures on raw milk prices, Clover increased its average price paid to producers by 5,29% from 1 February 2014 and a further 9,53% from 1 March 2014.

Clover's Margin on Material (MOM) for the dairy fluids product group (mostly UHT and fresh milk which make up the bulk of its raw milk usage) has weakened as a result of Clover's strategy to gradually recover farm gate milk price and packaging cost increases in the prevailing environment to minimise market share losses in the process. The UHT and fresh milk market conditions during the second half of the year required a cautious approach to selling price increases.

Although not unexpected, the tough economic cycle proved an acid test for Clover's strategy to exit bulk commodity markets to invest in and focus on branded and value-added products.

It therefore provides me some gratification to report that the new products and platforms introduced during the prior financial year proved the mainstay in Clover's portfolio during the reporting period.

More information on the performance of each segment is provided later on this report, under Brand Strength and Performance and in the Chief Financial Officer's report on page 30.

It is therefore imperative that we continue to differentiate ourselves, entrench our brands as the number one or two contenders in the segment and grow the market share of our products in the years to come.

MANUFACTURED CAPITAL

New products and platforms introduced during the year under review:

- Extended shelf life ("ESL") fresh milk with 18 days shelf life compared to the industry standard of 12 days;
- Prisma packaging for UHT (long life) milk and Tropika fruit juice blend;
- 30 days shelf-life ultra-pasteurised (UP) milk;
- 2 litre carton packaging for the Krush and Tropika brands;

Johann Vorster

- New formula for Danao in a Tetra Top packaging;
- New processed cheese platform (individually wrapped slices); and
- Clover Amasi (maas).

Corporate activity

As pointed out by the Chairman in his report, some R273,6 million of capex projects have been approved in the year under review of which the bulk has been completed. This excludes the acquisition of Dairybelle (Pty) Limited's yoghurt and UHT business for an aggregate amount of approximately R200 million which is still pending Competition Commission approval and the last of the Project Cielo Blu spending, .

Projects for the year included:

- New Butro platform (better spread ability);
- New 200 ml Tetra Prisma packaging for Tropika;
- Integration and optimisation of Doornkloof factory (Clover Waters);
- Relocation of current Manhattan Iced Tea manufacturing to Inhle;
- Launch of Manhattan Iced Tea in a can; and
- The Real Beverages Company manufacturing integration into Clover's Parow facility.

It therefore provides me some gratification to report that the new products and platforms introduced during the prior financial year proved the mainstay in Clover's portfolio during the reporting period.

Dairybelle has a meaningful presence in the yoghurt market. In addition, the location of its UHT milk production facilities in the Western Cape will provide us with an excellent footprint to improve efficiencies through the more effective utilisation of Clover's raw milk supply in the region.

We expect that the acquisition will take effect later on in the current financial year, once the suspensive conditions have been fulfilled.

In March this year, Clover entered into a joint venture with Futurelife to jointly launch a new range of functional foods as part of its product expansion plans. In terms of this agreement, Clover will be responsible for the production, sales, distribution and merchandising of these products, leveraging its expertise in dairy and nutrition, supported by its iconic brand. Futurelife will bring its expertise in cereals and functional foods to the table. Futurelife is the fastest growing cereals brand in the country and already sells more product locally than some of South Africa's most traditional breakfast cereals.

INTELLECTUAL CAPITAL

Fresh and Ultra Pasteurised milk

Our market share is 2.5% down against the previous year, while the total market is 2.6% down against the previous year, mainly as a result of aggressive pricing by retailer UHT house brands. Clover's Ultra Pasteurised (UP) Milk with a shelf-life of 30 days and Clover's 18 day fresh milk have been well received in the market as a bridge between fresh and long-life milk, buoying volumes and sales in an otherwise tightening market.

UHT milk

As mentioned above, aggressive pricing by retailer house brands saw a 5,3% volume increase in the total UHT market as consumers switched from fresh milk to UHT milk. Clover's market share in this segment decreased by 2% to 17,5% market share. Clover did not participate in the retailers' house brand price war.

As a major participant in the UHT market, Clover cannot ignore the market forces which have enticed many traditional fresh milk consumers to switch to UHT. This in turn drove equally aggressive pricing in the fresh milk segment. The combined dynamics are severely curtailing Clover's ability to put inflationary price increases through and at the same time retain market share.

Cream

Total market volume growth of 4,7% was reported for the year under review and Clover's market share increased by 1,5% to 40,1%.

Maas

Maas was reintroduced in the second half of the 2013 financial year and experienced good sales volumes which helped the fluids segment achieve overall growth. Clover's market share in this category increased from 1,9% to 8,1% and the overall market volume growth for Maas was 5,3%.

Feta Cheese

Clover's own feta cheese market share reduced by 3,6%, but picked up by 6,8% in the Pick 'n Pay house brand packed by Clover. Overall volume growth for the feta market increased by 4%.

Pure Juices

Overall volumes in the pure fruit juice market decreased by 2,4%. Clover's market share for its premium Krush brand and Quali Juice brand decreased to 44,9%, down from the prior year's 46.2% market share.

During the reporting period, a strong migration from Quali pure juice to Quali nectar was noted.

Iced Tea

The Iced Tea segment experienced strong volume growth, up 12,7% on the prior year. Clover successfully addressed supply problems experienced during the move to a new facility.

Through its venture with Nestlé, which came into effect on 1 August 2013, Clover Waters will soon manufacture, distribute, market and sell Nestlé Iced Tea under the Nestea brand in addition to Clover's Manhattan Iced Tea brand.

The larger entity will compete more efficiently and regain some of its lost market share, which decreased from 28,4% in the previous year to 21.9%.

Dairy Fruit Mix

The overall volumes in the Dairy fruit mix market declined by 9,4% from the prior year. Despite this decline, Clover managed to increase its market share in the Tropika brand to 68,2% against 67,6% in the previous year. This volume decline is mainly due to the price wars in carbonated soft drinks and substitution as a result of the war.

Water

As discussed under Iced Tea above, Clover's joint venture with Nestlé, Clover Waters manufactures, distributes, markets and sells Nestlé's Purelife and will add Valvita and Schoonspruit brands in addition to Clover's Aquartz brand in the future.

The overall market volume for bottled water grew by 8% during the year under review and Clover Waters market share in this segment has grown from 8,0% to 17,70%. This is mainly as a result of the Nestlé Purelife water, that is with effect from 1 August 2013, included in the market share.

Pre-packed cheese

The total pre-packed cheese market grew by 34,9% this year on top of the 30,8% growth of 2013. This is because the traditional bulk cheese market volumes have been replaced by price competitive 800/900 gram bulk pre-packed cheeses. Clover participated in this growth although market share was 6,4% down against the prior year.

Flavoured milk

Market volumes for flavoured milk reduced by 3,3% during the review period. Clover's Super M brand's market share, decreased by 1,4% to 32,3%, mainly as a result of aggressive pricing by competitors.

Fruit Drink/Nectar

A marginal overall volume decrease of 0,9% (being the total market) was experienced during the reporting period. Clover's combined market share decreased by 5,1% during the reporting period as a result of, *inter alia*, the discontinuation of the Capri-Sun brand.

(All market statistics quoted from Aztec are for the year ending 30 June 2014 for only Shoprite, Checkers, Pick n Pay and Spar and should not necessarily reflect total market representative shares.)

STAKEHOLDERS

Clover is cognisant of its responsibilities to all stakeholders in order to ensure its long-term viability. The Group therefore engages whenever relevant with its constituency to identify and consider the impact its business has on its stakeholders.

Dividends

The Board targets a dividend cover over the medium term based on headline earnings per share, which is more comparable to the sector within which Clover operates. A progressive dividend policy will be generally 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.

In line with this policy, a dividend of 16 cents per share was declared by the Board on 15 September 2014, which brings the total dividend for the 2013/14 financial year to 32 cents per share which is R58,4 million.

AFRICA EXPANSION

The weakened local exchange rate has to some extent protected the market from opportunistic imports and conversely had a positive impact on some of our foreign subsidiaries, with especially Botswana performing well with increased revenues on the back of larger volumes as well as exchange rate gains.

Our expansion into selected African markets remains a work in progress and although we remain committed to drive Clover's entry into new markets, local and immediate opportunities which became available following the termination of our restraint of trade with Danone Southern Africa as referred to in the Chairman's review took priority during the review period.

OUTLOOK VALUE CREATION

This outlook value creation incorporates Clover's short, medium and long-term initiatives.

Short term

Despite some of the most challenging trading conditions in recent history, we will continue to deliver on our targets which include volume and market share growth, the reduction of overall costs, especially in the supply chain.

As demonstrated by the success of our new platforms in difficult economic conditions, the successful execution of our expansion plans for new value-added products and platforms is imperative. This will allow us to leverage our iconic brand and production capacity as well as expanding our business further into sub-Sahara Africa.

The investment over the past few years in new packaging equipment will allow for innovative products and concepts to be introduced over time.

This will however require some investment in the shorter term as the launching of new products, platforms and concepts requires marketing support.

Management will continue to deliver against the Group's strategy of identifying and consolidating long-term growth opportunities that will ensure a sustainable return on investment.

The discontinuation of the Danone services will have some financial implications on Clover, which will be managed by a combination of reducing costs, replacing some of the lost business with other third party services and Clover's own growth. However, in the short term there may be a delay in replacing the lost fee income.

For a number of years certain retail groups have indicated that they would like to perform their own distribution services to their own stores, which is currently performed by Clover. If they persist, this could lead to a further loss in fee income for Clover, but could be managed more easily than the exit from the Danone services as the direct costs associated with not servicing an entire channel are easier to eliminate. Where the full costs cannot be eliminated, services will be offered to other third parties, for example in rural areas. Nothing to this effect has happened yet, but there are constant discussions with some retail groups in this regard. Similar to the cessation of services to Danone, there could be a lead-and-lag effect in the short term should this materialise.

Some important initiatives in the year ahead include:

Continued research and development of new products.

Re-entry into the yoghurt and custard market.

Maximising our collaboration with the trade – which is dependent on further IT system development.

Continued focus on safety, health and the environment, especially with regards to emissions, waste and water consumption.

Clover is also actively reducing its environmental footprint. These efforts don't only relate to our own operations but also extend to our supply chain partners who, by nature of their supply to Clover, have a significant environmental impact.

Medium to long term

Consumer spending is expected to increasingly come under pressure, which along with inflationary cost pressures will see further market consolidation. The executive team is focused on maintaining an optimal balance between short-term profits and achieving longer-term growth opportunities which will sustain and improve Clover's market position on the sub-continent.

HUMAN CAPITAL
Appreciation

Clover has a very competent and committed Board which is actively involved in setting the strategy and ensuring our long-term sustainability. We want to thank them for all their unselfish support. A special word of thanks goes to Mr. Werner Büchner as Chairman, for his guidance during a challenging year.

I wish to thank all staff and their families for contributing to Clover's success during the year. There is much hard work ahead, but we can build on a solid foundation with pride.

Clover is nothing without its milk. The commitment and passion of our Milk Producers during this particularly testing period was a cornerstone of support. On behalf of the executive management team, sincere appreciation goes to them.

Our supplier partners continue to play a significant role in our sustainability and success. Your efforts in aligning our objectives and support is much appreciated.

A final word of thanks goes to my executive team. It was a tough year and often called for efforts and inputs beyond the call of duty. We wouldn't have achieved the targets we set ourselves without the cohesion of a team. I sincerely thank you for your support.

For more information, refer to the Integrated Annual Report as well as the Report on the Six Capitals on www.clover.co.za.

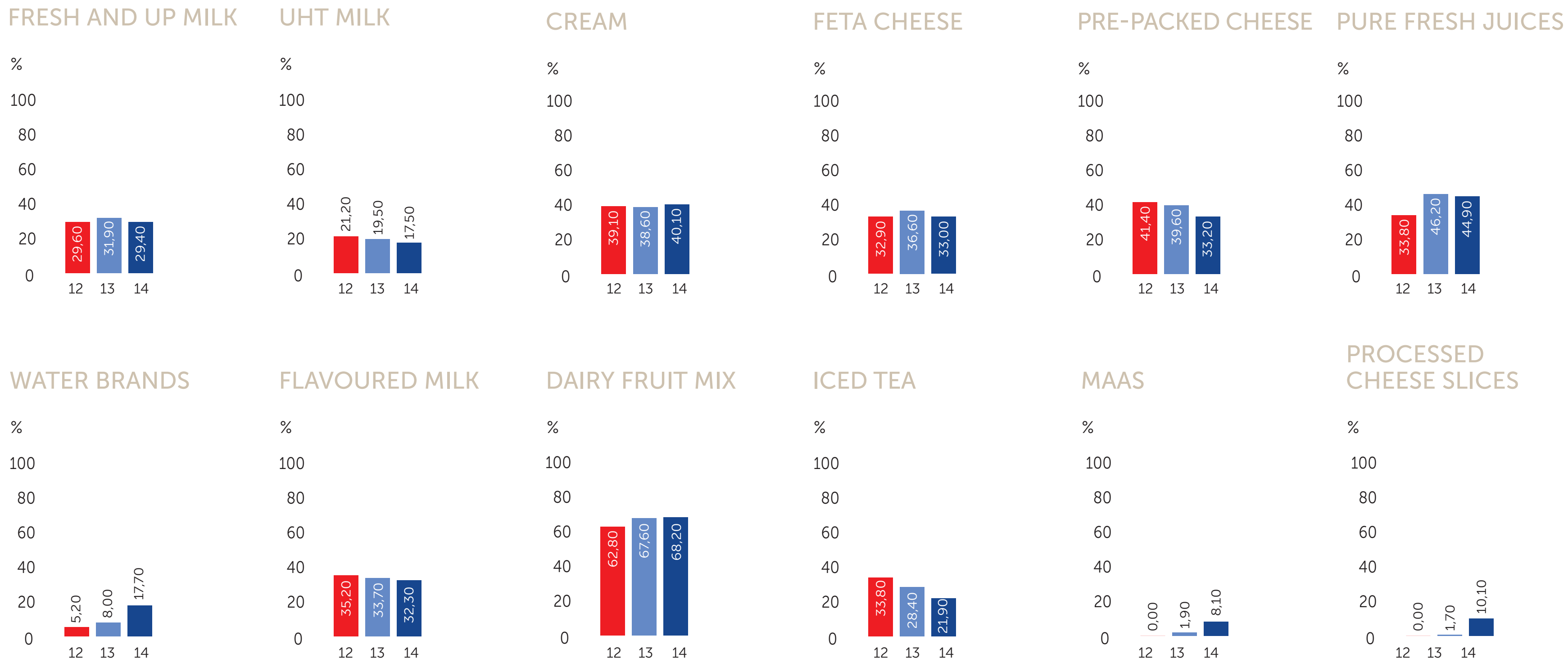
Johann Vorster
Chief Executive

15 September 2014

AWARDS

- Brands
- Corporate Governance/ transparency

MARKET SHARE



FINANCIAL CAPITAL
CHIEF FINANCIAL OFFICER'S REPORT

Jacques Botha

We believe the financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of the Company in accordance with International Financial Reporting Standards, and are free from material misstatements. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements section of this Integrated Annual Report. As members of management of the Company, we believe that the Company has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act.

FINANCIAL HIGHLIGHTS

	2014 R'000	2013 Restated R'000	%
Revenue	**8 530 237**	7 832 911	8,9
EBITDA	**414 464**	477 346	(13,2)
EBIT	**282 276**	371 624	(24,0)
Headline EBITDA	**410 765**	453 298	(9,4)
Headline EBIT	**278 577**	347 576	(19,9)
Normalised EBITDA	**414 886**	484 671	(14,4)
Normalised EBIT	**282 698**	378 947	(25,4)
Net finance cost	**(57 809)**	(46 717)	23,7
Effective tax rate (%)	**20,9%**	29,2%	
Headline earnings	**187 464**	214 894	(12,8)
HEPS (cents)	**102,7**	119,9	(14,3)
Diluted HEPS (cents)	**97,8**	111,5	(12,3)
Normalised earnings	**188 276**	237 497	(20,7)
Normalised EPS (cents)	**103,2**	132,5	(22,1)
Capital expenditure			
– Project Cielo Blu	**64 530**	87 179	(26,0)
– Recurring capital expenditure and other projects	**323 469**	367 221	(11,9)
Return on equity	**8,6%**	11,9%	(28,2)
Cash generated from operations	**403 067**	219 198	83,9
Dividends per share (cents) – Interim	**16**	10	
Dividends per share (cents) – Final	**16**	22	

* *Restated to account for the effect of the adoption of IFRS 11.*

OVERVIEW

High cost inflation forced the Group to increase selling prices considerably during the year. Although the Board adopted a gradual approach to phasing in price increases, volume growth was nonetheless curtailed and in some product categories it resulted in market share losses. Weak volume performance in beverages underscored the effect that continued upward pressure on food and fuel prices as well as the cost of debt, had on consumers' discretionary spend.

The devaluation of the Rand against major international currencies had a profoundly negative effect on the Group during the reporting period with the immediate effect being experienced most notably on fuel and packaging costs. These increases were however partially offset by exchange rate gains reported by certain African subsidiaries of the Group.

Continuous cost pressures on milk producers during the first three quarters of the year and strong competition in the primary milk market lead to the group increasing its farm gate milk prices

We believe that the Company has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act.

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.

considerably during the second quarter of the year. To curtail market share losses the Group adopted a more gradual approach to the recovery of cost increases resulting in disappointing second half results. This was further compounded by a shortage of raw milk during the last quarter of the year which mostly impacted on UHT and cheese sales. The normal seasonal low milk intake was exacerbated by Clover rebalancing its milk supply during the same period in preparation for its exit from supplying raw milk at cost to Danone Southern Africa on 1 January 2015. Clover was presented with an opportunity to reduce its milk supply in March 2014, and it opted to do so knowing that it would result in a temporary milk shortage during the winter of 2014, in order to avoid the potential damaging impact of a general volume reduction on Clover's remaining producers.

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. International research shows that traditional dairy companies have operating margins of around 3% to 5% compared to their counterparts who place a strong focus on value added products and generally obtain operating margins well above 5%.

In its quest to grow its range of branded and value-added products, the Group frequently identifies and assesses potential mergers and acquisitions or joint venture opportunities with the view of unlocking possible supply chain synergies. This is done in tandem with maintaining Clover's traditional dairy business. The Group only considers opportunities that will enhance margin and shareholder return sustainably.

COMPREHENSIVE INCOME

Following changes to International Financial Reporting Standards ("IFRS"), the Group is no longer allowed to account for its interest in the Clover Fonterra Ingredients joint venture using the proportional consolidation method and is now equity accounting for this joint venture. The comparative figures for the year ended on 30 June 2013 have been restated accordingly and will differ from the results published at the time.

Headline earnings

Headline earnings decreased by 12,8% from R214,9 million at 30 June 2013 to R187,5 million for the year under review. This decrease in headline earnings constitutes:

- headline operating profit, which reduced by 19,9% or R69,0 million;
- net finance costs which increased by 23,7% or R11,1 million;
- headline income tax which decreased by 49,7%; and
- non-controlling interests which increased by 87,8% or R1,1 million.

Headline earnings per share decreased by 14,3% (17,2 cents) or 1,5% more than headline earnings, as a result of an equity settlement of vested share appreciation rights during the year.

Revenue

Revenue increased by 8,9% to R8 530,2 million.

Revenue from sale of products increased by 8,9% with average price inflation for the year of 9,7%. Overall sales volumes (expressed in milk equivalent for those products containing dairy) declined by 0,8%. Excluding the effect of the exit from the Famous Brands bulk mozzarella cheese business during the comparative period, and the Nestlé Purelife water volumes, which only contributed to the current year volumes, sales volumes declined by 2,7%.

The revenue from services rendered to principals increased by 2,5% to R822,0 million. Several factors accounted for the relatively small increase being:

- The state of the South African economy and restrained consumer spending undoubtedly also affected the businesses of our principals with volumes lower than the previous year in many cases;
- The cessation of the primary distribution services to Danone Southern Africa at the end of February 2013. Primary distribution services unlike secondary distribution services are largely outsourced and principals billed for the actual cost. Correspondingly, the primary distribution expenditure also reduced with little effect on profit. The loss in this primary distribution revenue was largely but not fully made up by the new Enterprise business that commenced during June 2013 and the new top end Red Bull merchandising business;

- The services rendered to the Manhattan Iced Tea joint venture prior to Clover obtaining full ownership of Manhattan Iced Tea during November 2012, after which it became internal charges; and
- Annual contractual tariff increases, with principals.

Revenue from the sale of raw milk in the previous year was abnormally low due to a difference in interpretation of the milk supply agreement with Danone and this anomaly was rectified during the second half of the 2012/13 year. The normalisation of this situation and the growth in demand from Danone led to a 21,6% increase in raw milk sales. This revenue makes no contribution to profit as the milk is sold at cost.

Cost of sales

Sharp increases in raw material, packaging and milk collection costs caused cost of sales to increase by 10,1% year-on-year notwithstanding a substantial 12,8% reduction in primary distribution charges following the termination of primary distribution services to Danone in February 2013.

Charges against sales were 70% or R62,2 million higher than the previous year, mostly as a result of much reduced promotional activity during the second half of the previous year and the new Nestlé Purelife water business.

Farm gate milk prices were increased in March 2013 and again in February, March and April 2014 (combined effect of approximately 15%). Together with the R91 million increase in raw milk sales to Danone it accounted mainly for the 10,1% increase in raw material costs. Without the cost of the higher raw milk sales, raw material costs increased by 7,2%.

Packaging costs spiralled upwards by R139,2 million or 17,2% of which the R25,3 million or 3,1% can be attributed to the new Nestlé Purelife water business. The weak Rand not only had a direct impact on carton packaging but plastic packaging prices also, contributing heavily to this hike in packaging costs, considering that overall sales volumes for the year were flat on the prior year.

Milk collection costs were up by R38,4 million or 12,1% of which fuel cost increases, directly and indirectly through contractors' rates, accounted for a large portion.

Manufacturing costs increased by 10%, despite savings from the closure of the Mayfair beverages factory as part of Project Cielo Blu. This was largely offset by manufacturing costs relating to the new Clover Waters plant which was taken over from Nestlé. In addition, Clover was unable to contract manufacture certain products for a principal during a portion of the previous financial year because of the relocation of equipment as part of Project Cielo Blu. These associated costs have now been included for the full year.

The termination of primary distribution services to Danone in the previous year was the main contributor to the 12,8% (R63,7 million) reduction in primary distribution costs. The inclusion of Nestlé Purelife water however increased this cost by R21,5 million with considerably higher fuel costs also playing a significant role.

Gross profit

The gross margin declined from 27,1% to 26,2% due to the under recovery of raw milk, packaging and fuel cost increases through selling prices. When the back to back raw milk sales to Danone is excluded the margin contracted from 28,6% to 27,9%.

Other operating income

Included in other operating income are the following amounts:

- R20,7 million gain by Clover Waters on the acquisition of the Nestlé water business. This amount is shown after taxation as required by IFRS and the tax thereon does not form part of the taxation expense, which reduces the effective tax rate for the year; and
- R17,0 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 against their currencies.

Selling and distribution costs

Distribution costs were negatively affected by the fuel cost increases during the year. The new Enterprise, Nestlé Purelife and additional Red Bull business also contributed to the inflation increase of 13,2% or R206,6 million.

Administrative expenses

Administrative expenditure reduced by R8,5 million or 4,1% as no profit based short-term incentive bonuses were provided for 2013/14 as well as below inflation staff cost increases to senior management for the year. In addition the early termination of a lease agreement led to the reversal of previously straight-lined lease costs.

Restructuring expenses

The closure of the Mayfair beverages factory as part of Project Cielo Blu required the relocation of equipment between factories and the associated costs could not be capitalised. R5,5 million was expensed in this regard. In addition equipment to the value of R3,9 million was scrapped. During the year R7,2 million was spent on retrenchment costs.

Operating profit

Operating profit decreased by 24% to R282,3 million. Excluding capital profits, headline operating profit reduced by 19,9% to R278,6 million. However, the Group's restructuring costs decreased by R19,7 million and normalised operating profit, after taking this into account, decreased by 25,4% to R282,7 million.

The under recovery of costs in the challenging trading environment caused the operating margin to contract from 4,7% to 3,3%. The normalised operating margin similarly reduced from 4,8% to 3,3%.

Profit for the year

Profit for the year attributable to equity holders of CIL was 21,8% or R52,0 million lower at R186,7 million after the R89,3 million decrease in operating profit, a R11,1 million or 23,7% increase in net finance charges a R49,2 million reduction in the income tax expense and a R1,1 million increase in non-controlling interest.

Interest-bearing debt for the year ended only R37,6 million higher than the previous year although the average debt levels throughout the year were consistently higher than in the previous year. The reduction in profitability was largely offset by non-cash expenditure and a release of cash from working capital, mainly from much lower inventory levels following the milk shortage during the last quarter of the year. Consequently the increase in net finance charges was contained to R11,1 million.

The effective tax rate reduced from 29,2% to 20,9%. Included in profit before tax is the gain by Clover Waters on the acquisition of the Nestlé water business. In terms of IFRS this amount of R20,7 million is disclosed after tax and the related deferred tax expense is therefore not included in the tax expense. This reduced the effective tax rate by 2,4%. The effective tax rate was reduced by a further 2,6% through the recognition of a deferred tax asset relating to the assessed loss in the Real Beverages Company not previously recognised. In terms of IFRS, the Group's share of CFI's net after tax income is now equity accounted and has to be shown above the profit before tax line although it represents an after tax profit. This contributed to a 1,7% reduction in the effective tax rate. In addition, prior year tax adjustments accounted for a further 1,5% reduction in the effective tax rate.

Nestlé's 30% shareholding in Clover Waters caused non-controlling interests in profit for the year to increase by 87,8% or R1,1 million.

Return on equity

The Group's lower profitability reduced the Return on Equity from 11,9% to 8,6%.

DIVIDENDS

The Company declared and paid an interim dividend of 16 cents per share during April 2014. A final dividend of 16 cents was declared by the Board, which will bring the final dividend for the current financial year to 32 cents. This is equal to the dividend paid in the previous financial year which is in line with the Company's dividend policy to at least maintain dividends in the event of HEPS ending lower than the prior financial year.

Members of Clover's Finance Department oversee and prioritise profitable projects targeted to increase operating margins and returns to shareholders, which would be funded while maintaining an optimal debt to equity ratio.

Major projects for the year included:	R'000
Port Elizabeth ambient store	**74 230**
Consolidation of Parow and Stikland production	**56 004**
Tropika 200 ml Prisma pack line	**24 678**
Clayville beverages inline blending	**24 069**
Ixopo milk procurement depot expansion	**15 771**
Production voltage dip mitigation	**14 704**
Fire protection	**15 404**
Clayville chilled capacity extension	**7 970**
Refurbishment of George depot	**8 060**
Cielo Blu	**64 530**
ERP system upgrade	**9 626**

Clover has aligned itself with Government initiatives to increase manufacturing capacity and local business competitiveness and to reduce the consumption of natural resources, especially energy and water. In order to achieve this, the Group makes use of current Government grants such as the Department of Trade and Industry's Manufacturing Competitive Enhancement Programme ("MCEP").

The increase in property, plant and equipment stems mostly from capital expenditure net of depreciation for the year.

Current assets

The raw milk shortage experienced during the last quarter of the year under review depleted UHT and cheese stocks to a large extent. Inventory levels accordingly dropped by R115,3 million.

Trade receivables increased by only 1,3% 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 and this process was completed in the 2013/14 financial year. Together with the milk shortage and resulting lower sales towards the end of the year, accounts receivable did not grow in line with the growth in revenue.

Trade receivable days outstanding and bad debts remained at very low levels when compared to the combined sales of Clover and those principals for which it provides credit management services. (Analysts should note that trade receivable days outstanding cannot be deduced from the financial statements as the full receivables of certain distribution principals are included in trade receivables while the revenue of such principals is not included in the Statement of Comprehensive Income. Only fees earned from providing the services involved are included in revenue).

Equity

The share premium account increased by R21,2 million from the prior financial year after the settlement of vested share appreciation rights in terms of Clover's SAR Scheme through the issue of new ordinary shares.

Non-current liabilities

Non-current liabilities ended largely at the same levels as the previous year with the exception of the deferred tax liability that increased by R41,7 million. This was due to accelerated wear and tear allowances on the high levels of new equipment acquisitions.

Current liabilities

The reduction in Danone debtors, as explained above, and the reduced milk intake in June 2014 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

The 38,6% gearing level at 30 June 2014 was lower than the 39,7% at 30 June 2013 mainly as a result of the reduction in working capital investment. The Group's gearing is well within its ability to service interest and repayments and it has capacity to extend its gearing considerably to fund future growth.

Clover's business is highly seasonal with marked increases in working capital requirements during the October to January period. Clover has adequate facilities available to absorb the seasonality of its business.

CASH FLOW

The net current assets position weakened from R984,9 million to R871,3 million. Excluding inventory, the position however improved from R301,7 million to R303,4 million.

Cash generated from operations, before working capital changes, was R338,4 million compared to R396,8 million reported in the prior year. This lower cash generation followed mostly from the lower profit for the year. However, during the year under review, working capital released R64,6 million of cash compared to the cash absorption of R177,6 million in the prior year. Final cash from operations increased by 83,9% to R403,1 million. The reasons for the working capital changes are discussed under current assets and liabilities above.

Investment activities consumed R351,7 million in cash compared to R515,8 million in the previous year. The final capital expenditure on Project Cielo Blu amounted to R64,5 million. The total capital expenditure for the year came to R388,0 million against which government grants of R32,1 million were received.

R134,4 million was paid for finance costs and dividends. Dividend payments increased by 65,5% mainly due to the new dividend policy applied from 1 July 2013. Utilised short-term debt facilities were R37,6 million higher than at the previous year end.

The Group reported a net decrease in its cash position for the year of R46,4 million as a result.

SEGMENTAL PERFORMANCE

The segmental information is only disclosed to Margin on Materials ("MOM"). Overheads are managed at group level. MOM refers to revenue less raw material, ingredients and packaging costs.

Dairy Fluids

The dairy fluids product group is made up of fresh milk, UHT milk, steri milk, ultra pasteurised milk, cream and maas.

Dairy fluids volumes grew by 1,9% for the period. The drinking milk market in South Africa continued to be marked by very aggressive pricing by UHT retailer house brands resulting in the UHT market significantly growing at the expense of fresh milk. Following Clover's own price strategy, UHT volumes increased by 2,3% whilst its fresh milk volumes declined by 4,1%. However both categories underperformed against the market. Maas, which was reintroduced in the second half of the prior financial year grew by 292% and supported the fluids product group to achieve overall growth. Clover's supply of UHT during the last quarter of the year was severely curtailed by the shortage of raw milk that it experienced.

Included in the dairy fluids product group 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 product group's performance. Excluding this revenue, the MOM margin deteriorated by 1,2% to 37,3%, mainly as a result of the under recovery of packaging and raw milk costs through selling prices. UHT market prices remained very competitive throughout the year. MOM for fluids increased by 9,7% to R1 439,3 million. Price inflation was 11,4% on average while the cost of materials and packaging increased by 13,8% net of the volume effect.

Concentrated products

The concentrated dairy products group consists of cheese, butter, condensed milk and retail powders.

Concentrated dairy product volumes reduced by 4,1%. If the strategic reduction in the bulk mozzarella business during late 2012 is excluded, this segment grew by 5,6%. Pre-packed natural cheese and feta cheese volumes increased by 13,5% and 9,3% respectively. Cheese volumes were negatively affected by the raw milk shortage during the last quarter of the financial year. Condensed milk volumes declined by 9,4% and butter volumes by 9%. The exit from the bulk mozzarella business and the factory relocations as part of Project Cielo Blu in the prior year created surplus milk at the time which was converted into skimmed milk powder and butter with resulting higher butter sales in that year.

This product group's revenue as a result grew by 7,02% based on average price inflation of 11,1% 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 12,9% net of increased volumes. MOM decreased by 2,4% and the MOM margin decreased by 2,7% mainly as a result of the under recovery of packaging and raw milk costs through selling prices.

Ingredients

CFI, the Group's joint venture with Fonterra of New Zealand, is mainly responsible for the ingredients product group. Since 2009 Clover does not actively manufacture products for the bulk ingredients market and will supply the market, through CFI, from time to time when it has surplus product. The majority of CFI's products for its market is supplied by Fonterra. These products consist of bulk dairy based ingredients including skimmed milk powder, whole milk powder, butter, cream and other specialised dairy ingredients.

Sales volumes declined by 34,8% following Fonterra's decision with effect from 1 January 2014 to directly market their products in sub-Saharan Africa (excluding South Africa). The decline was furthermore a result of once off larger volumes of skimmed milk powder and butter being sold into the ingredients market in the prior year when Clover manufactured additional quantities to accommodate the Project Cielo Blu factory relocations and its exit from a major part of its mozzarella business.

Ingredients revenue increased by 0,5% with average price inflation at 35,2%. The lesser Fonterra volumes from 1 January 2014 which were previously sold on commission only, improved CFI's revenue mix between commission income and the much more profitable own sales. International dairy ingredient prices were very high during the first half of the year which further bolstered CFI's selling prices. MOM grew by 21,5% and the MOM% increased by 4,5% to 25,9%.

Non-alcoholic beverages

The Group's sales of fruit juices, dairy fruit mixes, flavoured milk, water and Iced Tea are recorded in this product group.

With effect from 1 August 2013 the newly formed Clover Waters (Pty) Ltd ("Clover Waters") acquired Nestlé South Africa's ("Nestlé") Gauteng based Doornkloof property, bottled water manufacturing facility and water rights. As a result of the transaction, Clover Waters also obtained the right, by way of a licence, to manufacture, distribute, market and sell bottled mineral water under Nestlé's Purelife, Valvita and Schoonspruit brands as well as Iced Tea under the Nestea brand. These brands complement Clover's Aquartz bottled water and Manhattan Iced Tea brands which are now manufactured, distributed, marketed and sold by Clover Waters. Nestlé holds 30% of the shares in Clover Waters.

Beverage volumes increased by 5,4% boosted by the Nestlé Purelife water volumes coming through from 1 August 2013. Excluding the Nestlé Purelife volumes, the beverage volumes reduced by 5,8%. Pressure on discretionary spend by the South African consumer impacted significantly on this product group which, unlike the fluids and concentrated product group, consists of discretionary products. The relocation of the Gauteng based Mayfair beverages factory to the Clayville facility at the start of the financial year created temporary supply problems which negatively impacted volumes. Dairy fruit mix and fruit juice volumes declined by 6,7% and 8,7% respectively when compared to the previous year.

The Nestlé Purelife water business changed the product mix considerably in this product group with average prices being 2,2% lower than in 2012/13. Revenue in this product group increased by 3,2%. The MOM% reduced by 2,0% mostly because of the change in product mix with water now representing a larger percentage of the product group's overall product basket.

Jacques Botha
Chief Financial Officer

15 September 2014

SIX-YEAR FINANCIAL REVIEW

Summarised results for the year	Variance 2014 vs 2013	2014 R'000	2013 Restated R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
Revenue	**8,9%**	**8 530 237**	7 832 911	7 223 863	6 542 321	@6 161 483	+5 475 800
Operating profit	**24,0%**	**282 276**	371 624	371 232	319 019	**558 970	*664 338
Net financing cost							
Current and long-term liabilities	**23,7%**	**(57 809)**	(46 717)	(1 855)	(16 081)	(41 228)	(103 501)
Debt portion of preference share capital	**0%**	**–**	–	(22 007)	(21 359)	(22 290)	(32 248)
Profit before tax from continuing operations	**(30,9%)**	**224 467**	324 907	347 370	281 579	495 452	528 589
Taxes	**49,7%**	**(49 791)**	(99 022)	(137 654)	(97 534)	(191 662)	(29 239)
Share of profit of a joint venture	**2,4%**	**14 306**	13 974	–	–	–	–
Profit after tax from discontinued operations	**–**	**–**	–	–	–	32 123	39 560
Non-controlling interest	**87,8%**	**(2 316)**	(1 233)	(4 426)	(4 446)	(5 094)	(11 740)
Profit attributable to equity holders of the parent	**(21,8%)**	**186 666**	238 626	205 290	179 599	**330 820	*527 170
Headline earnings attributable to equity holders of the parent	**(12,8%)**	**187 464**	214 894	207 800	175 177	19 000	(104 300)

Normalised earnings	Variance 2014 vs 2013	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
Operating profit		**282 276**	371 624	371 232	319 019	558 970	664 338
Adjusted for exceptional items:							
(Profit)/loss on sale and scrapping of property plant and equipment		**5 102**	(11 680)	(878)	(7 277)	940	(3 830)
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)	–
Discount on acquisition of PPE by Clover Waters through issue of shares		**(20 716)**	–	–	–	–	–
Profit on deconsolidation of Danone Clover		**–**	–	–	–	–	(637 518)
Profit on sale of Danone Clover		**–**	–	–	–	(337 682)	–
Retrenchment costs		**7 174**	17 184	3 629	6 628	84 900	17 200
Option fee paid to HCI on capital restructuring		**–**	–	–	–	11 400	–
Legal and professional services costs associated with the listing		**141**	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		**8 721**	18 517	5 944	1 780	10 700	8 400
Normalised operating profit		**282 698**	378 947	379 927	328 649	320 810	48 590
Net financing cost		**(57 809)**	(46 716)	(23 862)	(37 440)	(63 518)	(135 749)
Tax expense							
Total tax expense		**(49 791)**	(99 022)	(137 654)	(97 534)	(191 662)	(29 239)
Other non-recurring tax adjustments		**–**	–	18 254	–	–	–
STC paid on capital restructuring		**–**	–	–	–	52 200	–
Taxation adjustment on exceptional items		**(4 286)**	(8 453)	(2 745)	(1 845)	69 765	33 206
Share of profit of a joint venture		**14 306**	13 974	–	–	–	–
Non-controlling interest		**(2 316)**	(1 233)	(4 426)	(4 446)	(5 094)	(11 740)
Non-controlling interest's portion in discount on acquisition of PPE by Clover Waters through issue of shares		**6 215**	–	–	–	–	–
Non-controlling interest's portion of restructuring cost of subsidiary		**(741)**	–	–	–	–	–
Normalised profit attributable to equity holders of the parent		**188 276**	237 497	229 493	187 384	182 501	(94 932)

@ *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 deconsolidation of Danone Clover.*

** *Includes R337,7 million (R227,1 million after tax) profit on sale of Danone Clover.*

*** *Figures from 2009 to 2012 has not been restated for the equity accounting of CFI and Clover Manhattan.*

	Variance 2014 vs 2013	2014 R'000	2013 Restated R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
Dividends							
Equity dividends – ordinary shares		**69 342**	41 912	53 734	58 720	–	1 000
Equity dividends – preference shares		**–**	–	–	–	370 030	28 984
Preference dividends recognised as interest		**–**	20 346	22 007	21 359	22 290	32 248
Earnings and dividends per share		Cents	Cents	Cents	Cents	Cents	Cents
Equity dividends per ordinary share – Interim		**16,0**	10,0	15,0	10,0	–	–
Equity dividends per ordinary share – Final		**16,0**	22,0	13,4	15,0	32,95	–
Equity dividends per preference share		**–**	–	–	–	–	33,5
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		**–**	22,7	24,6	23,9	24,9	37,3
Earnings per ordinary share		**102,3**	133,1	114,6	116,7	**214,0	***22,3
Diluted earnings per ordinary shares		**97,3**	123,8	107,4	108,9	**214,0	***22,3
Headline earnings/(loss) per ordinary share		**102,7**	119,9	116,0	113,8	**33,1	***(82,2)
Diluted headline earnings/(loss) per ordinary share		**97,8**	111,5	108,7	106,2	**33,1	***(82,2)
Normalised earnings/(loss) per share, calculated by dividing the normalised profit/(loss) by the weighted average number of ordinary shares net of treasury shares		**103,2**	132,5	128,1	121,8	*118,1	*(120,6)
Summarised statement of financial position		R'000	R'000	R'000	R'000	R'000	R'000
Non-current assets		**2 302 052**	1 997 482	1 526 306	1 361 355	1 202 482	1 823 620
Deferred taxation asset		**8 919**	6 722	492	3 262	18 840	110 449
Current assets		**2 298 621**	2 413 733	2 336 745	2 180 874	1 710 880	1 651 408
Total assets		**4 609 592**	4 417 937	3 863 543	3 545 491	2 932 202	3 585 477
Shareholders' funds		**2 252 270**	2 113 116	1 894 244	1 742 362	1 048 358	1 440 122
Non-controlling interest		**20 471**	2 309	1 796	9 443	28 108	40 886
Non-current portion of interest-bearing borrowings		**662 357**	666 640	21 686	432 833	592 504	761 425
Non-current portion of provisions		**67 615**	60 814	61 637	62 522	50 457	60 464
Non-current portion of trade and other payables		**4 351**	9 267	6 904	13 357	6 320	–
Deferred taxation liability		**179 023**	137 313	116 950	32 015	6 363	6 292
Current portion of interest-bearing borrowings		**214 495**	172 646	421 376	173 828	66 947	234 809
Current liabilities		**1 209 010**	1 255 832	1 338 950	1 079 131	1 133 145	1 041 479
Total equity and liabilities		**4 609 592**	4 417 937	3 863 543	3 545 491	2 932 202	3 585 477
Net assets		**2 272 741**	2 115 425	1 896 040	1 751 805	1 076 466	1 481 008
Replacement value of property, plant and machinery [@]		**7 577 153**	6 106 300	5 746 800	5 445 700	5 112 800	4 927 000

@ Replacement value of property, plant and machinery is determined by an external valuator.

** The earnings/(loss) per share from continuing operations adjusted for exceptional items for years 2009 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 two-for-one share split (4 November 2010) is taken into consideration.*

*** Earnings per share for the 2010 financial year has been recalculated to account for the two-for-one share split.*

**** Earnings per share has not been adjusted for the two-for-one share split as at 4 November 2010.*

***** Figures from 2009 to 2012 has not been restated for the equity accounting of CFI and Clover Manhattan.*

A list of all definitions used in the above calculation is set out on page 199.

Number of shares in issue	2014	2013 Restated	2012	2011	2010	2009
Number of ordinary shares in issue at year-end	**182 478 589**	181 218 149	179 111 867	179 111 867	123 849 962	88 485 311
Weighted average number of ordinary shares net of treasury shares	**182 478 589**	179 267 674	179 111 867	153 882 447	154 595 442	78 711 534
Weighted average number of ordinary shares for calculation of diluted earnings	**191 767 408**	192 750 186	191 127 152	164 890 519	154 595 442	78 711 534
Number of preference shares in issue at year-end	**–**	–	89 442 022	89 442 022	89 442 022	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
Cash flow	R'000	R'000	R'000	R'000	R'000	R'000
Cash flow from operating activities	**403 067**	219 198	417 910	256 927	347 077	79 696
Cash (used in)/from investment activities	**(351 734)**	(515 811)	(256 150)	(253 323)	1 005 113	(186 391)
Net cash (outflow)/inflow before financing activities	**(97 780)**	297 159	161 760	3 604	1 352 190	(106 695)
Cash flow from operating activities per share (cents)	**220,9**	122,3	233,3	167,0	224,5	101,3
Ratios and returns	%	%	%	%	%	%
Operating profit to revenue	**3,3**	4,7	5,1	4,9	**9,1	*12,1
Normalised operating profit	**3,3**	4,8	5,3	5,0	5,2	0,9
Return on net assets	**8,6**	13,1	14,9	15,0	**27,1	*27,7
Return on net assets excluding exceptional items	**8,6**	13,4	15,2	15,4	15,5	2,0
Return on equity holders' funds	**8,6**	11,9	11,3	12,9	**26,6	*44,3
Return on equity holders' funds excluding exceptional items	**8,6**	11,9	12,6	13,7	15,1	(8,0)
Gearing percentage	**9,8**	6,4	(14,2)	(12,4)	21,4	48,8
Effective tax rate	**20,9**	29,3	39,6	34,6	38,7	5,5
	Times	Times	Times	Times	Times	Times
Net asset turn	**5,6**	6,2	6,8	8,3	6,9	6,5
Current ratio	**1,6**	1,7	1,3	1,7	1,4	1,3
Employees statistics	Number	Number	Number	Number	Number	Number
Average number of employees	**6 393**	6 519	6 555	6 353	6 362	6 579
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue per employee	**1 334,3**	1 201,6	1 102	1 030	968	832
Operating profit per employee	**44,2**	57,0	57	50	88	101
Normalised operating profit	**44,2**	58,0	58	52	50	7
Average net assets per employee	**343,2**	307,7	278	223	201	188

 # The number of ordinary shares have been adjusted for the two-for-one share split (4 November 2010).

** Includes R637,5 million (R599,5 million after tax) profit on deconsolidation of Danone Clover.*

*** Includes R337,7 million (R227,1 million after tax) profit on sale of associate Danone Clover.*

**** Figures from 2009 to 2012 has not been restated for the equity accounting of CFI and Clover Manhattan.*

A list of all definitions used in the above calculation is set out on page 199.

REPORT ON GOVERNANCE, RISK AND COMPLIANCE

As an iconic brand operating within the branded consumer goods industry, Clover is acutely aware of the importance of its reputation and vigilantly protects this.

COMPANIES ACT AND KING III

RESPONSIBILITY TO ENSURE GOOD GOVERNANCE

Good corporate governance underpins transparency, fairness, integrity and accountability in Clover's daily interactions with all stakeholders and the environment. The underlying objective of governance is to counterbalance the interests of investors, consumers, producers, the environment, employees, communities, government and any other groups impacted by the Group's business, safeguarding our sustainability.

STATEMENT OF COMPLIANCE

The Board endorses the King Code of Governance Principles for South Africa 2009 King III or ("the Code") and has satisfied itself that Clover has conformed throughout the reporting period to all the principles of the Code and the Listings Requirements of the JSE wherever practical and possible. Where Clover has partially complied or not complied with these provisions, the Group has provided motivations and reasons, as indicated in the King III index on page 50 of this report.

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 Six Capitals.

REPORT ON GOVERNANCE, RISK AND COMPLIANCE

- Ethical leadership and corporate citizenship
- Board and Directors
- Audit Committee
- The governance of risk
- Governance of Information Technology (IT)
- Compliance with laws, codes, rules and standards
- Internal Audit
- Integrated reporting

KING III

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

MANUFACTURED | INTELLECTUAL | HUMAN | SOCIAL AND RELATIONSHIPS | NATURAL | FINANCIAL

SIX CAPITALS

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The Board has adopted a Code of Ethics which is continuously reviewed and updated as required. This code is used as a benchmark against which to manage the business, taking into consideration the social, political and operational environments in which the business conducts itself.

As an iconic brand operating within the branded consumer goods industry, Clover is aware of the importance of its reputation and protects this.

During the reporting period, no material ethical leadership or corporate citizenship deficiencies were noted. The Board is responsible for Clover's compliance with the Code of Ethics. It has delegated the responsibility of oversight and monitoring to the Audit and Risk Committee as well as the Social and Ethics Committee, which are both sub-committees of the Board.

These Committees monitor and measure compliance through various reporting channels, such as:

- Its Internal Audit department, outsourced to KPMG;
- The whistle blower hotline; and
- Clover's Competition Law Centre of Excellence.

No requests for information in terms of the Promotion of Access to Information Act were received during the reporting period.

Clover complied in all material aspects with all relevant legislation and was not subject to any material penalties, fines or criminal procedures.

BOARD AND DIRECTORS

The Board is ultimately responsible for effective corporate governance.

The Board's responsibilities are formalised by way of a charter, which is reviewed on an annual basis. All Board sub-committees operate under Board approved mandates and terms of reference. Save for the Executive and Nomination Committees, all other committees are chaired by Independent Non-executive Directors.

The Board

The Board is accountable to shareholders and ultimately responsible for the management of Clover's business, including determining strategies and policies. The Board is also responsible for approving the Group's financial objectives and targets.

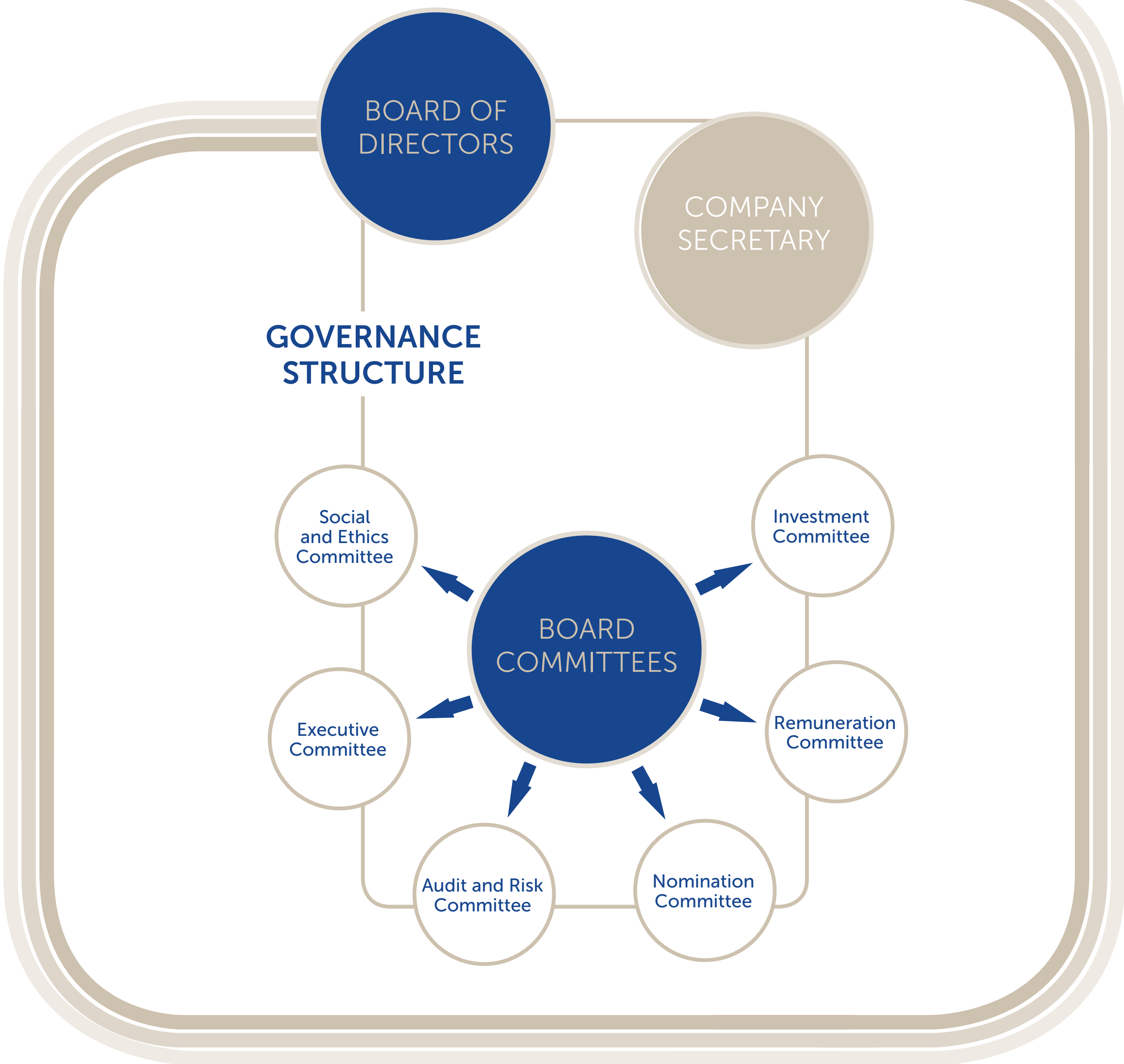
Although members of the Board are appointed by the Company's shareholders, the Board has the authority to appoint directors to fill any vacancy that may arise from time to time. These appointments are ratified by shareholders at the Annual General Meeting.

Directors are appointed based on their specific skills set, industry expertise and experience as well as the overall level of contribution they can make to the activities of the Group. The Nomination Committee, as a sub-committee of the Board, has been tasked with identifying and recommending suitable candidates for the Board's consideration through a formal process. Cognisance is taken of the Group's overall empowerment and transformation drives in this regard.

New appointees are appropriately familiarised with the Group's business through a formal induction programme.

The day-to-day business activities of the Company are the responsibilities of the Executive Committee. This Committee is responsible for ensuring that Board decisions are effectively implemented in line with its mandates.

Clover's Memorandum of Incorporation gives the Board the authority to indemnify directors. Deeds of indemnification have been issued to all directors and prescribed officers of Clover, to the extent permitted by the Companies Act. During the reporting period, appropriate directors' and officers' liability insurance was in place.



Board composition

At the end of the review period, the Board consisted of three Executive Directors and eight Non-executive Directors, five of whom are independent.

Details of the Directors are available on pages 16 to 18 of this report. In contrast with the prior year, Clover's Board now consists of a majority of Non-executive Directors of which a majority is independent, entrenching the balance of power and authority at Board level. Mr. TA Wixley continues in his capacity as Lead Independent Director. No individual director has unfettered powers of decision-making.

Director	Board		Audit and Risk Committee		Remuneration Committee		Nomination Committee		Social and Ethics Committee		Investment Committee	
Independent non-executive	A	B	A	B	A	B	A	B	A	B	A	B
TA Wixley	4	4	5	5	4	4	1	1	4	4	2	2
Dr. SF Booysen	4	4	4	5	4	4	1	1	4	4	2	2
JNS du Plessis	4	4	4	5	4	4						
NV Mokhesi$	3	3							2	2		
NP Mageza#	1	2	2	3								
B Ngonyama$	3	3	2	2								
Non-executive												
WI Büchner	4	4	5	5	4	4	1	1	4	4	2	2
MG Elliott#	1	2										
Dr. JC Hendriks#	3	3							2	3		
NA Smith	4	4									2	2
PR Griffin$	1	1										
Executive												
JH Vorster	4	4										
LJ Botha	4	4										
Dr. CP Lerm	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
 # During the year under review the following directors retired:
– MG Elliott and NP Mageza with effect from 26 November 2013
– JC Hendriks with effect from 13 March 2014
$ The following directors were appointed to the Board during the year under review:
– B Ngonyama and NV Mokhesi with effect from 26 November 2013
– PR Griffin with effect from 13 March 2014

Company Secretary

The Company Secretary 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 Directors of the Group have unfettered access to the advice and services of the Company Secretary and may seek independent professional advice on the affairs of the Group in appropriate circumstances if they believe that such actions will best serve the interests of the Group.

Having duly considered the above, the Board is comfortable that the Company Secretary maintains an arm's length relationship with the Board and individual directors in terms of Section 3.84(j) of the JSE Listings Requirements.

The Certificate of Jacques van Heerden, the Company Secretary, appears on page 110 of this Integrated Annual Report.

Board Committees

The Board has mandated a number of sub-committees to assist it in discharging its responsibilities. Each sub-committee's scope and nature of authority is stipulated in its terms of reference, which is approved by the Board.

Clover's Audit and Risk Committee as well as 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 at www.clover.co.za.

EXECUTIVE COMMITTEE

ER Bosch
Dr. JHF Botes
LJ Botha
Dr. CP Lerm
H Lubbe
MM Palmeiro
JH Vorster – Chairman

Directors, Executive and operational management have clearly defined responsibilities and levels of authorisation for their respective areas of the business. The delegation of these responsibilities is reviewed annually.

The Executive Committee reviews and identifies risk, current operations and the management thereof. This Committee is tasked with developing strategies and recommending policies for the Board's consideration as well as the implementation of the Board's directives and decisions.

AUDIT AND RISK COMMITTEE

Dr. SF Booysen
JNS du Plessis
NP Mageza (retired on 26 November 2013)
B Ngonyama (appointed on 26 November 2013)
TA Wixley – Chairman

The Audit and Risk Committee comprises only Independent Non-executive Directors. The CEO, CFO as well as other Executive and Non-executive Directors attend meetings of the Audit and Risk Committee by invitation.

The report of the Audit and Risk Committee is available on pages 108 to 109 of this report and sets out the responsibilities and delivery of the Committee against these objectives during the review period.

REMUNERATION COMMITTEE

Dr. SF Booysen – Chairman
WI Büchner
JNS du Plessis
TA Wixley

The Chief Executive and other executives attend meetings of the Remuneration Committee as invitees and are recused from discussions pertaining to their own remuneration and benefits. The report of the Remuneration Committee is on pages 54 to 69 and sets out its responsibilities as well as its delivery against these.

SOCIAL AND ETHICS COMMITTEE

SF Booysen
ER Bosch
WI Büchner
Dr. JC Hendriks (retired with effect from 13 March 2014)
N Mokhesi (appointed 26 November 2013)
TA Wixley – Chairman

The mandate of this Committee is specified in Regulation 43(5) of the Companies Act. Its responsibilities and functions are governed by terms of reference which are regularly reviewed and approved by the Board.

As a sub-committee of the Board, the Social and Ethics Committee is tasked with the monitoring, developing, reviewing and improvement of Clover's social, ethical, environmental impact and governance policies against pre-set benchmarks.

In terms of the Committee's work plan, the implementation of certain actions have been prioritised to enable it to fully discharge its statutory functions over a three year period.

This Committee meets four times per year and reports through one of its members to shareholders at the Company's Annual General Meeting on all sustainable matters within its mandate. Its Report on Six Capitals is available on www.clover.co.za as well as on page 70 of this report.

NOMINATION COMMITTEE

Dr. SF Booysen
WI Büchner – Chairman
Dr. JC Hendriks (retired on 13 March 2014)
TA Wixley

The Nomination Committee is tasked with the regular review of the Board's structure, size and composition and to make recommendations in this regard, taking cognisance of the Company's strategies and operating environments.

The Committee is furthermore responsible to ensure that an appropriate balance exists between Executive, Non-executive and Independent Non-executive Directors, as well as for the classification of directors as being independent, in line with King III.

It assists with the identification and nomination of potential new Directors for appointment by the Board and/or shareholders and oversees the induction and training of the Directors.

The Nomination Committee assists the Chairman of the Board with the annual performance reviews of Board and sub-committee members as well as supporting the proper and effective functioning of the Board, including appropriate succession planning.

This Committee meets as and when required during every financial year.

INVESTMENT COMMITTEE

Dr. SF Booysen
WI Büchner
NP Mageza (resigned with effect from 26 November 2013)
NA Smith (appointed 26 November 2013)
TA Wixley (Lead Independent Director) Chairman

The Investment Committee guides and acts as a sounding Board for the Executive Committee when considering growth plans, especially with regards to mergers and acquisitions. The Investment Committee has been mandated with the authority to approve transactions ranging in value from R50 million to R350 million and meets as and when required during the course of the financial year.

GOVERNANCE OF RISK

Effective risk management is imperative for 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.

Clover's Board assumes full responsibility for the governance of risk through a formal risk management framework. It effects its duties through the Audit and Risk Committee, a sub-committee of the Board which has been appropriately constituted.

In order to ensure a consistent approach to risk management within the Group, the Board approved the Enterprise Wide Risk Management Framework, which defines Clover's risk-bearing capacity, risk appetite and risk tolerance. This policy and framework incorporates the COSO Enterprise Risk Management – Integrated Framework, and generally accepted risk management practices that are reviewed annually for Board approval.

All service organisations, support functions, processes, projects and entities controlled by Clover are required to conform to this policy and framework.

Management continues to build on the integration of risk limits into business processes, including the setting of authorisation thresholds in pursuing strategies within the predetermined levels of risk appetite as well as setting of risk tolerances for operational functions.

These risk limits are used to compile the risk impact categorisation table for the purpose of measuring and prioritising risk according to materiality of impact values.

Management has been charged with the design, implementation and monitoring of risk management structures within the Group. Risk assessments are conducted on a quarterly basis within each business unit to monitor the efficacy of these structures. In line with Clover's Framework, Clover records and manages the Clover risk universe on the BarnOwl risk management system, which is utilised to prioritise material inherent and residual risks.

The Management Risk Committee meets on a quarterly basis to table key risks facing the Group as well as the status of mitigating action plans. Key risks and actions are reported to the Audit and Risk Committee on a quarterly basis. The current top five risks are:

Risk	Mitigation plan
Non-compliance with legislation	Continuous compliance monitoring and training within the Group where mitigation measures are formalised into written policies.
Maintaining service delivery to principals	Individual principal performance is benchmarked against pre-determined performance criteria. Any substantial deviation in performance is reported to the executive for remedial action. A key focus area for Clover remains enhancing the service offering to principals.
Capacity constraints at certain distribution centres	Capacity analysis is continuously performed Group-wide. Significant capital projects have been completed or are underway to ensure long-term capacity at various key facilities.
Risk of not being a Level 4 B-BBEE contributor, being a requirement to unlock future government grants and incentives	Clover has evaluated its options to migrate to Level 4 B-BBEE contributor by 2015/16 on the existing Agri Sector codes, which are expected to be revised in the latter part of 2014, with effective implementation date uncertain.
Reduction in consumer spending in SA creating pressure on price and volumes, resulting in lower profitability	Continuously monitor sales prices to ensure price premiums are justified. Clover is considering potential actions to drive cost efficiencies.

Clover's Risk Management department in conjunction with our Internal Audit service provider, KPMG, assesses Clover's combined assurance activities as depicted in the diagram below:

CLOVER RISK UNIVERSE

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

Reaching the Group's widely dispersed consumer/customer on a daily basis

Providing consumers with quality and trusted products, underpinned by a leading dairy business

Develop or acquire brands to occupy number one or two in chosen segments

Way Better operations across the supply chain to provide sustainable shareholder value

By being a responsible corporate citizen

Preferred employer

INHERENT RISK ON BUSINESS MODEL

SALES AND MERCHANDISING	• Consumers are under pressure with rising inflation
DISTRIBUTION FACILITY	• Distribution networks need to cater for future growth • Increased competition for distribution
BRANDS AND MARKETING	• Competitors on the rise with new brands
AFRICA EXPANSION	• Compliance with foreign legislation
CONSOLIDATE INDUSTRY	• Access to competitive information
PRINCIPAL FACTORIES PRODUCTION	• Factories are too dispersed, requiring consolidation
PROCUREMENT AND SUPPLY CHAIN PLANNING	• Weakening exchange rates, impacting packaging costs and commodities negatively
MILK PROCUREMENT	• Milk producers under pressure with rising input costs • Few growth opportunities for producers
SUPPORT SERVICES	• Increased pressure on labour costs • Unstable labour environment

COMBINED ASSURANCE

In August 2014 Clover upgraded to the eRMS distribution module overlaying Clover's existing ERP LX environment, which runs on a BPCS ERP platform. In view of the complexity and the magnitude of the risks involved, Clover engaged with EY, the Group's External Auditors, to ensure that the programme governance process is independently assessed and advised on. More specifically, in terms of overall delivery, the risks with the programme governance, risk and delivery management that expose the programme to risks were assessed and advised on. Procedures were performed to highlight these risks and to obtain comfort that adequate controls are in place to meet financial requirements. Furthermore, recommendations were provided on current programme processes, while building a framework for future programme and delivery management.

The Board, assisted by the Audit and Risk Committee, is satisfied that the risk management processes applied during the review period were performing effectively. The Management Risk Committee has not reported any material losses or losses incurred as a result of unpredictable events during the year under review.

Clover's Enterprise Wide Risk Management Framework was independently assessed by KPMG Internal Audit against the principals of the Code as part of Clover's three year rolling plan. KPMG's report with respect to the June 2013 year-end concluded that all essential processes of risk governance appear to be imbedded in a credible manner. The report 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.

Clover runs ongoing fraud awareness campaigns at branch level across all levels of staff in order to raise awareness of the Group's Ethics Policy, the use of the Ethics Hotline and the fact that all calls to this line are treated confidentially by Deloitte. Tip-offs received 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.

GOVERNANCE OF INFORMATION TECHNOLOGY (IT)

The Board is responsible for the overall governance of IT. It effects these duties through the Audit and Risk Committee and various IT Steering Committees through a formal risk management process.

Clover's compliance to its IT governance framework is assured independently by KPMG Internal Audit as part of Clover's three year rolling plan. Business continuity plans in accordance with the Business Continuity Management Policy have been approved by the Board and include a formal project process and/or change control policy and disaster recovery plan for IT and business systems.

The External Auditors review on an annual basis the IT infrastructure and applications which provide support for the financial system.

Due to the complexity in Clover's business environment, traditionally there was no off-the-shelf Enterprise Resource Planning ("ERP") system available for the order-to-cash business cycle. Therefore Clover developed a customised ERP solution for this business process and had to run on two ERP environments, a standardised ERP on BPCS platform and a customised ERP for the order-to-cash business cycle, named IDS, which was also on a BPCS platform.

This legacy customised ERP prevented Clover from upgrading to new ERP versions, which disabled Clover from the opportunity to utilise advanced management reporting solutions and applications available under the latest ERP solutions.

Clover looked at various ERP solutions that would meet its unique requirements and found a tailored version used in international dairy companies suitable to Clover's environment, named Electronic Route Management System (eRMS), which also runs on our existing BPCS platform. Clover successfully replaced the legacy IDS system in August 2014 with the eRMS distribution module thereby standardising Clover to one ERP environment, named ERP LX. The future benefits for Clover include enabling Clover to implement future upgrades as and when these are done as eRMS is updated as part of BPCS. Furthermore, this enables Clover to make use of extensive management reporting and analytics available on the Intelligent Open Network (ION) platform.

COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS

The responsibility of facilitating compliance throughout the Company has been delegated to the Company Secretary. During the review period, the Board approved Clover's compliance policy.

Clover ensures that all employees are inducted and are made consistently aware of the Group's compliance policies and procedures by way of a compliance manual, which has been reviewed by KPMG's Internal Audit. This manual documents compliant conduct within the Group which is in accordance with the relevant compliance policies and standards. It also documents how applicable laws, regulations and supervisory requirements should be complied with.

Non-adherence to the documented standards will lead to disciplinary action which could lead to dismissal.

During the year under review, Clover continued to enhance its regulatory universe and its documented process to ensure adequate and effective controls.

Compliance with provisions of the Consumer Protection Act and Competition Act

Clover trains its staff and promotes a culture of compliance through educational online training campaigns which raise awareness and understanding of the requirements and obligations of the Competition Act as well as the Consumer Protection Act. It is compulsory for all employees in management roles and those who may be exposed to anticompetitive or collusive behaviour by nature of their position within the Group, to complete the training.

During the review period, more than 686 employees completed the online training and refresher valuations. (2013: 600 employees.)

As referred to previously, Clover established a Competition Law Centre of Excellence ("CLCE") in conjunction with the KPMG Competition Law Advisory Practice in 2012. The CLCE functions as a critical tool to ensure high standards of competition law compliance with Clover.

Apart from various legal proceedings in the ordinary course of business, the Board is satisfied that there are no material pending or threatening legal actions.

Clover and Danone Southern Africa (Proprietary) Limited have agreed to refer certain contractual disputes to arbitration in accordance with the terms and conditions of the Secondary Distribution Agreement and Manufacturing and Packaging Agreement respectively. The matter was heard by the arbitrator at the end of August 2014 and the parties are awaiting the decision of the arbitrator which should be available at the end of September 2014 or early October 2014.

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

Insider trading

The Board adopted Clover's Group Price-Sensitive Information Policy and Group Insider Trading Policy. Compliance with these policies provides reasonable assurance that directors, officers, relevant employees and service suppliers of the Group and its subsidiaries are aware of and comply with the policies' requirements.

Salient features of these policies are:

- No employee of the Group may deal directly or indirectly in Clover's shares on the basis of unpublished price-sensitive information regarding the business;
- No director or officer of the business may disclose trade information of the business;
- Directors and officers are precluded from trading in Clover shares during closed periods or prohibited periods as determined by the Board; and
- Closed periods are imposed from:
    - the end of the first six-month period to the time of the publication of the interim financial results on the Securities Exchange News Service ("SENS"); and
    - the financial year-end date to the time of the publication of the final financial results on SENS.
- Any director wishing to trade in Clover's shares must obtain clearance from the Chairman of the Board or the designated director prior to trading in these shares.

INTERNAL AUDIT

Clover has outsourced its Internal Audit function to KPMG Services (Proprietary) Limited (KPMG Internal Audit). KPMG Internal Audit is responsible for implementing the annual audit plan approved by Clover's Audit and Risk Committee. This Internal Audit function operates under the direction of the Audit and Risk Committee, which approves the scope of work to be performed.

As with any policy or protocol, there are inherent limitations to the effectiveness of any system of internal control due to human error or the deliberate circumvention or overriding of controls. Accordingly, an effective internal control system can provide only reasonable assurance with regards to financial statement preparation and safeguarding of assets.

Clover's internal controls and systems are designed and monitored to provide reasonable assurance regarding the reliability of the financial statements and to protect, verify and maintain accountability for its assets. These controls are based on established policies and procedures, implemented by trained personnel with segregated duties and responsibilities.

Internal control systems are managed by way of a documented organisational structure with segregation of responsibilities as well as established policies and procedures which are communicated throughout the Group. Incumbents are carefully selected, trained and developed to effectively execute their duties.

Significant findings are reported to the Executive Committee as well as the Audit and Risk Committee, with corrective action measures implemented to address identified internal control deficiencies. During the review period, no material breakdowns in internal controls were reported within the key areas reviewed.

EY performed a limited assurance review of management's assessment of internal controls over financial reporting. This was in addition to the Internal Audit conducted by KPMG Internal Audit. No material findings were reported to the Audit and Risk Committee and nothing has come to the Directors' or the auditors' attention that indicates any material breakdown in the effectiveness of the internal controls and systems during the reporting period.

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 the Group has conformed throughout the reporting period to all material aspects of the Code, except where it has applied the principle of "apply or explain" as indicated in the King III index.

Jacques van Heerden
Company Secretary

15 September 2014

KING III INDEX

King III application

Apply

Under review/Do not apply

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 serves the long-term interests of the Group. As recommended by the Code, TA Wixley has been appointed as Lead Independent Director to fulfil 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 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 Six Capitals fully independently assured. Partial combined assurance has been obtained.

✓ 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

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 non-binding 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

✓ Apply
✗ Under review/Do not apply/partially apply

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

REPORT ON REMUNERATION

Clover's Group Remuneration Policy (the "Remuneration Policy") is aimed at attracting and retaining key, specialist skills in order to generate a return on investment for shareholders that is sustainable in the long term.

REPORT ON REMUNERATION

This Report on Remuneration covers the period 1 July 2013 to 30 June 2014 and has been compiled in accordance with the recommendations on remuneration contained in the King Report on Governance for South Africa 2009 (King III).

It should be read in conjunction with Notes 14.2, 17, 28.4, 31, 32 and 33 to the annual financial statements included in this Integrated Annual Report which contain various statutory disclosures with regards to Clover's remuneration.

Supplementary information to the Report on Remuneration is furthermore contained in 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.

Shareholders' attention is drawn to the notice of the Annual General Meeting of shareholders, available on www.clover.co.za.

INTRODUCTION: LETTER TO SHAREHOLDERS

Dear Shareholder,

Sustainability is increasingly becoming a focal point for businesses across the globe. Corporates and shareholders are realising its strategic value and the long-term impact it will have on a company's valuation – not only from capital markets but also consumers, employees and the public in general.

Given this context, an increasingly important pillar of sustainability is attracting and retaining the appropriate level of skills and incentivising these for delivery against strategy. Especially in South Africa, there has been a particular focus on the absolute remuneration of executives and the pay-gap level compared to workers on the shop floor.

Despite regulation, industry benchmarking and stakeholder engagement initiatives, finding a balance between attracting the right calibre leadership to evolve the business and appropriately incentivising them is very difficult.

Clover's approach to remuneration

Because of a potential quagmire of interests, Clover's approach to remuneration is a simple one where structure follows strategy. The Board of Directors, appointed by shareholders, has set in place a long-term plan for Clover to achieve its corporate strategy and deliver on its main value drivers, or strategic pillars. (These are discussed in more depth on page 10 of this Integrated Annual Report.)

Executive management is tasked with making proposals to achieve the strategy. Once approved by the Board, it is the executive management and staff's task to implement and drive these campaigns through various formal, measurable structures.

An integral part of optimising these structures to the benefit of Clover is remuneration, as recommended by the Remuneration Committee and approved by the Board of Directors. And of course the interests of key staff members should be aligned with those of shareholders to generate a sustainable return on investment in the long term.

During the year under review, the Remuneration Committee focused on how to better align Clover's remuneration model with its longer term corporate objectives and how to better balance pay and performance.

PwC benchmarking

The Remuneration Committee consulted with Pricewaterhouse-Coopers to review, benchmark and make recommendations in respect of the short-term and long-term incentive plans ("STI" and "LTI" plans respectively) and specifically the targets for these.

Details of the proposed enhancement of the STI and LTI plans as well as amendments to the targets of the Share Appreciation Rights ("SAR" Scheme or "SARs") will be discussed in more detail in our approach to executive remuneration, discussed later on in this report.

Managing for long-term growth

Clover has been operating since 1898 – that's a 116 years of continuous evolvement. Although shorter term financial measures are being introduced, the argument to manage for long-term growth remains resilient and that is what the Board intends to keep on doing.

I trust that you will notice some positive changes in how we balance long-term growth aspirations and generating a sustainable, healthy return on investment for shareholders. Any suggestions to improve our remuneration policies can be forwarded to Clover's Company Secretary, Jacques van Heerden at jacques.vanheerden@clover.co.za, who will table these suggestions at the appropriate meeting of the Remuneration Committee.

As Chairman of the Remuneration Committee, I will be available at the Annual General Meeting to respond to any questions raised by shareholders in regards to this report.

Finally, I thank my fellow committee members and the Board of Directors in general for their support and council during the year.

Dr. S Booysen
Chairman: Remuneration Committee

15 September 2014

REMUNERATION POLICY

REMUNERATION PHILOSOPHY

Clover's Group Remuneration Policy is aimed at attracting and retaining key, specialist skills in order to generate a return on investment for shareholders that is sustainable in the long term.

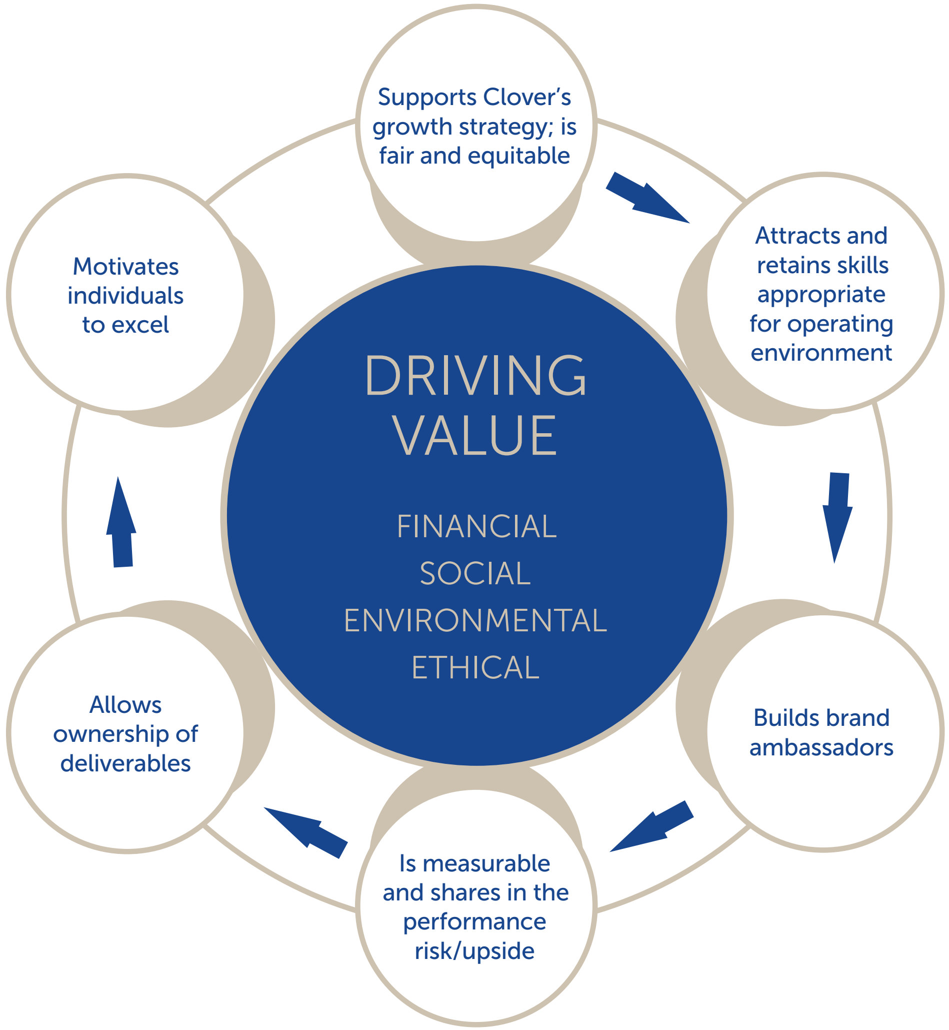
In line with international best practices, the Remuneration Policy strives to attain its objective by establishing remuneration practices that are fair, reasonable and market related by combining short-term remuneration with longer-term incentives.

The long-term interests of those who potentially administer the most significant influence on sustained growth, the executive and senior management, are aligned with the interests of shareholders.

Clover's 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 take into account the size of the Group, the complexity of the business and the competitive environment;
- 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, 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); and
- Individual contribution based on role and responsibilities should have a direct bearing on the levels of remuneration.

Clover's Remuneration Policy aims to:



GOVERNANCE

Clover's Group 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.

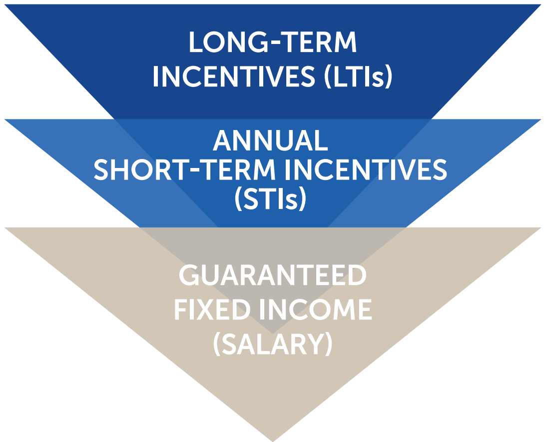
Details on Remuneration Committee members, meetings and attendance are set out in the Corporate Governance section of this Integrated Annual Report, on pages 44 to 45.

The Remuneration Committee actively engages with independent advisors and stakeholders, to ensure that the remuneration philosophy, policy, strategy and practices are aligned to best practice and achieving the objectives of the Group.

The Executive Committee determines and approves the remuneration structures for all employees who are not executives.

REMUNERATION MIX

Clover's remuneration structure comprises three components and are aligned with achieving Group objectives:



Differentiation between Paterson Grades

Paterson Grade	Guaranteed fixed income	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

Remuneration mix: Guaranteed fixed income component

Guaranteed Fixed Income comprises:

- Monthly salary;
- Compulsory benefits (i.e. retirement); and
- Discretionary benefits (i.e. medical aid).

* *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.*

Guaranteed Fixed Income considerations:

- Regular benchmarking exercises are performed internally and externally to ensure equity, fairness and market relatedness;
- The fixed income component is reviewed annually in May and are revised on 1 July of each year;
- Interim reviews of the fixed income component is undertaken to retain talent, taking into account market adjustments or employee promotions;
- Clover's employment profile is based on the competencies, outputs and behaviour required for a specific position; and
- The employment profile must fit within the organisational structure and an appropriate employment grade should be assigned to the position.

Scarce skills

Scarce skills are defined as a skill where market demand outstrips the available supply. Scarce skill sets are identified annually and the strategy is adjusted to reduce business risk. If scarcity is as a result of a unique combination of skills and experience, deliberate efforts are made to build a talent pool around the incumbent, to reduce business risk.

Incumbents identified as having scarce skills are graded as "S"-band employees in terms of Clover's employment scale. To reduce the risk of losing highly specialised skills, the fixed income component applied to this category is targeted at the top-end (90th percentile) of the market range and also includes a discretionary retention bonus (8% of annual basic salary) payable at the end of each financial year, provided that the necessary performance criteria are met.

Remuneration mix: Annual short-term incentive component

Annual Short-Term Incentive Scheme (STI)

STIs are designed to drive improvement of the Group's results on an annual basis.

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	Normalised attributable profit
Chief Financial Officer	40%	60%	100%	183%	10	15	Normalised attributable profit
Chief Executive	30%	70%	100%	171%	12	18	Normalised attributable profit

* *For example, if a staff member on the Paterson E band achieves a 100% individual performance bonus and a 200% Group profit bonus the employee will be able to earn 7,5 months' additional base salary in bonuses.*

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

*** *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 incentive will end on 1 July 2015, after two years of 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 measures and targets

For Paterson Grade C:
- Individuals who score an annual individual performance rating of 4 or 5 qualify for a merit bonus; and
- The merit bonus is calculated as a percentage of annual basic salary and is paid together with the 13th cheque.

For Paterson Grade E and D:
- The individual performance portion of the STI is based on specific key performance indicators agreed to between the employee and his/her direct manager;
- Calculated on operating profit before restructuring costs;
- The profit target is triggered once 95% of target is reached; and
- A 1% additional bonus is paid for every 1% achieved over the profit target.

For Paterson Grade F (Executive):
- The individual performance portion of the STI is based on specific key performance approved by the Remuneration Committee annually and include, *inter alia*;
  - Human Resources;
  - Optimising the brand portfolio;
  - Implementation of Project Cielo Blu within timeframe and budget;
  - Increase market shares through sales and distribution strengths;
  - Successful completion of capital projects;
  - Mergers, acquisitions and Africa;
  - Investor Relations;
- Calculated using normalised attributable profit; and
- The profit target is triggered once 90% of the profit target is reached. If the profit exceeds the target, an additional bonus of 3,55% for the CE and 4,15% for the CFO and other executives 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 annually. The final profit figure is confirmed by the Remuneration Committee following completion of the annual audit and is not necessarily linked to the budget approved by the Board.

Incentives are paid in August and/or September of each applicable year. The Remuneration Committee has the sole and absolute discretion to make adjustments for extraordinary factors, taking into account external factors beyond the control of employees, such as cyclicality. Employees who have been found guilty of gross misconduct will not be entitled to participation in STIs. 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.

Remuneration mix: Long-term Incentive component

Long-Term Incentive Scheme ("LTI")

Clover's LTI is a deferred bonus scheme, serving as a retention mechanism. It awards employees on Paterson Grade E (and certain positions on grade D5) (senior management) for adding tangible value to the businesses of the Group.

LTI measures and targets:
- Calculated using normalised attributable profit;
- A percentage of annual base salary; and
- Paid out in equal amounts over a three-year period.

Target achieved	Bonus payable
Normalised attributable profit target as per budget	20% of annual base salary
Normalised attributable profit target as per budget plus 10%	40% of annual base salary
Normalised attributable profit target as per budget plus 20%	60% of annual base salary

For Paterson Grade E, 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) and/or other participants who are able to influence the performance of the Group, by aligning their interests with those of shareholders.

The SAR Scheme is governed according to rules approved by the Company's shareholders in November 2010.

SARs measures and targets

The eligibility criteria, the quantum of allocations and the conditions governing each allocation are determined by the Remuneration Committee and takes into account seniority within the Group, work function and the ability of the participant to add value to the Group and its businesses.

First time allocation of SARs

Except for the initial allocation (set out on page 67 of this Integrated Annual Report) the following market related formula is used to determine the number of share appreciation rights a participant may be eligible for when participating in SARs for the first time:

A = (B x C)/D

Where:

A	The total number of SARs to be allocated
B	Guaranteed Fixed Income component of the participant
C	Market related multiple • Other executives = 4 • CFO = 6 • Chief Executive = 8
D	The volume weighted average price of an ordinary share listed on the JSE over seven trading days immediately prior to the allocation price.

Subsequent SARs allocations (following a participant's first allocation)

Following a benchmarking exercise conducted by PricewaterhouseCoopers, 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 subsequent SARs to a participant (following the first allocation):

A = (B x C)/D

Where:

A	The total number of SARs to be allocated
B	Guaranteed Fixed Income component of the participant
C	Market-related multiples set out below
D	The volume weighted average price of an ordinary share listed on the JSE over seven trading days immediately prior to the allocation price

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

Period of vesting of SARs

The SAR Scheme rules provides that all 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; and
- On or after 1 July 2011 and that have vested must be exercised by the participant on or before the seventh anniversary of the relevant allocation date relating to such allocation of SARs.

SARs performance criteria

All SARs allocated on 1 July 2012 will be subject to the following performance criteria:

Individual performance condition

- 25% will be subject to personal performance conditions to be set and measured by the Chief Executive for each of the participants, 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 participants.

Financial performance conditions

- 75% will be subject to achieving specific financial performance measures;
- 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 1 July 2013 will be subject to the following performance criteria:

Individual performance condition

- 25% will be subject to personal performance conditions to be set and measured by the Chief Executive for each of the participants, 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 participants.

Financial performance conditions

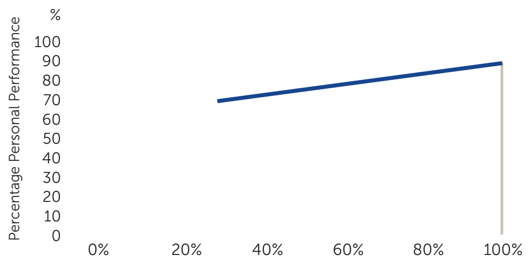
- 75% will be subject to achieving specific financial performance measures;
- Headline earnings per share for the year (in which the vesting is supposed to take place) must exceed the previous year's headline earnings per share plus the annual inflation rate (for the period 1 July to 30 June) plus 2% 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,
- equal to the annual inflation rate is achieved and 100% of the allocation will vest if headline earnings per share is increased by a minimum of 2% above the annual inflation rate.

Following Clover's engagement with significant shareholders during the review period and the subsequent benchmarking exercise conducted by PricewaterhouseCoopers, the Remuneration Committee adjusted the individual performance conditions to include additional financial measures, in particular return on equity (ROE), as qualifying criteria.

*All SARs allocated on or after **30 June 2014** will be subject to the following performance criteria:*

Individual performance condition

- 30% of the allocation to be subject to the achievement of individual performance, measured as the average over four years. 30% vests at 70% performance and 100% vests at 90% performance as follows:



Achievement of 90% personal performance will entitle participant to a 100% (of the 30%) vesting of SARs – sliding scale (70% – 90%)

Financial performance conditions

- 70% of the SARs allocation will be subject to financial performance:
  - Headline earnings per share constituting 50%; and
  - ROE constituting 20%.

The HEPS performance condition targets will be as follows:

- 30% (of the 50%) of the allocated SARs will vest if the average HEPS (over a four year period) exceed the previous four years average HEPS by CPI;
- 65% (of the 50%) of the allocated SARs will vest if the average HEPS (over a four year period) exceed the previous four years average HEPS by CPI plus 2%; and
- 100% (of the 50%) of the allocated SARs will vest if the average HEPS (over a four year period) exceed the previous four years average HEPS by CPI plus 4%.

In line with other conditions of performance, 3 ROE targets will be set:

- The threshold target, where 30% (of the remaining 20%) of the SARs allocation will vest;
- The target, at which 65% (of the remaining 20%) of the SARs allocation will vest; and
- The stretch target, at which 100% (of the remaining 20%) of the SARs allocation will vest.

The ROE targets will be as follows:

SARs	Formula
Threshold	The target less half the standard deviation
Target	Average ROE of the Board's 4 year approved plan
Stretch target	The target plus one standard deviation

ROE targets will include projects and in the event of material changes to the nature, scope or implementation of planned projects, the Remuneration Committee or the Board may adjust the ROE targets.

Recommendations to shareholders

The Remuneration Committee proposes the amendment of the rules of the Share Appreciation Rights Scheme to be voted on at the 2014 Annual General Meeting of shareholders.

The current rules state that:

"the provisions of the Plan, which currently stipulate that if 30% of the entire issued share capital of the Company is acquired by any person acting in concert, other than the Clover Milk Producer Trust and/or the participants ("Change of Control"), all of the share appreciation rights ("SARs") allocated to a participant shall immediately vest in that participant and be exercisable in accordance with the terms of the Plan"

The proposed amendments are that, in the event of a Change of Control, only the proportionate number of SARs allocated to a participant on or after 1 January 2014 shall vest, having regard to

(i) the period of time that has lapsed between the allocation date and the vesting date at the time of the Change of Control, and

(ii) the extent to which the performance criterion (if any) have been satisfied as at the date of the Change of Control (as determined by the Remuneration and Nomination Committee to ensure objectivity)

(iii) Provided that should

a. a dispute arise between the Participants and the Remuneration Committee, such dispute shall be referred to the Board for determination, and

b. should such dispute not be resolved within a period of 60 (sixty) days from such referral to the Board, the dispute shall be referred to the Expert in terms of clause 15 of the Plan for final determination.

APPROACH TO EXECUTIVE 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.

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:

Component	Type	Comprises	Objective
Guaranteed	Guaranteed Fixed Income	Base salary, benefits (car allowance, retirement and medical aid contributions).	Commensurate with scope of position, experience and level of responsibility.
Variable	Short-term incentive	Cash-based payments to an individual based on Group financial performance and individual performance over the preceding financial year.	Rewards individual and corporate performance. Eligible staff are those on Patterson bands C1 to F. Refer to STI table on page 60.
Variable	Long-term incentive	All cash and equity based awards that accrue to an individual over time, based on the Group's financial performance and individual performance over a financial period.	Attract, retain and incentivise key incumbents to deliver exceptional individual and corporate performance over time, in line with shareholder interests.

Guaranteed Fixed Income

Executive guaranteed fixed income packages are benchmarked regularly using market data for individual salary levels for similar positions in the market place. This information, together with individual performance assessments, form the base for annual salary reviews.

The Remuneration Committee has the requisite discretion to determine Executive guaranteed fixed income packages and is mindful 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

Short-term Incentives ("STIs")

Executives' participation in STIs are linked to the achievement of profit growth targets and personal performance measures. The complete workings of the STIs are set out in the Remuneration Policy on page 58 more specifically the table set out on page 60.

Long-term Incentives ("LTIs")

Clover's LTIs relating to its executives consist of equity based awards and serves as a retention mechanism. Refer to the Remuneration Policy on page 58 of this report for more information on the salient features of the cash and equity measures and targets, in particular the Share Appreciation Rights Scheme, which complies with the JSE Listings Requirements.

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 2014, a total of 3 366 722 ordinary shares (30 June 2013: 2 106 282 ordinary shares) have been issued to Executives, with the balance of 12 633 178 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 69 of this Integrated Annual Report.

Allocations made in terms of the SAR Scheme

The First and Second Allocations were legacy scheme issues in terms of the Management Participated Capital Restructuring Exercise ("MPCRE") and are disclosed separately at the back of this report.

Number of SARs vested at 30 June 2014

	Number of SARs allocated	Allocation date	Allocation price	Total SARs vested as at 30 June 2014	Total SARs exercised as at 30 June 2014
Third allocation					
Executive Directors					
JH Vorster	821 256	1 July 2011	R11,00	821 256	Nil
LJ Botha	404 063	1 July 2011	R11,00	404 063	Nil
CP Lerm	1 119	1 July 2011	R11,00	1 119	Nil
Other Executives					
H Lubbe	57 778	1 July 2011	R11,00	57 778	Nil
JHF Botes	330 723	1 July 2011	R11,00	330 723	Nil
Fourth allocation					
Executive Directors					
JH Vorster	1 036 716	1 July 2012	R13,73	Nil	Nil
LJ Botha	533 657	1 July 2012	R13,73	Nil	Nil
CP Lerm	389 123	1 July 2012	R13,73	Nil	Nil
Other Executives					
H Lubbe	389 123	1 July 2012	R13,73	Nil	Nil
JHF Botes	389 123	1 July 2012	R13,73	Nil	Nil

Salient Features of the Third Allocation

(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 these 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 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.

Salient features of the Fourth Allocation

(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

As set out in the Remuneration Report on page 61 of this Integrated Annual Report.

(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.

	Number of SARs allocated	Allocation date	Allocation price	Total SARs vested as at 30 June 2014	Total SARs exercised as at 30 June 2014
Fifth allocation					
Executive Directors					
JH Vorster	879 589	1 July 2013	R16,83	Nil	Nil
LJ Botha	452 775	1 July 2013	R16,83	Nil	Nil
CP Lerm	332 135	1 July 2013	R16,83	Nil	Nil
Other Executives					
H Lubbe	332 135	1 July 2013	R16,83	Nil	Nil
JHF Botes	332 135	1 July 2013	R16,83	Nil	Nil
ER Bosch	332 135	1 July 2013	R16,83	Nil	Nil
MM Palmeiro	380 159	1 July 2013	R16,83	Nil	Nil
Sixth allocation					
Executive Directors					
JH Vorster	906 510	30 June 2014	R17,31	Nil	Nil
LJ Botha	466 633	30 June 2014	R17,31	Nil	Nil
CP Lerm	342 300	30 June 2014	R17,31	Nil	Nil
Other Executives					
H Lubbe	342 301	30 June 2014	R17,31	Nil	Nil
JHF Botes	342 301	30 June 2014	R17,31	Nil	Nil
ER Bosch	342 301	30 June 2014	R17,31	Nil	Nil
MM Palmeiro	391 795	30 June 2014	R17,31	Nil	Nil

Salient features of the Fifth Allocation

(a) Vesting

The SARs allocated as part of the Fifth Allocation will vest in full after the expiry of three years from 1 July 2013.

(b) Performance criteria

As set out in the Remuneration Report on page 61 of this Integrated Annual Report.

(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 Fifth 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.

Salient features of the Sixth Allocation

(a) Vesting

The SARs allocated as part of the Sixth Allocation will vest in full after the expiry of three years from 30 June 2014. The Remuneration Committee has resolved that all SARs will in future be allocated on 30 June of each year to enable the executives or other participants to accept the allocation prior to the commencement of the company's closed period relating to its financial year end which commences on 30 June.

(b) Performance criteria

As set out in the Remuneration Report on page 61 of this Integrated Annual Report.

(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 Sixth 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.

Salient features of the First Allocations 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:

	Number of SARs allocated	Allocation date	Allocation price	Total SARs vested as at 30 June 2014	Total SARs exercised as at 30 June 2014
Executive Directors					
ER Bosch	953 620	1 June 2012	R13,50	Nil	Nil
MM Palmeiro	925 500	1 October 2012	R15,15	Nil	Nil

(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.

Hedging of SARs

The Third Allocation of SARs has been hedged. Refer to note 14.2 and 31 of the annual financial statements on page 189 for further details.

Employment contracts for Executives

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

Approach to Non-executive Directors' remuneration

It is the Group's policy to identify, attract and retain Non-executive Directors who can add 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 2015 financial year will be proposed for consideration and approval at the 2014 Annual General Meeting to be held on 28 November 2014.

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 Prescribed officer can be found in note 32.1 to the Annual Financial Statements on page 191 to 192 of this Integrated Annual 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 32.3 to the Annual Financial Statements on page 195 of this Integrated Annual Report.

LEGACY SCHEME SARs ISSUES

Salient features of the Initial Allocation

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.

	Number of SARs allocated	Allocation date	Allocation price	Total # SARs vested as at 30 June 2014	Total # SARs exercised as at 30 June 2014	Total # ordinary shares issued to settle SARs exercised as at 30 June 2014
Executive Directors						
JH Vorster	4 587 200	31 May 2010	R4,67	3 058 133	Nil	Nil
HB Roode***	2 616 762	31 May 2010	R4,67	2 616 762	2 616 762	1 911 191
LJ Botha	2 443 140	31 May 2010	R4,67	1 628 760	Nil	Nil
CP Lerm	2 454 758	31 May 2010	R4,67	1 636 505	818 253	610 563
Other Executives						
H Lubbe	2 027 236	31 May 2010	R4,67	1 351 491	675 745	504 144
JHF Botes*	1 370 904	31 May 2010	R4,67	913 936	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 HB 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 2014 all the remaining SARs 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. The Initial Allocation will not be taken into consideration when determining future SARs allocations to Executives.

Salient features of the Second Allocation

The Second Allocation was made in lieu of bonuses payable to the Executives relating to the disposal of Clover's 45% shareholding in Danone Clover (Proprietary) Limited.

	Number of SARs allocated**	Allocation date	Allocation price	Total SARs vested as at 30 June 2014	Total SARs exercised as at 30 June 2014
Executive Directors					
JH Vorster	800 000	18 August 2010	R0,00	800 000	800 000
HB Roode	400 000	18 August 2010	R0,00	400 000	400 000*
LJ Botha	400 000	18 August 2010	R0,00	400 000	213 333
CP Lerm (Dr.)	133 336	18 August 2010	R0,00	133 336	133 336
Other Executives					
H Lubbe	133 332	18 August 2010	R0,00	133 332	133 332
JHF Botes (Dr.)	133 332	18 August 2010	R0,00	133 332	133 332

* *From the 400 000, 133 334 was forfeited.*

(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.

Loans to Executives

As part of the MPCRE (described in more detail under Legacy Scheme Issues) 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 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/she shall be obliged to repay the loan amount and interest or the balance thereof, within two months after termination of his employment; and
- If an Executive dies, the loan amount and interest or the balance thereof, shall be repaid to the Company within six months after his/her 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.

	Loan amount			
	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Executive Directors				
JH Vorster	25 509 496	25 822 256	25 537 461	14 238 292
CP Lerm	12 037 292	11 717 994	6 773 944	Nil
LJ Botha	5 635 941	5 330 249	Nil	Nil
Other Executives				
H Lubbe	1 000 606	929 989	Nil	Nil
JHF Botes	2 411 574	2 452 661	2 536 148	2 572 487
Total	46 594 909	46 255 149	34 847 553	16 810 779

The value of the ordinary shares forming the basis of the loan and cession agreements referred to previously is well in excess of R130 million.

REPORT ON THE SIX CAPITALS
AND THE SOCIAL AND ETHICS COMMITTEE REPORT

This report is structured in accordance with the concept of the six capitals which takes into consideration the material inputs or resources required to create and preserve value.

OUR BUSINESS MODEL

SOCIETY

ORGANISATION

INPUTS

THIS IS HOW WE ADD VALUE THROUGH OUR BUSINESS ACTIVITIES:

INFRASTRUCTURE, BUILDINGS AND EQUIPMENT

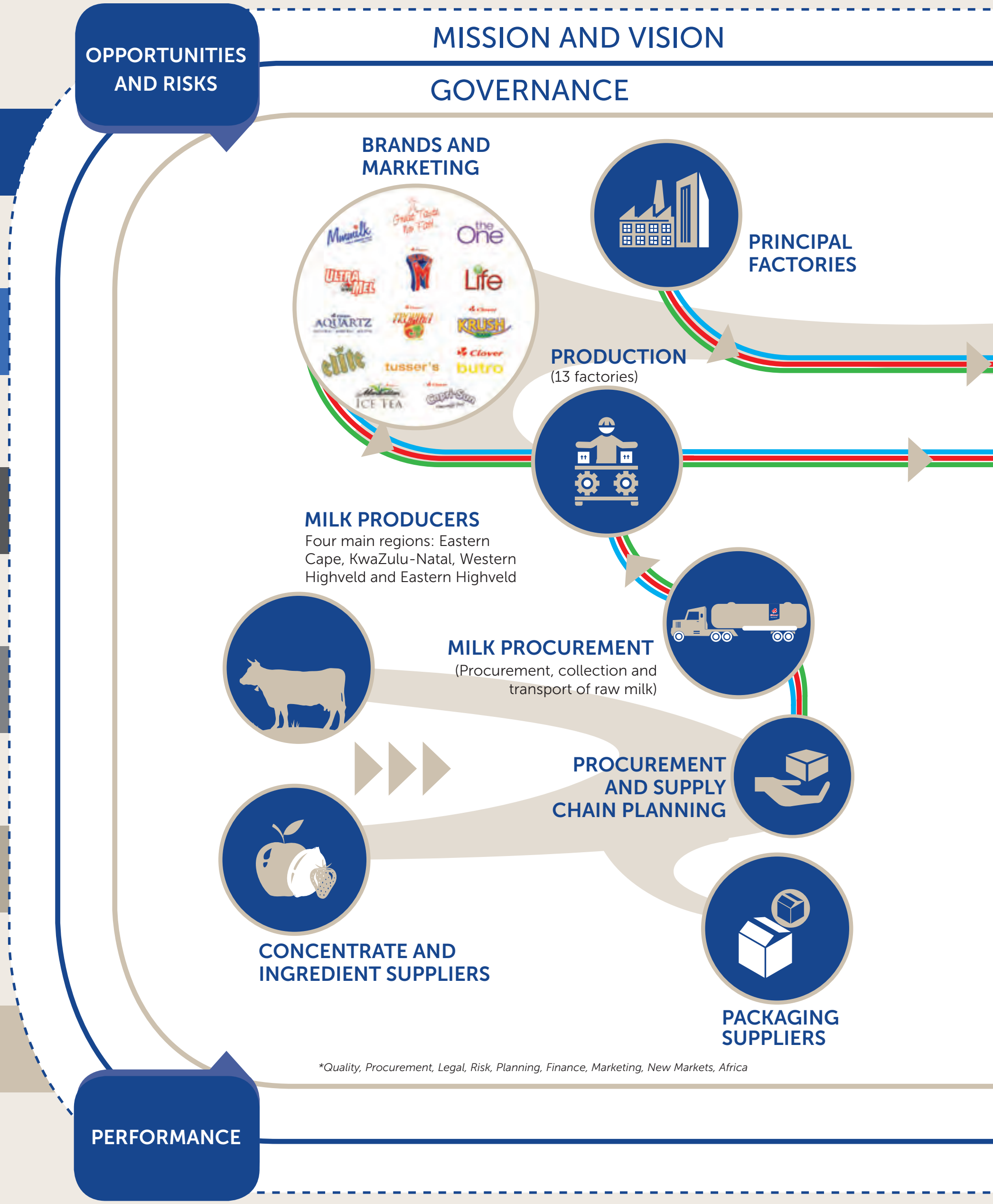
KNOWLEDGE AND INTELLECTUAL CAPITAL
(Patents, copyrights, software, licences, systems, procedures, protocols)

HUMAN RESOURCES
(Employees' competencies, capabilities and motivations to innovate)

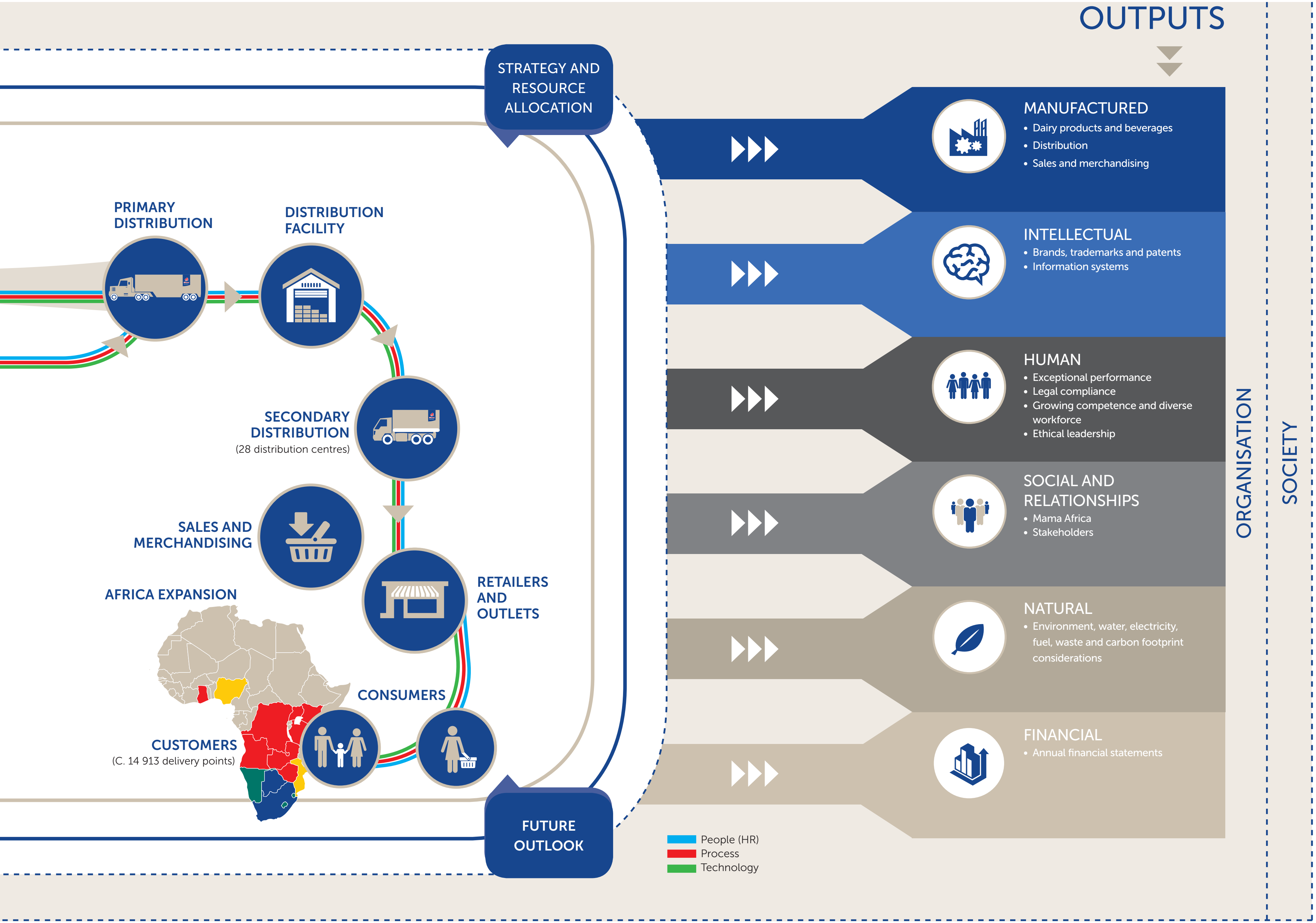
STAKEHOLDER RELATIONSHIPS AND SOCIAL INVESTMENT
(Shared norms, common values, behaviours, stakeholder relationships and dependencies)

ENVIRONMENTAL RESOURCES
(Air, water, land minerals, forests, bio-diversity and ecosystem health)

FINANCIAL CAPITAL
(Equity, debt, grants)



EXTERNAL ENVIRONMENT



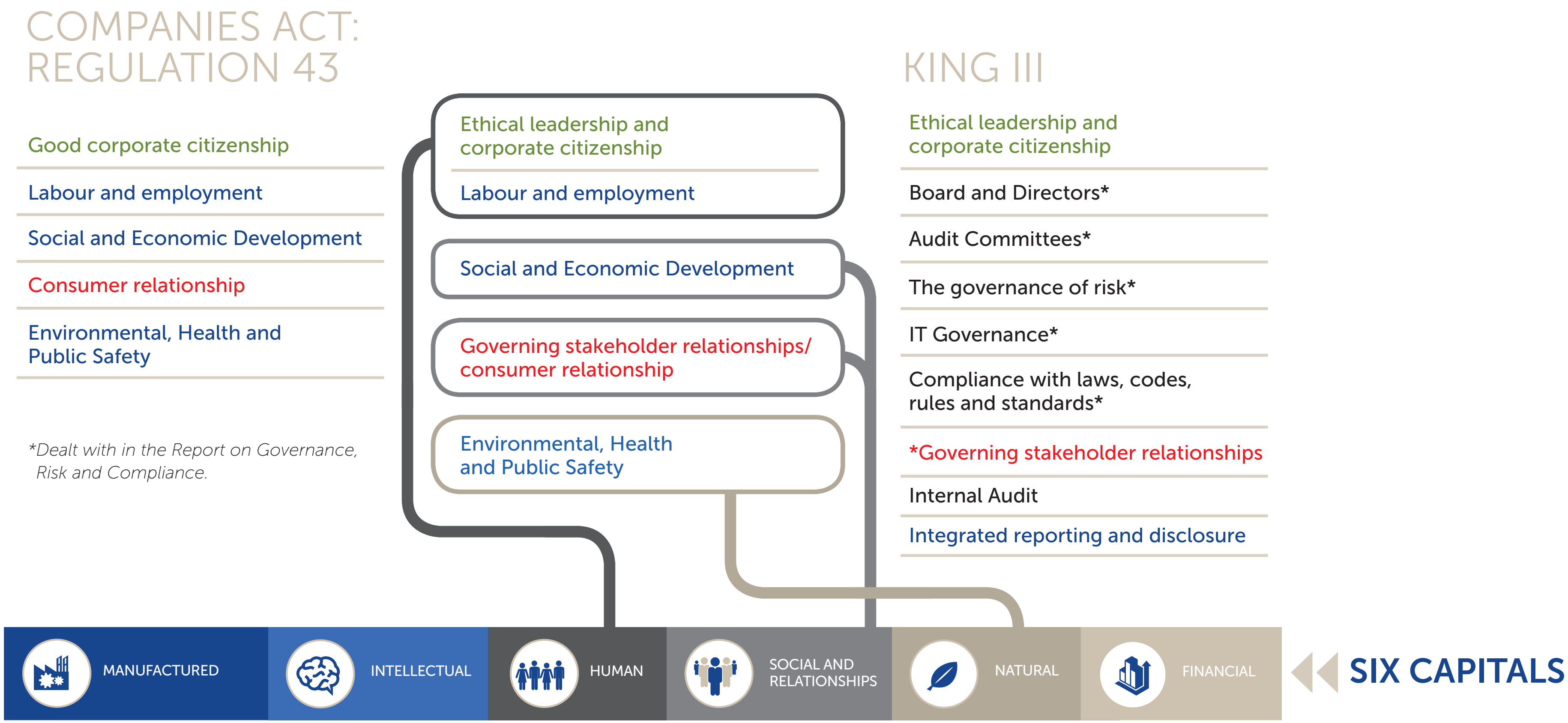
OUTPUTS
STRATEGY AND RESOURCE ALLOCATION
PRIMARY DISTRIBUTION
DISTRIBUTION FACILITY
SECONDARY DISTRIBUTION
(28 distribution centres)
SALES AND MERCHANDISING
RETAILERS AND OUTLETS
AFRICA EXPANSION
CONSUMERS
CUSTOMERS
(C. 14 913 delivery points)
FUTURE OUTLOOK
MANUFACTURED
• Dairy products and beverages
• Distribution
• Sales and merchandising
INTELLECTUAL
• Brands, trademarks and patents
• Information systems
HUMAN
• Exceptional performance
• Legal compliance
• Growing competence and diverse workforce
• Ethical leadership
SOCIAL AND RELATIONSHIPS
• Mama Africa
• Stakeholders
NATURAL
• Environment, water, electricity, fuel, waste and carbon footprint considerations
FINANCIAL
• Annual financial statements
People (HR)
Process
Technology
ORGANISATION
SOCIETY

SIX CAPITAL REPORT

OVERVIEW

Clover appreciates that strategy, risk, governance, performance and sustainability are inseparable. While the report has been structured to incorporate both the requirements (Regulation 43) of the Companies Act 71 of 2008 as well as the King Report on Governance in South Africa 2009 ("King III"), Clover has also adopted the latest Integrated Reporting Framework as issued by the International Integrated Reporting Council ("IIRC") in 2013.

This framework follows a principle based approach in which Clover describes the key components of its business model it applied to create and sustain value for its stakeholders. This report is structured in accordance with the concept of the six capitals which takes into consideration the material inputs or resources required to create and preserve value since the company's incorporation. The requirements of both Regulation 43 and King III are incorporated into the six capitals as diagrammatically depicted below:



SCOPE AND BOUNDARY

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

The Social and Ethics committee is chaired by the Lead Independent Director of the Board and consists of a further two Independent Directors and one Executive Director. Details of the members of the Social and Ethics Committee and the number of meetings (including the attendance of the members) held for the financial year are set out in page 44 in the Report on Governance, Risk and Compliance.

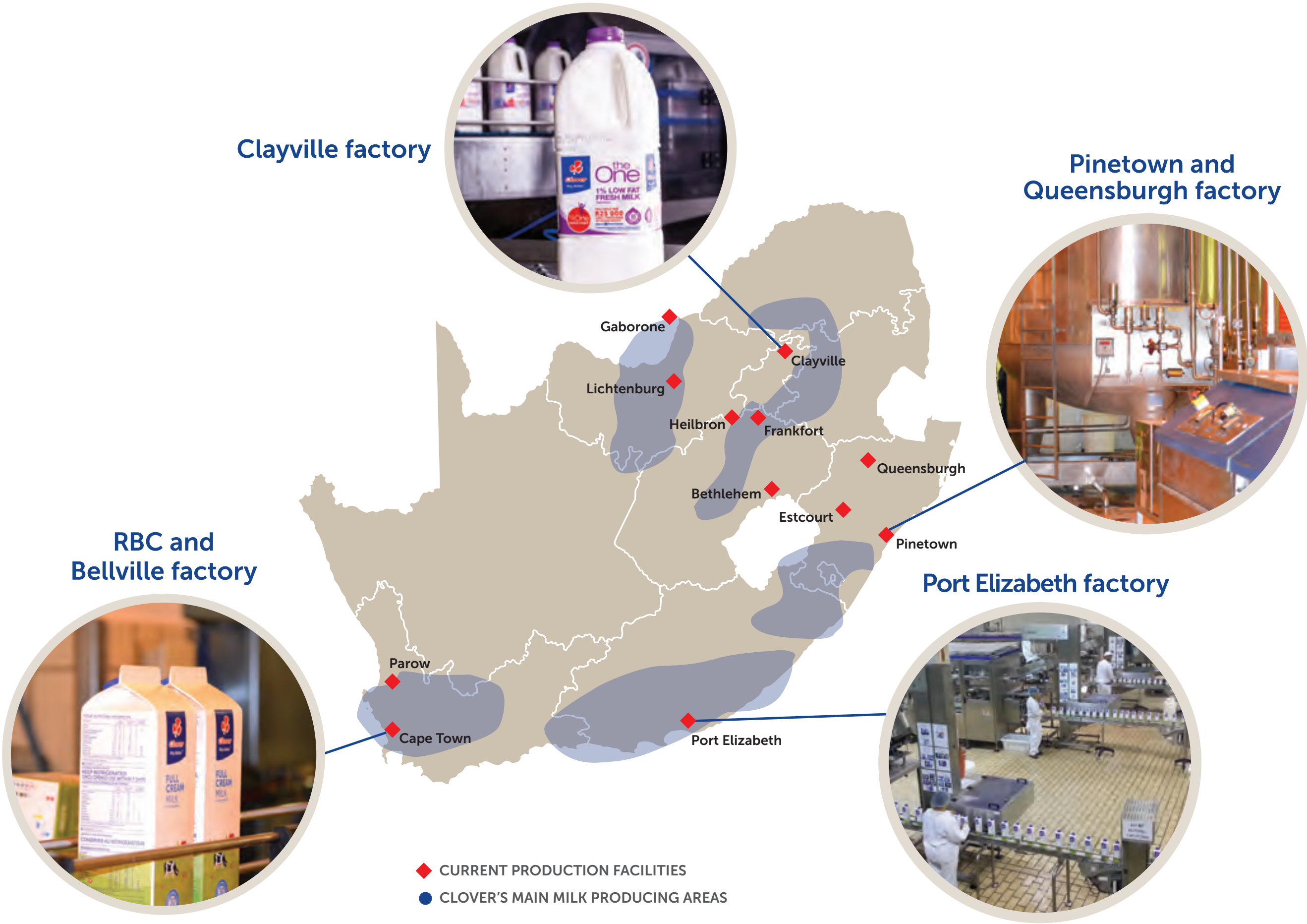
The Social and Ethics Committee has considered the matters of the Integrated Annual Report that are pertinent to Clover. The responsibilities and functioning of the Social and Ethics Committee ("Committee") are governed by formal terms of reference approved by the Board and is subject to regular review. 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 Companies Act and King III. The implementation of this work plan is prioritised to enable Clover to fully discharge its statutory functions over a period of three years. The Board supports the Committee by setting the appropriate tone at the top, and Clover's Way Better philosophy across the organisation contributes to Clover's ethical culture. This report describes the work and conclusions of the Committee in its third year of establishment. Over and above the requirements of the Act, the scope of the report has also taken into consideration the guidelines to the Integrated Reporting Framework and the fourth edition of the Sustainability Reporting Guidelines of the Global Reporting Initiative. In short, through the six capitals, the key aspects of Clover's business that are critical to its long-term value creation are summarised hereafter.

Annually, Clover defines its risk bearing capacity and risk appetite, being the basis of setting materiality levels. These materiality levels are used to annually adjust thresholds of Clover's delegation of authority, ensuring that appropriate limits of managerial approval are set. These same materiality levels are used in Clover's Enterprise Wide Risk Management Framework, which ultimately ensures that all material risks are reported to the Board Committees and considered for inclusion in Clover's Integrated Annual Report.

For purposes of compiling this Integrated Annual Report, Clover is only reporting on issues it believes to be material.

MANUFACTURED CAPITAL



Project Cielo Blu increased efficiencies and capacity in the production and distribution network to support current and future growth.

Objective of Project Cielo Blu was to:

- Address historical inefficiencies in the supply chain;
- Create capacity to sustain growth of the business; and
- Improve long-term profitability.

Supply Chain Planning and Procurement

Clover's Supply Chain Planning Department continuously assesses what required production levels should be by taking into consideration the market demand as received from Clover's Marketing Department. These are then aligned to the availability of resources which, in the case of dairy products, is the seasonally available milk supply forecast as determined by Clover's Milk Procurement Department. The output of this comparison is considered against Clover's stock levels before the Planning Department updates the production schedules on a daily/weekly basis. The Planning Department is also responsible for the replenishment of all Clover's Distribution Centres to ensure that there is adequate stock of the correct SKUs available to meet Clover's customer's demands. Furthermore, they are also responsible for all primary transport as well as raw milk deployment planning.

Clover has a centralised Procurement department responsible to procure ingredients and packaging materials from carefully selected suppliers who are contracted to ensure that consistent and high quality materials are used in the manufacturing process. Clover's procurement philosophy is to build partnerships that shift the understanding beyond just monetary considerations. It encompasses socio-economic objectives and long-term value creation.

Milk Procurement

For the manufacture of dairy products, Clover procures milk from producers, who are contracted to ensure consistent supply and good quality milk, in order to meet market demand. Clover has developed a policy whereby 55 tests are conducted from farm to shelf to ensure that only the best quality and safe milk products are released for human consumption. To further guarantee the best possible quality raw milk, all our milk producers participate in Clover's Best Farming Practices programme, whereby the quality of raw milk is continuously improved at farm level. Almost 100% of Clover's raw milk is presently sourced from farms that have passed the Best Farming Practices audits with 80% or better.

Sustainable milk supply

Clover is one of few large dairy processors who have a longstanding history of purchasing raw milk from producers including previously disadvantaged producers. Economic factors and sustainable milk quality are the largest barriers of 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 previously disadvantaged producers. Most of these projects were initiated by Amadlelo Agri (www.amadlelo.co.za) and have proved to be sustainable. Clover has made a meaningful contribution towards the implementation of some of these projects, not only by purchasing the milk, but also by subsidising the transport of this milk for quite some time.

Sustainable supply is ensured through Clover's Unique Milk Procurement System ("CUMPS") and the Company pays a market related price for raw milk. 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. It is therefore very important for the industry and government to find a way of ensuring a viable agricultural sector and dairy industry.

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; and
- Required registers and records.

As a market driven company, Clover pays careful attention to the needs of the consumers and one of the strong elements that came to the fore, is the fact that the consumers want natural milk products, free from artificial hormones and inhibitors. Clover has, therefore asked its producers to sign a declaration that they will not supply Clover with milk that originated from cows that were treated with recombinant bovine somatotropin ("rBST") and each and every Clover producer has signed such a declaration. Every tanker load of milk is furthermore tested for inhibitors like antibiotics and milk that has tested positive for inhibitors is coloured with a food colorant and discarded under controlled circumstances. This is further testimony that Clover will leave no stone unturned to ensure that Clover's products are safe and nutritious.

Description	2014	2013	2012	2011	2010	2009
Litres of milk procured (million litres)	**632,3**	667,7	648,2	652,4	608,2	638,7
Litres of raw milk transported per kilometre	**98,97**	70,3	69,0	73,4	80,0	88,0
Number of milk producers who supplied milk to Clover during the year	**218**	240	258	293	309	353
Estimated number of employees employed by above producers*	**3 277**	3 637	3 738	4 102	4 326	4 924
Estimated number of dependants reliant on income received from above employees*	**13 867**	13 656	18 690	20 510	21 630	24 710

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

Producer selection	Clover sources its milk from 204 carefully selected collection points
Ongoing quality assurance	55 quality checks are performed on fresh milk from when it is collected at the farm to when it reaches the shelf.
Clover Way Better approach to work	Clover's production systems are flushed every eight hours to ensure freshness
Clover Way Better supply chain and warehousing capabilities	Delivering to 14 913 points through 583 trucks to an average of eight customers per day per truck

Since June 2009, all of Clover's milk producers have participated in the BFP programme. Compliance is assured through regular audits and producers representing nearly 100% of Clover's raw milk intake have passed the audits, as already mentioned. Clover is still working on the integration of the above mentioned BFP programme into a much broader Clover Sustainable Dairy Model ("CSDM"). Given the complex and evolving nature of the programme, Clover intends phasing in the implementation over a number of years and this might include the use of consultants to ensure continuous improvement, through sharing in world-wide research and development programmes. Clover has in the meanwhile signed up as a member of the so-called Dairy Sustainability Framework ("DSF"), which forms part of the Global Dairy Agenda for Action ("GDAA").

The preliminary focus areas of this integrated programme 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 the reduction thereof;
- Energy management and utilisation of alternative energy resources for the reduction of GHG emissions;
- Bio-security, with the main focus on disease control; and
- Personnel and the management of people visiting farms and dairies.

Quality of raw milk collected

Clover's Milk Procurement business unit continuously seeks new and better ways of conducting its business. During the 2012/2013 financial year Clover finalised its Electronic Tanker Collection System ("ETCS"). This is a first for the South African dairy industry and is a huge improvement over the methodologies used in the past. This system has been approved by the NRCS (a body of the SABS). The NRCS has found the accuracy and repeatability of the equipment to be first class. Clover Milk Procurement in conjunction with the NRCS is currently in the process of verifying each collection tanker's system, to ensure that the same specifications are adhered to throughout the whole fleet.

Clover Milk Procurement has embarked on a route to integrate this system completely into newly built vehicles and is looking for ways and means to automate this process even further. Some of the enhancements include the following:

- The new rigid tankers will be able to carry at least 20% more milk than the current rigids;
- Accidental damage to the outer panels of the new vehicles will be much cheaper to repair and maintain;
- The current scanners (identifying the bulk tank and marrying it to the sample bottle) are considered to be replaced with cell phone technology that has multiple benefits, including:
  - The same cell phone can be used to start, manage and end the collection process;
  - These cell phones can also be used to communicate and take photos of incidents, accidents, damage to parlours and other problem areas and it can be sent to the relevant manager immediately after it has been captured; and
  - The volume of milk pumped into the tanker, as well as the temperature of the milk will be displayed on the cell phone's screen through the whole process of collecting milk.
- All tankers will be fitted with 3" milk pumps, which will enhance the pump speed on-farm by more than 100%. This means that we shall have the opportunity to get the vehicles back to our branches much quicker, resulting in better utilisation of our vehicles and savings on overtime costs; and
- All tankers will be fitted with level sensors, which means that drivers will not have to climb a ladder to see if the compartment is full anymore. The milk pump will stop automatically, as soon as the milk reaches the level sensors. This will enhance the driver's safety, limit raw milk losses and help prevent driver fatigue.

Clover's Electronic Tanker Collection System ("ETCS") is without doubt another Way Better innovation and Clover has already seen some benefits falling through to the bottom line, due to much lower raw milk losses than the standard norm. Clover is now even more confident that the measurement and sampling of milk on-farm is on par with the best in the world.

Production

Once the raw milk has passed all quality tests, the milk is processed at Clover's 13 production facilities across South Africa and in selected African countries. The type of products produced include fresh milk, UHT milk, flavoured milk, as well as concentrated type products such as cheese, butter and milk powder. For the manufacturing of beverage products, the base ingredient, generally in concentrate form, is procured from carefully selected suppliers who are contracted to ensure consistent and high quality materials are used in the manufacturing process. The concentrate is mixed with good quality water to manufacture the final product such as Krush Juice and Tropika. In bottling water, water is extracted from a selected natural ground water source, upon which vigorous tests are routinely performed to ensure ongoing quality and safety of the water source.

Facility	Product type
Bethlehem	Milk powder
Clayville	Cream (UHT and Fresh) Dairy fruit mix (Fresh and UHT) Milk (UHT) Clover Krush
Estcourt	Milk powder
Frankfort	Butter Ghee Milk powder
Heilbron	Condensed milk Buttermilk powder
Lichtenburg	Cheddar cheese Gouda cheese Mozzarella cheese Tussers cheese Feta cheese
Parow	Butter Clover fruit juice Cream (Fresh) Dairy fruit mix Milk

Facility	Product type
Pinetown	Milk (UHT)
Port Elizabeth	Dairy fruit mix (UHT) Milk Cream (UHT)
Queensburgh	Dairy fruit mix Maas Milk Fresh and Extended Shelf Life Steri flavoured milk Milk (UHT) Clover Krush Dairy fruit mix Maas
RBC (Parow)	Quali/Real Juice
Clover Waters (Doornkloof)	Water Iced Tea
Inhle (contract manufacturer)	Aquartz Iced Tea

Infrastructure

Clover owns most of its properties, which are built to meet at least the minimum specifications of the national building regulations. For all Clover sites the buildings and equipment are comprehensively insured including for potential loss of profit as a result of business interruption incidents. Reliable supply of utilities to meet the needs of production on a daily basis, is a pre-requisite for good market supply. New innovation in technology creates an opportunity for Clover to consolidate some of the facilities through which various synergies would be achieved. Clover constantly assesses and reduces cost in its supply chain to ensure Clover remains cost competitive, while also lowering its impact on the environment.

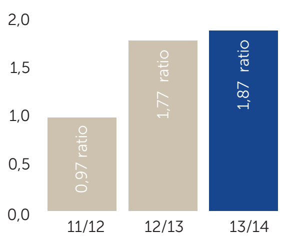
The factors that affect the availability, quality and affordability

Given the technological progress being made on a daily basis, the ability of companies to compete over the medium term necessitates continuous investment in order to improve efficiencies and reduce costs. Failure to do so would lead to an ineffective cost structure and an unattractive, uncompetitive product offering. By way of example, Clover improved its competitiveness with Project Cielo Blu which was completed in August 2013. The juice and Tropika factory which was established in Clayville, also increased Clover's production capacity. More specifically, through the Cielo Blu Project, Clover improved its competitiveness by moving its UHT and juice manufacturing facilities to more appropriate manufacturing locations resulting in several cost savings. This resulted in the development of new technology used to recover milk protein content, which previously went to waste. This can be used as the dairy additive required in the manufacture of Tropika as opposed to traditional fresh milk or milk powder, resulting in cost savings going forward. To ensure long-term value creation, Clover monitors the following measures:

- Depreciation vs Capital Expenditure – Key Risk Indicators
  The quality of Manufactured Capital will decrease if net investment is not positive. When capital expenditure is higher than depreciation, the Company invests not merely to keep the quality of manufacturing assets at the same level, but also to improve efficiency and effectiveness. An organisation whose depreciation exceeds capital expenditure over the medium term would suffer a significant decrease in the quality of manufacturing assets. As can be seen, since the 2012/2013 financial year, Clover has invested substantially to enhance the quality of its manufacturing assets and also to cater for medium to long-term growth.

CAPITAL EXPENDITURE VS DEPRECIATION

Financial year



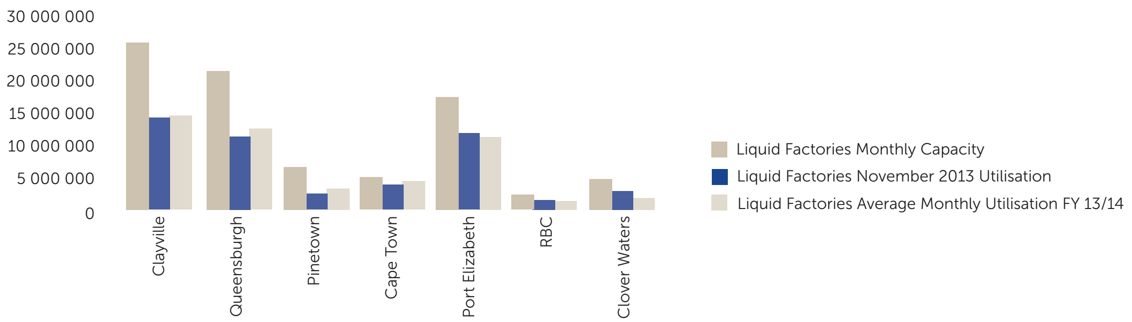
The organisation's expectations of its ability to produce flows from its manufacturing assets to meet future demands.

Sales growth is only possible if the manufacturing capacity exists to meet the higher volumes of production required. The ability of the organisation to manage available capacities pro-actively, is critical in order to meet unexpected demand and to reduce capacity as required in order to keep lowering unit production costs on a continuous basis.

As a measure of Clover's ability to continue producing income and other flows, it is important that the capacity utilisation per product group is within best practise. As milk intake is seasonal, with increased milk intake between August and January in any given year, certain factories are working at full capacity in the seasonal peak cycle, whereafter production reduces substantially in the off season. Therefore Clover's capacity in the seasonal peak determines limits for increased milk intake. As our business is highly seasonal for some products, the average value as well as the peak (November) value have been communicated. For a seasonal product, the peak value is more illustrative.

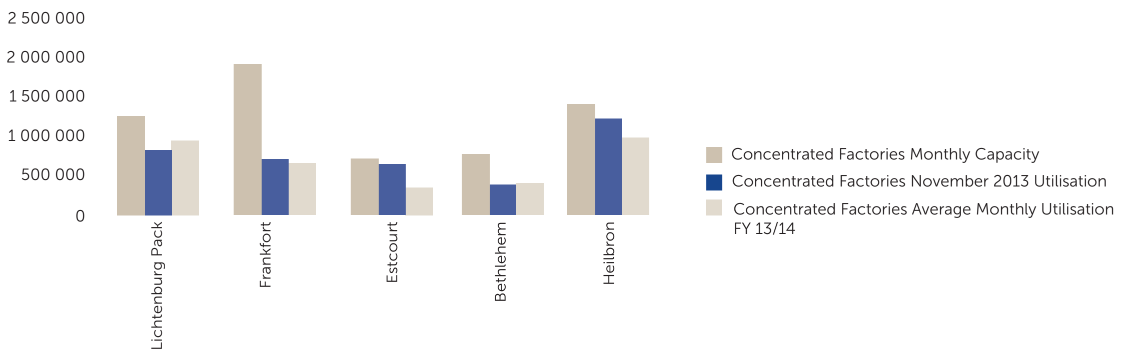
LIQUID FACTORIES CAPACITY UTILISATION

litres



CONCENTRATED FACTORIES CAPACITY UTILISATION

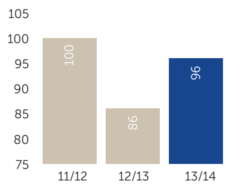
kilograms



- Material trade-offs and interdependencies between capitals
  Technological progress and the need to continuously improve, impacts the Natural Capital and Human Capital of the organisation directly. The labour requirements of the Company are changing in terms of the required skills level and capabilities. New ways of doing things also impacts on the amount of labour required per unit production. The impacts thereof is monitored by the measurement of production per manhour worked in manufacturing. Progress in this regard improves the ability of the Company to afford a more expensive/skilled labour force. Due to Cielo Blu, infrastructure changes which resulted in an interruption of the normal production process, a reduced output per manhour in 2012/2013. The 2013/2014 results were impacted by low milk intake occupied factories, which was deemed to be of a temporary nature.

OUTPUT PER MANHOUR WORKED

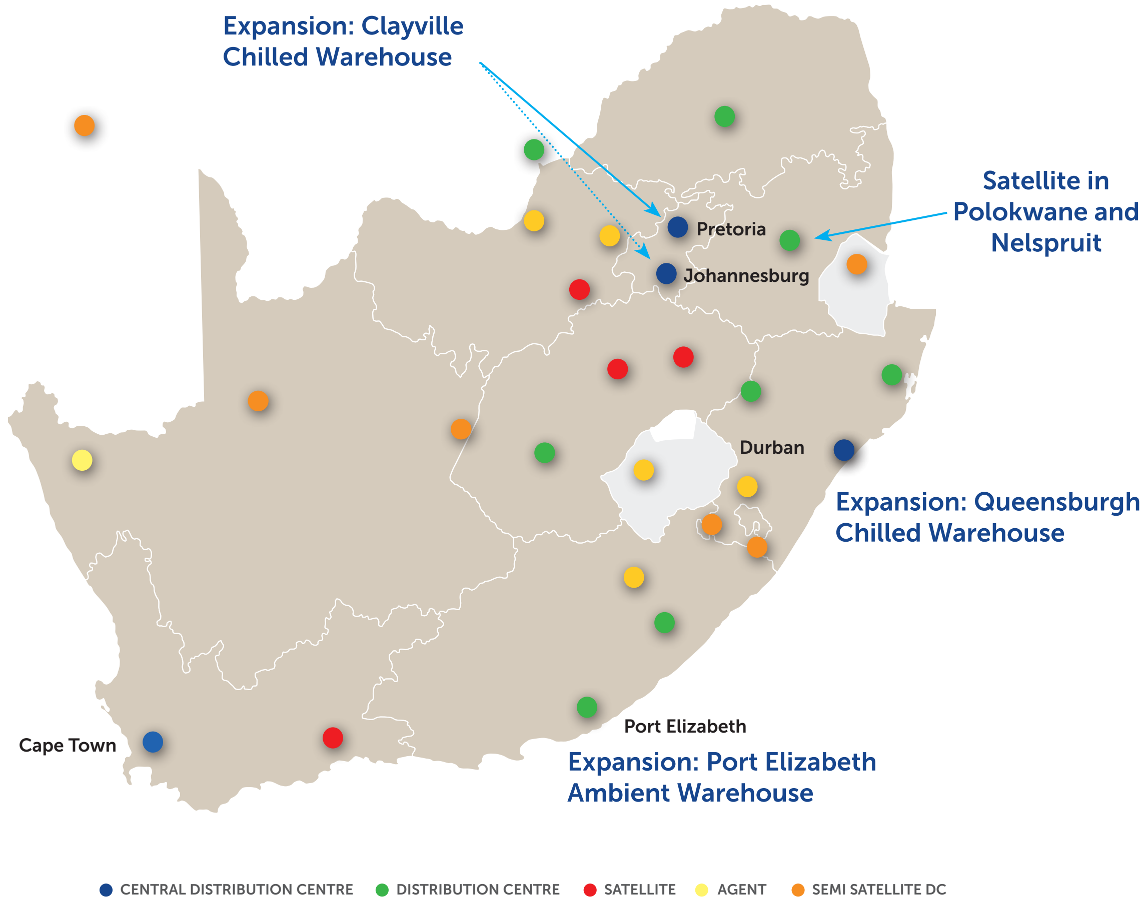
Financial year



Sales, Merchandising and Distribution

Distribution Networks

Clover makes use of its Primary Distribution Department to move all products from its factories to its distribution facilities across South Africa. On a daily basis, Clover receives customer orders electronically or telephonically at the Customer Call Centre from where orders are processed to be delivered from one of Clover's 28 distribution centres to approximately 14 913 delivery points in South Africa. Clover also has agreements with several principal customers on whose behalf Clover performs distribution and in-store merchandising services at retailers.

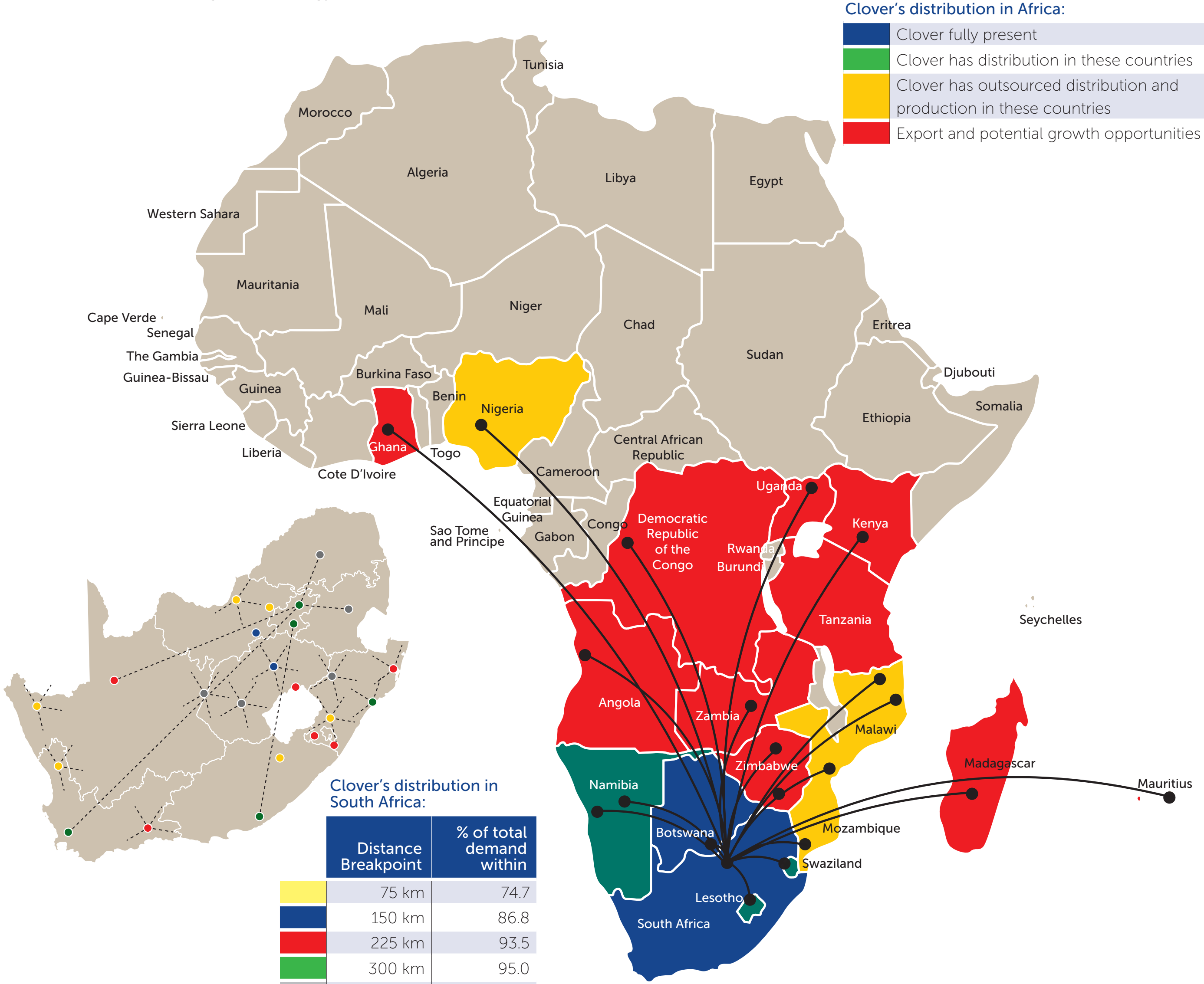


Despite specialising in distribution and sales of chilled products, Clover also handles a significant basket of non-perishable food products. In leveraging its capabilities, Clover provides sales and/or distribution services to a host of valued principals, including the likes of:

- Unilever;
- Eskort;
- Foodcorp;
- Orley Foods;
- Epic Foods;
- Enterprise;
- Red Bull; and
- Danone.

Project Cielo Blu was completed in the 2012/13 calender year. The aim of the project was to address Clover's capacity constraints in Gauteng, KZN and Port Elizabeth. The distribution network was also re-engineered to a hub-on-spoke model enabling Clover to reduce stockholding and improve stock planning and replenishment.

Distribution network is a key enabling platform. It provides a sustainable competitive advantage to Clover and is central to the growth strategy for Clover and principal products.



Clover's distribution in South Africa:

	Distance Breakpoint	% of total demand within
(yellow)	75 km	74.7
(blue)	150 km	86.8
(red)	225 km	93.5
(green)	300 km	95.0
(grey)	1 500 km	100.0

Stores receive direct deliveries of Clover products between two and five times per week, depending on sales volumes. Over 580 delivery vehicles are delivering stock to over 14 913 delivery points. Over 800 SKU (stock keeping units) are stored, picked, delivered and merchandised in Clover's distribution network. More than 50% of all refrigerated diary and processed meat products delivered to stores are being supplied through the Clover Distribution Network.

Clover has also embarked on a sales initiative (Masakane Project) to grow the distribution footprint into the bottom-end markets. During 2013/14 financial year Clover added 3 309 additional delivery points or customers to its network. Currently there are 16 project teams active and we plan to extend this to 30 teams during the course of the year.

Sales (Project CAMPRO)

Clover is committed to continually improving its business processes. One of the ways in which we can achieve this objective is by embarking on projects that will underpin changes in the following areas:

- Product category development;
- Better understanding of shopper behaviour; and
- Sales execution.

In 2013, Clover embarked on a programme to investigate and improve the way we work across the sales functions. Clover contracted an international consulting firm, Renoir, to assist. The project focused on three separate work streams, namely revenue enhancement, cost reduction and limiting distribution losses. It was found that Clover had pockets of excellence, but required standardisation in the "way we work" across the Company.

A diverse team of six Cloverites were identified to work hand in hand with Renoir to deal with problem identification, root cause analysis and generating, evaluating and implementing solutions. On completion of the project in 2014, the team managed to show immediate savings. Furthermore the sales force utilisation, understanding and compliance to the newly introduced systems and procedures improved to more than 90% during the course of the project.

The CAMPRO Project therefore enabled Clover to establish its own internal change management department, with the ability to identify opportunities, analyse net results and implement change management practices for continuous improvement.

CLOVER Merchandising is "WAY BETTER"!

Clover has 2 456 permanent merchandisers deployed nationally who provide a service to over 3 000 retail and wholesale outlets. These merchandisers work a maximum of 45 hours per week, and depending on volume and type of outlet, weekend merchandising services are also provided.

Clover merchandisers ensure that all Clover and principal products are correctly merchandised on shelf. Merchandisers in collaboration with store management and Clover sales staff are responsible for ensuring that products appear in the right shelf/placement within the store, are available at all times and in the correct quantities. It involves working closely with the store management team, as well as Clover's sales teams.

Quality

Quality over final product produced

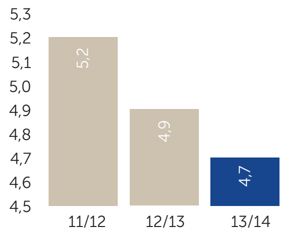
All Clover products are produced in terms of International Best Practices, regarding quality, hygiene and food safety. All Clover factories are ISO 9001 and HACCP certified and accredited by third party auditors and comply with all International Standards, required for food safety and quality management 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.

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 are implemented and monitored. 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 during the review period. Measures complying with all applicable environmental legislation and the Occupational Health and Safety Act ("OHS") were used. Audits are conducted annually to monitor continuous improvement. The Lost Time Injury Frequency rate has improved during the period under review.

LOST TIME INJURY FREQUENCY RATE PER MILLION MANHOURS



INTELLECTUAL CAPITAL

Brands and reputation

Clover's Marketing Department has over the years developed several household brands including Clover, Tropika, Butro and Krush, just to name a few. Continuous marketing efforts are required to ensure Clover's brands remain relevant.

Clover has enjoyed a long and successful history as part of the development of South Africa's dairy and fast moving consumer goods industry. Clover has been a household name for more than 100 years. Today, Clover is a leading and competitive branded consumer goods and products group operating in South Africa and other selected African countries with its core competencies in the production of dairy and non-dairy beverage consumer products, the distribution of chilled and ambient consumer products and the sales and merchandising of consumer goods.

Clover has won numerous accolades thereby confirming its status as a trusted household name. Some of the awards bestowed on Clover includes:

- South Africa's leading Iconic Brand in the fresh milk category for 2014; and
- Winner of Reader's Digest's Most Trusted Brands for 2014.

That being said, Clover takes pride in announcing its market shares as at 30 June 2014 in all major categories of dairy products available on the market:

	Clover's Percentage Market Share as at 30 June 2014	June 2014 Market position
Fresh milk	29,4	1
UHT Milk	17,5	3
Cream	40,1	1
Butter	33,8	1
Feta cheese	33,0	2
Natural cheese	33,3	1
Natural pre-packed cheese	30,4	1
Processed cheese	10,1	3
Pure fruit juice	44,9	1
Dairy mix	68,2	1
Fruit nectar	29,6	1
Iced Tea	21,9	2
Bottled water (including Aquarts and Nestlé)	17,7	3
Flavoured milk	32,3	2
Maas	8,1	3

Aztec Report 12 monthly moving to June 2014 (based on total defined supers, (i.e. PnP Group; Shop/Checkers Group and Spar Group).

Trademarks and Patents

Clover is the proprietor of more than 916 registered trademarks within the following jurisdictions:

Jurisdiction	Number of trade marks
South Africa	**368**
Rest of Africa **	**536**
Other countries **	**12**

** *Botswana, Swaziland, Namibia, Angola, DRC, Egypt, Ghana, Kenya, Lesotho, Malawi, Mauritius, Morocco, Mozambique, Nigeria, OAPI and Seychelles.*

Clover further holds 11 patents registered in South Africa and Namibia.

Clover's intellectual property is protected through employment contracts, confidentiality agreements and/or licence agreements. Clovers intellectual property portfolio is further managed through competent patent and trademark attorneys.

Product Innovation and Technology

Clover is focused on the ongoing revision and revitalisation of its marketing strategy by growing its brand basket and successfully maintaining existing brand market shares. This is done through developing new value added products and leveraging from its existing strong brands in the dairy and beverages categories to increase Clover's profitability. New products will either be developed by Clover's in-house Product Innovation and Technology Department or in co-ordination with a joint venture-like partnerships such as recent Clover Futurelife JV to produce a nutritional health drink.

Clover's Product Innovation Department ("PIT") is constantly looking to improve its current product offerings through improved product formulations and improved packaging, working towards 'greener' alternatives. These projects initiated also generally result in cost savings. With a dedicated PIT department, Clover is able to constantly evaluate new product opportunities that would complement its existing basket of products.

Clover's Technical Department is responsible for the construction of new factories as well as new production lines according to product specifications determined by PIT. All new lines installed have to meet product quality and safety standards benchmarked against international best practices. This is to ensure that the production environment is free from harmful bacteria not suitable for human consumption. The Technical Department ensures that all production staff are trained prior to the commencement of production.

Information Systems

Clover has an in-house Information Technology Department to support the business on its BPCS ERP environment, while also being at the forefront of supplying and developing Clover's management reporting. Please refer to the Governance, Risk and Compliance Report where this has been discussed in detail on page 48.

FRESH 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.

UHT MILK

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

CREAM

Clover cream is ultra-pasteurised to ensure a superior quality product with an extended shelf life. Clover aims to increase its markets share in this segment by creating awareness and educating consumers on the multiple uses of cream. The packaging used for our cream products are dedicated to recipes and communication on all areas of cooking and baking where cream can be used.

BUTTER

Clover is the largest manufacturer of butter in the country. Clover is the market leader in this segment, including such well-known brands as Clover Mooi River salted butter, Clover Springbok unsalted butter and Butro butter spread. Clover butter is a natural product without any additives, artificial colouring or flavouring.

FETA CHEESE

Clover feta cheese is the second largest brand in the market on and is competing for the number one position. 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.

CLOVER'S RANGE OF CHEESES

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 Clover and Elite cheese sharing in this category. Clover's award-winning individually wrapped processed cheese is indicative of Clover's clear ambition to provide consumers with the highest quality, best tasting products. New Clover individually wrapped processed cheese slices are preservative free and made with great tasting, excellent quality ingredients. Sacca cheese enjoys great heritage as it has been available since 1914. Elite Gouda is the only gouda in South Africa that is made in the traditional way.

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 is the market leader in the pure juice, short life fruit juice market

TROPIKA

Tropika is made from a combination of fruit juice and dairy, which results in a unique smooth tasting beverage. After nearly 30 years in the South African market, Tropika is still the market leader in the Dairy Fruit Mix category and the bestselling fruit juice beverage in South Africa.

DANAO

Danao is a dairy fruit mix drink containing real fruit juice and dairy with added vitamins A, B2, B12, C and Calcium. The brand focuses 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.

CLOVER LIFE NECTAR

Clover Life Nectar range offers consumers a delicious, refreshing juice nectar that is affordable enough to purchase regularly. Clover Life has always been a favourite in South African homes and occupies the number one position in the Fruit Drink/Nectar category.

MANHATTAN ICED TEA

Manhattan Iced Tea is the second biggest ready to drink Iced Tea in South Africa. Manhattan Iced Tea is a non-carbonated beverage with a tea extract base and fruit flavour blends. Manhattan Iced 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 Iced Tea.

AQUARTZ NATURAL MINERAL WATER

Aquartz is a natural mineral water that is bottled directly at source, this is to ensure the highest quality, purity and safety. The Aquartz water source is a naturally sweet mineral water that is low in TDS's ("Total Dissolved Salts"). Aquartz is available in natural mineral water or in sparkling flavoured water options.

NESTLÉ PURELIFE MINERAL WATER

Nestlé Purelife is a pure, still or sparkling mineral water that is bottled directly at its unique source, ensuring a good balance of minerals and a crisp mouth sensation that revives your palate and is pure hydration for the whole family.

AMASI

Amasi (so called in Zulu and Xhosa, and "maas" in Afrikaans) is the common word for fermented milk that tastes like cottage cheese or plain yogurt. Clover brings the love for tradition into dairy with Clover Amasi. Clover's maas recipe is rich and creamy to reignite the love in their customers hearts with this cultural and delicious treat.

SUPER M

Super M is the coolest teenage flavoured milk. It is available in four great flavours: chocolate, strawberry, banana and cream soda. 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 four selling flavours.

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.

HUMAN CAPITAL

Clover constantly strives to improve employee competencies by providing ongoing training through skills development programmes focusing on areas where there is a general shortage of skills. For Clover to remain at the forefront, it needs to constantly innovate and improve its business model requiring the appropriate staff complement in support thereof through lucrative attraction and retention strategies. All of this is done in compliance within the labour related regulatory universe. Clover also aspires to achieve objectives set out in respect of employment equity.

The Human Capital Strategy (Project Driven):

- Focuses on positive initiatives to ensure the long-term sustainability of the business;
- Acknowledges that the right people are the primary source of a competitive advantage; and
- Contributes to the establishment of an engaged workforce that strongly identifies with the company's vision and mission and objectives.

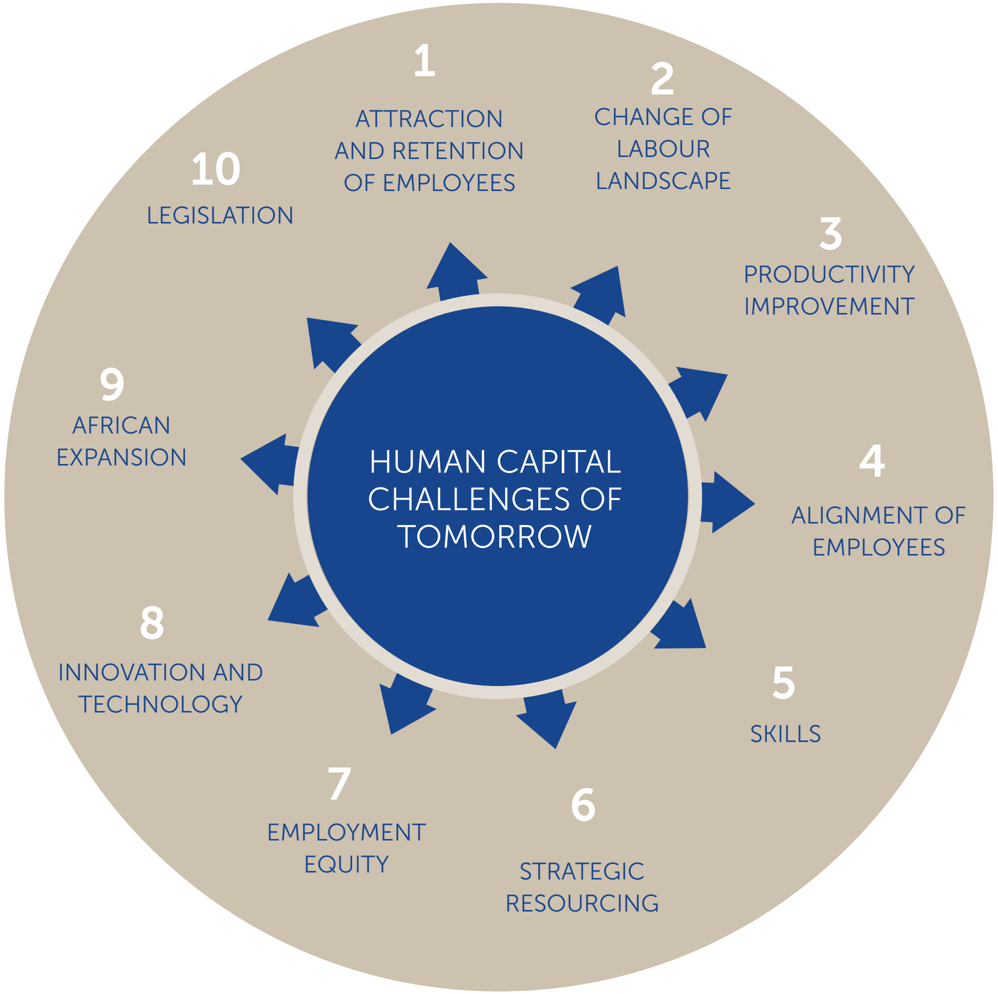
The Human Resources Department works closely with other business units to ensure that risks associated with Human Capital are identified and addressed. Special focus is also placed on regulatory compliance as it relates to day-to-day activities at Clover. The Human Resources Department is pro-active in supporting the business to utilise opportunities that will add value to the business and its 6 424 permanent employees.

1. Labour and Employment

Following the launch of Project Driven during 2013 the Company reconfirmed its strategic focus with regard to human capital:

- To establish a culture of exceptional performance.
- To commit to a culture of legal compliance.
- To develop and grow all employees.
- To create a competent and diverse workforce.
- To create a pleasant, healthy and motivating working climate.

Project Driven outlines Clover's broad strategy for addressing the Human Capital's response to:



1.1 Attraction and retention of employees

Clover recognises that there is a limited pool of skilled people 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.

Clover therefore participated in the 2013 Best Company to Work for Survey conducted by Deloitte. As a virtual participant, for the second year in a row, the overall rating achieved was described as "very positive/excellent". Action plans have been developed for areas that can be improved upon and which will impact positively on the attraction and retention of employees.

1.2 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. Despite the industrial action that has been prevalent in certain sectors, a harmonious working relationship has been maintained in the Company. This has been as a result of open and regular communication between the parties involved. We acknowledge the need to react appropriately to the changing circumstances.

Special focus is placed on optimising industrial relations platforms at different levels in the Company. At Clover, we respect the rights of our employees.

1.3 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.

1.4 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.

1.5 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 Wholesale and Retail Operations Learnerships, Job Technical Training Programmes at our production facilities, the upskilling of sales personnel and management as well as leadership development. Financial assistance for study purposes was further extended, and a number of internships were introduced.

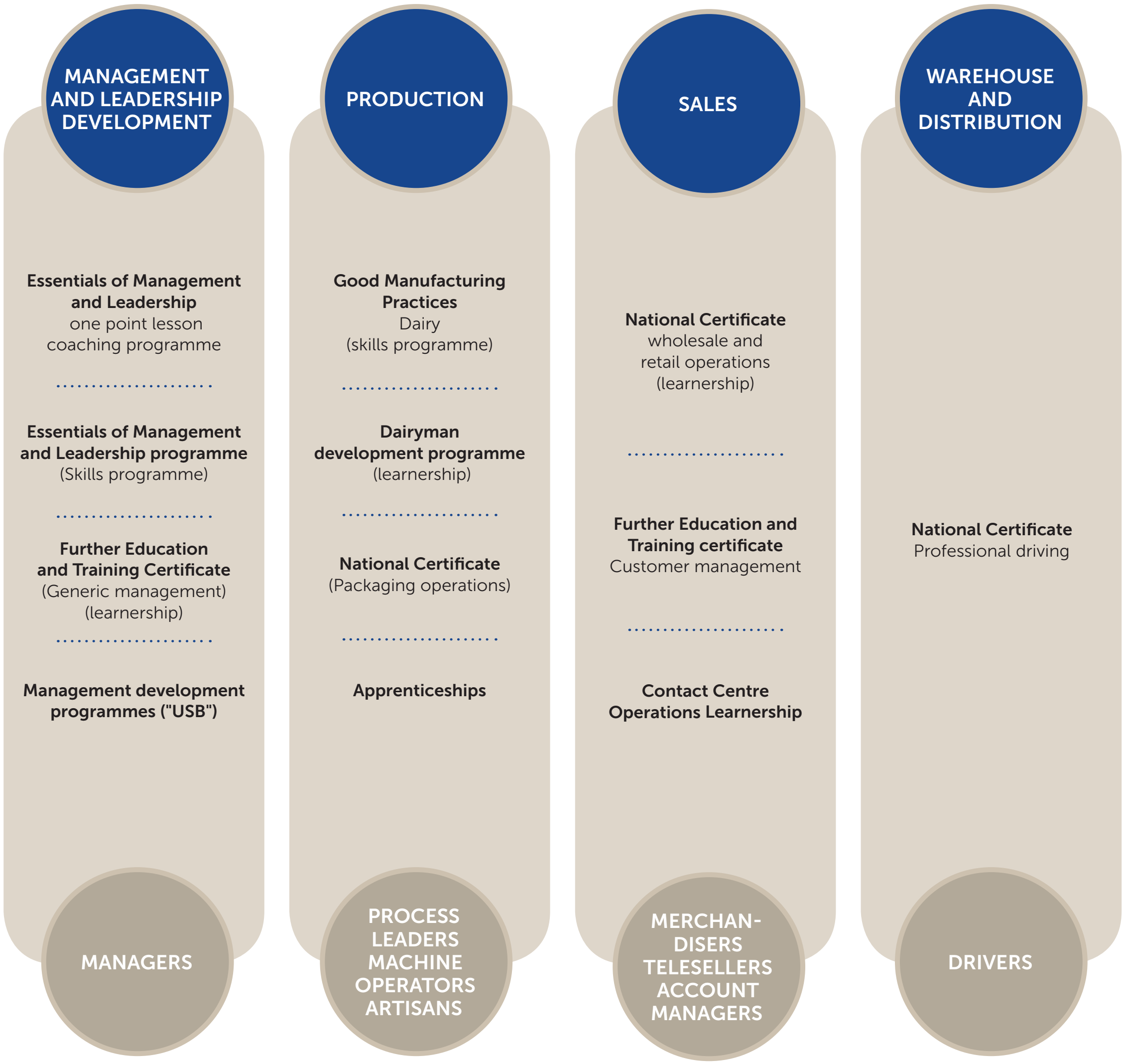
Equipping our employees with the right skills remains a high priority. With this in mind the Company has invested in training and development as follows during the year:

Intervention	2014	2013	2012	2011	2010
Number of employees trained	**2 127**	1 953	2 224	2 058	1 550
Total training spend per year (R'000)	**8 337**	7 965	4 879	3 450	3 942
Training spend per total number of employees per year (R'000)	**1 298**	1 219	744	543	619
Number of man days spent on training	**6 705**	4 627	2 965	2 744	2 067

Intervention	2014 Total employees	2014 Black employees	2013 Total employees	2013 Black employees
Number of employees trained	**2 127**	**1 715**	1 953	1 601
Number of employees enrolled on Learnerships, Skills Programmes and Apprenticeships	**344**	**308**	299	266
Number of employees on Formal Workplace Experience and In-Service Training Programmes	**38**	**29**	24	17
Number of bursaries (employed/unemployed) granted for degree and diploma studies	**36**	**17**	54	23
Value of bursaries granted for Degree and Diploma Studies	**678 023**	**461 135**	720 000	453 000

Going forward, it is acknowledged that a range of new skill sets will be required. This will necessitate a renewed focus on fast tracking, coaching and mentoring of young talent and the continuation of competence building training and development initiatives.

Responding to business needs and to maximise our return on skills upliftment, the following formal programmes are in progress or are in the final stages of development for implementation in 2015.



Significant achievements include:

- National Skills Authority Recognition Award (Department of Higher Education and Training) for Creating Work Placement Opportunities for young diploma and graduate students on completion of their In-Service or Workplace Experience Training with Clover; and
- First person qualified as Dairyman *via* the Quality Council for Trade and Occupations Curriculum Based Model.

1.6 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. Through strategic resources, Clover would ensure optimum levels of productivity, whilst catering for changing business demands as well as new legislative requirements. Regular review of our labour force composition and the optimisation of resources is constantly required.

1.7 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.

Employment Equity remains a focus area and various measures are in place to contribute towards the achievement of employment equity objectives:

- Steps are taken to appoint suitably qualified candidates from the designated groups where vacancies arise;
- Various training and development initiatives are aimed at having a positive impact on the Company's longer term employment equity objectives; and
- In compliance with legislated requirements, the Company has prepared and submitted a new two year employment equity plan.

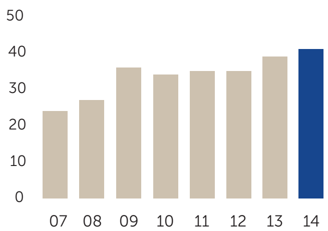
Clover subscribes to Employment Equity legislation and relevant Codes of Good Practice; this is also encompassed in the Clover Employment Equity policy. There should be no unfair discrimination in respect of *inter alia*, race, colour, language, religion, gender or political views or on the grounds of 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 Executive Committee is responsible for the implementation and monitoring of Clover's Employment Equity plan. The Executive 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 sites is delegated to site managers. All appointments should be conducted in line with Clover's Employment Equity policy. Clover's Human Resources department is responsible to monitor these activities and report to the Social and Ethics Committee at least annually on progress towards Employment Equity targets.

Percentage of staff from designated groups

Clover defines designated groups in line with the Employment Equity Act. Designated groups means black people, women and people with disabilities. Clover has been increasing the number of employees from designated groups as tabled below:

PERCENTAGE OF STAFF FROM DESIGNATED GROUPS



This graph reflects only middle management and above.

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:

Affirmative action measures and objectives	2013/2014 Objective	Achieved 30/06/2014	2014/2015 Objective
Black people on F Band	14,20%	14,29%	14,29%
Black people on E Band	9,50%	11,11%	14,28%
Black women on E Band	4,70%	5,56%	9,52%
Black people on C5 – D5 Band	20,00%	20,85%	24,55%
Black women on C5 – D5 Band	6,70%	6,20%	8,10%
Black people on C1 – C4 Band	52,40%	53,33%	55%
Black women on C1 – C4 Band	10,60%	11,07%	12,7%
Disabled people	0,85%	0,80%	0,74%

Broad-Based Black Economic Empowerment ("B-BBEE")

Clover supports the legislative framework aimed at transforming South Africa's economy. The Group's overall business strategy is regularly reviewed in the context of the principles embraced by B-BBEE.

The last financial year that Clover was assessed was in respect of the June 2013 year end, which assessment was performed by EmpowerLogic, a SANAS approved external verification agency. The Group was assessed against Agri sector B-BBEE Code for the first time and the Group's overall score improved by 13,9% year-on-year.

Clover is a Level 6 B-BBEE contributor and the Group has embarked on ambitious plans to achieve a higher level of compliance in the coming year.

It is understood that the current Agri sector B-BBEE Code, will be affected with more stringent requirements of the amended generic B-BBEE Codes that was released in October 2013, effective from April 2015, which may change the targets that are set forth in the Agri sector B-BBEE Codes. It is understood that no guidelines are available as yet from the DTI on how sector codes will be amended with changed amended generic codes, but understand sector codes have to be amended by October 2014, which should allow for an implementation period.

1.8 Innovation and technology

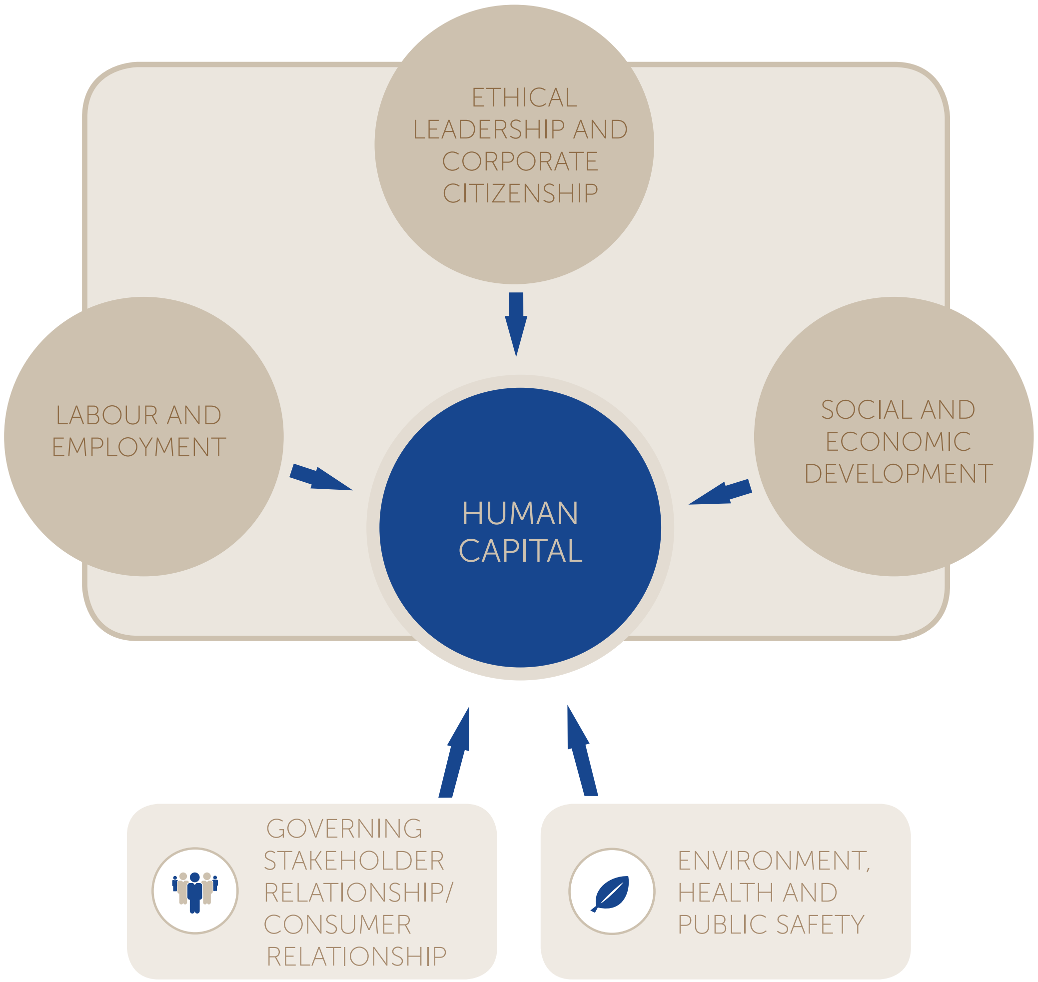
We encourage innovation in Clover and acknowledge the need to equip personnel with technology that will enhance performance. A number of projects that will result in new generation business systems, are in progress:

- A fully integrated payroll and human resources system consolidating all human resource applications into one system.
- Standardising to a single ERP environment, enabling Clover to benefit from advanced management reporting available on the new environment.
- 'Big Data' analytics for improved business intelligence.

1.9 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. Clover prides itself in successfully embracing diversity in the different African countries we operate in, as in these countries, Clover employs local staff to ensure that we take into account the specific culture of each country in order to better understand our customer's needs, as depicted below:

REGULATION 43 OF COMPANIES ACT



Environment, health and public safety are dealt with under the Natural Capital.

Governing stakeholder relationship/consumer relationship dealt with under the Social and Relationship Capital.

1.10 Legislation

Clover is committed to conducting its business activities lawfully and ethically. The Company will take reasonable steps to ensure that amendments to legislation are communicated and implemented throughout the business.

Clover's Social and Ethics Committee monitors and takes cognisance of relevant legislation, other legal requirements and prevailing codes of best practice with regard to its responsibility to comply with Regulation 43 of the Companies Act as diagrammatically presented on the left of this page:

Ethical leadership

Clover and its leaders have adopted 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 people through the execution of their functions and 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 environment, and we consider the impact of our operations on both 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; and
- International Labour Office ("ILO").

The United Nations Global Compact principles

The universal principles to which Clover is committed to include human rights, labour, the environment and anti-corruption, as listed below:

HUMAN RIGHTS (PRINCIPLES 1 – 2)

BUSINESS SHOULD RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS AND ENSURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES.

LABOUR (PRINCIPLES 3 – 6)

BUSINESS SHOULD UPHOLD THE FREEDOM OF ASSOCIATION, ELIMINATE COMPULSORY LABOUR, PROMOTE THE ABOLITION OF CHILD LABOUR AND DISMISS DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION.

ENVIRONMENT (PRINCIPLES 7 – 9)

BUSINESSES SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY AND ENCOURAGE THE DEVELOPMENT OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.

ANTI-CORRUPTION (PRINCIPLE 10)

BUSINESSES SHOULD NOT TOLERATE ANY FORM OF CORRUPTION, INCLUDING EXTORTION AND BRIBERY.

Environmental discussed under the section on Natural Capital.

- 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 combatting of corruption can be found in our reports on Risk Governance and Compliance.

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 campaigns at all operations for purposes of enforcing Clover's ethical principles.

Clover has formalised its ethical values into its Ethics policy, which is available on Clover's website.

NATURAL CAPITAL

The growing demand for natural resources will force dairy companies to process products more efficiently by lowering its carbon and water footprint by making use of the latest technologies in South Africa similar to those already developed in Europe. In addressing its dispersed factory locations, Clover is evaluating its options to consolidate these factories and install latest technology, enabling it to improve its cost competitiveness, while also achieving synergies in sustainability of its operations, such as reduction in Clover's carbon and water footprint. As some of the technologies are expensive, Clover is constantly reviewing available government tax incentives and grants to ensure business cases are viable and that the project would result in Clover to be more cost competitive at a unit cost level.

Clover is evaluating available government incentives within Agro processing, to benefit cost competitiveness of milk producers, including black farmer development.

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.

Environmental

Clover strives to manage its business in such a manner that the environment is adequately protected, 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.

The Social and Ethics Committee requires each business unit to regularly report its impact on the environment based on agreed measures. 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 the SHE compliance to the Social and Ethics Committee on a quarterly basis.

Water, Electricity, Fuel, Wastage and Carbon footprint

Clover invests in air filtration to ensure that products are produced in hygienically safe conditions to ensure that quality standards are adhered to, irrespective of external air quality. Clover is also actively striving to reduce carbon emissions per unit produced. This is especially relevant in an environment of constantly above inflation increases in the cost of electricity and fuel. Clover is reliant on a constant good quality water source to ensure that products meet its minimum quality standards. In areas where water quality is inconsistent, Clover installs water purification/filtration systems to ensure a quality water supply to the factory. Clover is exposed to areas where factories are located in water scarce areas, as no factory can be operational without water supply which is required to clean manufacturing lines on completion of production batch runs or where water is used as a base of the product, such as juice. Future climate change may also impact on milk supply areas and available supply. Clover makes use of available grants and tax allowances to implement "Green technology" reducing its carbon and water footprint to improve its operations to be more sustainable in future. This will also result in the reduction of Clover's cost to produce, and enhancement of its competitiveness.

Waste and operational efficiency

	2011/2012	2012/2013	2013/2014
Water consumed per kg of product produced	4,353	4,5616	**4,2902**
Electricity consumed per kg product produced (kWh/kg)	0,1553	0,1735	**0,1505**
Fuel consumed for steam generation (coal, diesel, HFO) per kg product produced (kWh eq/kg)	0,4912	0,5229	**0,4509**
Waste to landfill in kg per kg produced	0,0155	0,0147	**0,0097**
Waste recycled (kg)	1 100 503	2025670	**1 793 590**
Lost time injury frequency rate	5,21	4,90	**4,74**
Carbon Footprint			
Total Scope 1 and 2 emissions (tonnes Co_2 eq)	250 869	265 627	**245 357**
Total Scope 1 emissions (tonnes Co_2 eq)	119 605	122 765	**116 659**
Total Scope 2 emissions (tonnes Co_2 eq)	131 264	142 862	**128 698**
Trends per Source			
Stationary combustion (tonnes Co_2 eq)	75 633	72 827	**67 304**
Mobile combustion (tonnes Co_2 eq)	39 954	44 956	**45 595**
Fugitive (refrigerants) (tonnes Co_2 eq)	4 018	4 982	**3 759**
Electricity (tonnes Co_2 eq)	127 678	137 397	**123 955**
Purchased steam (tonnes Co_2 eq)	3 586	5 465	**4 744**

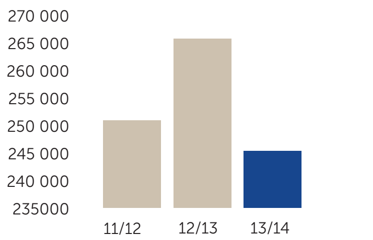
Carbon footprint

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

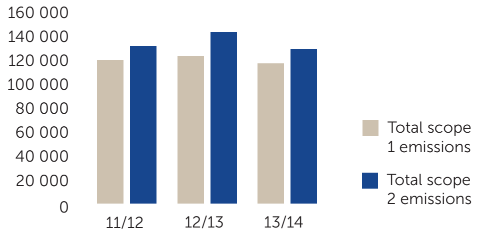
CARBON FOOTPRINT

Total scope 1 + 2 emissions – tonnes CO_2e



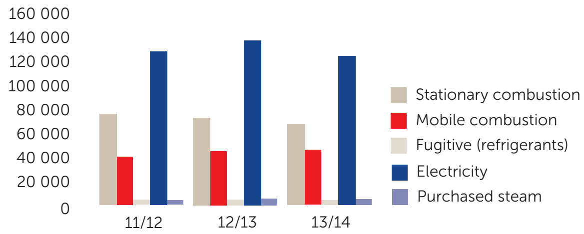
CARBON FOOTPRINT – BY SCOPE

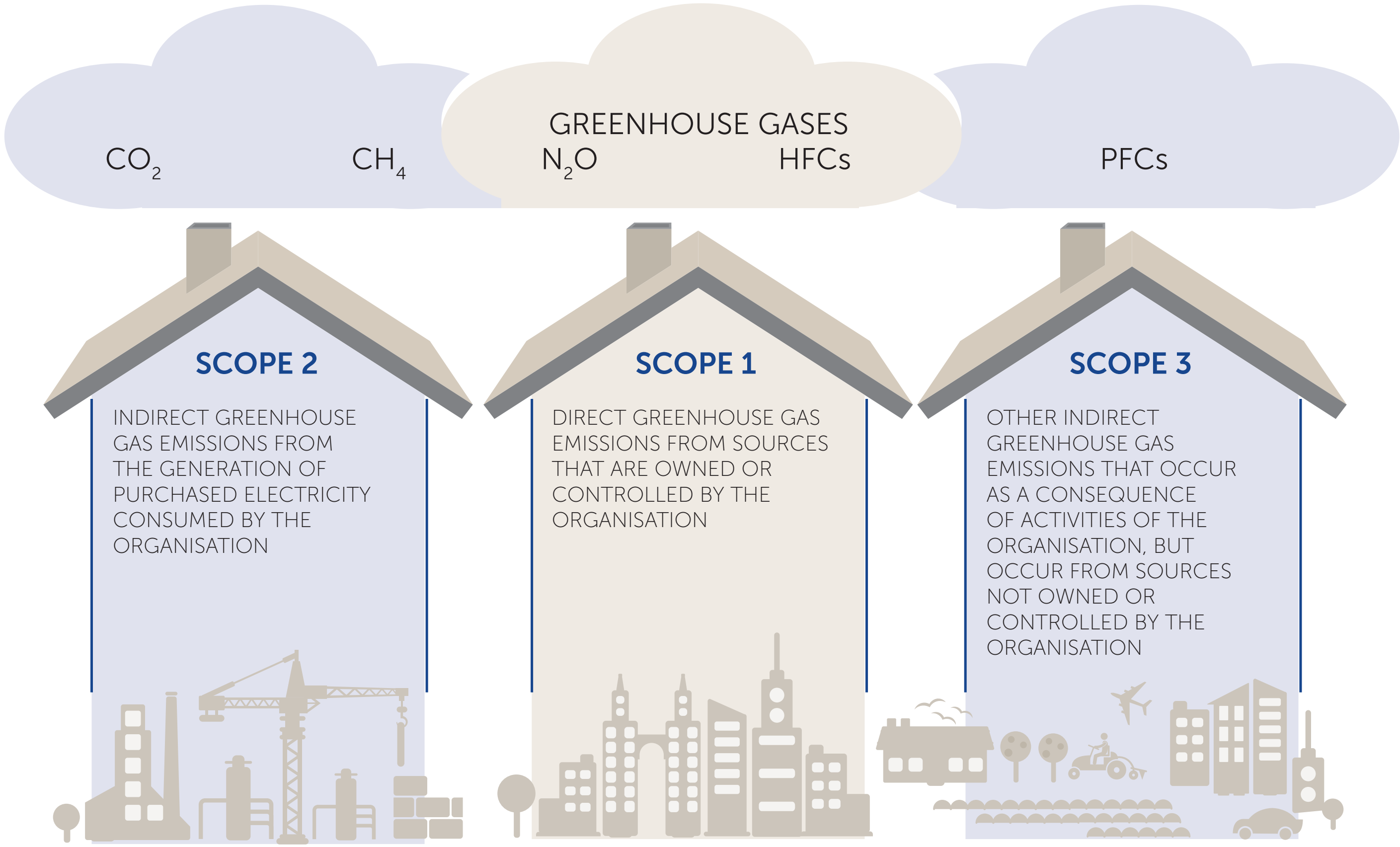
tonnes CO_2e



CARBON FOOTPRINT

tonnes CO_2e





SOCIAL AND RELATIONSHIP CAPITAL

Clover has its own Corporate Social Investment programme, which the Group developed to support community projects. Clover identified all its material stakeholder groups and prioritises its stakeholder concerns as part of its risk management activities.

Clover Mama Afrika

Good corporate citizenship

Clover prides itself in conducting business by taking into account our legal, ethical and economic responsibilities. While it is our goal to preserve profitability for our shareholders, we also aim to create higher standards of living and quality of life in the communities in which we operate.

- Corporate social and community investment

  Clover Mama Afrika Trust was started ten years ago in 2004. Over the past decade, Clover Mama Afrika has established a reputation for being one of the country's most innovative, effective and sustainable corporate investment programmes, bringing tangible benefits to the people it aims to uplift.

  The Clover Mama Afrika initiative has set out to restore some of the best aspects of African tradition into modern life, such as caring for one another, passing on skills and protecting the young, the weak, the aged as well as HIV/AIDS victims. Today, the Clover Mama Afrika project places a strong emphasis on assisting people in disadvantaged communities to learn to help themselves so that they may regain their pride, establish self-sustaining livelihoods and become valuable members of their communities and to society at large.

  At the heart of the programme are the carefully chosen "mamas" who already act as pillars of strength in their communities. Hand-picked by Clover, the mamas are incredibly special ladies who already make a difference in the lives of the people around them and want to empower others to become self-sustaining too. The programme sees that they are trained in a variety of essential skills that can then be passed on to other community members. Cooking, baking, sewing, curio making, hair care and food gardening are just some of the training they receive and significantly, they are also presented with the necessary tools, equipment and infrastructure to create an income for their communities on the back of their newly acquired skills. Currently, the Clover Mama Afrika project has 40 Mamas countrywide who collectively care for over 15 500 children and more than 2 500 elderly across the whole of South Africa.

Value drivers of the Clover Mama Afrika initiative

- 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. It is important for us to create a safe haven for all the children in the care of a Clover Mama Afrika.

- 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

  Clover is of the firm belief that the best way for Clover Mama Afrika to have the greatest possible impact is through partnership and collaboration with other organisations and individuals that want to embed sustainability into the fabric of South African society. Besides, the wide-ranging needs of South African communities require committed teamwork from as many people as possible who have the means to make things happen for those who are less fortunate.

  Hugely important to the success of Clover Mama Afrika is the open-hearted attitude of the programme's corporate partners and sponsors who assist to make it meaningful for so many needy people across South Africa. Professor Elain Vlok, Clover's manager of Corporate Services who drives Clover Mama Afrika with passion, dedication and insight, believes that the programme's on-going success is built on a generosity of spirit that is at the same time, the very essence of "Ubuntu".

Blue chip partners which contribute to the success of Clover Mama Afrika and co-fund 40% of the Trust's expenses include:

- Expeditors International;
- HCI Foundation;
- Eqstra Holdings Limited; and
- MiX Telematics.

Recipients of the Clover Mama Afrika project

Below is an illustration of the number of people who benefitted from the Clover Mama Afrika project during the 2013 and 2014 year ends:

Skills training	Members trained 2013	Members trained 2014	Operating centres 2013	Operating centres 2014	Skills transferred 2013	Skills transferred 2014	Employed member earning wages/ salaries as reported 2013	Employed member earning wages/ salaries as reported 2014
Sewing	101	**107**	29	**28**	640	**1 501**	93	**60**
Bread oven project	503	**562**	27	**26**	1 049	**1 563**	114	**92**
Cooking and baking	79	**82**	27	**22**	519	**762**	69	**63**
Food gardens *	549	**557**	25	**23**	577	**684**	36	**28**
Quilting	39	**42**	15	**14**	165	**295**	12	**15**
Crochet and knitting	49	**28**	35	**15**	553	**454**	37	**16**
Hair-dressing	16	**18**	3	**4**	16	**67**	12	**13**
Pottery	1	**1**	1	**1**	20	**20**	2	**3**

* *Food gardens feed up to 5616 (2014) and 6260 (2013) members per day*

Value-added skills training

Skills training	Members trained 2013	Members trained 2014	Operating centres 2013	Operating centres 2014	Skills transferred 2013	Skills transferred 2014	Employed member earning wages/ salaries as reported 2013	Employed member earning wages/ salaries as reported 2014
Poultry egg laying	–	**10**	–	**3**	–	**24**	–	**11**
Beadwork	40	**21**	31	**16**	263	**845**	21	**43**
Art	–	**40**	–	**26**	–	**–**	–	**–**
Flower arrangement	37	**39**	11	**12**	244	**523**	18	**19**
Mobile phones	79	**79**	30	**26**	–	**–**	10	**–**
Save a child	175	**125**	13	**13**				
Welding	–	**8**	–	**–**	–	**–**	–	**–**
MKI health information	18	**–**	18	**–**	–	**–**	–	**–**
Basic admin/finance	27	**45**	27	**27**	–	**–**	–	**–**
Totals	1 713	**1 764**	292	**245**	4 046	**6 738**	424	**363**

AWARDS

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

2005	PMR Diamond Arrow Award 2005 – PRISA Prism Gold Award 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
2013	2nd Annual SA Premier Business Awards – Rural Development
2014	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 Font, Clover achieved a full allocation of available points under the Socio-Economic Development section of the B-BBEE balanced scorecard. In addition, the Clover Mama Afrika project made a contribution to Enterprise Development which resulted in Clover achieving almost full points in this area on the overall scorecard.

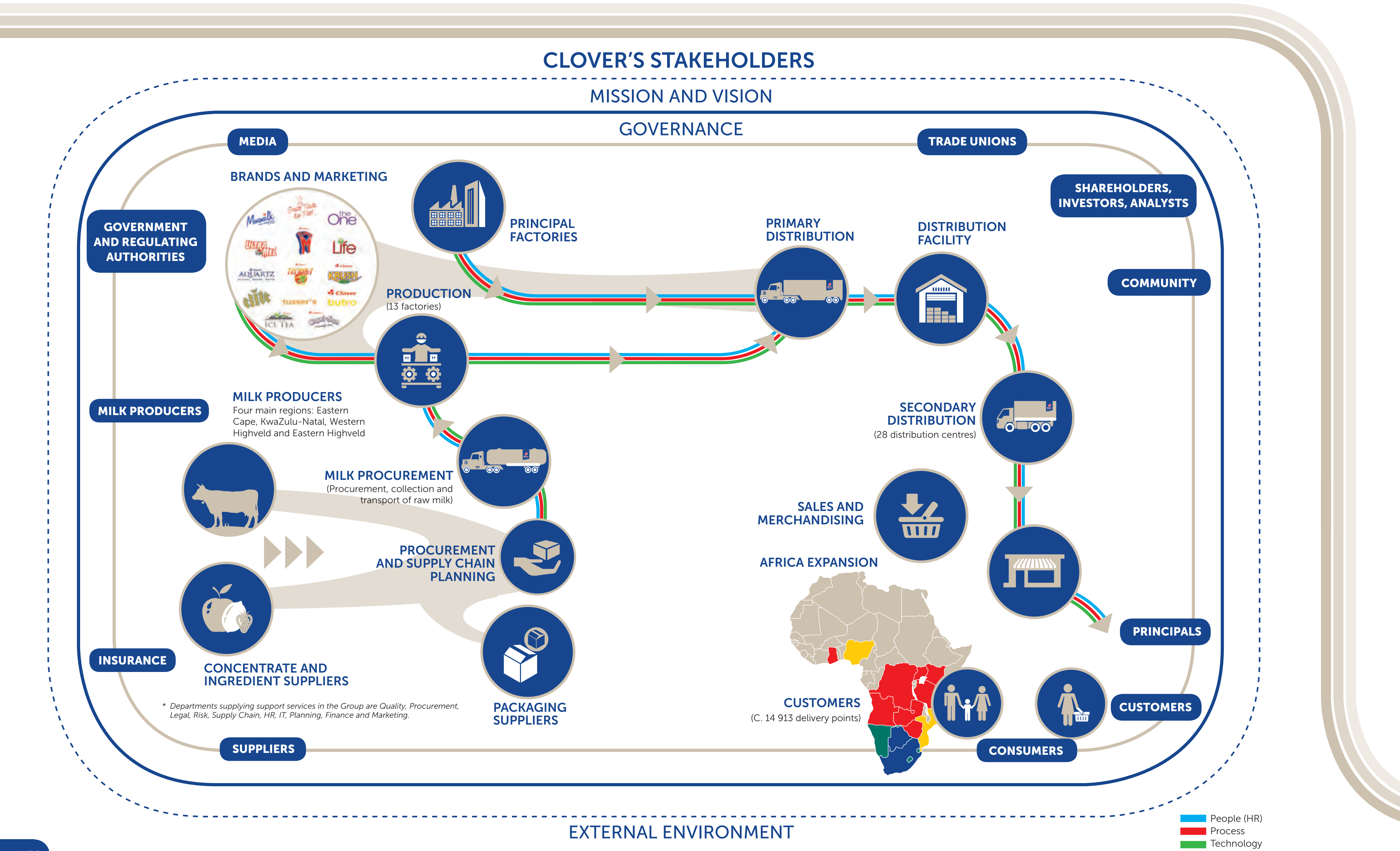
As a respected JSE-listed company with a century-long history of serving farmers and the public through a wide range of world class "Way Better" dairy and beverage products, Clover is committed to maintaining Clover Mama Afrika's status as a corporate social investment programme that makes a real difference. In line with its commitment to the programme, Clover also ensures that Clover Mama Afrika meets the highest levels of transparency and corporate governance.

Record of sponsorship and charitable givings

Clover' 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.

Governing stakeholder relationships/ consumer relationships

Throughout the 2014 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, whose 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 STAKEHOLDERS
MISSION AND VISION
GOVERNANCE
MEDIA
TRADE UNIONS
BRANDS AND MARKETING
PRINCIPAL FACTORIES
PRIMARY DISTRIBUTION
DISTRIBUTION FACILITY
SHAREHOLDERS, INVESTORS, ANALYSTS
GOVERNMENT AND REGULATING AUTHORITIES
COMMUNITY
PRODUCTION
(13 factories)
MILK PRODUCERS
MILK PRODUCERS
Four main regions: Eastern Cape, KwaZulu-Natal, Western Highveld and Eastern Highveld
SECONDARY DISTRIBUTION
(28 distribution centres)
MILK PROCUREMENT
(Procurement, collection and transport of raw milk)
SALES AND MERCHANDISING
PROCUREMENT AND SUPPLY CHAIN PLANNING
AFRICA EXPANSION
PRINCIPALS
INSURANCE
CONCENTRATE AND INGREDIENT SUPPLIERS
CUSTOMERS
(C. 14 913 delivery points)
CUSTOMERS
* Departments supplying support services in the Group are Quality, Procurement, Legal, Risk, Supply Chain, HR, IT, Planning, Finance and Marketing.
PACKAGING SUPPLIERS
SUPPLIERS
CONSUMERS
EXTERNAL ENVIRONMENT
People (HR)
Process
Technology

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; and • 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; and • 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; and • Cost efficiencies.	Service level agreements

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; and • 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; and • 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; and • Maintenance of fire protection equipment.	Insurance policies
Media	Media statements and briefings, Social media pages and site visits	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; and • 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; and • 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 and site visits	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; and • 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; and • 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	Exco, 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 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 dealt with 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.

During the year under review, Adams and Adams conducted a review of all our product labelling and corrective measures have been implemented where risks were identified.

Public and Investor 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. This function is managed by Dr. Chris Lerm who is assisted by the Company Secretary, Jacques van Heerden as well as Prof Elain Vlok (Manager: Corporate Services) when required.

With regards to Investor relations, this function is delegated to Johann Vorster (Chief Executive), Jacques Botha (Chief Financial Officer) and Jacques van Heerden (Company Secretary) who are responsible for all investor communications with the assistance of 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 on its activities to enable the Social and Ethics Committee to monitor compliance with the CPA. Furthermore logs are maintained for any promotional and trade coupon promotions in line with the CPA. 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; and
- Various other acts that impact our stakeholders.

Please refer to the Governance, Risk and Compliance report where this has been discussed in detail on pages 48 to 49.

FINANCIAL CAPITAL

We believe the financial statements 'present fairly, in all material respects the financial position, financial performance and cash flows of the Company in accordance with International Financial Reporting Standards, and are free of material misstatements. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements section of this Integrated Annual Report. As members of management of the Company, we believe that the Company has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act.

For more information refer to the Chief Financial Officer's report on page 30 and the annual financial statements which follow.

COMBINED ASSURANCE

Although King III requires that sustainability reporting be independently assured, the Committee has obtained partial assurance over the six capitals to the extent disclosed in the combined assurance framework as reflected in the table on the right. It is the Group's intention to enhance qualitative and quantitative information as systems are progressively bedded down. All material risks considering the sustainability of Clover's business model and in complying the requirements of Regulation 43 of the Companies Act, as well as King III 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 Six Capitals 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. 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 Group.

SOCIAL AND ETHICS COMMITTEE REPORT

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 2014.

TA Wixley
Lead Independent Director

In relation to the Six Capitals Clover obtain external assurance against the respective capitals as described below:

Capitals	Independent assurance providers: Clover's 3rd line of defence
Manufactured Capital	• Clover factories are annually certified by the SABS on ISO 9001 as well as ISO 22000 in respect of Port Elizabeth. • Clover factories are annually certified by the SABS on HACCP standards. • Clover is subjected to SEDEX audits from its clients on an ad hoc basis on selected factories. • Safety audits are performed internally as well as by Makrosafe covering all Clover sites. • Marsh performs fire risk surveys over a three year cycle of all Clover's sites. • Internal and External Audits are performed on assets.
Natural Capital	• Internal Audit benchmarked Clover's Integrated Annual Report against GRI 3 and GRI 4 principles. • Internal Audit assessed Clover's carbon emissions calculations.
Human Capital	• Deloitte Best Company to work for survey. • Internal Audit gave independent assurance over the risk management function. • Clover was assessed as a Level 6 contributor on the last EmpowerLogic assessment performed in respect of Clover's June 2013 year-end.
Intellectual Capital	• Clover brands have won numerous accolades confirming its status as a trusted household name. • Clover's portfolio of trademarks and patents are managed by Adams and Adams attorneys. • Clover's migration to eRMS ERP platform is currently been overseen by External Audit.
Social and Relationship Capital	• Clover Mama Afrika positioned itself as a sustainable and effective CSI project as evident from prestigious awards received, with the PMR Diamond Arrow award most recently received in 2014. • Clover received a full allocation of points on Social Economic Development as assessed at 30 June 2013 by EmpowerLogic. • Internal Audit conducted a comprehensive audit on the Mama Afrika campaign.
Financial Capital	• External Audit assess management's representation over material internal financial controls. • Unqualified audit opinion by External Audit. • Internal Audit performed various financial control audits and provided an opinion on material financial controls.

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.

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 Audit and Risk 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").

AUDIT AND RISK COMMITTEE MEMBERSHIP AND ATTENDANCE AT MEETINGS

The Audit and Risk Committee comprises only Independent Non-executive Directors. The Chief Executive, 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 Audit and Risk Committee was duly appointed by the shareholders at the Annual General Meeting on 26 November 2013. Shareholders will again be asked to approve the appointment of the members of the Audit and Risk Committee for the 2014/15 financial year at the Annual General Meeting scheduled for 28 November 2014.

Details of the members of the Audit and Risk Committee and the number of meetings (including the attendance of the members) held for the financial year are set out on page 44 in the Governance, Risk and Compliance Report.

FUNCTION OF THE AUDIT AND RISK COMMITTEE

The functions of the Audit and Risk 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 Audit and Risk Committee to discuss any matter within the Audit and Risk 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 six capital 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; and
- To oversee the activities of, and ensure co-ordination, between the activities of internal and External Audit. To review the Audit and Risk Committee's work plan and terms of reference annually and make recommendations to the Board to ensure its effectiveness.

Duties carried out

The Audit and Risk 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 Audit and Risk Committee undertook the following:

- Nominated EY Inc. as the External Auditor, with Sarel Strydom as the designated auditor to the shareholders for appointment as auditor for the financial year ended 30 June 2014, 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; and
- Nominated the External Auditor and the designated independent auditor for each of the South African subsidiary companies for the financial year ended 30 June 2014.

FINANCIAL STATEMENTS

During the year under review, the Audit and Risk 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; and
- 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 Audit and Risk 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;
- Reviewed the Group's insurance cover based on the advice of the Group's insurance broker and confirmed that all significant insurable risks are appropriately covered; and
- 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, EY Inc.

INTERNAL CONTROL AND INTERNAL AUDIT

During the year under review, the Audit and Risk 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; and
- 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 Audit and Risk Committee that indicates a material breakdown in the internal controls of the Group.

SUSTAINABILITY

During the year under review, the Audit and Risk Committee:

- Reviewed the six capital report included in the Group's Integrated Annual Report and satisfied itself that it is consistent with the annual financial statements; and
- The Committee has obtained partial assurance over the six capitals to the extent disclosed in the combined assurance framework as reflected in the table on the right. It is the Group's intention to enhance qualitative and quantitative information as systems are progressively bedded down. All material risks considering the sustainability of Clover's business model and in complying the requirements of Regulation 43 of the Companies Act, as well as King III 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.

LEGAL AND REGULATORY REQUIREMENTS

During the year under review, the Audit and Risk 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; and
- Considered reports provided by management, Internal Audit and the External Auditor regarding compliance with legal and regulatory requirements.

COMBINED ASSURANCE

The Audit and Risk 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 Audit and Risk 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 Audit and Risk Committee is satisfied that EY Inc., is independent of the Group after taking the following factors into account:

- Representations made by EY Inc. to the Audit and Risk Committee;
- The auditor does not, except as External Auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the 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; and
- The criteria specified for independence by the Independent Regulatory Board of Auditors and international regulatory bodies.

ANNUAL FINANCIAL STATEMENTS

Following the review by the Audit and Risk Committee of the consolidated and separate annual financial statements of Clover Industries Limited for the year ended 30 June 2014 and the opinion of the External Auditor, the Audit and Risk 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 Audit and Risk Committee has satisfied itself of the integrity of the remainder of the Integrated Annual Report.

Having achieved its objectives for the financial year, the Audit and Risk Committee has recommended the annual financial statements and Integrated Annual Report for the year ended 30 June 2014 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 Audit and Risk Committee.

TA Wixley
Chairman of the Audit and Risk Committee

15 September 2014

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 2015. 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, EY Inc., have audited the financial statements and their unqualified report appears on page 111.

The consolidated and separate annual financial statements, set out on pages 114 to 197, which have been prepared on the going concern basis, were approved by the Board of directors on 15 September 2014 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
Company Secretary

15 September 2014

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 114 to 197, which comprise the consolidated and separate statements of financial position as at 30 June 2014, 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 2014, 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 2014, 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 – Sarel Jacobus Johannes Strydom
Registered Auditor
Chartered Accountant (SA)

102 Rivonia Road
Sandton
Johannesburg

15 September 2014

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 2014.

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:

	2014 R'm	2013 Restated R'm
Revenue	**8 530,2**	7 832,9
Total comprehensive income attributable to equity holders of the parent Company	**189,2**	238,4

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

The June 2012 Consolidated Statement of Financial Position has also been restated and disclosed to show the effect of IFRS 11 on the financial position of the Group.

SUBSIDIARY COMPANIES AND INTERESTS IN JOINT VENTURES

Details of subsidiary companies are reflected in note 30 to the financial statements and business combinations and interests in joint ventures in note 3 and 4 to the financial statements.

As communicated on the Stock Exchange News Services ("SENS") on 8 May 2014, The Real Beverages Company (Proprietary) Limited ("Real Beverages") (a wholly-owned subsidiary of the Company) has concluded two agreements with Dairybelle (Proprietary) Limited ("Dairybelle"), to acquire the following two businesses:

- the yoghurt manufacturing, marketing and distribution business ("Yoghurt Business") for a cash consideration of R125 million; and
- the UHT milk manufacturing, marketing and distribution business ("UHT Milk Business") for a cash consideration of R30 million.

These transactions are in line with the Company's stated strategy to expand its portfolio of value added and branded consumer products.

The acquisition of the assets comprising the Yoghurt Business will provide the Company with access to the yoghurt market, in which Dairybelle has a meaningful presence. Additionally, the location of Dairybelle's UHT production facilities in the Western Cape will allow the Company, after it acquires the UHT Milk Business, to improve efficiencies through the more effective utilisation of its raw milk supply in the region.

The effective dates of the transactions are as follows:

- The Yoghurt business will take effect on the later of (i) the first day of the month succeeding the month in which the approval of the transaction by the competition authorities in South Africa is obtained, or (ii) 1 January 2015 (such date, the "Yoghurt Completion Date"); and
- The UHT Milk business will take effect on the first day of the month succeeding the month in which the approval of the transaction by the competition authorities in South Africa is obtained.

For more detail regarding these transactions please refer to the SENS announcement on the 8th of May 2014.

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 26 November 2013 and is valid until 28 November 2014. 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 1 July 2013 the company issued 1 260 440 ordinary Clover Industries shares to a retired member of senior management to settle part of its obligation under the Clover Share Appreciation Rights Plan.

Except for the above no shares were issued or repurchased during the year ending 30 June 2014.

DIVIDENDS

Dividends declared and paid by CIL during the year:

	2014 R'000	2013 R'000
Ordinary dividends		
Declared	**69 342**	41 912
Paid	**69 342**	41 912
Preference dividends recognised as interest:		
Declared	**–**	20 346
Paid	**–**	26 106

The Board declared and paid an interim cash dividend of (R29,2 million) 16 cents per ordinary share during April 2014. It further declared a final dividend of R29,2 million or 16 cents per ordinary share, bringing the total dividend for the year to R58,4 million (2013: R58,1 million) or 32 cents (2013: 32 cents) per ordinary share.

This is equal to the dividend paid in the previous financial year which is in line with the company's dividend policy to at least maintain dividends in the event of HEPS ending lower than the prior financial year.

DECLARATION OF DIVIDEND NUMBER 9

Notice is hereby given that the directors have declared a final gross cash dividend of R29,2 million or 16 cents (13,6 cents net of dividend withholding tax) per ordinary share for the year ended 30 June 2014.

The dividend has been declared from income reserves and no secondary tax on companies credits have 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, 3 October 2014
Shares commence trading "ex" dividend	Monday, 6 October 2014
Record date	Friday, 10 October 2014
Payment date	Monday, 13 October 2014

Share certificates may not be dematerialised or rematerialised between Monday, 6 October 2014 and Friday, 10 October 2014, both days inclusive.

DIRECTORS AND COMPANY SECRETARY

Particulars of the present Directors and company secretary are listed on pages 16 to 18 and page 110.

SHARE-BASED COMPENSATION

On 1 July 2013, 3 041 063 SAR were issued to executives at an issue price of R16,83 and on 30 June 2014 a further 3 134 141 at an issue price of R17,31. 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 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 Group 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 40.

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 R375,0 million (2013: R434,3 million) and R13,0 million (2013: R103,0 million) on intangible assets.

EVENTS AFTER THE REPORTING PERIOD

With effect 1 July 2014 Clover SA bought the remaining 48% issued ordinary shares of Lactolab from Taurus Stock Improvement Co-operative Ltd for an amount of R5,5 million. The transaction was funded from own cash resources of the company.

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 of Clover Industries Limited held on 26 November 2013:

- A general authority was given to the Board of Directors 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 2013 was approved; and
- The Company and/or subsidiaries was given authority by way of general authority to provide, from time to time, subject to Section 45 of the Companies Act, financial assistance to related and inter-related companies on the terms and conditions that the Board of Directors deem appropriate.

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; and
- The consumers who support the Clover brand.

Werner Büchner
Chairman

Johann Vorster
Chief Executive Officer

15 September 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2014

GROUP 2014 R'000	GROUP 2013 Restated R'000		Notes	COMPANY 2014 R'000	COMPANY 2013 R'000
7 192 650	6 605 356	Sales of products			
822 040	801 755	Rendering of services			
511 485	420 508	Sale of raw milk			
4 062	5 292	Rental income			
8 530 237	7 832 911	**Revenue**			
(6 291 191)	(5 712 404)	Cost of sales	6.1		
2 239 046	2 120 507	**Gross profit**			
48 916	61 860	Other operating income	6.2	**45 934**	45 411
–	–	Dividends received		**45 000**	–
(1 770 510)	(1 558 404)	Selling and distribution costs			
(195 567)	(204 018)	Administrative expenses		**(11 211)**	(11 399)
(16 036)	(35 750)	Restructuring expenses	6.7	**(49)**	(49)
(23 573)	(12 571)	Other operating expenses	6.3	**–**	–
282 276	371 624	**Operating profit**	6.4	**79 674**	33 963
7 234	9 715	Finance income	6.5	**3 193**	5 408
(65 043)	(56 432)	Finance cost	6.6	**–**	(20 346)
14 306	13 974	Share of profit in a joint venture after tax	4		
238 773	338 881	**Profit before tax**		**82 867**	19 025
(49 791)	(99 022)	Taxes	7	**(10 603)**	(11 038)
188 982	239 859	**Profit for the year**		**72 264**	7 987
		Other comprehensive income to be reclassified to profit and loss in future			
2 565	(272)	Exchange differences on translations of foreign operations			
191 547	239 587	**Total comprehensive income for the year, net of tax**		**72 264**	7 987
		Profit attributable to:			
186 666	238 626	Equity holders of the parent		**72 264**	7 987
2 316	1 233	Non-controlling interests			
188 982	239 859			**72 264**	7 987
		Total comprehensive income attributed to:			
189 231	238 354	Equity holders of the parent		**72 264**	7 987
2 316	1 233	Non-controlling interests			
191 547	239 587			**72 264**	7 987
		Earnings per share (cents)			
102,3	133,1	Basic profit for the year attributable to ordinary equity holders of the parent	8		
97,3	123,8	Diluted profit for the year attributable to ordinary equity holders of the parent	8		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2014

GROUP 2014 R'000	GROUP 2013 Restated R'000	GROUP 2012 Restated R'000		Notes	COMPANY 2014 R'000	COMPANY 2013 R'000
			Assets			
			Non-current assets			
1 818 113	1 517 233	1 168 047	Property, plant and equipment	11	**664**	665
1 380	2 003	492	Investment properties	12		
447 493	445 283	357 767	Intangible assets	13		
–	–	–	Investment in subsidiaries	30	**353 286**	359 616
35 066	32 963	22 987	Share of investment in a joint venture	30		
8 919	6 722	124	Deferred tax assets	15	**77**	28
2 310 971	2 004 204	1 549 417			**354 027**	360 309
			Current assets			
567 892	683 159	568 355	Inventories	16		
1 022 993	1 010 251	964 587	Trade and other receivables	17	**418 745**	415 827
16 194	15 273	25 631	Prepayments			
–	132	173	Other current financial assets	14.1		
33 877	–	–	Income tax receivable	25	**1 328**	807
653 889	704 559	709 114	Cash and short-term deposits	18	**35 237**	21 998
2 294 845	2 413 374	2 267 860			**455 310**	438 632
3 776	359	423	**Assets classified as held-for-sale**	10		
4 609 592	4 417 937	3 817 700	**Total assets**		**809 337**	798 941
			Equity and liabilities			
			Equity			
9 124	9 061	8 955	Issued share capital	19	**9 124**	9 061
734 414	713 263	675 113	Share premium	19	**734 414**	713 263
283 225	272 205	262 161	Other reserves	20	**29 198**	35 529
(5 582)	(8 147)	(7 875)	Foreign currency translation reserve	21		
1 231 089	1 126 734	955 890	Retained earnings		**24 350**	20 693
2 252 270	2 113 116	1 894 244	Equity attributable to equity holders of the parent		**797 086**	778 546
20 471	2 309	1 796	Non-controlling interests			
2 272 741	2 115 425	1 896 040	**Total equity**		**797 086**	778 546
			Liabilities			
			Non-current liabilities			
662 357	666 640	21 686	Interest-bearing loans and borrowings	22		
67 615	60 814	61 637	Provisions	23		
179 023	137 313	116 950	Deferred tax liability	15		
4 351	9 267	6 904	Trade and other payables	24		
913 346	874 034	207 177				
			Current liabilities			
1 186 674	1 218 848	1 271 366	Trade and other payables	24	**12 251**	20 395
214 495	172 646	421 376	Interest-bearing loans and borrowings	22		
2 323	250	4 308	Other current financial liabilities	14.2		
–	16 723	5 604	Income tax payable	25	**–**	–
20 013	20 011	11 829	Provisions	23		
1 423 505	1 428 478	1 714 483			**12 251**	20 395
2 336 851	2 302 512	1 921 660	**Total liabilities**		**12 251**	20 395
4 609 592	4 417 937	3 817 700	**Total equity and liabilities**		**809 337**	798 941

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	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 1 July 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	19	105	38 629		(8 841)		(28 293)	1 600		1 600
Share-based payment reserve					18 407			18 407		18 407
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 declared and paid	9						(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
Profit for the year							**186 666**	**186 666**	**2 316**	**188 982**
Other comprehensive income						**2 565**		**2 565**	**–**	**2 565**
Total comprehensive income						**2 565**	**186 666**	**189 231**	**2 316**	**191 547**
Non-controlling interest allocated in Clover Waters acquisition									**16 807**	**16 807**
Discount on acquisition of Clover Waters							**4 218**	**4 218**		**4 218**
Share appreciation rights exercised	19	**63**	**21 151**		**(6 331)**		**(18 220)**	**(3 337)**		**(3 337)**
Share-based payment reserve					**17 351**			**17 351**		**17 351**
Dividends of subsidiaries									**(961)**	**(961)**
Dividends forfeited							**1 033**	**1 033**		**1 033**
Dividends declared and paid	9						**(69 342)**	**(69 342)**		**(69 342)**
Balance at 30 June 2014		**9 124**	**734 414**	**–**	**283 225**	**(5 582)**	**1 231 089**	**2 252 270**	**20 471**	**2 272 741**

	Notes	Ordinary and preference share capital R'000	Ordinary and prefer-ence share premium R'000	Preference share capital and premium transferred to debt R'000	Other capital reserves R'000	Retained earnings R'000	Total equity R'000
				COMPANY			
Balance at 1 July 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	19	105	38 629		(8 841)		29 893
Preference shares redeemed	19	(8 943)	(250 439)	259 382			–
Share premium remaining on preference shares redeemed transferred to other capital reserves			(478)		478		–
Dividends declared and paid	9					(41 912)	(41 912)
Balance at 30 June 2013		9 061	713 263	–	35 529	20 693	778 546
Profit for the year						**72 264**	**72 264**
Other comprehensive income						**–**	**–**
Total comprehensive income						**72 264**	**72 264**
Share appreciation rights exercised	19	**63**	**21 151**		**(6 331)**		**14 883**
Dividends forfeited						**735**	**735**
Dividends declared and paid	9					**(69 342)**	**(69 342)**
Balance at 30 June 2014		**9 124**	**734 414**		**29 198**	**24 350**	**797 086**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

GROUP 2014 R'000	GROUP 2013 Restated R'000		Notes	COMPANY 2014 R'000	COMPANY 2013 R'000
		Operating activities			
238 773	338 881	Profit before tax		**82 867**	19 025
238 773	338 881	**Profit before tax**		**82 867**	19 025
		Adjustments to reconcile profit before tax to net cash flow			
		Adjustment for non-cash items:			
120 869	94 014	Depreciation and impairment of property, plant and equipment		**1**	1
10 695	11 730	Amortisation and impairment of intangible assets			
624	114	Depreciation of investment properties			
5 101	(11 680)	Loss/(Profit) on disposal and scrapping of assets			
3 920	4 377	Impairment and scrapping of plant included in restructuring cost			
2 073	(4 017)	Unrealised loss/(profit) on financial instruments			
4 241	(6 531)	Unrealised foreign exchange loss/(gain)	6		
(20 716)	–	Discount on acquisition of property, plant and equipment by Clover Waters	3.1		
(4 218)	–	Discount on acquisition of property, plant and equipment by Clover Waters – recognised in equity			
–	(16 747)	Gain on fair valuing of existing investment in joint venture due to gaining control			
(14 306)	(13 974)	Share of profit of joint venture	4		
6 798	6 679	Movement in provisions			
17 392	18 408	Share appreciation rights recognised over vesting period			
		Other adjustments:			
65 043	56 432	Finance cost	6.6	**–**	20 346
(7 234)	(9 715)	Finance income	6.5	**(3 193)**	(5 408)
–	(1)	Dividends received		**(45 000)**	–
(10 397)	(10 435)	Share appreciation rights settled in cash			
(80 239)	(60 699)	Taxes paid	25	**(11 173)**	(12 119)
		Working capital adjustments			
115 267	(107 193)	Decrease/(Increase) in inventories			
(13 662)	22 215	(Decrease)/Increase in trade and other receivables		**19 030**	263 765
(36 957)	(92 660)	(Decrease)/Increase in trade and other payables		**(8 144)**	9 665
403 067	219 198	**Net cash flow from operating activities**		**34 388**	295 275

GROUP 2014 R'000	GROUP 2013 Restated R'000		Notes	COMPANY 2014 R'000	COMPANY 2013 R'000
		Investing activities			
1 166	17 599	Proceeds from sale of property, plant and equipment			
(4 241)	6 531	Unrealised foreign exchange (loss)/gain			
7 234	9 715	Interest received	6.5	**3 193**	5 408
–	(70 556)	Acquisition of Real Juice Co Holdings	3.1		
–	–	Dividends received		**45 000**	–
–	(24 700)	Acquisition of additional interest in Clover Manhattan	3.2		
32 106	–	Government grants received recognised against property, plant and equipment	11		
(374 988)	(434 340)	Capital expenditure: tangible assets			
(13 011)	(20 060)	Capital expenditure: intangible assets			
(351 734)	(515 810)	**Net cash flows (used in)/from investing activities**		**48 193**	5 408
		Financing activities			
(65 043)	(56 432)	Interest paid	6.6	**–**	(20 346)
(69 342)	(41 912)	Dividends paid		**(69 342)**	(41 912)
(961)	(720)	Dividends paid to non-controlling interest holders			
–	(259 382)	Repayment of preference share liability		**–**	(259 382)
37 566	655 605	Proceeds from borrowings			
(97 780)	297 159	**Net cash flows (used in)/from financing activities**		**(69 342)**	(321 640)
(46 447)	547	**Net (decrease)/increase in cash and cash equivalents**		**13 239**	(20 957)
(4 223)	(5 101)	**Net foreign exchange difference**			
704 559	709 113	**Cash and cash equivalents at the beginning of the year**		**21 998**	42 955
653 889	704 559	**Cash and cash equivalents at the end of the year**	18	**35 237**	21 998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2014

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 2014 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 2014 were authorised for issue in accordance with a resolution of the Directors on 15 September 2014. 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, which is the Group's functional currency, rounded 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 significantly 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 unless stated otherwise.

c. Basis of consolidation

Subsidiaries and business combinations

Subsidiaries are entities controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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 interests;
- 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; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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 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 recoverable amount of current assets.

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.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

d. Changes in accounting policies and disclosures

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year:

- IFRS 7 Financial Instruments: Disclosures – Enhanced Disclosure on Financial Assets and Financial Liabilities (effective 1 January 2013)

  These amendments require an entity to disclose information about rights to set-of 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. The Group does not have any netting arrangements or similar agreements therefore these amendments will not impact the Group's financial position or performance and became effective for annual periods beginning on or after 1 January 2013.

- **IFRS 10** Consolidated Financial Statements (effective 1 January 2013)
  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 requires 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 became effective for annual periods beginning on or after 1 January 2013. No changes to the control conclusions were made as a consequence of applying IFRS 10.

- **IFRS 11** Joint Arrangements (effective 1 January 2013)
  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 in the current period impacted the financial position of the Group. This is due to the cessation of proportionate consolidating the joint venture to equity accounting for this investment.

  Clover Industries indirectly held a 51,0% interest in Clover Fonterra through Clover SA. Clover Fonterra is involved in the marketing and distribution of dairy -related products.

  Clover Industries indirectly holds a 50,1% interest in Clover Manhattan through Clover SA. Clover Manhattan is involved in the manufacture, marketing and distribution of water and Iced Tea products.

  Under IAS 31 Investment in Joint Ventures (prior to the transition to IFRS 11), the Group's interest in Clover Fonterra and Clover Manhattan were classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses were proportionally consolidated in the consolidated financial statements. Upon adoption of IFRS 11, the Group has determined its interest to be a joint venture and it is required to be accounted for using the equity method. As a result Clover had to restate its comparative figures. Refer to note 4.

The effect of applying IFRS 11 is as follows:

Clover Fonterra

	For the year ended June 2013 R'000	For the year ended June 2012 R'000
Impact on the statement of consolidated comprehensive income		
Decrease in reported revenue	(146 268)	(168 816)
Decrease in cost of sales	116 075	142 031
Decrease in gross profit	(30 193)	(26 785)
(Decrease)/increase in other operating income	(79)	28
Decrease in selling and distribution costs	10 508	9 510
Decrease in operating profit	(19 764)	(17 247)
Decrease in finance income	–	(44)
Decrease in finance costs	12	212
Increase in share of profits of joint venture	14 221	12 297
Decrease in profit before tax	(5 531)	(4 782)
Decrease in income tax expense	5 531	4 782
Net impact on profit after tax	–	–
Impact on the statement of consolidated financial position		
Increase in investment in joint venture	32 963	22 038
Decrease in deferred tax asset (non-current)	(727)	(370)
Decrease in inventories and trade receivables (current)	(35 062)	(57 763)
Decrease in cash and short-term deposits (current)	(13 503)	(2 357)
Decrease in trade and other payables (current)	15 247	38 032
Decrease in income tax payable (current)	674	70
Decrease in provisions (current)	408	350
Net effect on equity	–	–
Impact on the consolidated statement of cash flows		
Operating	(14 221)	(12 297)

Clover Manhattan

	For the year ended June 2013 R'000	For the year ended June 2012 R'000
Impact on the statement of consolidated comprehensive income		
Decrease in reported revenue	(17 282)	(37 546)
Decrease in cost of sales	11 770	25 056
Decrease in gross profit	(5 512)	(12 490)
Decrease in other operating income	–	(282)
Decrease in selling and distribution costs	5 514	10 896
Decrease in operating profit	2	(1 876)
Decrease in finance income	(1)	(4)
Increase in share of profits of joint venture	(248)	1 120
Decrease in profit before tax	(247)	(760)
Decrease in income tax expense	247	760
Net impact on profit after tax	–	–
Impact on the statement of consolidated financial position		
Increase in investment in joint venture	–	949
Decrease in inventories and trade receivables (current)	–	(8 171)
Decrease in trade and other payables (current)	–	7 222
Net effect on equity	–	–
Impact on the consolidated statement of cash flows		
Operating	248	(1 120)

- **IFRS 12** Disclosure of Interest in Other Entities (effective 1 January 2013)

  IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. IFRS 12 disclosures are provided in Notes 3, 4 and 30. This standard became effective for annual periods beginning on or after 1 January 2013.

- **IFRS 13** Fair Value Measurement (effective 1 January 2013)

  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. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

  Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 29.

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 2014, the following standards and interpretations were in issue but not yet effective:

- IAS 16 Property, Plant and Equipment (amended) (effective 1 January 2016);
- IAS 19 Defined Benefit Plans: Employee Contributions (amended) (effective date 1 January 2014);
- IAS 36 Disclosure requirements for the recoverable amount of impaired assets (amended) (effective date 1 January 2014);
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (amended) (effective date 1 January 2014);
- IAS 41 Agriculture (as revised in June 2014) (effective 1 January 2016);
- IFRS 9 Financial instruments (Effective date 1 January 2018); and
- Improvements to IFRS (issued in December 2013).

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

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

- **IAS 16** Property, Plant and Equipment (amendment)

  The IASB issued amendments to IAS 16 Property, Plant and Equipment prohibiting the use of revenue-based depreciation methods for fixed assets and limiting the use of revenue-based amortisation methods for intangible assets. The Group does not make use of revenue-based depreciation and amortisation methods for fixed assets and intangible assets respectively. Therefore the amendments to IAS 16 will have no effect on the Group. The amendments are effective prospectively. The amendment becomes effective for annual periods beginning on or after 1 January 2016.

- **IAS 19** Defined Benefit Plans: Employee Contributions (amended)
  IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit.

  The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age. The Group is currently assessing the full impact of the amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

- **IAS 36** Disclosure requirements for the recoverable amount of impaired assets
  The IASB has issued amendments to IAS 36 - Impairment of Assets, to clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

  The amendments clarify the IASB's original intention: that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The Group is currently assessing the full impact of the amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

- **IAS 39** Novation of Derivatives and Continuation of Hedge Accounting (amended)
  The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendments cover novations:

  - That arise as a consequence of laws or regulations, or the introduction of laws or regulations;
  - Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties; and
  - That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception.

The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries.

For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting. The Group is currently assessing the full impact of the amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

- **IFRS 9** Financial Instruments (Amendment)
  The International Accounting Standards Board (IASB) has published the final version of IFRS 9 'Financial Instruments' bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. This version adds a new expected loss impairment model and limited amendments to classification and measurement for financial assets. The Group is currently assessing the full impact of the amendments. The Standard supersedes all previous versions of IFRS 9 and is effective for periods beginning on or after 1 January 2018.

Improvements to IFRS (December 2013)

- **IAS 16** Property, plant and equipment and IAS 38 Intangible assets (effective 1 July 2014);
- **IAS 24** Related Parties (effective 1 July 2014);
- **IAS 40** Investment Property (effective 1 July 2014);
- **IFRS 2** Share-based Payment (effective 1 July 2014);
- **IFRS 3** Business Combinations (effective 1 July 2014);
- **IFRS 8** Operating Segments (effective 1 July 2014); and
- **IFRS 13** Fair Value Measurement (effective 1 July 2014).

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.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

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. Refer to note 11.

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. Refer to note 13.

Share-based payments – equity

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. The Group is currently using the Hull-White Trinominal Lattice model. This also requires determining the most appropriate inputs to the valuation model and making assumptions about them. Refer to note 31.

Share-based payments – cash-settled

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 re-measured 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 Capital Gains Tax ("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. Refer to note 33.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow ("DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See note 29 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (refer to notes 3 and 13 for details).

Leave pay provision

Management applied their judgement to perform the current, non-current split regarding the leave pay provision. This judgement is based on management's best estimate of the pattern of leave usage over the last five years per the leave management system as well as expected future developments. Consenting that legally, though unlikely, the full leave balance may be called upon in the next 12 months. The leave entitlement regulation limits the number of leave days that can be carried forward, this was also factored in to determine those leave days expected to be taken in the next 12 months.

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. No set-off has occurred during the current and previous financial year.

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:
  - has transferred substantially all the risks and rewards of the asset; or
  - 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 de-recognition 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 there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 the amortised cost that would have been recognised had no impairment been recognised in the past. 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.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. If an available-for-sale asset is impaired the cumulative loss (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; increases in their fair value after impairment are recognised in OCI. 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

Initial recognition

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.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

a. (ii) Financial liabilities

Trade and other payables

Short-term 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. Finance 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. Exchange differences arising on translation of foreign subsidiaries during consolidation are recognised in OCI.

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 re-measured at fair value. The gain or loss on re-measurement 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. If the hedged item is derecognised, the unamortised fair value is recognised immediately 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 losses. Such cost includes the cost of replacing significant parts 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. The carrying amount of the replaced part or service is derecognised. All buildings are measured at cost less accumulated depreciation and accumulated impairment losses. 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 de-recognition 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 the item of property, plant and equipment. Significant parts and inspections are separately depreciated. 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 (those leases that do not transfer substantially all the risks and rewards) 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. The carrying amount of the replaced part or service is derecognised. 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 de-recognition 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.

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 cost of disposal 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 re-measured 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. 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. To reflect the time value of money the group recognises the present value of the expected outflows required to settle the obligation using a current pre-tax discounting rate that reflects the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

l. 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 if they accrue to members of the fund.

Defined benefit fund

The Group operates a defined benefit pension plan in South Africa, which requires contributions to be made to a separately administered fund.

The Group also provides certain additional post employment healthcare benefits to employees in the United States. These benefits are unfunded.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

Defined contribution funds

Obligations for contributions to defined contribution pension and provident plans are recognised as an expense in profit or loss as incurred. A corresponding liability is included in trade payables for unpaid contributions at year end.

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.

m. 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 discounts.

Revenue consists of 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 based on 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.

n. 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; and
- Charges against sales.

o. Finance costs

Finance costs are recognised as an expense when incurred.

p. 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 statement of financial position 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; and
- 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; and
- 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-of current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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.

q. 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.

r. 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 re-measured at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

s. 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.

t. Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 29. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon by management after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

u. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is used to reduce the cost of the asset.

v. Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

w. Business combinations and goodwill

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 interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred 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.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

x. Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3. BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST

3.1 Acquisition of interest in Clover Waters (Proprietary) Limited

As communicated in our prior year annual report, Clover entered into an agreement with Nestlé (South Africa) (Proprietary) Limited to form a new entity, Clover Waters (Proprietary) Limited, that acquired Nestlé'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 Nestlé's Purelife, Valvita and Schoonspruit brands as well as Iced Tea under the Nestea brand. These brands will complement Clover SA's Aquartz bottled water and Manhattan Iced Tea brands which will also be manufactured, distributed and sold by Clover Waters.

Clover SA effectively holds 70% of the shares in Clover Waters and Nestlé (South Africa) 30%. The effective date of the transaction was 1 August 2013, and was funded by means of an assets for share swap arrangement to the value of R35,0 million.

The Group has elected to measure the non-controlling interest in Clover Waters (Proprietary) Limited at fair value on initial recognition.

Non-controlling interest has been classified as a Level 3 fair value.

The fair value of non-controlling interest has been determined by obtaining an independent valuation on the property, plant and equipment and by utilising the discounted cash flow (DCF) method to value the intangible assets.

The independent valuators ("The Property Partnership") determined the fair value of land and buildings by using the capitalisation of future rentals technique. It was based on an expected net annual rental income of R3,7 million and a rental capitalisation into perpetuity factor of 12,5%.

The plant and machinery's fair values were determined by calculating the net replacement value of the plant and machinery. This was calculated by obtaining gross replacement values for the plant and machinery and adjusting it to take into consideration the expected useful lives of the plant and machinery and its current condition.

The discounted cash flow valuation of the intangible assets were based on the following inputs: estimated annual free cash flow of R3,9 million, free cash flow growth per annum of 7,5% and a discount rate of 15,36%.

The fair value of the identifiable assets and liabilities of Clover Waters (Proprietary) Limited as at the date of acquisition were:

	2014 R'000	2013 R'000
Assets		
Property, plant and equipment	**58 445**	–
Intangible assets	**39 287**	–
	97 732	–
Liabilities		
Deferred tax liability	**(14 009)**	–
Income tax payable	**(6 985)**	–
	(20 994)	–
Total identifiable net assets at fair value	**76 738**	
Non-controlling interest measured at fair value	**(21 025)**	–
Discount on acquisition	**(20 716)**	–
Purchase consideration transferred	**34 997**	
Purchase consideration transferred		
Net cash acquired with subsidiary	**–**	–
Net assets transferred as consideration	**34 997**	–
Total consideration	**34 997**	–

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. Refer to note 30 for additional information.

3.2 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:

	2014 R'000	2013 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.

	2014 R'000	2013 R'000

3.3 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 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:

	2014 R'000	2013 R'000
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. Effective 1 November 2012, Clover Manhattan (Pty) Ltd became a full subsidiary of Clover SA. Clover Manhattan, was involved in the manufacture, marketing and distribution of iced tea. With effect from 1 January 2013 the Clover Manhattan business was transferred into Clover SA by way of a dividend and Clover Manhattan (Pty) Ltd was subsequently applied for to be deregistered.

The Group has classified the interest in Clover Manhattan as a joint venture despite the fact that the Group owns more than 50% of the issued share capital. The shareholder's agreement is set out in such a way that unanimous consent between the two shareholders is required for any decisions regarding the relevant activities of the investee. Therefore the Group concluded that they have joint control over the investee.

Summarised financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

GROUP			COMPANY	
2014 R'000	2013 Restated R'000		2014 R'000	2013 R'000
		Clover Manhattan		
		Joint venture's statement of financial position		
–	–	Current assets		
–	–	Current liabilities		
		Joint venture's revenue and profit		
–	34 495	Revenue		
–	(23 494)	Cost of sales		
–	(11 005)	Sales, marketing, distribution and administrative expenses		
–	(1)	Other operating costs		
–	2	Finance income		
–	(3)	Loss before tax		
–	(490)	Income tax expense		
–	(493)	**Loss for the period**		
–	50.1%	Portion of the Group's ownership		
–	(247)	Group's share of loss for the year		

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 has classified the interest in Clover Fonterra as a joint venture despite the fact that the Group owns more than 50% of the issued share capital. The shareholder's agreement is set out in such a way that unanimous consent between the two shareholders is required for any decisions regarding the relevant activities of the investee. Therefore the Group concluded that they have joint control over the investee.

Summarised financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		Clover Fonterra		
		Joint venture's statement of financial position		
139 494	130 003	Current assets including cash and cash equivalents R10,2 million (2013: R26,4 million) and inventory R105,2 million (2013: R98,5 million)		
1 453	1 426	Non-current assets including deferred tax R1,4 million (2013: R1,4 million)		
(72 191)	(66 796)	Current liabilities including trade and other payables of R71,3 million (2013: R64,7 million)		
68 756	64 633	Equity (Net asset value)		
51%	51%	Portion of the Group's ownership		
35 066	32 963	Carrying amount of the investment		
		Joint venture's revenue and profit		
380 453	286 800	Revenue		
(316 544)	(227 597)	Cost of sales		
(25 012)	(20 604)	Sales, marketing, distribution and administrative expenses		
(59)	155	Other operating income/(expenses)		
123	(26)	Net finance income/(cost)		
38 961	38 728	Profit before taxation		
(10 909)	(10 844)	Income tax expense		
28 052	27 884	**Profit for the year**		
51%	51%	Portion of the Group's ownership		
14 306	14 221	Group's share of profit for the year		
12 297	3 296	Dividend received		

5. SEGMENT REPORTING

The Group's manufacturing, distribution, other assets and liabilities are totally integrated between the different product groups. The Chief Executive Officer (the Chief Operating Decision Maker) is of the opinion that the operations for individual manufacturing, distribution and product groups are substantially similar to one another and that the risks and returns are likewise similar. As a result thereof, the business of the Group is considered to be a single segment, namely Clover Industries Limited ("CIL")

Group operations outside of South Africa are not material and therefore not disclosed separately.

The following information regarding the Group's product groups, for which no discrete financial information is available, are presented on a voluntary basis. The Group comprises the following main product groups:

- The dairy fluids products 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 products focus on the development and marketing of non-alcoholic, value-added branded beverages products; and
- Other consists of Clover Industries Ltd holding company and Lactolab (Pty) Ltd that render laboratory services.

30 June 2014 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	3 858 841	1 128 758	265 599	1 930 094	9 358	7 192 650
Sale of raw milk	511 485	–	–	–	–	511 485
Charges against sales	(74 531)	(28 281)	(9 934)	(38 240)	–	(150 986)
Cost of material and packaging	(2 609 818)	(716 398)	(160 253)	(901 316)	(2 012)	(4 389 797)
Milk collection cost	(246 721)	(64 420)	(26 534)	(17 063)	–	(354 738)
Margin on material	1 439 256	319 659	68 878	973 475	7 346	2 808 614
Reconciliation of margin on material to operating profit						
Margin on material						2 808 614
Revenue from rendering of services						822 040
Rental income						4 062
Direct and indirect manufacturing cost						(962 982)
Primary distribution cost						(432 688)
Gross profit						2 239 046
Net other costs						(1 940 734)
Restructuring cost						(16 036)
Operating profit						282 276
Net financing cost						(57 809)
Tax expense						(49 791)
Depreciation and amortisation						(124 244)
Assets and liabilities						
Assets						4 609 592
Liabilities						2 336 851

30 June 2013 Restated 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	264 344	1 870 962	10 572	6 605 356
Sale of raw milk	420 508	–	–	–	–	420 508
Charges against sales	(41 979)	(14 785)	(8 577)	(23 473)	–	(88 814)
Cost of material and packaging	(2 254 890)	(658 293)	(169 953)	(849 454)	(2 415)	(3 935 005)
Milk collection cost	(216 417)	(54 223)	(29 104)	(16 608)	–	(316 352)
Margin on material	1 311 959	327 440	56 710	981 427	8 157	2 685 693
Reconciliation of margin on material to operating profit						
Margin on material						2 685 693
Revenue from rendering of services						801 755
Rental income						5 292
Direct and indirect manufacturing cost						(875 817)
Primary distribution cost						(496 416)
Gross profit						2 120 507
Net other costs						(1 713 131)
Restructuring cost						(35 750)
Operating profit						371 626
Net financing cost						(46 717)
Tax expense						(99 022)
Depreciation and amortisation						(105 722)
Assets and liabilities						
Assets						4 417 937
Liabilities						2 302 512

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		6. INCOME AND EXPENSES		
		6.1 Cost of sales		
(150 986)	(88 814)	Charges against sales		
(3 443 072)	(3 127 437)	Cost of raw materials		
(946 725)	(807 568)	Packaging costs		
(354 738)	(316 352)	Milk collection cost		
(962 982)	(875 817)	Manufacturing direct and indirect cost		
(432 688)	(496 416)	Primary distribution cost		
(6 291 191)	(5 712 404)	Total cost of sales		
		Included in cost of sales are operating expenses as indicated below:		
		Depreciation, amortisation and impairment		
75 756	64 082	• Depreciation and impairment of property, plant and equipment		
2 967	4 369	• Amortisation and impairment of trademarks, patents and licences		
78 723	68 451	Total depreciation, impairment and amortisation included in cost of sales		
19 617	18 922	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		
21 279	13 689	Realised foreign exchange gains		
–	6 531	Unrealised foreign exchange gains		
4 775	3 755	Scrap and sales to staff		
–	3 406	Profit on share appreciation rights forward purchases		
20 716	–	Discount on acquisition of property, plant and equipment by Clover Waters through issue of shares		
–	16 747	Gain on fair valuing of existing investment in joint venture due to gaining control		
430	2 558	Consulting income for IT services rendered		
		Fees for the cession of milk rights	**45 892**	45 411
1 716	3 494	Sundry*	**42**	–
48 916	61 860	Total other operating income	**45 934**	45 411

** Sundry income consist of a number of immaterial items.*

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		6.3 Other operating expenses		
(5 449)	(5 915)	Provision for consumable stock obsolescence		
(5 102)	–	Loss on sale of property, plant and equipment		
(1 860)	–	Loss on share appreciation rights forward purchases		
(2 433)	(2 615)	Additional provision on impairment of trade receivables		
(4 241)	–	Unrealised foreign exchange loss		
(4 488)	(4 041)	Sundry*		
(23 573)	(12 571)	**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		
(23 796)	(20 685)	Development expenses		
		Rentals		
(26 261)	(32 077)	• land and buildings		
(29 918)	(26 432)	• equipment		
(312 636)	(292 801)	• vehicles		
(1 864)	(5 103)	• machines		
(1 106)	(921)	• other		
		Direct operating expenses of investment properties earning rental income		
(171)	(98)	• maintenance.		
(395 752)	(378 117)	**Total other expenses**		
		Personnel expenses		
(1 375 415)	(1 263 141)	Wages, salaries, bonuses and car allowances		
(21 446)	(18 811)	Company contributions		
(76 964)	(76 275)	Pension contributions		
(29 568)	(26 780)	Medical aid fund contributions		
(46 959)	(39 403)	Other personnel expenses		
(7 174)	(17 184)	Retrenchment cost		
(1 557 526)	(1 441 594)	**Total personnel expenses**		

** Sundry operating expenses consist of a number of immaterial items.*

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		Auditors' remuneration		
(9 173)	(9 919)	Audit fees current year	**(1 890)**	(1 750)
(350)	(250)	Prior year under provision		
(330)	(265)	Other fees		
(9 853)	(10 434)	**Total auditors' remuneration**	**(1 890)**	(1 750)
		Depreciation, amortisation and impairment		
(45 113)	(31 979)	Depreciation and impairment of property, plant and equipment	**(1)**	(1)
(624)	(114)	Depreciation of investment properties		
(7 728)	(5 178)	Amortisation and impairment of trademarks, patents and licences		
(3 920)	(4 377)	Scrapping and impairment of property, plant and equipment		
(57 385)	(41 648)	**Total depreciation and amortisation included in selling, distribution, restructuring and administrative expense**	**(1)**	(1)
		6.5 Finance income		
275	393	Bank interest	**1 593**	1 695
5 079	5 239	Interest received on call deposits		
1 880	4 083	Other	**1 600**	3 713
7 234	9 715	**Total finance income**	**3 193**	5 408
		6.6 Finance cost		
(7 863)	(6 875)	Bank loans and overdrafts		
(54 859)	(28 811)	Debtors' securitisation		
–	(20 346)	Preference dividends transferred to finance cost	**–**	(20 346)
(2 321)	(400)	Other		
(65 043)	(56 432)	**Total finance cost**	**–**	(20 346)
		6.7 Restructuring cost		
		Restructuring cost has been determined after taking into account the following expenses:		
(7 174)	(17 184)	Retrenchment cost		
(4 801)	(14 043)	Relocation of existing assets as part of Cielo Blu		
(141)	(49)	Listing fees for new shares issue	**(49)**	(49)
(3 920)	(4 377)	Scrapping and impairment of property, plant and equipment		
–	(97)	Other		
(16 036)	(35 750)	**Total restructuring cost**	**(49)**	(49)

7. TAXES

7.1 The major components of the tax expense are:

Group 2014 R'000	Group 2013 Restated R'000		Company 2014 R'000	Company 2013 R'000
		Local income tax		
		Current income tax		
(8 861)	(75 869)	• current year	**(10 652)**	(10 979)
8 921	(1 834)	• previous year		
		Deferred income tax		
(30 636)	(10 755)	• current year	**49**	(59)
(5 873)	–	• previous year		
(915)	–	Withholding tax		
		Foreign taxation		
		Current income tax		
(12 179)	(5 500)	• current year		
(160)	(385)	• previous year		
		Deferred taxation		
(88)	(2 055)	• current year		
–	(2 604)	• previous year		
–	(20)	Other		
(49 791)	(99 022)	**Total income tax expense**	**(10 603)**	(11 038)
91 579	113 478	**Estimated taxation losses available for reduction of future taxable income**		

7.2 Reconciliation of income tax rate

Group 2014	Group 2013 Restated		Company 2014	Company 2013
%	%		**%**	%
28,00	28,00	Standard income tax rate	**28,00**	28,00
		Adjusted for:		
(3,04)	0,74	Permanent differences*	**(15,20)**	30,00
1,40	0,81	Loss on foreign subsidiaries not deductable		
–	(0,04)	Effect of lower tax rate on Capital Gains tax and base costs		
(1,47)	1,61	Prior year adjustments: over/under provision		
(1,67)	(1,17)	Share of JV profit equity accounted		
(2,58)	(0,62)	Additional deferred tax asset recognised on assessed loss		
0,22	(0,11)	Other	**–**	–
20,86	29,22	**Effective income tax rate**	**12,80**	58,00

** Learnership allowances, share based payment provisions and discount on acquisition of property, plant and equipment by Clover Waters through issue of shares.*

GROUP 2014	GROUP 2013			COMPANY 2014	COMPANY 2013
		8.	**EARNINGS AND HEADLINE EARNINGS PER SHARE**		
		8.1	Diluted weighted average number of ordinary shares		
182 478 589	179 267 674		Weighted average number of issued ordinary shares		
9 288 819	13 482 512		Increase in number of shares as a result of unexercised share appreciation rights		
191 767 408	192 750 186		**Diluted weighted average number of ordinary shares**		
R'000	R'000	8.2	Profit for the year	R'000	R'000
186 666	238 626		**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		
102,3	133,1		Attributable to equity holders of the parent		
			Diluted		
97,3	123,8		Attributable to equity holders of the parent		

8.4 Headline earnings per share

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		Headline earnings attributable to equity holders of the parent company		
186 666	238 626	Profit for the year attributable to equity holders of the Parent Company		
		Gross remeasurements excluded from headline earnings		
5 102	(11 680)	Loss/(Profit) on sale of property, plant and equipment		
(20 716)	–	Discount on acquisition of property, plant and equipment by Clover Waters through issue of shares		
6 215	–	Non-controlling interest's portion in discount on acquisition of PPE by Clover Waters through issue of shares		
–	(16 747)	Gain on fair valuing of existing investment in joint venture due to gaining control		
11 915	4 377	Impairment and scrapping of plant and equipment		
		Taxation effects of remeasurements		
(505)	1 544	(Loss)/Profit on sale of property, plant and equipment		
(1 213)	(1 226)	Impairment and scrapping of plant and equipment		
187 464	214 894	**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		
102,7	119,9	Attributable to equity holders of the parent		
		Diluted		
97,8	111,5	Attributable to equity holders of the parent		

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		9. DIVIDENDS DECLARED AND PAID		
		During the year equity dividends were declared as follows:		
69 342	41 912	To ordinary shareholders	**69 342**	41 912

Cents per share	Cents per share		Cents per share	Cents per share
38,0	23,4	To ordinary shareholders	**38,0**	23,4

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		10. ASSETS CLASSIFIED AS HELD-FOR-SALE		
359	423	Net book value at the beginning of the year		
3 417	1 749	Transfer to assets classified as held-for-sale		
–	(1 813)	Disposals		
3 776	359	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. The fair value of the disposal group exceeds the carrying value.

Sales are expected to be realised within the next six months.

There are existing sales agreements for both the Mayfair (manufacturing and distribution facility) and Welkom (distribution depot) properties and we are waiting for the properties to be registered in the purchasers' names.

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		11. PROPERTY, PLANT AND EQUIPMENT		
		11.1 Freehold land and buildings		
		Cost		
589 920	504 886	Balance at the beginning of the year	**679**	679
179 242	82 292	Additions capitalised		
(13 117)	–	Government grant received		
25 238	11 027	Acquisition of subsidiary		
(6 757)	(3 274)	Transfer to assets classified as held-for-sale		
–	(2)	Disposals		
–	(5 009)	Transfer to investment property		
774 526	589 920	**Balance at the end of the year**	**679**	679
		Accumulated depreciation and impairment		
(180 901)	(168 584)	Balance at the beginning of the year	**(14)**	(13)
(18 145)	(15 531)	Depreciation for the year	**(1)**	(1)
(40)	–	Impairment		
1	–	Disposals		
–	2 940	Transfer to investment property		
–	(1 695)	Acquisition of subsidiary		
4 092	1 969	Transfer to assets classified as held-for-sale		
(194 993)	(180 901)	**Balance at the end of the year**	**(15)**	(14)
		Carrying amounts		
409 019	336 302	Balance at the beginning of the year	**665**	666
579 533	409 019	Balance at the end of the year	**664**	665
		11.2 Leasehold properties		
		Cost		
26 956	21 532	Balance at the beginning of the year		
1 464	3 613	Additions capitalised		
1 345	1 811	Foreign exchange differences		
29 765	26 956	**Balance at the end of the year**		
		Accumulated depreciation and impairment		
(3 038)	(2 219)	Balance at the beginning of the year		
(768)	(633)	Depreciation for the year		
(150)	(186)	Foreign exchange differences		
(3 956)	(3 038)	**Balance at the end of the year**		
		Carrying amounts		
23 918	19 313	Balance at the beginning of the year		
25 809	23 918	Balance at the end of the year		

GROUP 2014 R'000	GROUP 2013 R'000			COMPANY 2014 R'000	COMPANY 2013 R'000
		11.3	**Plant, equipment and vehicles**		
			Cost		
1 515 344	1 222 729		Balance at the beginning of the year	**–**	65
290 037	306 960		Additions capitalised		
(18 989)	–		Government grant received		
33 207	25 164		Acquisition of subsidiary		
(56 323)	(42 675)		Disposals	**–**	(65)
(3 301)	–		Transfer to assets classified as held-for-sale		
2 589	3 166		Foreign exchange translations		
1 762 564	1 515 344		**Balance at the end of the year**	**–**	–
			Accumulated depreciation and impairment		
(625 250)	(562 052)		Balance at the beginning of the year	**–**	(65)
(94 012)	(77 849)		Depreciation for the year		
(11 875)	(3 803)		Impairment	**–**	–
–	(19 988)		Acquisition of subsidiary		
50 166	38 828		Disposals	**–**	65
2 550	–		Transfer to assets classified as held-for-sale	**–**	–
(466)	(386)		Foreign exchange translations		
(678 887)	(625 250)		**Balance at the end of the year**	**–**	–
			Carrying amounts		
890 094	660 677		Balance at the beginning of the year	**–**	–
1 083 677	890 094		Balance at the end of the year	**–**	–

GROUP 2014 R'000	GROUP 2013 R'000			COMPANY 2014 R'000	COMPANY 2013 R'000
		11.4	**Total property, plant and equipment**		
			Cost		
2 132 220	1 749 147		Balance at the beginning of the year	**679**	744
470 743	392 865		Additions capitalised		
(32 106)	–		Government grants received		
(10 058)	(3 274)		Transfer to assets classified as held-for-sale		
58 445	36 191		Acquisition of subsidiary		
(56 323)	(42 677)		Disposals	**–**	(65)
3 934	4 977		Foreign exchange translations		
–	(5 009)		Transfer to investment property		
2 566 855	2 132 220		**Balance at the end of the year**	**679**	679
			Accumulated depreciation and impairment		
(809 189)	(732 855)		Balance at the beginning of the year	**(14)**	(78)
(112 925)	(94 013)		Depreciation for the year	**(1)**	(1)
(11 915)	(3 803)		Impairment	**–**	–
6 642	1 969		Transfer to assets classified as held-for-sale		
–	(21 683)		Acquisition of subsidiary		
–	2 940		Transfer to investment property		
50 168	38 828		Disposals	**–**	65
(617)	(572)		Foreign exchange translations		
(877 836)	(809 189)		**Balance at the end of the year**	**(15)**	(14)
			Capital work-in-progress		
194 202	151 755		Balance at the beginning of the year		
(1 459)	961		Foreign exchange translations		
374 988	434 351		Additions: current year		
32 106	–		Government grants received		
(470 743)	(392 865)		Amounts capitalised		
129 094	194 202		**Balance at the end of the year**		
			Total property, plant and equipment including work-in-progress		
			Carrying amounts		
1 517 233	1 168 047		Total property, plant and equipment at the beginning of the year	**665**	666
1 818 113	1 517 233		Total property, plant and equipment at the end of the year	**664**	665

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		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 2014 was R7,5 million (2013: R8,8 million). Additions during the year were R Nil (2013: R1,1 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.		
		Government grants have been received in terms of the DTI's Manufacturing Competitive Enhancement Programme for the purchase of certain items of property, plant and equipment. The Group can claim once more in the next financial year. There are no unfulfilled conditions or contingencies attached to these grants.		
		Assets with an original cost price of R53,0 million are still in use, although it has been fully depreciated.		

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		12. INVESTMENT PROPERTIES		
		Cost		
6 096	2 379	Balance at the beginning of the year		
–	5 009	Transfer from property, plant and equipment		
–	(1 292)	Transfer to assets held-for-sale		
6 096	6 096	**Balance at the end of the year**		
		Accumulated depreciation		
(4 093)	(1 887)	Balance at the beginning of the year		
(623)	(114)	Depreciation for the year		
–	(2 940)	Transfer from property, plant and equipment		
–	848	Transfer to assets held-for-sale		
(4 716)	(4 093)	**Balance at the end of the year**		
		Carrying amounts		
2 003	492	Balance at the beginning of the year		
1 380	2 003	**Balance at the end of the year**		
555	779	Rental income derived from investment properties		
(171)	(98)	Direct operating expenses generating rental income		
384	681	**Net profit arising from investment properties carried at net book value**		

The fair value of these properties is R3,4 million (2013: R3,4 million).

The fair value of investment properties has been determined based on valuations performed by 'The Property Partnership', an accredited independent valuer, for the previous year. 'The Property Partnership' is an industry specialist in valuing investment properties.

For the current year an internal desk valuation has been performed by management. It was determined by using the capitalisation of future rentals technique. It was based on a net annual rental income of R299 400 and a rental capitalisation into perpetuity factor of 8,8%.

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		13. INTANGIBLE ASSETS		
		13.1 Goodwill		
		Cost		
328 750	304 785	Balance at the beginning of the year		
–	23 965	Acquisitions of a subsidiary		
328 750	328 750	**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		
327 439	303 474	Balance at the beginning of the year		
327 439	327 439	Balance at the end of the year		
		13.2 Trademarks, patents and customer lists		
		Cost		
69 004	13 500	Balance at the beginning of the year		
–	59 004	Acquisitions		
(1)	(3 500)	Disposals		
69 003	69 004	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(4 637)	(1 284)	Balance at the beginning of the year		
(4 815)	(3 819)	Amortisation for the year		
–	466	Disposals		
(9 452)	(4 637)	**Balance at the end of the year**		
		Carrying amounts		
64 367	12 216	Balance at the beginning of the year		
59 551	64 367	Balance at the end of the year		

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		13.3 Software licences		
		Cost		
85 109	71 891	Balance at the beginning of the year		
2 150	17 766	Additions		
(776)	(4 548)	Disposals		
86 483	85 109	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(51 025)	(46 937)	Balance at the beginning of the year		
(5 880)	(7 911)	Amortisation for the year		
–	(574)	Impairment		
671	4 397	Disposals		
(56 234)	(51 025)	**Balance at the end of the year**		
		Carrying amounts		
34 084	24 954	Balance at the beginning of the year		
30 249	34 084	Balance at the end of the year		

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		13.4 Total intangible assets		
		Cost		
482 863	390 176	Balance at the beginning of the year		
2 150	100 735	Additions		
(777)	(8 048)	Disposals		
484 236	482 863	**Balance at the end of the year**		
		Accumulated amortisation and impairment		
(56 973)	(49 532)	Balance at the beginning of the year		
(10 695)	(11 730)	Amortisation for the year		
–	(574)	Impairment		
671	4 863	Disposals		
(66 997)	(56 973)	**Balance at the end of the year**		
		Capital work-in-progress – Software		
19 393	17 123	Balance at the beginning of the year		
13 011	103 005	Additions		
(2 150)	(100 735)	Amounts capitalised		
30 254	19 393	**Balance at the end of the year**		
		Carrying amounts		
445 283	357 767	Total intangible assets at the beginning of the year		
447 493	445 283	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 value in use of the businesses are represented by the present value of future cash flows generated by the businesses estimated for a five-year period and is based on:
Current net profit before tax, projected forward at an average growth of 6% (2013: 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% (2013: 19,24%).

Goodwill has been allocated to Clover Industries Group excluding Clover Waters and then to Clover Waters as the smallest separately identifiable cash-generating units due to income, cost, assets and liabilities not being able to be split into smaller cash-generating units.

Goodwill has been allocated to the following cash-generating units for purposes of the impairment review:

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
303 473	327 439	Clover Industries		
23 966	–	Clover Waters Iced Tea business		
327 439	327 439	**Clover Industries Group**		

14. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

14.1 Other financial assets

Group 2014 R'000	Group 2013 R'000		Company 2014 R'000	Company 2013 R'000
		Financial instruments at fair value through profit or loss		
		Derivatives not designated as hedges		
–	132	Foreign exchange contracts		
–	132	**Total financial instruments at fair value**		
–	132	**Total other financial assets**		
–	132	Total current		
–	–	Total non-current		

Financial assets 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.

14.2 Other financial liabilities

Group 2014 R'000	Group 2013 R'000		Company 2014 R'000	Company 2013 R'000
		Financial liabilities at fair value through profit or loss		
		Derivatives not designated as hedges		
2 323	250	Clover Industries shares forward purchases		
2 323	250	**Total financial instruments at fair value**		
2 323	250	**Total other financial liabilities**		
2 323	250	Total current		
–	–	Total non-current		

The Group had 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. At 3 June 2014 it was decided to roll the current hedge into a new hedge programme and was structured as follow:

The fair value of the shares forward purchases was determined by Investec Bank Limited. The fair value was determined by making use of the Black Scholes model.

Expiry date	Number of forwards	Forward price (Rand)
1 June 2015	158 937	19,19
1 July 2015	253 575	19,36
1 October 2015	308 500	19,80
1 June 2016	158 937	20,87
3 October 2016	308 500	21,40
1 June 2017	158 936	22,40
2 October 2017	308 500	23,20
3 June 2019	476 810	26,48
Total	**2 132 695**	

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 2014, the Group held the following financial instruments carried at fair value in the statement of financial position:

	GROUP			
	30 June 2014 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	**–**	**–**	**–**	**–**
Liabilities measured at fair value				
Derivatives not designated as hedging instruments:				
Clover Industries shares forward purchases	**2 323**	**–**	**2 323**	**–**
During the reporting period ended 30 June 2014, there were no transfers between Level 1 and Level 2 fair value measurements.				
	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:				
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				

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		15. DEFERRED TAXATION		
(130 591)	(116 459)	Balance at the beginning of the year	**28**	86
(39 513)	(14 132)	Movements during the year	**49**	(58)
(170 104)	(130 591)	**Balance at the end of the year**	**77**	28
		The balance is constituted as follows:		
		Deferred tax assets		
1 755	870	Doubtful debts provision	**77**	89
3 953	2 266	Credit note provision		
7 385	8 096	Long-service bonus provision		
16 645	14 095	Leave pay provision		
–	608	In-plant building		
1 767	1 814	Leases straight-lined		
–	4 435	Incentive bonus provision		
9 692	8 942	Individual performance bonus accrual		
8 292	7 520	Guaranteed bonuses accrual		
7 565	4 480	Income received in advance		
8 200	5 810	Provisions – Other		
14 625	6 635	Assessed loss carried forward		
2 874	2 022	Other		
82 753	67 593	**Total deferred tax assets**	**77**	89

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		Deferred tax liabilities		
(244 419)	(194 591)	Property, plant and equipment	**–**	(2)
(2 240)	(3 102)	Prepayments	**–**	(59)
(2 666)	–	Consumable stores		
(1 320)	–	Pension fund asset		
(1 931)	–	Lease straight-lined		
(281)	(491)	Other		
(252 857)	(198 184)	**Total deferred tax liabilities**	**–**	(61)
(170 104)	(130 591)	**Net deferred tax (liability)/asset**	**77**	28
		Reflected in the statement of financial position as follows:		
8 919	6 722	Deferred tax assets	**77**	28
(179 023)	(137 313)	Deferred tax liabilities		
(170 104)	(130 591)	**Net deferred tax (liability)/asset**	**77**	28

In assessing the availability of sufficient future taxable profit for utilisation against unused 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. In addition no deferred tax asset has been provided on tax losses amounting to R39,3 million (2013: R61,3 million) which have no expiry date.

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		16. INVENTORIES		
5 800	5 800	Delivery agreements		
109 827	85 374	Raw materials		
97 071	82 715	Work-in-progress		
88 172	78 962	Consumable stores		
267 022	430 308	Finished goods		
567 892	683 159	Total inventories		

The amount of the write-down of inventories recognised as an expense is R19,6 million (2013: R18,9 million). This expense is included in the cost of sales line item as a cost of inventories.

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		17. TRADE AND OTHER RECEIVABLES		
870 514	906 677	Trade receivables	**3 837**	–
153 730	80 130	Other receivables and advance payments	**277**	501
16 811	34 848	Loans to Executive Directors and other Executives	**16 811**	34 848
		Inter-company loan: Clover SA	**398 088**	380 789
		Loan: CIL Share Purchase Plan Trust	**7**	6
(3 849)	(3 309)	Allowance for impairment	**(275)**	(317)
(14 213)	(8 095)	Credit note accrual	**–**	–
1 022 993	1 010 251	Total trade and other receivables	**418 745**	415 827

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 28.4 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 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		See note 29.5 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 2014, trade receivables of an initial value of R3,8 million (2013: R3,3 million) were impaired and fully provided for. See below for the movement in the provision for impairment of receivables.		
3 309	1 397	Balance at the beginning of the year	**317**	317
2 428	2 555	Charge for the year	**(42)**	–
(1 888)	(643)	Impairment loss written off/Unused amounts reversed	**–**	–
3 849	3 309	Balance at the end of the year	**275**	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 2014, the Group had available R120 million (2013: 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 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		Cash at bank and on hand		
304	263	On hand		
294 333	276 934	Outstanding deposits		
78 459	28 275	Call deposits and money market investments	**24 741**	5 499
280 793	399 087	Cash in banks	**10 496**	16 499
653 889	704 559	Total cash and short-term deposits	**35 237**	21 998

Included under Call deposits is R46 million relating to the deposit paid, into an attorney's Escrow account, for the Dairybelle transaction. Refer to note 29.1 for guarantees issued.

19. SHARE CAPITAL AND SHARE PREMIUM

19.1 Ordinary shares

GROUP 2014 Number of shares	GROUP 2013 Number of shares		COMPANY 2014 Number of shares	COMPANY 2013 Number of shares
		Authorised		
		2 billion (2013:2 billion) ordinary shares with a par value of 5 cents (2013: 5 cents) each		
		Shares issued		
181 218 149	179 111 867	Ordinary shares in issue at the beginning of the year	**181 218 149**	179 111 867
–	2 106 282	Issued on 3 June 2013	**–**	2 106 282
1 260 440	–	Issued on 1 July 2013	**1 260 440**	–
182 478 589	181 218 149	**Ordinary shares in issue at the end of the year**	**182 478 589**	181 218 149

2014 R'000	2013 R'000		2014 R'000	2013 R'000
		Ordinary share capital		
9 124	9 061	182,5 million (2013: 181,2 million) ordinary shares of 5 cents (2013: 5 cents) each	**9 124**	9 061
		Ordinary share premium		
734 414	713 263	Ordinary share premium on 182,5 million (2013: 181,2 million) ordinary shares	**734 414**	713 263
743 538	722 324	**Total ordinary share capital and ordinary share premium**	**743 538**	722 324

GROUP 2014 Number of shares	GROUP 2013 Number of shares		COMPANY 2014 Number of shares	COMPANY 2013 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	Preference shares in issue at the beginning of the year	–	89 442 022
–	(89 442 022)	Redeemed on 3 June 2013	–	(89 442 022)
–	–	**Preference shares in issue at the end of the year**	–	–

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		Preference share capital		
–	–	Nil (2013: Nil) preference shares at 10 cents each	–	–
		Preference share premium		
–	708	Premium on NIL preference shares (2013: Nil)	–	708
–	(478)	Transfer to other capital reserves	–	(478)
–	(230)	Share issue cost	–	(230)
–	–	**Total preference share capital and premium**	–	–

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 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		19.3 Total issued ordinary and preference share capital		
9 124	9 061	Total issued ordinary share capital	**9 124**	9 061
734 414	713 263	Total ordinary share premium	**734 414**	713 263
		Shares were issued as follows during the year		
		Ordinary shares:		
63	105	Ordinary shares of 0,5 cents (2013: 0,5 cents) each	**63**	105
21 151	38 629	Ordinary share premium of R16,78 (2013: R18,34) per share	**21 151**	38 629
21 214	38 734	**Total ordinary share capital raised during the year**	**21 214**	38 734

20. OTHER RESERVES

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
73 267	62 247	Share-based payments reserve	**28 720**	35 051
209 958	209 958	Other capital reserves	**478**	478
283 225	272 205	**Total at the end of the year**	**29 198**	35 529

21. FOREIGN CURRENCY TRANSLATION RESERVE

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
(5 582)	(8 147)	Foreign currency translation reserve related to Clover Botswana and Clover West Africa		

22. INTEREST-BEARING LOANS AND BORROWINGS

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		22.1 Secured liabilities		
650 000	650 000	(a) Secured by securitisation of trade debtors (refer to note 17). 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. The second tranche of R400 million is repayable 30 June 2018, and is charged a fixed interest rate of 9,28%.		
22 003	24 236	(b) Secured by plant and equipment with a book value of R30,5 million (2013: R26,4 million). Repayable in monthly instalments. Payments due within the next year are R11,4 million (2013: R10,57 million). Variable interest rate portion: 6,05% (2013: 7,55% – 10,0%). Maturity: between July 2014 and March 2022. Fixed interest rate portion 9,0% and 10,5% (2013: 9,0% and 10,5%).		
672 003	674 236	Total secured liabilities		
		22.2 Unsecured liabilities		
3 348	5 824	(a) 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.		
6 476	17 262	(b) Bank overdraft Repayable on demand. The full outstanding amount is repayable within one year. Variable interest rate: 9% (2013: 8,5%).		
195 025	141 964	(c) Call loans Variable interest rate: 6,25% – 6,8% (2013: 5,75% – 6,85%).		
204 849	165 050	Total unsecured liabilities		
876 852	839 286	Total secured and unsecured liabilities		
		Current portion transferred to current liabilities:		
9 646	9 848	• Secured liabilities		
204 849	162 798	• Unsecured liabilities		
214 495	172 646	Total current portion transferred to current liabilities		
662 357	666 640	Total non-current interest-bearing borrowings		
876 852	839 286	Total current and non-current interest-bearing loans and borrowings		

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 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:		
6 435	6 474	Active members		
8,2%	8,3%	Salary escalation ratio		
9,0%	8,5%	Discounting rate		
65	65	Normal retirement age		
28 909	30 903	Balance at the beginning of the year		
5 224	7 682	Amounts provided		
(7 757)	(9 676)	Amounts utilised		
26 376	28 909	**Total long-service bonus provision**		
		Refer to note 33 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.		
51 918	42 561	Balance at the beginning of the year		
15 609	15 190	Amounts provided		
–	517	Acquisition of subsidiary		
(6 276)	(6 350)	Amounts utilised		
61 251	51 918	**Total leave pay provision**		
		23.3 Total provisions		
67 615	60 814	Long-term portion		
20 013	20 011	Short-term portion transferred to current liabilities		
87 628	80 825	**Total long-term and short-term provisions**		

24. TRADE AND OTHER PAYABLES

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
1 000 205	1 067 875	Trade payables	**9 883**	17 339
157 300	136 633	Other payables	**1 359**	1 394
1 009	1 662	Interest payable	**1 009**	1 662
32 511	21 945	Payable to joint ventures		
1 191 025	1 228 115	Total trade and other payables	**12 251**	20 395
4 351	9 267	Non-current portion included in other payables transferred to non-current liabilities	**–**	–
1 186 674	1 218 848	Current portion	**12 251**	20 395
1 191 025	1 228 115	Total trade and other payables	**12 251**	20 395

The terms for trade payables range from seven 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. NOTES TO THE STATEMENT OF CASH FLOWS

25.1 Tax paid

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
(16 723)	(5 604)	Amount unpaid at the beginning of the year	**807**	(333)
(36 717)	(83 853)	Taxation charged in statement of comprehensive income and other adjustments, excluding deferred taxation	**(10 652)**	(10 979)
7 078	12 035	Taxation charged through statement of changes in equity, excluding deferred taxation		
(33 877)	16 723	Amount (receivable)/due at the end of the year	**(1 328)**	(807)
(80 239)	(60 699)	**Total tax paid**	**(11 173)**	(12 119)

26. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

26.1 Defined-benefit fund

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
15 613	13 520	Value of fund assets		
(10 839)	(7 096)	Value of fund liabilities		
4 774	6 424	Net surplus		
		Funding level		
		All of the fund's assets are indirectly invested in a quoted market by the utilisation of unit trusts.		
9,0%	8,6%	Expected rate of return		
9,0%	8,6%	Discount rate		
8,2%	7,7%	Future salary increases		
1,9	3,3	Expected average remaining working life in years		

The fund is a defined-benefit fund and was actuarially valued on 30 June 2014. 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.

In the previous financial periods the net surplus was not accounted for, however, the fund is in the process of converting all members to the Group's defined contribution pension fund. As per the fund rules the net surplus of the fund will be available to the Group to be utilised as a reduction of future company contributions towards the defined contribution pension fund. The Group policy is still to fund any deficit in accordance with the Pension Fund 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 30 June 2014: 5 (30 June 2013: 5). The fund closed for new entrants on 1 July 1994.

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		26.2 Defined-contribution funds		
		26.2.1 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 2014: 990 (30 June 2013: 966).		
		26.2.2 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 2014: 5 415 (2013: 5 546).		
		26.3 Amounts recognised in profit or loss		
		Contributions for the Group for the current year:		
101	96	Defined-benefit fund		
32 008	30 626	Pension fund		
44 856	45 553	Provident fund		
76 965	76 275	Total contributions recognised in profit or loss		

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000

27. COMMITMENTS AND CONTINGENCIES

27.1 Commitments

27.1.1 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 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		Future minimum lease payments are as follows:		
286 374	262 844	Within one year		
1 003 852	926 760	After one year but not more than five years		
1 450 868	1 591 345	More than five years		
2 741 094	2 780 949	Total lease payments payable		

27.1.2 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 five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2014 are as follows:		
2 993	3 253	Within one year		
9 387	9 731	After one year, but not more than five years		
12 380	12 984	Total minimum lease payments		

27.1.3 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.

GROUP 2014 Minimum payments R'000	GROUP 2014 Present value of payments R'000		GROUP 2013 Restated Minimum payments R'000	GROUP 2013 Restated Present value of payments R'000
		Future minimum lease payments with the present value of the net minimum lease payments are as follows:		
14 195	**12 752**	Within one year	14 852	13 420
17 836	**12 599**	After one year but not more than five years	19 003	16 640
32 031	**25 351**	Total minimum lease payments	33 855	30 060
(6 680)	**–**	*Less:* Amounts representing finance charges	(3 795)	–
25 351	**25 351**	Present value of minimum lease payments	30 060	30 060

27.1.4 Capital commitments

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
286 966	127 854	Capital expenditure authorised and contracted for		
53 787	84 126	Capital expenditure authorised but not contracted for		
340 753	211 980	Total capital commitments		

Commitments will be spent within the next three to four years. The capital expenditure will be funded from Group funds. Included in capital expenditure authorised and contracted for is R150 million for the acquisition of Dairy Belle. Refer to page 112 on the directors report for more detail.

27.1.5 Contingencies

Clover S.A. (Proprietary) Limited is currently party to a contractual dispute, which is subject to arbitration. The outcome of arbitration is expected during October 2014. The estimated potential exposure to the company amounts to R24 million, if unsuccessful in arbitration.

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000

28. 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 except for a sub-ordination agreement with Clover Namibia. During the year under review, addisional impairments were raised on the loans from Clover SA to Clover West Africa of R9,1 million (2013: R35,6 million) and to Clover Namibia of R5,4 million (2013: R4 million). 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.

28.1 With regard to operating activities with subsidiaries and joint ventures, the following transactions took place during the year:

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		(a) Fees earned by CIL for services rendered to Group Companies		
45 892	45 411	Clover SA – Subsidiary	**45 892**	45 411
45 892	45 411	**Total fees earned by CIL for services rendered to Group Companies**	**45 892**	45 411
		(b) Fees earned by Clover SA for services rendered to Group Companies		
79 405	–	Clover Waters – Subsidiary		
5 458	3 957	Clover Botswana – Subsidiary		
5 218	5 723	Clover Fonterra – Joint venture		
–	14 973	Clover Manhattan – Joint venture		
12 127	–	Real Beverage Company – Subsidiary		
102 208	24 653	**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 – Subsidiary		
199	178	Clover Namibia – Subsidiary		
–	47	Clover Fonterra – Joint venture		
2 157	–	Clover Waters – Subsidiary		
2 356	4 080	**Total finance income received by Clover SA from Group Companies**		
		(d) Amounts owing by Clover SA to Group Companies		
401 925	380 789	Clover Industries – Holding company	**401 925**	380 789
20 853	34 777	Clover Fonterra – Joint venture		
100	102	Lactolab – Subsidiary		
15 156	17 299	Real Beverage Company – Subsidiary		
26 872	–	Clover Waters – subsidiary		
464 906	432 967	**Total amounts owing by Clover SA to Group Companies**	**401 925**	380 789

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		(e) Amounts due to Clover SA from Group Companies		
152 470	286 264	Clover Capital – Subsidiary		
64 278	52 306	Clover West Africa – Subsidiary		
190 642	178 363	Real Beverage Company – Subsidiary		
21	52	Lactolab – Subsidiary		
1 427	1 695	Clover Swaziland – Subsidiary		
593	30 221	Clover Fonterra – Joint venture		
19 508	43 691	Clover Botswana – Subsidiary		
17 378	28 241	Clover Namibia – Subsidiary		
34 855	–	Clover Waters – Subsidiary		
481 172	620 833	**Total amounts due to Clover SA from Group Companies**		
		(f) Amounts due to CIL from Group Companies		
401 925	380 789	Clover SA – Subsidiary	**401 925**	380 789
7	6	CIL Share Purchase Trust	**7**	6
401 932	380 795	**Total amounts due to CIL from Group Companies**	**401 932**	380 795
		(g) Clover SA received the following dividends during the year from Group Companies		
12 297	3 296	Clover Fonterra Ingredients – Joint venture		
1 040	780	Lactolab – Subsidiary		
–	18 274	Clover Manhattan – Joint venture		
4 106	–	Real Beverage Company – Subsidiary		
17 443	22 350	**Total dividends received by Clover SA from Group Companies**		
		(h) CIL received the following dividends during the year from Group Companies		
45 000	–	Clover SA – Subsidiary	**45 000**	–
45 000	–	**Total dividends received by CIL from Group Companies**	**45 000**	–

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		28.2 The following transactions regarding the securitisation of debtors took place during the year between Clover SA and Clover Capital:		
92 041	127 512	Net finance cost paid by Clover SA to Clover Capital		
9 793 387	10 351 193	Debtors sold to Clover Capital		
(9 839 186)	(10 335 343)	Receipts from Clover Capital		
		28.3 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	JAH Bredin (resigned 30 November 2012)		
–	3 427	HPF Du Preez (resigned 30 November 2012)		
2 009	4 223	MG Elliott (resigned 26 November 2013)		
20 078	26 290	JC Hendriks (Dr) (resigned 13 March 2014)		
92 409	71 273	WI Büchner		
31 527	27 797	NA Smith		
3 598	–	PR Griffin (appointed 13 March 2014)		
149 621	135 634	**Total milk purchased from Non-executive Directors**		
		Refer to note 32 for more information regarding compensation of Directors and key management personnel.		
		28.4 Loans outstanding to Directors and senior management		
		Executive Director		
14 238	25 538	JH Vorster	**14 238**	25 538
–	6 774	CP Lerm (Dr)	**–**	6 774
		Other Executives		
2 573	2 536	JHF Botes (Dr)	**2 573**	2 536
16 811	34 848	**Total**	**16 811**	34 848
		Refer to note 17 for more details around the terms of the loans.		

29. 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.

29.1 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, interest rate and share price 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) Ltd. Risk Management undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

a. 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, derivatives 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 29.5. 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 73,6% (2013: 72,5%) 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.

Guarantees	2014 Rm	2013 Rm
Municipalities	**15,29**	16,13
Other	**0,35**	0,48
	15,64	16,61

b. 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. Refer to note 29.4 for detailed analysis of liquidity exposure.

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% (2013: 25%) of long-term borrowings should mature in the next 12-month period. 1,5% (2013: 1,6%) 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.

c. 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.

(i) 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 (2013: R2 million) 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 2014 Change in rate	GROUP 2014 Effect on profit before tax R'000	GROUP 2014 Effect on equity R'000		GROUP 2013 Change in rate	GROUP 2013 Effect on profit before tax R'000	GROUP 2013 Effect on equity R'000
			Forward exchange contracts open on reporting date			
+30%			**Rand – strengthening**	+30%		
	–		Profit on Euro		306	
	–		Profit on US Dollar		–	
-30%			**Rand – weakening**	-30%		
	–		Loss on Euro		(306)	
	–		Loss on US Dollar		–	
			Foreign subsidiaries – equity			
+10%			**Rand – strengthening**	+10%		
		(13 078)	Loss on Pulas			(8 452)
-10%			**Rand – weakening**	-10%		
		13 078	Profit on Pulas			8 452

(ii) 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 2014 R'000		GROUP 2013 R'000
	At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:	
416 755	Fixed-rate instruments	413 396
460 097	Variable-rate instruments	425 890
876 852		839 286
	Interest rate sensitivity	
	An increase/decrease of 100 basis points (2013: 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	
(4 601)	Decrease in profit before tax	(4 259)
	Decrease of 100 basis points	
4 601	Increase in profit before tax	4 259

GROUP 2014 R'000		GROUP 2013 R'000
	(iii) Share price risk management	
	The Group is affected by the movement in its share price due to the share appreciation rights issued 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 (2013: 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	
3 585	Increase in profit before tax	3 551
	Decrease of 10 percent in share price	
(3 585)	Decrease in profit before tax	(3 551)

29.2 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 (2013: R650 million). The securitisation provides access to senior debt equal to 74,5% (2013: 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 8,6% (2013: 11,9%) was achieved. In comparison the weighted average interest expense on interest-bearing borrowings was 7,6% (2013: 8,8%).

29.3 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:

GROUP 2014 Carrying amount R'000	GROUP 2014 Fair value R'000		COMPANY 2014 Carrying amount R'000	COMPANY 2014 Fair value R'000
		Financial assets		
1 039 187	**1 039 187**	Loans and receivables	**418 745**	**418 745**
653 889	**653 889**	Cash and short-term deposits	**35 237**	**35 237**
1 693 076	**1 693 076**	**Total financial assets**	**453 982**	**453 982**
		Financial liabilities		
2 067 879	**2 067 879**	Loans, trade and other payables	**12 251**	**12 251**
2 067 879	**2 067 879**	**Total financial liabilities**	**12 251**	**12 251**

GROUP 2013 Restated Carrying amount R'000	GROUP 2013 Restated Fair value R'000		COMPANY 2013 Carrying amount R'000	COMPANY 2013 Fair value R'000
		Financial assets		
1 025 525	1 025 525	Loans and receivables	415 827	415 827
132	132	Derivatives not designated as hedges	–	–
704 559	704 559	Cash and short-term deposit	21 998	21 998
1 730 216	1 730 216	**Total financial assets**	437 825	437 825
		Financial liabilities		
2 067 401	2 067 401	Loans, trade and other payables	20 395	20 395

The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair value due to the short-term maturities of these financial statements.

Long-term fixed-rate and 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.

29.4 Liquidity risk profile

Maturity profile of financial instruments

The maturity profile of the financial instruments is summarised as follows for the Group:

	GROUP 2014 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	**6 058**	**5 320**	**1 899**	**7 531**	**7 831**	**28 639**
Secured by securitisation of trade debtors	**28 207**	**27 850**	**307 768**	**474 443**	**–**	**838 268**
Unsecured loans	**196 434**	**1 408**	**704**	**–**	**–**	**198 546**
Guarantees	**–**	**15 632**	**–**	**–**	**–**	**15 632**
Bank overdrafts	**6 476**	**–**	**–**		**–**	**6 476**
Trade and other payables	**1 140 089**	**46 585**	**4 351**	**–**	**–**	**1 191 025**
Total financial liabilities	**1 377 264**	**96 795**	**314 722**	**481 974**	**7 831**	**2 278 586**

	GROUP 2013 Restated 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	6 274	5 734	9 791	3 724	343	25 866
Secured by securitisation of trade debtors	27 385	27 133	54 620	780 651	–	889 789
Unsecured loans	143 366	1 402	3 505	–	–	148 273
Guarantees	–	16 610	–	–	–	16 610
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	1 416 197	63 064	76 154	785 404	343	2 341 162

At 30 June 2014, the Group had available R120 million (2013: R100 million) of unutilised committed borrowing facilities in respect of which all conditions precedent had been met.

29.4 Liquidity risk profile (continued)

The maturity profile of the financial instruments is summarised as follows for the Company:

	COMPANY 2014					
	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	**12 251**	**–**	**–**	**–**	**–**	**12 251**
Total financial liabilities	**12 251**	**–**	**–**	**–**	**–**	**12 251**

	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

GROUP Carrying value 2014 R'000	GROUP Carrying value 2013 Restated R'000		COMPANY Carrying value 2014 R'000	COMPANY Carrying value 2013 R'000
		29.5 Credit risk		
		Exposure to credit risk		
		The carrying amount of financial assets represents the maximum exposure to credit risk.		
		Financial assets per class		
870 514	906 677	Trade receivables	**–**	–
168 673	118 848	Other receivables	**418 745**	415 827
653 889	704 559	Cash and short-term deposits	**35 237**	21 998
1 693 076	1 730 084	**Total financial assets**	**453 982**	437 825
		Trade receivables		
		The maximum exposure to credit risk for trade receivables at the reporting date by customer type was as follows:		
640 624	657 254	Retail chain stores		
71 987	101 956	Wholesale chain stores		
157 903	147 467	Industrial/Catering/General trade		
870 514	906 677	**Total**		
		The ageing of trade receivables at the reporting date is as follows:		
821 246	851 958	Neither past due not impaired		
40 324	43 654	Past due, but not impaired 0 – 30 days		
6 084	7 893	Past due but not impaired 31 – 120 days		
2 860	3 172	Past due but not impaired 120 days		
870 514	906 677	**Total**		
		The movement in the allowance for impairment in respect of trade receivables during the year was as follows:		
3 309	1 539	Balance at the beginning of the year		
2 428	2 555	Increases in impairments		
(1 888)	(785)	Impairment loss written off/unused amounts reversed		
3 849	3 309	**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.

30. INVESTMENT IN SUBSIDIARY AND JOINT VENTURE

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		Investment in subsidiary company		
		Clover SA	**326 735**	326 735
		Share-based payment investment in Clover SA	**26 551**	32 881
		Total investment in subsidiary	**353 286**	359 616
		Share of investment in a joint venture		
35 066	32 963	Clover Fonterra		

Subsidiary and joint venture: Name of company	Country of incorporation	Nature of business	Effective interest in capital 2014 %	Effective interest in capital 2013 %	Investment in subsidiaries and joint ventures[1] 2014 R'000	Investment in subsidiaries and joint ventures[1] 2013 R'000	Profit/(loss) after taxation[3] 2014 R'000	Profit/(loss) after taxation[3] 2013 R'000
Clover SA[2]	South Africa	Dairy manufacturing, distribution, sales	**100**	100	**353 286**	359 616	**97 405**	99 763
Real Beverage Company	South Africa	Manufacturing and sales of fruit juices	**100**	100	**190 642**	174 627	**12 581**	22 188
Clover Botswana	Botswana	Dairy manufacturing, distribution, sales	**100**	100	**23 111**	23 111	**41 892**	24 940
Clover Manhattan[@]	South Africa	Distribution and sales of Iced Tea and health related products	**–**	–	**–**	–	**–**	863
Clover Swaziland	Swaziland	Distribution and sales of dairy products in Swaziland	**100**	100	**1**	1	**1 964**	(869)
Lactolab	South Africa	Testing of dairy products	**52**	52	*****	*	**1 936**	2 568
Clover Capital	South Africa	Finance	**100**	100	**426 785**	434 744	**–**	–
Clover Fonterra[#]	South Africa	Marketing, selling and distribution of dairy and related ingredient products	**51**	51	**35 170**	32 963	**14 259**	14 221
Clover West Africa	Nigeria	Marketing of non-alcoholic beverage products	**100**	100	**468**	468	**(7 871)**	(9 841)
Clover Namibia	Namibia	Distribution and sales of dairy products in Namibia	**100**	100	*****	*	**(4 169)**	(13)
Clover Waters	South Africa	Marketing, sales, distribution and production of water and Iced Tea	**70**	–	**34 997**	–	**4 810**	–
Clover Futurelife[$#]	South Africa	Manufactures, distributes, sells and markets a range of functional food products	**50**	–	**–**	–	**–**	–

 # Joint venture.
@ In the process of deregistration.
** Amounts less than R1 000.*
$ The company has not yet commenced trading.
1 Held by Clover SA.
2 Held by CIL.
3 Before inter company eliminations.

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		Lactolab		
		Subsidiary's statement of financial position		
3 541	4 552	Current assets including cash and cash equivalents R1,9 million (2013: R2,6 million) and inventory R0,3 million (2013: R0,4 million)		
2 665	3 258	Non-current assets including property, plant and equipment R2,6 million (2013: R3,2 million)		
(1 462)	(3 002)	Current liabilities including trade and other payables of R0,6 million (2013: R1,3 million)		
4 744	4 808	Equity (Net asset value)		
52%	52%	Portion of the Group's ownership		
2 467	2 500	Net asset value of the investment		
		Subsidiary's revenue and profit		
9 358	10 572	Revenue		
(2 012)	(2 415)	Cost of sales		
(4 259)	(4 466)	Sales, marketing, distribution and administrative expenses		
(325)	–	Other operating income/(expenses)		
(63)	(118)	Net finance income/(cost)		
2 699	3 573	Profit before taxation		
(764)	(1 004)	Income tax expense		
1 935	2 569	**Profit for the year**		
52%	52%	Portion of the Group's ownership		
1 006	1 336	Group's share of profit for the year		
1 040	780	Dividend received		

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
		Clover Waters		
		Subsidiary's statement of financial position		
62 383		Current assets including cash and cash equivalents R11,5 million and inventory R23,0 million		
93 395		Non-current assets including property, plant and equipment R55,5 million		
(10 319)		Non-current assets liabilities including deferred tax R10,3 million		
(84 626)		Current liabilities including trade and other payables of R84,6 million		
60 833		Equity (Net asset value)		
70%		Portion of the Group's ownership		
42 583		Net asset value of the investment		
		Subsidiary's revenue and profit		
215 609		Revenue		
(103 951)		Cost of sales		
(117 183)		Sales, marketing, distribution and administrative expenses		
6 773		Other operating income/(expenses)		
(2 629)		Net finance income/(cost)		
(1 381)		Profit before taxation		
6 192		Income tax expense		
4 811		**Profit for the year**		
70%		Portion of the Group's ownership		
3 368		Group's share of profit for the year		
–		Dividend received		

Refer to note 4 for the joint ventures namely Clover Fonterra Ingredients and Clover Manhattan.

GROUP 2014 R'000	GROUP 2013 R'000		COMPANY 2014 R'000	COMPANY 2013 R'000

31. SHARE-BASED PAYMENTS

31.1 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 (SAR) as well as the placement of 8 million unissued ordinary shares under the control of the Directors to fulfil the Group's potential future obligations in terms of the plan. The main rules of the scheme are as follows:

The Group's obligations in terms of this plan can at the election of the Group 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 54 to 69.

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 24,3%, risk free rate of 7,94% and a dividend yield of 2,18%.

Fifth allocation – Expected volatility of 24,3%, risk free rate of 6,67% and dividend yield of 1,74%.

Sixth allocation – Expected volatility of 21,4%, risk free rate of 7,01% and dividend yield of 1,80%.

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	10 932 272 (2013: 12 676 780)	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	186 667 (2013: 933 335)	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	Four years	R11,00	1 614 939 (2013: 1 614 939)	R3,11	Full allocation vest on 1 July 2014
Clover's Share Appreciation Rights – Allocation to Executive Committee member ER Bosch	1 June 2012	Five years	R13,50	953 620 (2013: 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	Five years	R13,73	2 737 742 (2013: 2 737 742)	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	Five years	R15,15	925 500 (2013: 925 500)	R3,95	One-third on 1 October 2015, a third on 1 October 2016 and a final third on 1 October 2017
Clover's Share Appreciation Rights Plan (2010) – Fifth allocation	1 July 2013	Six years	R16,83	3 041 063 (2013: Nil)	R4,97	Full allocation vest on 1 July 2016
Clover's Share Appreciation Rights Plan (2010) – Sixth allocation	30 June 2014	Seven years	R17,31	3 134 141 (2013: Nil)	R4,83	Full allocation vest on 30 June 2017

GROUP			COMPANY	
2014 R'000	2013 R'000		2014 R'000	2013 R'000
		Provision against income		
17 351	18 407	Share-based payment reserve		

32. DIRECTORS' REMUNERATION AND INTERESTS

32.1 Directors' remuneration

	2014								
	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	3 945		1 083	1 436		622	52	7 138	4 464
LJ Botha	2 690		758	797		407	56	4 708	1 338
CP Lerm(Dr)	2 329		673	913		375	47	4 337	743
Total remuneration of Executive Directors	8 964	–	2 514	3 146	–	1 404	155	16 183	6 545
Non-executive Directors									
WI Büchner		1 038					–	1 038	
MG Elliot		144					7	151	
JC Hendriks (Dr)		254					–	254	
TA Wixley		783					–	783	
SF Booysen (Dr)		710					15	725	
NP Mageza		203					–	203	
JNS Du Plessis (Adv)		478					14	492	
NA Smith		340					7	347	
N Mokhesi		254					–	254	
B Ngonyama		275					–	275	
PR Griffin		72					–	72	
Total remuneration of Non-executive Directors	–	4 551	–	–	–	–	43	4 594	–
Total Directors' remuneration	8 964	4 551	2 514	3 146	–	1 404	198	20 777	6 545
Other Executives (prescribed officers)									
H Lubbe	2 346		677	913		377	256	4 569	743
JHF Botes (Dr)	2 357		678	923		380	252	4 590	743
ER Bosch	2 375		650	1 141		403	84	4 653	
MM Palmeiro	1 934		545	811		355	699	4 344	
Total remuneration of other Executives	9 012	–	2 550	3 788	–	1 515	1 291	18 156	1 486

** Travel and accommodation expenses, fees paid for directorships held in subsidiaries.*

	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.*

32.2 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 2013	Share appreciation rights granted during the year	Number of rights exercised/ cancelled during the year	Number of rights as at 30 June 2014	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.
	266 667		266 667	**–**	16,74	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.
		879 589		**879 589**		R16,83	All on 1 July 2016.
		906 510		**906 510**		R17,31	All on 30 June 2017.
CP Lerm (Dr)	1 636 505			**1 636 505**		R4,67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	44 445		44 445	**–**	16,72	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.
		332 135		**332 135**		R16,83	All on 1 July 2016.
		342 300		**342 300**		R17,31	All on 30 June 2017.
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		80 000	**186 667**	16,73	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.
		452 775		**452 775**		R16,83	All on 1 July 2016.
		466 633		**466 633**		R17,31	All on 30 June 2017.
Total Executive Directors	12 430 558	3 379 942	391 112	**15 419 388**			

	Number of rights as at 30 June 2013	Share appreciation rights granted during the year	Number of rights exercised/ cancelled during the year	Number of rights as at 30 June 2014	Share price on date exercised	Grant price	Date from which exercisable
Other Executives (prescribed officers)							
H Lubbe	1 351 491			**1 351 491**		R4,67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	44 444		44 444	**–**	16,72	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.
		332 135		**332 135**		R16,83	All on 1 July 2016.
		342 301		**342 301**		R17,31	All on 30 June 2017.
JHF Botes (Dr)	913 936			**913 936**		R4,67	One-third on 31 May 2013, a further third on 31 May 2014 and a final third on 31 May 2015.
	44 444		44 444	**–**	16,72	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.
		332 135		**332 135**		R16,83	All on 1 July 2016.
		342 301		**342 301**		R17,31	All on 30 June 2017.
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.
		332 135		**332 135**		R16,83	All on 1 July 2016.
		342 301		**342 301**		R17,31	All on 30 June 2017.
MM Palmeiro	925 500			**925 500**		R15,15	One-third on 1 October 2015, a third on 1 October 2016 and final third on 1 October 2017.
		380 159		**380 159**		R16,83	All on 1 July 2016.
		391 795		**391 795**		R17,31	All on 30 June 2017.
Total other Executives	5 400 182	2 795 262	88 888	**8 106 556**			
Total	17 830 740	6 175 204	480 000	**23 525 944**			

32.3 Interest of Directors and other Executives of the Company in ordinary share capital

2014 Direct	2014 Indirect	2014 Associates		2013 Direct	2013 Indirect	2013 Associates
Number of shares at 30 June 2014				Number of shares at 30 June 2013		
			Executive Directors			
7 575 496	**–**	**398 315**	JH Vorster	7 575 496	–	398 315
–	**–**	**–**	HB Roode (Retired 30 June 2013)	3 346 547	–	–
2 919 804	**–**	**–**	CP Lerm (Dr)	3 919 804	–	–
1 568 707	**–**	**–**	LJ Botha	1 887 768	–	–
12 064 007	**–**	**398 315**		16 729 615	–	398 315
			Non-executive Directors			
–	**710 400**	**–**	WI Büchner*	–	480 400	–
241 689	**–**	**–**	MG Elliot* (Resigned 26 November 2013)	241 689	–	–
1 112 892	**–**	**–**	JC Hendriks (Dr)* (Resigned 13 March 2014)	1 112 892	–	–
–	**1 227 586**	**–**	NA Smith	–	1 337 586	–
47 619	**–**	**–**	TA Wixley	47 619	–	–
95 000	**–**	**–**	PR Griffin (Appointed 13 March 2014)	–	–	–
5 977	**–**	**–**	NP Mageza (Resigned 26 November 2013)	–	–	–
1 503 177	**1 937 986**	**–**		1 402 200	1 817 986	–
13 567 184	**1 937 986**	**398 315**	**Total Directors' interests in ordinary share capital**	18 131 815	1 817 986	398 315
			Other Executives (prescribed officers)			
752 222	**–**	**–**	H Lubbe	771 632	–	–
738 543	**–**	**–**	JHF Botes (Dr)	738 543	–	–
1 490 765	**–**	**–**	**Total interest of other Executives in ordinary share capital**	1 510 175	–	–

** These Directors are trustees of the Clover Milk Producer Trust that holds 21 932 000 (2013: 21 932 000) ordinary shares in the Company.*

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000

33. LONG-SERVICE BONUS

33.1 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:

33.2 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.

33.3 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.

33.4 Valuation results

Past service liability

The total past service liability in respect of long-service bonuses is set out as follows:

GROUP 2014 R'000	GROUP 2013 Restated R'000		COMPANY 2014 R'000	COMPANY 2013 R'000
24 906	27 622	Employees with employment date before 01/01/2001		
1 470	1 287	Employees with employment date after 01/01/2001		
26 376	28 909	**Total past service liability**		

The valuation results as at 30 June 2014 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 2013 are based on the previous best estimates.

GROUP 2014 %	GROUP 2013 %		COMPANY 2014 %	COMPANY 2013 %
		33.5 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:		
8,5	8,9	a) The following discount rate per annum was used for the calculation of interest cost		
8,3	7,7	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		
28 909	30 901	Opening balance		
2 370	2 685	*Plus:* Interest cost		
1 608	1 703	Current service cost		
(7 747)	(9 670)	*Less:* Benefits paid		
1 236	3 290	Actuarial loss		
26 376	28 909	**Closing balance**		

34. EVENTS AFTER THE REPORTING PERIOD

With effect 1 July 2014 Clover SA bought the remaining 48% issued ordinary shares of Lactolab from Taurus Stock Improvement Co-operative Ltd for an amount of R5,5 million.

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
Clover Waters (Pty) Limited:	Clover Waters

The following abbreviations are used in the financial statements

Other

Branded Consumer Goods:	BCG
Broad-based Black Economic Empowerment:	B-BBEE
Capital Gains Tax:	CGT
Department of Trade and Industry:	DTI
Depreciated Replacement Cost:	DRC
Essentials of Management and Leadership:	EML
Further Education and Training:	FET
Further Education and Training Certificate:	FETC
Good Manufacturing Practices:	GMP
Hazard Analysis Critical Control Points:	HACCP
International Accounting Standards:	IAS
International Organisation for Standardisation:	ISO
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
Quality Council for Trade and Occupations:	QCTO
Rand Merchant Bank:	RMB
Remuneration Committee:	Remco
Share appreciation rights:	SAR
Supplier Ethical Data Exchange:	SEDEX

DEFINITIONS

Dividend per ordinary share
Dividend paid to ordinary shareholders is the actual 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.

Normalised earnings
Normalised earnings consists of earnings for the period adjusted for the after tax effect of capital profits/losses from the sale/acquisition of property, plant and equipment or businesses, restructuring cost and costs relating to the capital structure of the company.

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